

English Translation of Financial Statements and a Report Originally Issued in Chinese

Ticker: 3189

Kinsus Interconnect Technology Corp. and Subsidiaries
Consolidated Financial Statements
With Review Report of Independent Auditors
AS OF DECEMBER 31, 2022 AND 2021
And For The Years Then Ended

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The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

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MANAGEMENT REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of Kinsus Interconnect Technology Corp. as of December 31, 2022 and for the year then ended under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard No. 10, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Kinsus Interconnect Technology Corp. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

Kinsus Interconnect Technology Corp.

By

Liao, Sih-Jheng

Chairman

February 13th, 2023

English Translation of Financial Statements and a Report Originally Issued in Chinese

INDEPENDENT AUDITORS' REPORT

To The Board of Directors of
Kinsus Interconnect Technology Corp.

Opinion

We have audited the accompanying consolidated balance sheets of Kinsus Interconnect Technology Corp. (the “Company”) and its subsidiaries as of December 31, 2022 and 2021, the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including the summary of significant accounting policies (together referred as “the consolidated financial statements”).

In our opinion, based on our audits and the reports of other auditor (please refer to the Other Matter – Making Reference to the Audit of a Component Auditor section of our report), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2022 and 2021, and its consolidated financial performance and cash flows for the years then ended, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

Revenue Recognition

We determine that revenue recognition is one of the key audit matters. The Company's consolidated revenue amounting to NT\$42,441,054 thousand (including revenue from discontinued operations amounting to NT\$814,568 thousand) for the year ended December 31, 2022 is a significant account to the Company's consolidated financial statements. The Company has conducted these sale activities in multi-marketplace, including Taiwan, China, USA, etc. Among these locations, the Company has established hub-warehouse for certain foreign customers' convenience. Furthermore, the timing of fulfilling performance obligation needs to be determined based on varieties of sale terms and conditions enacted in the main sale contracts or sale orders. Our audit procedures therefore include, but not limit to, evaluating the properness of accounting policy for revenue recognition, assessing and testing the effectiveness of relevant internal controls related to revenue recognition, sampling-test of details, including obtaining major sale orders or agreements to inspect the terms and conditions, checking the consistency of the fulfillment timing, and performance obligation for revenue recognition from foreign warehouses with sale agreement or orders, performing analytical review procedures on monthly sale revenues, executing sale cut-off tests, etc. We have also evaluated the appropriateness of the related disclosure in Notes 4 and 6 to the consolidated financial statements.

Market valuation on Inventory

We determined the market valuation on inventory is one of the key audit matters in considering that the amount of inventory was significant and the assessment of sufficiency of inventory loss requires significant management judgement. The Company's net inventory amounted to NT\$3,480,943 thousand as of December 31, 2022. As the application market of substrate, the Company's main products, is characterized by rapid development in technology and the trend of consumers' preference, management, in timely considering the status of new products development and the demand from clients, has to evaluate the loss due to market value decline as well as write-down on slow-moving inventories to their net realizable value. Our audit procedures therefore include, but not limit to, evaluating the Company's policy with respect to assessment the loss from slow-moving inventory and phased-out items, (including identification method, testing the accuracy of inventory aging schedule, analysis on inventory movement), performing observation on the Company's inventory physical-taking, and inspecting the current status of inventory usage, etc. We also assessed the adequacy of the inventory-related disclosures shown in the Notes 5 and 6 to the consolidated financial statements.

Other Matter – Making Reference to the Audit of a Component Auditor

We did not audit the financial statements of FuYang Technology Corp., an invested associate accounted for under the equity method. The financial statements of FuYang Technology Corp. as of December 31, 2022 and 2021 and for the years then ended were audited by other auditors, whose reports thereon have been furnished to us. Our audit, insofar as it related to the investment in the associate accounted for under the equity method amounting to NT\$381,123 thousand and NT\$325,005 thousand as of December 31, 2022 and 2021 representing 0.53% and 0.56% of the Company's consolidated total assets, the related shares of income before tax from the associate under the equity method for the years then ended amounting to NT\$ 53,319 thousand and NT\$27,839 thousand representing 0.53% and 0.54% of the Company's consolidated income before tax, and the related shares of other comprehensive income from the associate under the equity method for the years then ended amounting to NT\$2,799 thousand and NT\$(1,623) thousand representing 2.72% and 6.69% of the consolidated other comprehensive income, are based solely on the audit reports of other auditors.

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 requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.
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 ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, 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 Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2022 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's 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.

We have audited and expressed an unqualified opinion on the parent-company-only financial statements of the Company as of and for the years then ended December 31, 2022 and 2021.

Hong, Mao-Yi



Cheng, Ching-Piao



Ernst & Young
February 13th, 2023
Taipei, Taiwan,
Republic of China

Notice to Readers

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

Accordingly, the accompanying consolidated financial statements and report of independent accountants 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, Ernst & Young 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.

English Translation of Consolidated Financial Statements Originally Issued in Chinese
Kinsus Interconnect Technology Corp. and Subsidiaries
Consolidated Balance Sheets
As of December 31, 2022 and 2021
(Amounts Expressed In Thousands of New Taiwan Dollars)

Assets			As of December 31, 2022		As of December 31, 2021	
Code	Accounts	Notes	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	4, 6(1)	\$16,684,198	23	\$15,332,027	26
1110	Financial assets at fair value through profit or loss	4, 6(2)	1,218,551	2	616,080	1
1136	Financial assets carried at amortized cost	4, 6(3)	20,057	-	20,057	-
1150	Notes receivable, net	4, 6(5)	11,200	-	4,200	-
1170	Accounts receivable, net	4, 6(6)	5,035,681	7	5,648,004	10
1180	Accounts receivable - related parties, net	6(6), 7	2,924	-	26,311	-
1200	Other receivables		606,035	1	406,415	1
1210	Other receivables - related parties	7	-	-	367	-
1310	Inventories, net	4, 6(7)	3,480,943	5	3,465,944	6
1410	Prepayments	7	659,751	1	532,717	1
1470	Other current assets		380,949	-	372,182	-
11xx	Total current assets		28,100,289	39	26,424,304	45
	Non-current assets					
1517	Financial asset at fair value through OCI	4, 6(4)	51,000	-	51,000	-
1550	Investment accounted for under equity method	4, 6(8)	381,123	1	325,005	1
1600	Property, plant and equipment, net	4, 6(9), 7, 8, 9	31,552,538	43	24,413,455	42
1755	Right-of-use asset	4, 6(23)	517,233	1	353,295	1
1780	Intangible assets	4, 6(10)	48,023	-	33,218	-
1840	Deferred income tax assets	4, 6(27)	27,386	-	23,053	-
1900	Other non-current assets	6(11), 6(18) 7, 8	119,314	-	91,805	-
1915	Prepayment for acquiring machinery	6(9), 9	11,836,510	16	6,671,013	11
15xx	Total non-current assets		44,533,127	61	31,961,844	55
1xxx	Total Assets		\$72,633,416	100	\$58,386,148	100

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Consolidated Balance Sheets-(Continued)

As of December 31, 2022 and 2021

(Amounts Expressed In Thousands of New Taiwan Dollars)

Liabilities and Equity			As of December 31, 2022		As of December 31, 2021	
Code	Accounts	Notes	Amount	%	Amount	%
	Current liabilities					
2100	Short-term loans	6(12)	\$376,620	-	\$1,099,846	2
2130	Contract liability	4, 6(21)	112,683	-	111,350	-
2150	Notes payable		24,330	-	28,636	-
2170	Accounts payable		2,148,750	3	2,886,877	5
2200	Other payables	6(13), 7	8,624,862	12	7,234,272	13
2230	Current income tax liabilities	4	1,926,949	3	754,071	1
2280	Lease liability	4, 6(23)	132,253	-	52,396	-
2300	Other current liabilities	6(14)	1,481,521	2	1,634,143	3
2365	Refund liability	4, 6(15)	545,781	1	181,108	-
21xx	Total current liabilities		15,373,749	21	13,982,699	24
	Non-current liabilities					
2527	Contract liability	4, 6(21)	2,441,184	4	-	-
2540	Long-term loans	6(16), 8	10,770,014	15	9,387,273	16
2570	Deferred income tax liabilities	4, 6(27)	37,335	-	26,016	-
2580	Lease liability	4, 6(23)	231,107	-	109,107	-
2600	Other non-current liabilities	6(17)	4,964,134	7	1,891,955	3
25xx	Total non-current liabilities		18,443,774	26	11,414,351	19
2xxx	Total liabilities		33,817,523	47	25,397,050	43
31xx	Equity attributable to shareholders of the parent					
3100	Capital	6(19)				
3110	Common stock		4,527,761	6	4,508,441	8
3200	Capital surplus	6(19)	6,860,826	9	6,633,051	11
3300	Retained earnings	6(19)				
3310	Legal reserve		4,087,701	5	3,700,821	6
3320	Special reserve		203,108	1	181,016	-
3350	Unappropriated earnings		18,826,225	26	14,249,110	25
3400	Other components of equity		(183,871)	-	(203,107)	-
3500	Treasury Stock	6(19)	(50)	-	-	-
36xx	Non-controlling interests	6(19)	4,494,193	6	3,919,766	7
3xxx	Total equity		38,815,893	53	32,989,098	57
	Total liabilities and equity		\$72,633,416	100	\$58,386,148	100

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
Kinsus Interconnect Technology Corp. and Subsidiaries
Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2022 and 2021
(Amounts Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

Code	Items	Notes	2022		2021 (After restatement)	
			Amount	%	Amount	%
4000	Operating revenues	4, 6(21), 7	\$41,626,486	100	\$33,336,442	100
5000	Operating costs		(25,758,171)	(62)	(22,582,508)	(68)
5900	Gross profit		15,868,315	38	10,753,934	32
6000	Operating expenses	7				
6100	Sales and marketing		(917,787)	(2)	(923,627)	(3)
6200	General and administrative		(2,499,697)	(6)	(1,955,082)	(6)
6300	Research and development		(2,481,707)	(6)	(2,412,619)	(7)
6450	Expected credit gains (losses)	4, 6(22)	(5,539)	-	(6,831)	-
	Total operating expenses		(5,904,730)	(14)	(5,298,159)	(16)
6900	Operating income		9,963,585	24	5,455,775	16
7000	Non-operating incomes and expenses					
7100	Interest income	6(25)	81,585	-	33,408	-
7010	Other incomes	6(25), 7	186,576	-	202,883	1
7020	Other gains or losses	6(25), 7	196,456	1	(10,846)	-
7050	Finance costs	6(25)	(146,531)	-	(67,934)	-
7060	Share of the profit or loss of associates and joint ventures	6(8)	53,319	-	27,839	-
	Total non-operating incomes and expenses		371,405	1	185,350	1
7900	Income before income tax		10,334,990	25	5,641,125	17
7950	Income tax expense	4, 6(27)	(2,158,404)	(5)	(671,803)	(2)
8000	Profit from continuing operations		8,176,586	20	4,969,322	15
8100	Income (loss) from discontinued operations					
8101	Loss from discontinued operations	4, 12(11)	(243,116)	(1)	(477,214)	(1)
8200	Net income		7,933,470	19	4,492,108	14
8300	Other comprehensive income (loss)	6(26)				
8310	Item that not be reclassified to profit or loss					
8311	Actuarial gain (loss) from defined benefit plans		42,519	-	9,757	-
8360	Items that may be reclassified subsequently to profit or loss					
8361	Exchange differences on translation of foreign operations		57,556	-	(32,403)	-
8370	Share of the other comprehensive income (loss) of associates and joint ventures		2,799	-	(1,623)	-
	Total other comprehensive income (loss), net of tax		102,874	-	(24,269)	-
8500	Total comprehensive income		\$8,036,344	19	\$4,467,839	14
8600	Net income attributable to:					
8610	Shareholders of the parent					
	Continuing operations		\$7,100,781	17	\$4,102,363	12
	Discontinued operations		(123,989)	-	(243,379)	-
	Net income attributable to Parent		6,976,792	17	3,858,984	12
8620	Non-controlling interests					
	Continuing operations		1,075,805	2	866,959	3
	Discontinued operations		(119,127)	-	(233,835)	(1)
	Net income attributable to Non-controlling interests		956,678	2	633,124	2
			\$7,933,470	19	\$4,492,108	14
8700	Comprehensive income attributable to:					
8710	Shareholders of the parent		\$7,074,480	17	\$3,846,649	12
8720	Non-controlling interests		961,864	2	621,190	2
			\$8,036,344	19	\$4,467,839	14
9750	Earnings per share-basic (in NTD)	6(28)				
9710	Basic earnings per share from continuing operations		\$15.74		\$9.10	
9720	Basic loss per share from discontinued operations		\$(0.27)		\$(0.54)	
9850	Earnings per share-diluted (in NTD)	6(28)				
9810	Diluted earnings per share from continuing operations		\$15.34		\$9.05	
9820	Diluted loss per share from discontinued operations		\$(0.27)		\$(0.54)	

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Consolidated Statements of Changes in Equity

For the Years Ended December 31, 2022 and 2021

(Amounts Expressed In Thousands of New Taiwan Dollars)

Code	Items	Equity Attributable to Shareholders of the Parent									Non-controlling Interests	Total Equity
		Common Stock	Capital Surplus	Retained Earnings			Others		Treasury Stock	Total		
				Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange differences arising on translation of foreign operations	Unearned Employee Benefit				
3100	3200	3310	3320	3350	3410	3490	3500	31XX	36XX	3XXX		
A1	Balance as of January 1, 2021	\$4,508,625	\$6,632,030	\$3,647,505	\$183,405	\$10,882,082	\$(181,015)	\$(2,837)	\$(143)	\$25,669,652	\$3,519,907	\$29,189,559
	Appropriation and distribution of 2020 earnings											
B1	Legal reserve			\$53,316		(\$53,316)				-		-
B3	Special reserve				(2,389)	2,389				-		-
B5	Cash dividends-common shares					(450,847)				(450,847)		(450,847)
D1	Net income for 2021					3,858,984				3,858,984	633,124	4,492,108
D3	Other comprehensive income (loss), net of tax, for 2021					9,757	(22,092)			(12,335)	(11,934)	(24,269)
D5	Total comprehensive income (loss)	-	-	-	-	3,868,741	(22,092)	-	-	3,846,649	621,190	4,467,839
H3	Reorganization		1			(1)				-		-
O1	Non-controlling interests increase (decrease)									-	(221,331)	(221,331)
T1	Employee restricted shares for cancellation and others	(184)	1,020			62		2,837	143	3,878		3,878
Z1	Balance as of December 31, 2021	4,508,441	6,633,051	3,700,821	181,016	14,249,110	(203,107)	-	-	29,069,332	3,919,766	32,989,098
	Appropriation and distribution of 2021 earnings											
B1	Legal reserve			386,880		(386,880)				-		-
B3	Special reserve				22,092	(22,092)				-		-
B5	Cash dividends-common shares					(2,028,798)				(2,028,798)		(2,028,798)
D1	Net income for 2022					6,976,792				6,976,792	956,678	7,933,470
D3	Other comprehensive income (loss), net of tax, for 2022					42,519	55,169			97,688	5,186	102,874
D5	Total comprehensive income (loss)	-	-	-	-	7,019,311	55,169	-	-	7,074,480	961,864	8,036,344
H3	Reorganization		1,435			(1,645)				(210)	(5,554)	(5,764)
M5	Difference between consideration and carrying amount of subsidiaries aquired or disposed		(292)			(2,781)				(3,073)	10,130	7,057
N1	Share-based payments		498							498		498
O1	Non-controlling interests increase (decrease)									-	(392,013)	(392,013)
T1	Employee restricted shares for cancellation and others	19,320	226,134					(35,933)	(50)	209,471		209,471
Z1	Balance as of December 31, 2022	\$4,527,761	\$6,860,826	\$4,087,701	\$203,108	\$18,826,225	\$(147,938)	\$(35,933)	\$(50)	\$34,321,700	\$4,494,193	\$38,815,893

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2022 and 2021

(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Items	2022	2021	Code	Items	2022	2021
AAAA	Cash flows from operating activities:			BBBB	Cash flows from investing activities:		
A00010	Profit from continuing operations before tax	\$10,334,990	\$5,641,125	B00040	Decrease (increase) in financial assets measured at amortized cost	-	447,110
A00020	Loss from discontinued operations before tax	(243,116)	(477,214)	B02700	Acquisition of property, plant and equipment	(17,093,642)	(13,383,710)
A10000	Income before income tax	10,091,874	5,163,911	B02800	Proceeds from disposal of property, plant and equipment	496,477	60,079
A20000	Adjustments:			B03800	Decrease (increase) in refundable deposits	2,990	29,116
A20010	Income and expense adjustments:			B04500	Acquisition of intangible assets	(84,096)	(47,652)
A20100	Depreciation (including right-of-use assets)	5,038,962	4,330,894	B09900	Proceeds from right-of-use assets	143,540	-
A20200	Amortization	68,116	46,518	BBBB	Net cash provided by (used in) investing activities	(16,534,731)	(12,895,057)
A20300	Expected credit losses	23,441	6,835				
A20400	Net gain of financial assets at fair value through P/L	(3,773)	(1,939)	CCCC	Cash flows from financing activities:		
A20900	Interest expense	183,655	81,133	C00100	Increase in (repayment of) short-term loans	(723,226)	(1,540,461)
A21200	Interest income	(83,239)	(34,396)	C01600	Increase in long-term loans	3,551,153	7,663,644
A21900	Cost of share based payment	49,673	3,836	C01700	Repayments of long-term loans	(1,648,515)	(1,148,482)
A22300	Share of profit or loss of associates and joint ventures	(53,319)	(27,839)	C03000	Increase (decrease) in deposits received	3,063,848	1,747,172
A22500	Gain on disposal of property, plant and equipment	(229,399)	(18,739)	C04020	Cash payments for the principal portion of the lease liability	(117,882)	(50,176)
A23700	Impairment loss on non-financial assets	40,759	32,785	C04500	Cash dividends paid	(2,028,798)	(450,847)
A29900	Gain on lease modification	(101,434)	(710)	C04600	Proceeds from issuing shares	165,379	-
A29900	Gain on government grants	(14,574)	(8,457)	C05800	Increase (decrease) in non-controlling interests	(392,013)	(221,331)
A29900	Loss from fire	2,526	-	CCCC	Net cash provided by (used in) financing activities	1,869,946	5,999,519
A30000	Changes in operating assets and liabilities:						
A31110	Financial assets at fair value through P/L	(598,698)	979,922	DDDD	Effect of exchange rate changes	56,000	(11,798)
A31130	Notes receivable	(7,000)	(3,018)				
A31150	Accounts receivable	588,281	(1,277,678)	EEEE	Increase (decrease) in cash and cash equivalents	1,352,171	3,667,095
A31160	Accounts receivable - related parties	23,387	(1,449)	E00100	Cash and cash equivalents at beginning of period	15,332,027	11,664,932
A31180	Other receivables	(187,330)	(265,847)	E00200	Cash and cash equivalents at end of period	\$16,684,198	\$15,332,027
A31190	Other receivables - related parties	367	3,747				
A31200	Inventories	(14,999)	(576,927)				
A31230	Prepayments	(211,244)	(319,975)				
A31240	Other current assets	(8,767)	(84,586)				
A32125	Contract liabilities	1,699,955	(50,381)				
A32130	Notes payable	(4,306)	(17,784)				
A32150	Accounts payable	(738,127)	528,072				
A32180	Other payables	1,134,532	1,497,003				
A32230	Other current liabilities	(29,392)	827,790				
A32240	Net defined benefit liability	(4,239)	(4,350)				
A32990	Refund liability	364,673	(25,409)				
A33000	Cash generated from (used in) operations	17,020,361	10,782,962				
A33100	Interest received	70,948	34,986				
A33300	Interest paid	(151,377)	(65,126)				
A33500	Income tax paid	(978,976)	(178,391)				
AAAA	Net cash provided by (used in) operating activities	15,960,956	10,574,431				

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

1. HISTORY AND ORGANIZATION

Kinsus Interconnect Technology Corp. (referred to “the Company”) was established on September 11, 2000. Its main business activities include the manufacture of electronic products, the whole-sale and retail-sale of electronic materials, and the consultation services of business operation and management. The Company’s stocks have been governmentally approved on May 20, 2004 to be listed and traded in Taiwan Stock Exchange starting November 1, 2004. The registered business premise and main operation address is at No. 1245, Chung Hua Rd., Hsinwu District, Taoyuan City, Taiwan 32747.

Pegatron Corporation is the ultimate controller of the Group to which the Company belongs.

2. DATE AND PROCEDURE OF AUTHORIZATION FOR FINANCIAL STATEMENTS ISSUANCE

The consolidated financial statements of the Company and its subsidiaries (“the Group”) were authorized to be issued in accordance with a resolution of the Board of Directors’ meeting held on February 13, 2023.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

(1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2022. The new standards and amendments had no material impact on the Group.

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, but not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Disclosure Initiative – Accounting Policies – Amendments to IAS 1	January 1, 2023
b	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023
c	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	January 1, 2023

(A) Disclosure Initiative – Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

(B) Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and included other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

(C) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual period beginning on or after January 1, 2023. The Group assesses all standards and interpretations have no material impact on the Group.

(3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	January 1, 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2024
d	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	January 1, 2024
e	Non-current Liabilities with Covenants – Amendments to IAS 1	January 1, 2024

(A) IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.

(B) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after January 1, 2023 (from the original effective date of January 1, 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after January 1, 2023.

(C) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

(D) Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

(E) Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group’s financial statements were authorized for issue, the local effective dates are to be determined by FSC. The Group assesses all standards and interpretations have no material impact on the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The consolidated financial statements of the Group for the years ended December 31, 2022 and 2021 were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by the FSC.

(2) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are presented in thousands of New Taiwan Dollars (“NT\$”) unless otherwise specified.

(3) Basis of consolidation

Preparation principle of consolidated financial statements

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

- (a) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- (b) Exposure, or rights, to variable returns from its involvement with the investee, and
- (c) The ability to use its power over the investee to affect its returns

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) The contractual arrangement with the other vote holders of the investee
- (b) Rights arising from other contractual arrangements
- (c) The Company's voting rights and potential voting rights

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the NCIs even if this results in a deficit balance of the NCIs.

If the Company loses control of a subsidiary, it:

- (a) Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- (b) Derecognizes the carrying amount of any non-controlling interest;
- (c) Recognizes the fair value of the consideration received;
- (d) Recognizes the fair value of any investment retained;
- (e) Recognizes any surplus or deficit in profit or loss; and
- (f) Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are listed as follows:

Investor	Subsidiary	Main business	Percentage of Ownership (%)	
			As of December 31,	
			2022	2021
The Company	KINSUS CORP. (USA)	Designing substrates, formulating marketing strategy analysis, developing new customers, researching and development new product technology	100.00%	100.00%
The Company	KINSUS HOLDING (SAMOA) LIMITED	Investing activities	100.00%	100.00%
The Company	KINSUS INVESTMENT CO., LTD.	Investing activities	100.00%	100.00%
KINSUS HOLDING (SAMOA) LIMITED	KINSUS HOLDING (CAYMAN) LIMITED	Investing activities	100.00%	100.00%
KINSUS HOLDING (SAMOA) LIMITED	PIOTEK HOLDINGS LTD. (CAYMAN)	Investing activities	51.00%	51.00%

Kinsus Interconnect Technology Corp.

Notes to Consolidated Financial Statements (Continued)

Investor	Subsidiary	Main business	Percentage of Ownership (%), As of December 31,	
			2022	2021
KINSUS INVESTMENT CO., LTD.	PEGAVISION CORPORATION	Manufacture of medical equipment	30.33% (Note)	30.33% (Note)
KINSUS HOLDING (CAYMAN) LIMITED	KINSUS INTERCONNECT TECHNOLOGY SUZHOU CORP.	Manufacturing and selling printed circuit board (PCB) (not high-density fine-line)	100.00%	100.00%
KINSUS HOLDING (CAYMAN) LIMITED	XIANG-SHOU (SUZHOU) TRADING LIMITED	Trading of PCB related products and materials (not high-density fine-line)	-% (Note 3)	100.00%
PIOTEK HOLDINGS LTD. (CAYMAN)	PIOTEK HOLDING LIMITED	Investing activities	100.00%	100.00%
PIOTEK HOLDINGS LIMITED	PIOTEK COMPUTER (SUZHOU) CO., LTD.	Researching, developing, producing and selling electronic components, PCBs and related products and providing after-sale services	100.00%	100.00%
PIOTEK HOLDINGS LIMITED	PIOTEK (H.K.) TRADING LIMITED	Trading activities	100.00%	100.00%
PEGAVISION CORPORATION	PEGAVISION JAPAN INC.	Selling medical equipment	100.00%	100.00%
PEGAVISION CORPORATION	PEGAVISION (JIANGSU) LIMITED	Producing and Selling medical equipment	100.00%	100.00%

Investor	Subsidiary	Main business	Percentage of Ownership (%), As of December 31,	
			2022	2021
PEGAVISION CORPORATION	PEGAVISION CONTACT LENSES (SHANGHAI) CORPORATION	Selling medical equipment	-% (Note 1)	100.00%
PEGAVISION CORPORATION	MAYIN INVESTMENT CO., LTD.	Investing activities	100.00%	100.00%
PEGAVISION CONTACT LENSES (SHANGHAI) CORPORATION	GEMVISION TECHNOLOGY (ZHEJIANG) LIMITED	Selling medical equipment	100.00%	100.00%
MAYIN INVESTMENT CO., LTD.	BEAUTYTECH PLATFORM CORPORATION	Selling medical equipment and cosmetic products	85.00% (Note 2)	100.00%
MAYIN INVESTMENT CO., LTD.	FACIALBEAU INTERNATIONAL CORPORATION	Selling medical equipment and cosmetic products	55.00%	55.00%
BEAUTYTECH PLATFORM CORPORATION	AQUAMAX VISION CORPORATION	Selling medical equipment and cosmetic products	-% (Note 1)	100.00%
BEAUTYTECH PLATFORM CORPORATION	PEGAVISION CONTACT LENSES (SHANGHAI) CORPORATION	Selling medical equipment	100.00% (Note 1)	Not applicable

Investor	Subsidiary	Main business	Percentage of Ownership (%), As of December 31,	
			2022	2021
BEAUTYTECH PLATFORM CORPORATION	BEAUTYTECH PLATFORM (SHANGHAI) CORPORATION	Selling medical equipment and cosmetic products	100.00% (Note 1)	Not applicable
BEAUTYTECH PLATFORM CORPORATION	BEAUTYTECH PLATFORM (SINGAPORE) PTE. LTD.	Selling medical equipment and cosmetic products	100.00% (Note 1)	Not applicable
FACIALBEAU INTERNATIONAL CORPORATION	PEGAVISION (JIANGSU) LIMITED	Selling medical equipment and cosmetic products	100.00% (Note 1)	Not applicable
FACIALBEAU INTERNATIONAL CORPORATION	IKIDO INC.	Selling medical equipment and cosmetic products	100.00% (Note 1)	Not applicable
FACIALBEAU INTERNATIONAL CORPORATION	RODNA CO., LTD.	Selling medical equipment and cosmetic products	100.00% (Note 1)	Not applicable
FACIALBEAU INTERNATIONAL CORPORATION	AQUAMAX VISION CORPORATION	Selling medical equipment and cosmetic products	100.00% (Note 1)	Not applicable

Note: The Group had 30.33% ownership of Pegavision Corporation as of December 31, 2022 and 2021. However the Group possesses control over the entity as it has been the single largest shareholder since the Group invested in Pegavision Corporation. The Group and the parent company hold more than 45% of voting right while the remaining equity is individually held by numerous shareholders without contractual rights. The Group therefore has control over the entity.

Note 1: To improve the synergy of the Group, the board of directors decided to reorganize and set up the Subsidiaries at July 26, 2021:

- (a) BeautyTech Platform (Shanghai) Corporation which is 100% held by BeautyTech Platform Corporation was registered at January 24, 2022.
- (b) BeautyTech Platform (Singapore) Pte. Ltd. which is 100% held by BeautyTech Platform Corporation was registered at August 30, 2022.
- (c) FacialBeau (Jiangsu) Corporation which is 100% held by FacialBeau International Corporation was registered at February 25, 2022. The investment amount has not been remitted as at December 31, 2022.
- (d) The equity of Pegavision Contact Lenses (Shanghai) Corporation was transferred to BeautyTech Platform Corporation from Pegavision Corporation.
- (e) IKIDO Inc. which is 100% held by FacialBeau International Corporation was registered at March 14, 2022, the investment amount has not been remitted as at December 31, 2022.
- (f) RODNA Co., Ltd. which is 100% held by FacialBeau International Corporation was registered at June 23, 2022.
- (g) The equity of Aquamax Vision Corporation was transferred to FacialBeau International Corporation from BeautyTech Platform Corporation.

Note2: To improve the synergy of the Group, the board of directors of BeautyTech Platform Corporation decided to reorganize and issue new shares at August 26, 2022. BeautyTech Platform Corporation issued new shares on September 26, 2022 and retained 15% of the new shares for employee. The ownership interest in BeautyTech Platform Corporation of Mayin Investment Co., Ltd. was reduced to 85%.

Note3: Xiang-Shou (Suzhou) Trading Limited has completed the cancellation of registration in July 2022.

(4) Foreign currency transactions

The Group's consolidated financial statements are presented in New Taiwan Dollar, which is the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. At the reporting date, monetary items denominated in foreign currencies are retranslated at the prevailing functional currency closing rate of exchange; non-monetary items measured at fair value in a foreign currency are retranslated using the exchange rates at the date when the fair value is determined; and non-monetary items measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising from the settlement or translation of monetary items are taken to profit or loss in the period in which they arise, except for the following:

- (a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (b) Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.
- (c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(5) Foreign currency transactions and translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into New Taiwan dollar at the closing rate of exchange prevailing at the balance sheet date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income under exchange differences on translation of foreign operations. On disposal of the foreign operation, cumulative amount of the exchange differences recognized in other comprehensive income under separate component of equity is reclassified from equity to profit or loss when recognizing the disposal gain/loss.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the NCIs in that foreign operation, instead of recognized in profit or loss. In partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(6) Current and non-current distinction for assets and liabilities

An asset is classified as current when:

- (a) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- (b) The Group holds the asset primarily for the purpose of trading
- (c) The Group expects to realize the asset within twelve months after the reporting period
- (d) The asset is cash or cash equivalent, unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- (a) The Group expects to settle the liability in its normal operating cycle
- (b) The Group holds the liability primarily for the purpose of trading
- (c) The liability is due to be settled within twelve months after the reporting period
- (d) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. 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.

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and 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 (including fixed-term deposits that have maturities equal to or less than three months from the date of acquisition).

(8) Financial instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(a) Financial assets: Recognition and Measurement

The Group accounts for regular way purchase or sales of financial assets on the trade date.

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- A. The Group's business model for managing the financial assets and
- B. The contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

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

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- A. Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- B. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- A. The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- B. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- A. A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- B. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- C. Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
 - (i) Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
 - (ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, at initial recognition, the Group make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies. Amounts presented in other comprehensive income are not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and should recorded as financial assets measured at fair value through other comprehensive income on balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were measured at amortized cost or measured at fair value through other comprehensive income only if they met particular conditions. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

(b) Impairment of financial assets

The Group is recognized a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

The Group measures expected credit losses of a financial instrument in a way that reflects:

- A. An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- B. The time value of money; and
- C. Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follows:

- A. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance for a financial asset at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that condition is no longer met.
- B. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- C. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.
- D. For lease receivables arising from transactions within the scope of IFRS 16, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has been increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

(c) Derecognition of financial assets

A financial asset is derecognized when:

- A. The rights to receive cash flows from the asset have expired
- B. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- C. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

(d) Financial liabilities and equity

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss. A financial liability is classified as held for trading if:

- A. It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- B. On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- C. It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- A. It eliminates or significantly reduces a measurement or recognition inconsistency; or
- B. A group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(9) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (a) In the principal market for the asset or liability, or
- (b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(10) Inventories

Inventories are valued at lower of cost or net realizable value item by item.

Costs incurred in bringing each inventory to its present location and conditions are accounted for as follows:

Raw materials - At actual purchase cost, using weighted average method

Finished goods and work in progress - Including cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity, using weighted average method.

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

Rendering of services is accounted in accordance with IFRS 15 but not within the scoping of inventories.

(11) Discontinued operations

In the consolidated statement of comprehensive income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the statement of comprehensive income.

(12) Investments accounted for using the equity method

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the Group's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Group's percentage of ownership interests in the associate or joint venture, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a prorata basis.

When the associate or joint venture issues new stock, and the Group's interest in an associate or a joint venture is reduced or increased as the Group fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Group disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 Investments in Associates and Joint Ventures. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Group estimates:

- (a) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- (b) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 Impairment of Assets.

Upon loss of significant influence over the associate or joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

(13) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. 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 is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 “Property, plant and equipment”. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	10 to 25 years
Machinery	2 to 10 years
Vehicle	2 to 6 years
Office equipment	2 to 6 years
Other equipment	1 to 25 years

An item of property, plant and equipment or any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The property, plant and equipment's residual values, useful lives and methods of depreciation are reviewed at each financial year. If the expected values differ from the estimates, the differences are recorded as a change in accounting estimate.

(14) Leases

The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, has both of the following:

- (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
- (b) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

Group as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group recognizes right-of-use asset and lease liability for all leases which the Group is the lessee of those lease contracts.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments discount using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable by the lessee under residual value guarantees;
- (d) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability on an amortised cost basis, which is increasing the carrying amount to reflect interest on the lease liability by using an effective interest method; and reducing the carrying amount to reflect the lease payments made.

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (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.

For subsequent measurement of the right-of-use asset, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements’ comprehensive income.

For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

Group as a lessor

At inception of a contract, the Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Group recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Group allocates the consideration in the contract applying IFRS 15.

The Group recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

(15) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, not meeting the recognition criteria, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit (CGU) level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are recognized in profit or loss.

The Group's accounting policies for intangible assets are as follows:

	<u>Cost of Computer Software</u>
Useful economic life	1 to 5 years
Amortization method	Straight-line method during the contract term
Internally generated or acquired externally	Acquired externally

(16) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 “Impairment of Assets” may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group would conduct impairment tests at individual or CGU level. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired. An asset’s recoverable amount is the higher of an asset’s net fair value or its value in use.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the recoverable amount of the asset or CGU. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

Impairment loss or reversals of continuing operations are recognized in profit or loss.

(17) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

(18) Revenue recognition

The Group's revenue arising from contracts with customers mainly includes sale of goods and rendering of services. The accounting policies for the Group's types of revenue are explained as follow:

Sale of goods

The Group mainly manufactures and sells of its products. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Group is substrate and revenue is recognized based on the consideration stated in the contract. The remaining sales transactions are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the products expected to be returned.

The credit period of the Group's sale of goods is from 30 to 90 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The period between the time when the Group transfers the goods to customers and when the customers pay for that goods is usually short and have no significant financing component to the contract. In the case that the Group has the right to transfer the goods to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Group measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

(19) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(20) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the statement of comprehensive income over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as additional government grant.

(21) Post-employment benefits

All regular employees of Kinsus and its domestic subsidiaries are entitled to pension plans that are managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with Kinsus and its domestic subsidiaries. Therefore, fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, Kinsus and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations and the contribution is expensed as incurred.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- (a) the date of the plan amendment or curtailment, and
- (b) the date that the Company recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(22) Share-based payment transactions

The cost of equity-settled transactions between the Group and its subsidiaries is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

The cost of restricted stocks issued is recognized as salary expense based on the fair value of the equity instruments on the grant date, together with a corresponding increase in other capital reserves in equity, over the vesting period. The Group recognized unearned employee salary which is a transitional contra equity account; the balance in the account will be recognized as salary expense over the passage of vesting period.

(23) Income tax

Income tax expense (benefit) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings of the Company and its subsidiaries is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred income tax

Deferred income tax is a temporary difference between the tax bases of assets and liabilities and their carrying amounts in balance sheet at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- (a) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit (loss);
- (b) In respect of taxable temporary differences associated with investments in subsidiaries, and associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, any unused tax losses and carry forward of unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- (a) Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- (b) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed and recognized at each reporting date.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

(1) Judgement

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

A. De facto control without a majority of the voting rights in subsidiaries

The Company does not have majority of the voting rights in certain subsidiaries. However, after taking into consideration factors such as absolute size of the Company's holding, relative size of the other shareholdings, how widely spread are the remaining shareholders, contractual arrangements between shareholders, potential voting rights, etc., the Company reached the conclusion that it has de facto control over these subsidiaries. Please refer to Note 4 for further details.

(2) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that would have a significant risk for a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are discussed below.

A. Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including income approach (for example, the discounted cash flows model) or the market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

B. Accounts receivables - estimation of impairment loss

The Group estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

C. Inventory

Estimates of net realizable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 for more details.

D. Post-employment benefits

The cost of post-employment benefit pension plan and the present value of the defined benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions, including the change in the discount rate and expected salary level.

E. Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 6.

F. Revenue recognition - sale returns and allowances

The Group estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. In assessing the aforementioned sales returns and allowance, on the basis of highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Please refer to Note 6 for more details.

G. Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1)Cash and cash equivalents

	As of December 31,	
	2022 (NT\$'000)	2021 (NT\$'000)
Cash and petty cash	\$4,580	\$4,585
Checkings and savings	4,617,735	5,488,132
Time deposit	12,061,883	9,839,310
Total	\$16,684,198	\$15,332,027

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

	As of December 31,	
	2022 (NT\$'000)	2021 (NT\$'000)
Mandatorily measured at fair value through profit or loss:		
Money market fund	\$1,190,266	\$591,278
Valuation adjustment	28,285	24,802
Total	\$1,218,551	\$616,080
Current	\$1,218,551	\$616,080
Non-current	\$-	\$-

No financial asset at fair value through profit or loss was pledged as collateral.

(3)Financial assets measured at amortized cost

	As of December 31,	
	2022 (NT\$'000)	2021 (NT\$'000)
Time deposit	\$20,057	\$20,057
Current	\$20,057	\$20,057
Non-current	\$-	\$-

The Group transacts with financial institutions with good credit rating. Consequently, there is no significant credit risk.

No financial asset measured at amortized cost was pledged as collateral.

(4) Financial assets at fair value through other comprehensive income

	As of December 31,	
	2022	2021
	(NT\$'000)	(NT\$'000)
Equity instruments investments measured at fair value through other comprehensive income – Non-current:		
Unlisted company stocks	\$51,000	\$51,000

No financial assets at fair value through other comprehensive income was pledged by the Group as collateral.

(5) Notes receivable

	As of December 31,	
	2022	2021
	(NT\$'000)	(NT\$'000)
Notes receivable arising from operating activities	\$11,200	\$4,200
Less: loss allowance	-	-
Total	\$11,200	\$4,200

Notes receivable were not pledged.

The Group follows the requirement of IFRS9 to assess the impairment. Please refer to Note 6(22) for more details on loss allowance and Note 12 for details on credit risk.

(6)Accounts receivable and accounts receivable - related parties, net

A. Accounts receivable, net

	As of December 31,	
	2022 (NT\$'000)	2021 (NT\$'000)
Accounts receivable, gross	\$5,086,567	\$5,674,848
Less: allowance against doubtful accounts	(50,886)	(26,844)
Net of allowances	5,035,681	5,648,004
Accounts receivable - related parties, gross	2,924	26,311
Less: allowance against doubtful accounts	-	-
Net of allowances	2,924	26,311
Total accounts receivable, net	\$5,038,605	\$5,674,315

B. Accounts receivable were not pledged.

C. The Group entered into factoring agreements with banks. Accounts receivables from selected customers are transferred to banks without recourse. Details of the agreed credit limits and accounts receivables transferred were as follows:

	Financial Institution	Accounts receivable de-recognized (NT\$'000)	Interest Rate	Advance received (NT\$'000)	Collateral	Credit Limit
12/31/2022	Mega International Commercial Bank - LanYa Branch	\$568,040	-	\$-	None	Note
12/31/2021	Mega International Commercial Bank - LanYa Branch	\$602,015	0.47%~0.50%	\$244,368	None	Note

Note: The credit limits were US\$30,000 thousand as of December 31, 2022 and 2021.

D. Accounts receivable are generally on 30-90 day terms. The total carrying amount for the years ended December 31, 2022 and 2021, are NT\$5,089,491 thousand and NT\$5,701,159 thousand, respectively. Please refer to Note 6 (22) for more details on loss allowance of accounts receivable for the years ended December 31, 2022 and 2021. Please refer to Note 12 for more details on credit risk management.

(7) Inventories

A. Details of inventory:

	As of December 31,	
	2022 (NT\$'000)	2021 (NT\$'000)
Raw material	\$571,272	\$771,833
Supplies	71,742	70,474
Work in process	1,711,633	1,904,882
Finished goods	1,075,506	648,488
Merchandises	50,790	70,267
Total	\$3,480,943	\$3,465,944

B. For the years ended December 31, 2022 and 2021, the Group recognized amount under the caption of costs of sale:

Item	For the year ended December 31,	
	2022 (NT\$'000)	2021 (NT\$'000)
Continuing operations	\$25,758,171	\$22,582,508
Discontinued operations	971,327	2,564,410
Total	\$26,729,498	\$25,146,918

The Group recognized which loss for market price decline, and obsolete and slow-moving inventories, loss from inventory scrapped and loss from inventory physical taking as below:

Item	For the year ended December 31,	
	2022 (NT\$'000)	2021 (NT\$'000)
Continuing operations	\$3,979,839	\$3,128,884
Discontinued operations	82,382	386,526
Total	\$4,062,221	\$3,515,410

C. The inventories were not pledged.

(8) Investments accounted for under the equity method

Investee	As of December 31,			
	2022		2021	
	Carrying amount (NT\$'000)	Percentage of ownership (%)	Carrying amount (NT\$'000)	Percentage of ownership (%)
Investment in associates:				
FuYang Technology Corp.	\$381,123	35.65%	\$325,005	35.65%

A. The Company invested cash in FuYang Technology Corp. during May 2016 for interest ownership of 36%. The investment is accounted for as an investment in associates due to the Company's ability to exercise its significant influence.

In May 2017, the Company participated in FuYang's cash offering by disproportionately investing NT\$479,422 thousand for 19,176,872 shares of FuYang and, therefore, recognized a capital surplus amounting to NT\$7,484 thousand. As a result of the offering, the Company's share interest on FuYang decreased to 35.65%.

B. Investments in associates

As of December 31, 2022 and 2021, the aggregate carrying amount of the Group's interests in FuYang Technology Corp. is NT\$381,123 thousand and NT\$325,005 thousand. The aggregate financial information based on Group's share of FuYang Technology Corp. is as follows:

	For the year ended December 31,	
	2022	2021
	(NT\$'000)	(NT\$'000)
Profit or loss from continuing operations	\$53,319	\$27,839
Other comprehensive income (post-tax)	2,799	(1,623)
Total comprehensive income	<u>\$56,118</u>	<u>\$26,216</u>

There were no contingent liabilities or capital commitments with respect to the investment in the associate as of December 31, 2022 and 2021. Nor any of the Group's share interest on FuYang was pledged as collateral.

C. The Group's investment accounted for under equity method as of December 31, 2022 and 2021 amounted to NT\$381,123 thousand and NT\$325,005 thousand while the related investment income/loss and joint venture income were NT\$53,319 thousand and NT\$27,839 thousand for the year ended December 31, 2022 and 2021, respectively. And other comprehensive income were NT\$2,799 thousand and NT\$(1,623) thousand for the year ended December 31, 2022 and 2021, respectively. They were measured based on the audited financial statements of the investee for the same correspondent periods.

D. No investment accounted for under equity method was pledged as collateral as of December 31, 2022 and 2021.

(9) Property, plant and equipment

	As of December 31,	
	2022	2021
	(NT\$'000)	(NT\$'000)
Owner occupied property, plant and equipment	<u>\$31,552,538</u>	<u>\$24,413,455</u>

A. Property, plant and equipment

	Land	Buildings	Machinery	Office Equipment	Vehicle	Other Equipment	Construction in progress and equipment awaiting inspection (including prepayment for equipment)	Total
	(NTS'000)	(NTS'000)	(NTS'000)	(NTS'000)	(NTS'000)	(NTS'000)	(NTS'000)	(NTS'000)
Cost:								
As of 1/1/2022	\$6,110,463	\$10,079,610	\$30,695,673	\$277,175	\$23,301	\$8,083,031	\$8,011,113	\$63,280,366
Addition	-	(2,483)	(3,586)	946	-	161,143	17,184,346	17,340,366
Disposals	-	-	(4,075,056)	(25,867)	-	(545,952)	-	(4,646,875)
Effect of EX rate	-	188,716	313,610	2,115	181	52,492	5,818	562,932
Reclassification	196,960	285,969	7,164,533	69,689	6,325	332,397	(8,055,873)	-
Loss from Fire	-	(63,680)	-	-	-	(20,955)	-	(84,635)
As of 12/31/2022	<u>\$6,307,423</u>	<u>\$10,488,132</u>	<u>\$34,095,174</u>	<u>\$324,058</u>	<u>\$29,807</u>	<u>\$8,062,156</u>	<u>\$17,145,404</u>	<u>\$76,452,154</u>
As of 1/1/2021	\$2,979,392	\$8,639,244	\$26,982,667	\$259,713	\$20,043	\$7,684,122	\$2,597,912	\$49,163,093
Addition	(1,563)	(631)	6,260	983	-	188,604	14,993,459	15,187,112
Disposals	-	-	(597,025)	(2,065)	-	(277,206)	-	(876,296)
Effect of EX rate	-	(51,887)	(122,179)	(805)	(67)	(17,642)	(963)	(193,543)
Reclassification	3,132,634	1,492,884	4,425,950	19,349	3,325	505,153	(9,579,295)	-
As of 12/31/2021	<u>\$6,110,463</u>	<u>\$10,079,610</u>	<u>\$30,695,673</u>	<u>\$277,175</u>	<u>\$23,301</u>	<u>\$8,083,031</u>	<u>\$8,011,113</u>	<u>\$63,280,366</u>
Depreciation and impairment:								
As of 1/1/2022	\$-	\$3,510,712	\$22,709,441	\$236,568	\$17,449	\$5,721,728	\$-	\$32,195,898
Depreciation	-	512,959	3,553,960	37,386	2,310	810,356	-	4,916,971
Impairment loss	-	9,798	-	1,145	-	28,127	-	39,070
Disposal	-	-	(3,973,378)	(18,596)	-	(544,834)	-	(4,536,808)
Effect of EX rate	-	113,893	297,121	1,823	157	44,289	-	457,283
Reclassification	-	97,087	-	-	-	(97,087)	-	-
Loss from Fire	-	(4,203)	-	-	-	(5,105)	-	(9,308)
As of 12/31/2022	<u>\$-</u>	<u>\$4,240,246</u>	<u>\$22,587,144</u>	<u>\$258,326</u>	<u>\$19,916</u>	<u>\$5,957,474</u>	<u>\$-</u>	<u>\$33,063,106</u>

	Land	Buildings	Machinery	Office Equipment	Vehicle	Other Equipment	Construction in progress and equipment awaiting inspection (including prepayment for equipment)	Total
	(NTS'000)	(NTS'000)	(NTS'000)	(NTS'000)	(NTS'000)	(NTS'000)	(NTS'000)	(NTS'000)
As of 1/1/2021	\$-	\$3,085,988	\$20,478,512	\$211,312	\$15,629	\$5,094,500	\$-	\$28,885,941
Depreciation	-	438,424	2,890,297	28,026	1,874	912,861	-	4,271,482
Impairment loss	-	15,200	16,717	-	-	868	-	32,785
Disposal	-	-	(561,608)	(2,065)	-	(271,283)	-	(834,956)
Effect of EX rate	-	(28,900)	(114,476)	(705)	(54)	(15,219)	-	(159,354)
Reclassification	-	-	(1)	-	-	1	-	-
As of 12/31/2021	\$-	\$3,510,712	\$22,709,441	\$236,568	\$17,449	\$5,721,728	\$-	\$32,195,898

Net carrying amount:

As of 12/31/2022	\$6,307,423	\$6,247,886	\$11,508,030	\$65,732	\$9,891	\$2,104,682	\$17,145,404	\$43,389,048
As of 12/31/2021	\$6,110,463	\$6,568,898	\$7,986,232	\$40,607	\$5,852	\$2,361,303	\$8,011,113	\$31,084,468

B. “Significant components” of buildings primarily comprised the main buildings and the facilities, which are depreciated based on their respective useful economic life of 20 to 25 years and 3 to 20 years.

C. Details of property, plant & equipment and prepayment for machinery is as follows:

	As of December 31,	
	2022	2021
	(NTS'000)	(NTS'000)
Property, plant and equipment	\$31,552,538	\$24,413,455
Prepayment for equipment	11,836,510	6,671,013
Total	\$43,389,048	\$31,084,468

D. The Group recognized an impairment loss amounting to NT\$39,070 thousand on certain real estate to an extent of the recoverable value in 2022. The Group recognized an impairment loss amounting to NT\$32,785 thousand on certain real estate to an extent of the recoverable value in 2021. These impairment loss or gain from recovery has been recorded in the Group’s statements of comprehensive incomes. The recoverable value is measured at usage values by the identified individual asset.

- E. Please refer to Note 8 for details on property, plant and equipment pledged as collaterals.
- F. The Company purchased 40 parcels of land with a total area of 36,115.24 square meters. Lands are located at the addresses of No. 1113, 1114, 1438 to 1443, 1479, 1486 to 1487 at ShiLeiZi Sub-section, ShiLeiZi Section, No. 1044, 1047 to 1049 at QingHua Section, and No. 0001, 697 to 700 and 712 to 726 at RongHua Section, XinFeng Village. Due to regulatory restrictions, the agricultural land cannot be registered under the Company's name while it has been temporarily registered under the general manager's name and, to secure the Company's right to the land, mortgage registration has been set aside with the Company being the obligee.
- G. The Group leased a factory area to FuYang Technology Corp. where a fire occurred on October 11, 2020. For the year ended December 31, 2022, the Group recognized property, plant and equipment - loss from fire in the amount of NT\$75,327 thousand, and the loss caused by the subsequent restoration of the plant was NT\$84,210 thousand. In 2022, the compensation of damage to buildings and equipment amounted to NT\$157,011 thousand, and the net loss from the abovementioned fire damage was NT\$2,526 thousand, which was booked under other profits and losses - loss from fire. Please refer to note 10 for details.

(10) Intangible assets

	Computer software (NT\$'000)
<u>Cost:</u>	
As of 1/1/2022	\$73,453
Additions – acquired separately	84,096
Derecognized upon retirement	(65,724)
Reclassification	-
Effect of exchange rate changes	936
As of 12/31/2022	<u>\$92,761</u>
As of 1/1/2021	\$64,197
Additions – acquired separately	47,652
Derecognized upon retirement	(38,272)
Reclassification	-
Effect of exchange rate changes	(124)
As of 12/31/2021	<u>\$73,453</u>

	Computer software (NT\$'000)
<u>Amortization and Impairment:</u>	
As of 1/1/2022	\$40,235
Amortization	68,116
Impairment loss	1,689
Derecognized upon retirement	(65,724)
Reclassification	-
Effect of exchange rate changes	422
As of 12/31/2022	<u>\$44,738</u>
As of 1/1/2021	\$32,092
Amortization	46,518
Derecognized upon retirement	(38,272)
Reclassification	-
Effect of exchange rate changes	(103)
As of 12/31/2021	<u>\$40,235</u>
<u>Carrying amount, net:</u>	
As of 12/31/2022	<u>\$48,023</u>
As of 12/31/2021	<u>\$33,218</u>

Amounts of amortization recognized for intangible assets are as follows:

	For the year ended December 31,	
	2022 (NT\$'000)	2021 (NT\$'000)
Cost of goods sold	\$350	\$245
Selling	574	771
General and administrative	66,001	44,628
Research and development	1,191	874
Total	<u>\$68,116</u>	<u>\$46,518</u>

(11) Other non-current assets

	As of December 31,	
	2022 (NT\$'000)	2021 (NT\$'000)
Refundable deposits	\$88,815	\$91,805
Net defined benefit assets	30,499	-
Total	\$119,314	\$91,805

(12) Short-term loans

	Interest interval (%)	As of December 31,	
		2022 (NT\$'000)	2021 (NT\$'000)
Unsecured bank loans	3.04%~5.94%	\$376,620	\$1,099,846

As of December 31, 2022 and 2021, the line of unused short-term loan credit for the Group amounted to NT\$18,055,794 thousand and NT\$7,803,953 thousand, respectively.

(13) Other payable

	As of December 31,	
	2022 (NT\$'000)	2021 (NT\$'000)
Accrued expense	\$5,367,887	\$4,229,993
Equipment payable	3,247,631	3,000,907
Accrued interest	9,344	3,372
Total	\$8,624,862	\$7,234,272

(14) Other current liabilities

	As of December 31,	
	2022	2021
	(NT\$'000)	(NT\$'000)
Other current liabilities	\$160,751	\$189,715
Current portion of long-term loans	1,305,487	690,838
Fund collected for purchase of equipment on behalf of others (Note)	-	742,562
Deferred revenue	15,283	11,028
Total	\$1,481,521	\$1,634,143

Note: It refers fund collected for purchase equipment on behalf of customer who commissioned the Company to acquire equipment for it.

(15) Refund liability

	As of December 31,	
	2022	2021
	(NT\$'000)	(NT\$'000)
Refund liability	\$545,781	\$181,108

(16) Long-term loans

Details of long-term loans were as follows:

Debtor	Type of Loan	Maturity	Loan Balance	Repayment
			As of 12/31/2022 (NT\$'000)	
Mega International Commercial Bank – LanYa Branch	Credit loan	2026.12.15- 2036.06.28	\$4,694,705	Notes 1, 2, 5, 10, 11 and 20
Mega International Commercial Bank – LanYa Branch	Secured loan	2026.09.15	4,946	Note 16
The Shanghai Commercial & Savings Bank – ZhongLi Branch	Credit loan	2026.12.31- 2029.07.15	2,422,614	Notes 3, 7, 12, 19 and 21
The Shanghai Commercial & Savings Bank – ZhongLi Branch	Secured loan	2030.10.15	48,270	Note 17
Chang Hwa Commercial Bank – BeiTou Branch	Credit loan	2027.08.15- 2029.06.15	1,735,418	Notes 5 and 14
Chang Hwa Commercial Bank – BeiTou Branch	Secured loan	2042.06.21	219,000	Note 13
The Bank of Taiwan – BeiTou Branch	Credit loan	2026.11.04- 2029.06.15	2,950,548	Notes 4, 6, 9 and 22
Total			12,075,501	
Less: current portion			(1,305,487)	
Non-current portion			\$10,770,014	

Debtor	Type of Loan	Maturity	Loan Balance	
			As of 12/31/2021	
			(NT\$'000)	Repayment
Mega International Commercial Bank – LanYa Branch	Credit loan	2026.12.31- 2036.06.28	\$5,257,804	Notes 1, 2, 5, 10, 11 and 15
Mega International Commercial Bank – LanYa Branch	Secured loan	2026.09.15	4,922	Note 16
The Shanghai Commercial & Savings Bank – ZhongLi Branch	Credit loan	2025.12.18- 2028.11.15	2,267,055	Notes 3, 7, 8, 12 and 19
The Shanghai Commercial & Savings Bank – ZhongLi Branch	Secured loan	2030.10.15	49,079	Note 17
Chang Hwa Commercial Bank – BeiTou Branch	Credit loan	2025.03.15- 2027.08.15	548,912	Notes 5 and 18
The Bank of Taiwan – BeiTou Branch	Credit loan	2026.11.04- 2026.12.31	1,950,339	Notes 4, 6 and 9
Total			10,078,111	
Less: current portion			(690,838)	
Non-current portion			\$9,387,273	

Note 1: A term is defined as every month starting from the initial draw-down date. Grace period is 13 months. Interest shall be paid monthly with principal repaid every month. The rest is repayable in installments of equal amount for 48 terms.

Note 2: Grace period is 3 years from the initial draw-down date. A term is defined as every month since the forth year. The principal and interest are repayable in installments of equal amount for 48 terms.

Note 3: A term is defined as every month starting from the initial draw-down date. The principal and interest are repayable in installments of equal amount for 84 terms.

Note 4: The principal and interest are repayable in installments of equal amount for 59 terms.

Note 5: Grace period is 3 years from the initial draw-down date. A term is defined as every month since the forth year. The principal and interest are repayable in installments of equal amount for 48 terms.

- Note 6: Grace period is 2 years from the initial draw-down date. A term is defined as every month since the third year. The principal and interest are repayable in installments of equal amount for 60 terms.
- Note 7: Loan period is 7 years. Grace period is 2 year. Interest shall be paid monthly with principal repaid every months (84 terms). The rest is repayable in installments of equal amount for 60 terms.
- Note 8: Loan period is 7 years. Grace period is 2 year. Interest shall be paid monthly with principal repaid every 3 months (84 terms). The rest is repayable in installments of equal amount for 20 terms.
- Note 9: A term is defined as every month starting from the initial draw-down date. Grace period is 11 months. Interest shall be paid monthly with principal repaid every month. The rest is repayable in installments of equal amount for 60 terms.
- Note 10: A term is defined as every month starting from the initial draw-down date. Grace period is 21 months. Interest shall be paid monthly with principal repaid every month. The rest is repayable in installments of equal amount for 48 terms.
- Note 11: A term is defined as every month starting from the initial draw-down date. Grace period is 22 months. Interest shall be paid monthly with principal repaid every month. The rest is repayable in installments of equal amount for 48 terms.
- Note 12: A term is defined as every 3 months starting from the initial draw-down date. Loan period is 5 years. Grace period is 1 year (4 terms). Interest shall be paid monthly with principal repaid every 3 months. The rest is repayable in installments of equal amount for 16 terms.
- Note 13: A term is defined as every month starting from the initial draw-down date. Grace period is 3 year (36 terms). The rest is repayable in installments of equal amount for 204 terms.
- Note 14: Loan period is 7 years. Grace period is 3 year. Interest shall be paid monthly with principal repaid every month. The rest is repayable in installments of equal amount.
- Note 15: Grace period is 3 years from the initial draw-down date. A term is defined as every 3 months since the forth year. The principal and interest are repayable in installments of equal amount for 16 terms.
- Note 16: Grace period is 2 years from the initial draw-down date. A term is defined as every month since the third year. The principal and interest are repayable in installments of equal amount for 36 terms.
- Note 17: A term is defined as every month starting from the initial draw-down date. Grace period is 2 years (24 terms). The rest is repayable in installments of equal amount for 96 terms.

Note 18: A term is defined as every month starting from the initial draw-down date. Grace period is 3 years (36 terms). The rest is repayable in installments of equal amount for 24 terms.

Note 19: A term is defined as every 3 months starting from the initial draw-down date. The principal and interest are repayable in installments of equal amount for 16 terms.

Note 20: Grace period is 3 years from the initial draw-down date. Interest shall be paid monthly with principal repaid every month. The rest is repayable in installments of equal amount for 48 terms.

Note 21: Loan period is 7 years. Grace period is 1 year. Interest shall be paid monthly with principal repaid every months (84 terms). The rest is repayable in installments of equal amount for 72 terms.

Note 22: Grace period is 2 year. Interest shall be paid monthly with principal repaid every month. The rest is repayable in installments of equal amount for 60 terms.

A. Please refer to Note 8 for details on assets pledged as collaterals.

B. As of December 31, 2022 and 2021, the interest rate intervals for long-term loans were 0.58% ~5.74% and 0.4%~1.21%.

The Group obtained from the Ministry of Economy a low-interest government loan amounting NT\$8,960,000 thousands with a term of 5~10 years and annual interest rates of 0.6~1.125% and monthly interest payment on the 15th of each month. The loan was recorded under the caption of other liabilities-deferred government grants income. The Group shall recognize the government grant income when it is reasonably assured that the Group satisfy all the terms of the government grant agreement.

(17)Other non-current liabilities

(a) Details of other non-current liabilities were as follows:

	As of December 31,	
	2022 (NT\$'000)	2021 (NT\$'000)
Net defined benefit liability	\$-	\$16,259
Deposits received	4,884,255	1,820,407
Deferred revenue	79,879	55,289
Total	\$4,964,134	\$1,891,955

- (b) The details of the deferred government grants income for the year ended December 31, 2022 and 2021 are as follows:

	For the year ended December 31, 2022 (NT\$'000)	For the year ended December 31, 2021 (NT\$'000)
Beginning balance	\$66,317	\$30,512
Received during the period	43,419	44,262
Released to the statement of comprehensive income	(14,574)	(8,457)
Ending Balance	<u>\$95,162</u>	<u>\$66,317</u>
Current	<u>\$15,283</u>	<u>\$11,028</u>
Non-current	<u>\$79,879</u>	<u>\$55,289</u>

- (c) Please refer to Note 6(16) for details on interest rate of deferred government grants income.

(18) Post-employment benefits

Defined contribution plan

The Company and its domestic subsidiaries adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company and its domestic subsidiaries will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company and its domestic subsidiaries have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Subsidiaries located in the People's Republic of China will contribute social welfare benefits based on a certain percentage of employees' salaries or wages to the employees' individual pension accounts.

Pension benefits for employees of overseas subsidiaries and branches are provided in accordance with the local regulations.

Expenses under the defined contribution plan for the years ended December 31, 2022 and 2021 were NT\$194,934 thousand and NT\$180,726 thousand, respectively.

Pension expenses for the years ended December 31, 2022 and 2021 were NT\$1 thousand and NT\$9 thousand, respectively.

Defined benefits plan

Kinsus and its domestic subsidiaries adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, Kinsus and its domestic subsidiaries contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute NT\$4,372 thousand to its defined benefit plan during the 12 months beginning after December 31, 2022.

As of December 31, 2022 and 2021, the maturities of Kinsus' defined benefit plan are in 2037 and 2037.

Pension costs recognized in profit or loss were as follows.

	For the year ended December 31,	
	2022	2021
	(NT\$'000)	(NT\$'000)
Current period service costs	\$-	\$-
Net interest of defined benefit liability (asset)	133	130
Previous period service costs	-	-
Settlement	-	-
Total	\$133	\$130

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	As of		
	12/31/2022	12/31/2021	01/01/2021
	(NT\$'000)	(NT\$'000)	(NT\$'000)
Defined benefit obligation	\$120,028	\$152,441	\$159,753
Plan assets at fair value	(150,527)	(136,182)	(129,387)
Other non-current liabilities – net defined benefit liability	\$(30,499)	\$16,259	\$30,366

Reconciliation of liability (asset) of the defined benefit liability is as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
	(NT\$'000)	(NT\$'000)	(NT\$'000)
1/1/2021	\$159,753	\$(129,387)	\$30,366
Current service cost	-	-	-
Interest cost	687	(557)	130
Past service cost and settlement	-	-	-
Total	687	(557)	130
Re-measurement on defined benefit liability/assets:			
Actuarial gain/loss due to change in population statistic assumptions	1,350	-	1,350

	Present value of defined benefit obligation (NTS'000)	Fair value of plan assets (NTS'000)	Net defined benefit liability (asset) (NTS'000)
Actuarial gain/loss due to change in financial assumptions	(10,410)	-	(10,410)
Experience gain/loss	1,061	(1,758)	(697)
Re-measurement on defined benefit assets	-	-	-
Total	(7,999)	(1,758)	(9,757)
Benefits paid	-	-	-
Contributions by employer	-	(4,480)	(4,480)
Effect of exchange rate	-	-	-
12/31/2021	152,441	(136,182)	16,259
Current service cost	-	-	-
Interest cost (revenue)	1,250	(1,117)	133
Pasts service cost and settlement	-	-	-
Total	1,250	(1,117)	133
Re-measurement on defined benefit liability/assets:			
Actuarial gain/loss due to change in population statistic assumptions	8	-	8
Actuarial gain/loss due to change in financial assumptions	(12,176)	-	(12,176)
Experience gain/loss	(20,427)	(9,924)	(30,351)
Re-measurement on defined benefit assets	-	-	-
Total	(32,595)	(9,924)	(42,519)
Benefits paid	(1,068)	1,068	-
Contributions by employer	-	(4,372)	(4,372)
Effect of exchange rate	-	-	-
12/31/2022	\$120,028	\$(150,527)	\$(30,499)

The actuarial assumptions used for the Company's defined benefit plan are shown below.

	As of December 31,	
	2022	2021
Discount rate	1.44%	0.82%
Expected rate of salary increases	3.00%	3.00%

Sensitivity analysis

	For the year ended December 31,			
	2022		2021	
	(NT\$'000)		(NT\$'000)	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Discount rate increased by 0.5%	\$-	\$(8,851)	\$-	\$(12,327)
Discount rate decreased by 0.5%	9,710	-	13,613	-
Expected salary level increased by 0.5%	9,507	-	13,243	-
Expected salary level decreased by 0.5%	-	(8,764)	-	(12,135)

For the purpose of sensitivity analysis above, the Company calculated the impact on defined benefit obligation due to a reasonable and feasible change of one single assumption (i.e. discount rate or expected salary level) with other assumptions remaining equal. Please note that the sensitivity analysis has its limitation due to the co-relation between different actuarial assumptions and the rarity that only one assumption changes at a time.

The method used in the analysis is consistent for both current and prior years.

(19)Equity

A. Common stock

As of December 31, 2022 and 2021, the Company's authorized capital were both NT\$6,000,000 thousand, each share at par value of NT\$10, divided into 600,000 thousand shares. As of December 31, 2022 and 2021, the Company's paid-in capital were NT\$4,527,761 thousand and NT\$4,508,441 thousand, respectively, divided into 452,776 thousand shares and 450,844 thousand shares, respectively. Each share represents a voting right and a right to receive dividends.

On January 29, 2021, the board of directors resolved to cancel restricted stock, and the amount of the capital reduction is NT\$151 thousand. The measurement date was at February 1, 2021.

On April 26, 2021, the board of directors resolved to cancel restricted stock, and the amount of the capital reduction is NT\$33 thousand. The measurement date was at April 28, 2021.

On February 15, 2022 and May 27, 2022, the Company's board of directors and shareholders' meetings resolved to increase the capital through an issuance of new 5,400,000 shares of restricted stock for employees. The application has been governmentally approved by FSC in the Order No. Financial-Supervisory-Securities-Corporate-1110347163 issued on June 23, 2022. The Company's board of directors resolved the measurement date was on August 19, 2022. The issue price per share is NT\$85.6, and issued 1,932 thousand shares.

B. Capital surplus

	As of December 31,	
	2022	2021
	(NT\$'000)	(NT\$'000)
Additional paid-in capital	\$6,116,351	\$6,036,311
Differences between purchase price and carrying amount arising from acquisition or disposal of subsidiaries	52,567	50,925
All changes in interests in subsidiaries	529,959	529,959
Change in joint ventures accounted for using equity method	7,484	7,484
Changes in equity of investment accounted for using equity method	-	1
Shared-Based Payment	8,371	8,371
Restricted stocks for employees	146,094	-
Total	<u>\$6,860,826</u>	<u>\$6,633,051</u>

According to the Taiwan Company Act, the capital surplus shall not be used except for making good the deficit of the Company. When a company incurs no loss, it may distribute the capital surplus related to the income derived from the issuance of new shares at a premium or income from endowments received by the company up to a certain percentage of paid-in capital. The said capital surplus could be distributed in cash to its shareholders in proportion to the number of shares being held by each of them. Capital surplus related to long-term equity investments cannot be used for any purpose.

C. Treasury stock

Treasury stock amounted to NT\$50 thousand and NT\$0, respectively, divided into 5 thousand shares, and 0 share, respectively, as of December 31, 2022 and 2021.

The movement schedule of treasury stock for the years ended December 31, 2022 and 2021 was as below (in thousand shares).

Purpose of repurchase	Beginning balance	Addition	Decrease	Ending balance
<u>For the years ended December 31, 2022</u>				
Recover failed restricted stocks	0	5	0	5
<u>For the years ended December 31, 2021</u>				
Recover failed restricted stocks	14	4	18	0

According to the Securities and Exchange Act of the R.O.C., total treasury stock shall not exceed 10% of the Company's issued stock, and the total purchase amount shall not exceed the sum of the retained earnings, additional paid-in capital-premiums and realized additional paid-in capital. As such, the ceiling number of shares of treasury stock that the Company could hold as of December 31, 2022 were 45,278 thousand shares, with the maximum payments of NT\$29,030,277 thousand.

In compliance with Securities and Exchange Act of the R.O.C., treasury stock should not be pledged, nor should it be entitled to voting rights or receiving dividends.

D. Appropriation of earnings and dividend policies

(a) Earning distribution

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

- a. Payment of all taxes and dues;
- b. Offset prior years' operation losses;
- c. Set aside 10% of the remaining amount as legal reserve. This restriction shall not apply when the statutory surplus reserve has reached the paid-in capital of the company.
- d. Set aside or reverse special reserve in accordance with law and regulations; and
- e. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

If the Company's dividends are distributed to shareholders or all or part of statutory surplus reserve and capital reserve in whole may be paid in cash, the Board of Directors have been authorized to approve by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, and report to the shareholders' meeting.

(b) Dividend policies

The Company is in an industry with versatile environment. For long-term finance planning requirements and to meet the shareholders' demand for cash, the Company's dividend policy aims for steadiness and balancing. Shareholder extra dividend each year cannot be less than 10% of distributed surplus earnings and cash dividends distributed each year cannot be less than 10% of the gross amount of dividends.

(c) Legal reserve

According to the Company Act, legal reserve shall be set aside until such amount equal total authorized capital. Legal reserve can be used to offset deficits. If the Company does not incur any loss, the portion of legal reserve exceeding 25% of the paid-in capital may be distributed to shareholders by issuing new shares or by cash in proportion to the number of shares held by each shareholder.

(d) Special reserve

When the Company distributing distributable earnings, it shall set aside to special reserve, an amount equal to “other net deductions from shareholders” equity for the current fiscal year, provided that if the Company has already set aside special reserve according to the requirements for the adoption of IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders’ equity. For any subsequent reversal of other net deductions from shareholders’ equity, the amount reversed may be distributed from the special reserve.

The FSC issued Order No. Financial-Supervisory-Securities-Corporate-1090150022 on March 31, 2021, which sets out the following provisions for compliance:

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders’ equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the company can reverse the special reserve by proportion and transfer to retained earnings.

The Company did not incur any special reserve upon the first-time adoption of T-IFRS.

(e) The appropriations of earnings for the Year 2022 and 2021 were approved through the Board of Directors’ meetings and shareholders’ meetings held on February 13, 2023 and May 27, 2022, respectively. The details of the distributions are as follows:

	Appropriation of earnings		Dividend per share (in NT\$)	
	2022 (NT\$'000)	2021 (NT\$'000)	2022	2021
Legal reserve	\$701,489	\$386,880		
Special reserve	(55,169)	22,092		
Cash dividend	2,943,012	2,028,798	\$6.50	\$4.50
Total	\$3,589,332	\$2,437,770		

Please refer to Note 6(24) for details on employees' compensation and remuneration to directors and supervisors.

E. Non-controlling interests

	For the years ended December 31,	
	2022	2021
	(NT\$'000)	(NT\$'000)
Beginning balance	\$3,919,766	\$3,519,907
Net income attributable to NCIs	956,678	633,124
Other comprehensive income attributable to NCIs:		
Exchange differences arising on translation of foreign operations	5,186	(11,934)
Non-controlling interests increase/(decrease)	(392,013)	(221,331)
Difference between consideration given / received and carrying amount of interests in subsidiaries acquired / disposed of	10,130	-
Reorganization	(5,554)	-
Ending balance	<u>\$4,494,193</u>	<u>\$3,919,766</u>

(20) Share-based payment plans

Restricted stocks plan for employees

A. On May 27, 2022, the shareholders' meetings resolved to issue of 5,400 thousand shares of restricted stocks for employees. The grantee is limited to employees who meet certain conditions. The restricted stocks have been approved by the Securities and Futures Bureau. On July 25, 2022, the board of directors resolved to issue 2,063 thousand shares. The measurement date was on August 19, 2022 and total shares issued were 1,932 thousand. The unit market price as of the granted date was NT\$130.

The employees who acquire the above shares can subscribe shares at the price of NT\$85.6 per shares while the vesting conditions are as below.

i. Employee above level eight

Vesting conditions	Proportion of vested shares
Within 1 month starting the granted date	30%(Uncondition round up to thousand shares)
Within 8 months starting the granted date	20%(Uncondition round up to thousand shares)
Within 13 months starting the granted date	20%(Uncondition round down to thousand shares)
Within 20 months starting the granted date	10%(Uncondition round up to thousand shares)
Within 25 months starting the granted date	10%(Uncondition round up to thousand shares)
Within 32 months starting the granted date	Remaining shares

ii. Employee at level six through level seven

Vesting conditions	Proportion of vested shares
Within 1 month starting the granted date	30%(Uncondition round up to thousand shares)
Within 13 months starting the granted date	50%(Uncondition round down to thousand shares)
Within 25 months starting the granted date	Remaining shares

Restriction on employee's right after granted but before vested:

- (a) The granted employee commit to the custodian institution, and shall not sell, pledge, transfer, donate, or dispose in any other ways, the right of restricted stocks before achieving the vesting conditions.
- (b) After new shares of restricted stock are issued, the granted employee should immediately commit to the custodian institution, and not to ask the trustee to return the restricted stock in any other reasons or ways before achieving the vesting conditions.
- (c) The restricted stock for employees can participate in receiving dividends during the vesting period.
- (d) The right to vote and elect in a shareholders' meeting shall be executed by custodian institution in accordance with related regulations.

On August 19, 2022, the issuance of 1,932 thousand restricted shares for employees resulted in the increase of capital reserve—employee stock option amounting to NT\$226,084 thousand. The restricted stocks plan was invalidated as of December 31, 2022 and 5 thousand shares were recalled. As a result, capital reserve increased by NT\$50 thousand and the unearned employee compensation was NT\$35,933.

B. The expense recognized for employee services received is shown in the following table.

	<u>For the year ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
	<u>(NT\$'000)</u>	<u>(NT\$'000)</u>
Total expense arising from equity-settled share-based payment transactions	<u>\$47,882</u>	<u>\$3,836</u>

C. The Company did not modify the share-based payment plan for the the years ended December 31, 2022 and 2021.

(21)Sales

	<u>For the year ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
	<u>(NT\$'000)</u>	<u>(NT\$'000)</u>
Revenue from customer contracts		
Sales of goods	\$41,588,787	\$35,192,556
Other operating revenue	<u>852,267</u>	<u>480,207</u>
Total	<u>\$42,441,054</u>	<u>\$35,672,763</u>

Analysis of revenue from contracts with customers during the years ended December 31, 2022 and 2021 are as follows:

A. Disaggregation of revenue

	For the year ended December 31, 2022					
	Continuing Operations				Discontinued	
	IC Substrate (NT\$'000)	PCB (NT\$'000)	Optics (NT\$'000)	Subtotal (NT\$'000)	operations (NT\$'000)	Total (NT\$'000)
Sale of goods	\$34,450,427	\$6,320,970	\$2,822	\$40,774,219	\$814,568	\$41,588,787
Other	852,267	-	-	852,267	-	852,267
Total	\$35,302,694	\$6,320,970	\$2,822	\$41,626,486	\$814,568	\$42,441,054

The timing for revenue recognition:

At a point in time	\$35,302,694	\$6,320,970	\$2,822	\$41,626,486	\$814,568	\$42,441,054
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	For the year ended December 31, 2021					
	Continuing Operations				Discontinued	
	IC Substrate (NT\$'000)	PCB (NT\$'000)	Optics (NT\$'000)	Subtotal (NT\$'000)	operations (NT\$'000)	Total (NT\$'000)
Sale of goods	\$27,252,822	\$5,595,043	\$8,370	\$32,856,235	\$2,336,321	\$35,192,556
Other	480,207	-	-	480,207	-	480,207
Total	\$27,733,029	\$5,595,043	\$8,370	\$33,336,442	\$2,336,321	\$35,672,763

The timing for revenue recognition:

At a point in time	\$27,733,029	\$5,595,043	\$8,370	\$33,336,442	\$2,336,321	\$35,672,763
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B. Contract balances

(a) Contract liabilities

	As of		
	12/31/2022 (NT\$'000)	12/31/2021 (NT\$'000)	01/01/2021 (NT\$'000)
Sales of goods	\$2,550,873	\$98,679	\$146,450
Customer loyalty programs	2,994	12,671	15,281
Total	<u>\$2,553,867</u>	<u>\$111,350</u>	<u>\$161,731</u>
Current	\$112,683	\$111,350	\$161,731
Non-Current	2,441,184	-	-
Total	<u>\$2,553,867</u>	<u>\$111,350</u>	<u>\$161,731</u>

The significant changes in the Group's balances of contract liabilities for the the years ended December 31, 2022 are as follows:

	Sales of goods	Customer loyalty programs
The opening balance transferred to revenue	\$(95,155)	\$(12,671)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	2,547,349	2,994

The significant changes in the Group's balances of contract liabilities for the the years ended December 31, 2021 are as follows:

	Sales of goods	Customer loyalty programs
The opening balance transferred to revenue	\$(141,409)	\$(15,281)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	93,638	12,671

(22) Expected credit losses/(gains)

	For the year ended December 31,	
	2022	2021
	(NT\$'000)	(NT\$'000)
Operating expenses – Expected credit losses/(gains)		
Account receivables (Including discontinued operations amounting to 17,902 thousand)	\$23,441	\$6,835

Please refer to Note 12 for more details on credit risk.

The Group measured the impairment against the other receivables reclassified from accounts receivable due to factoring agreements mainly based on the expected credit loss for 12 months of the counter-party financial institutions. As of December 31, 2022 and 2021, there were no other receivables past due. Furthermore, the Group assessed the related expected credit loss to be insignificant because the counter-party financial institutions are of good credit condition.

The Group measures the loss allowance of its contract assets and accounts receivable (including notes receivable and accounts receivable) at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as of December 31, 2022 and 2021 are as follows:

A. The Group considers the grouping of accounts receivable by counterparties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix. Details are as follows.

As of December 31, 2022

Group 1	Not past due (Note) (NT\$'000)	Past due						Total (NT\$'000)
		<=30 days (NT\$'000)	31-60 days (NT\$'000)	61-90 days (NT\$'000)	91-120 days (NT\$'000)	>=121 days (NT\$'000)	>=365 days (NT\$'000)	
Gross carrying amount	\$3,935,761	\$289,525	\$82,055	\$31,482	\$4,251	\$-	\$4,282	\$4,347,356
Loss ratio	-	5%	15%	30%	50%	75%	100%	
Lifetime expected credit losses	-	(14,585)	(12,308)	(9,445)	(2,126)	-	(4,282)	(42,746)
Subtotal	3,935,761	274,940	69,747	22,037	2,125	-	-	4,304,610

Group 2	Not past due (Note) (NT\$'000)	Past due					Individual evaluate	Total (NT\$'000)
		<=30 days (NT\$'000)	31-60 days (NT\$'000)	61-90 days (NT\$'000)	91-120 days (NT\$'000)	>=121 days (NT\$'000)		
		Gross carrying amount	\$733,379	\$18,027	\$-	\$-		
Loss ratio	0.82%	1%	0%	0%	0%	0%	100%	
Lifetime expected credit losses	(6,031)	(180)	-	-	-	-	(1,929)	(8,140)
Subtotal	727,348	17,847	-	-	-	-	-	745,195
Carrying amount of accounts receivable	\$4,663,109	\$292,787	\$69,747	\$22,037	\$2,125	\$-	\$-	\$5,049,805

As of December 31, 2021

Group 1	Not past due (Note) (NT\$'000)	Past due					Individual evaluate	Total (NT\$'000)
		<=30 days (NT\$'000)	31-60 days (NT\$'000)	61-90 days (NT\$'000)	91-120 days (NT\$'000)	>=121 days (NT\$'000)		
		Gross carrying amount	\$4,828,296	\$233,421	\$1,329	\$9		
Loss ratio	-%	5%	15%	30%	50%	75%	100%	
Lifetime expected credit losses	-	(11,671)	(200)	(2)	-	-	-	(11,873)
Subtotal	4,828,296	221,750	1,129	7	-	-	-	5,051,182
Group 2	Not past due (Note) (NT\$'000)	Past due					Individual evaluate	Total (NT\$'000)
		<=30 days (NT\$'000)	31-60 days (NT\$'000)	61-90 days (NT\$'000)	91-120 days (NT\$'000)	>=121 days (NT\$'000)		
		Gross carrying amount	\$633,065	\$21	\$-	\$-		
Loss ratio	0.91%	1%	0%	0%	0%	0%	100%	
Lifetime expected credit losses	(5,752)	(1)	-	-	-	-	(9,218)	(14,971)
Subtotal	627,313	20	-	-	-	-	-	627,333
Carrying amount of accounts receivable	\$5,455,609	\$221,770	\$1,129	\$7	\$-	\$-	\$-	\$5,678,515

Note: all the Group's note receivables were not past due.

B. The movement in the provision for impairment of notes receivable and accounts receivable during the years ended December 31, 2022 and 2021 are as follows:

	Notes receivable (NT\$'000)	Accounts receivable (NT\$'000)
Beginning balance as of January 1, 2022	\$-	\$26,844
Addition/(reversal) for the current period	-	23,441
Effect of exchange rate	-	601
Ending balance as of December 31, 2022	\$-	\$50,886
Beginning balance as of January 1, 2021	\$-	\$20,015
Addition/(reversal) for the current period	-	6,835
Effect of exchange rate	-	(6)
Ending balance as of December 31, 2021	\$-	\$26,844

(23) Leases

A. Group as a lessee

The Group leases various properties, including real estate such as land and buildings, machinery and equipment, transportation equipment. These leases have terms of between 1 and 50 years. The Group may not allow to privately lend, sublease, sell, use by others in other disguised form, or transfer the lease to another person.

The effect of leases on the Group's consolidated financial position, financial performance and cash flows are as follows:

(a) Amounts recognized in the balance sheet

I. Right-of-use assets

	Land (NT\$'000)	Buildings (NT\$'000)	Machinery and equipment (NT\$'000)	Transportation Equipment (NT\$'000)	Total (NT\$'000)
<u>Cost:</u>					
As of 1/1/2022	\$271,757	\$207,324	\$-	\$-	\$479,081
Addition	-	358,479	-	-	358,479
Disposals	(59,851)	(74,547)	-	-	(134,398)
Reclassification	-	-	-	-	-
Effect of EX rate	16,956	967	-	-	17,923
As of 12/31/2022	<u>\$228,862</u>	<u>\$492,223</u>	<u>\$-</u>	<u>\$-</u>	<u>\$721,085</u>
As of 1/1/2021	\$277,004	\$164,586	\$17,793	\$2,490	\$461,873
Addition	-	193,709	-	-	193,709
Disposals	-	(150,697)	(17,793)	(2,490)	(170,980)
Reclassification	-	-	-	-	-
Effect of EX rate	(5,247)	(274)	-	-	(5,521)
As of 12/31/2021	<u>\$271,757</u>	<u>\$207,324</u>	<u>\$-</u>	<u>\$-</u>	<u>\$479,081</u>
<u>Depreciation and impairment:</u>					
As of 1/1/2022	\$76,120	\$49,666	\$-	\$-	\$125,786
Depreciation	5,107	116,884	-	-	121,991
Disposals	(17,655)	(31,490)	-	-	(49,145)
Reclassification	-	-	-	-	-
Effect of EX rate	(5,000)	220	-	-	5,220
As of 12/31/2022	<u>\$68,572</u>	<u>\$135,280</u>	<u>\$-</u>	<u>\$-</u>	<u>\$203,852</u>

Kinsus Interconnect Technology Corp.

Notes to Consolidated Financial Statements (Continued)

	Land (NT\$'000)	Buildings (NT\$'000)	Machinery and equipment (NT\$'000)	Transportation Equipment (NT\$'000)	Total (NT\$'000)
As of 1/1/2021	\$72,006	\$62,519	\$13,776	\$1,840	\$150,141
Depreciation	5,561	49,780	4,017	54	59,412
Disposals	-	(62,464)	(17,793)	(1,894)	(82,151)
Reclassification	-	-	-	-	-
Effect of EX rate	(1,447)	(169)	-	-	(1,616)
As of 12/31/2021	\$76,120	\$49,666	\$-	\$-	\$125,786
<u>Net carrying amount:</u>					
As of 12/31/2022	\$160,290	\$356,943	\$-	\$-	\$517,233
As of 12/31/2021	\$195,637	\$157,658	\$-	\$-	\$353,295

II. Lease liability

	As of December 31,	
	2022 (NT\$'000)	2021 (NT\$'000)
Lease liabilities	\$363,360	\$161,503
Current	\$132,253	\$52,396
Non-current	231,107	109,107
Total	\$363,360	\$161,503

Please refer to Note 6(25) (D) for the interest on lease liability recognized during the year ended December 31, 2022 and 2021 and refer to Note 12(5) for the maturity analysis for lease liabilities as of December 31, 2022 and 2021.

(b) Income and costs relating to leasing activities

	<u>For the year ended December 31,</u>	
	2022	2021
	<u>(NT\$'000)</u>	<u>(NT\$'000)</u>
The expense relating to short-term leases (rent expense)	\$(83,401)	\$(145,995)
The expense relating to leases of low-value assets (Not including the expense relating to short-term leases of low-value assets)	(1,131)	(702)
Income from subleasing right-of-use assets	516	212

As at December 31, 2022 and 2021, the portfolio of short-term leases of the Group to which it is committed at the end of the reporting period is dissimilar to the portfolio of short-term leases to which the short-term lease expense disclosed above and the amount of its lease commitments is NT\$0.

For the year ended December 31, 2022 and 2021, the Group recognized NT\$2,411 thousand and NT\$5,913 thousand as income to account the rent concession arising as a direct consequence of the covid-19 pandemic as a variable lease payment.

(c) Cash outflow relating to leasing activities

During the years ended December 31, 2022 and 2021, the Group's total cash outflow for leases amounting to NT\$202,414 thousand and NT\$196,873 thousand, respectively.

B. Group as a lessor

The Group has entered leases on plants. These leases have terms of between one and three years. These leases are classified as operating leases as they do not transfer substantially all the risks and rewards incidental to ownership of underlying assets.

	<u>For the years ended December 31,</u>	
	2022	2021
	<u>(NT\$'000)</u>	<u>(NT\$'000)</u>
Lease income for operating leases		
Income relating to fixed lease payments	<u>\$8,243</u>	<u>\$10,410</u>

For operating leases entered by the Group, the undiscounted lease payments to be received and a total of the amounts for the remaining years as of December 31, 2022 and 2021 are as follows:

	As of December 31,	
	2022 (NT\$'000)	2021 (NT\$'000)
Less than one year	\$392	\$392
More than one year but less than five years	1,537	2,027
Total	\$1,929	\$2,419

(24) Summary statement of employee benefits, depreciation and amortization by function is as follows:

Function Nature	For the year ended December 31, 2022 (NT\$'000)			For the year ended December 31, 2021 (NT\$'000)		
	Cost of goods sold	Operating expense	Total	Cost of goods sold	Operating expense	Total
Employee benefit						
Salaries & wages	\$6,062,949	\$2,159,198	\$8,222,147	\$5,298,481	\$1,753,667	\$7,052,148
Labor and health insurance	406,446	91,565	498,011	361,465	83,863	445,328
Pension	144,986	50,082	195,068	134,762	46,104	180,866
Other employee benefit	270,752	80,386	351,138	237,853	67,362	305,215
Depreciation	4,575,920	463,042	5,038,962	3,946,930	383,964	4,330,894
Amortization	350	67,766	68,116	245	46,273	46,518

According to the resolution, not lower than 10% of profit of the current year is distributable as employees' compensation and no higher than 1% of profit of the current year is distributable as remuneration to directors and supervisors. However, the Company's accumulated losses shall have been covered.

The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition, a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on profitability and following the rule of not lower than 10% and not higher than 1%, the Company incurred the employees' compensation and the remuneration to directors and supervisors, respectively, for the year ended December 31, 2022 and recorded them as employee benefits. As such, employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2022 amounted to NT\$1,198,514 thousand and NT\$69,913 thousand, respectively, and for the year ended December 31, 2021 amounted to NT\$528,161 thousand and NT\$34,370 thousand, respectively. The employees' compensation and remuneration to directors and supervisors were recognized as salaries. The Company's Board has determined the employees' compensation and directors' remuneration, all in cash, to be NT\$1,198,514 thousand and NT\$69,913 thousand, respectively, in a meeting held on February 13, 2023.

The Company's Board of Directors' meeting has determined the employees' compensation and directors' remuneration, all in cash, to be NT\$528,161 thousand and NT\$34,370 thousand, respectively, in a meeting held on February 15, 2021. No material differences exist between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended December 31, 2021.

(25) Non-operating incomes and expenses

A. Interest income

	For the year ended December 31,					
	2022			2021		
	(NT\$'000)			(NT\$'000)		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Interest income						
Financial assets measured at amortized cost	\$81,585	\$1,654	\$83,239	\$33,408	\$988	\$34,396

B. Other income

	For the year ended December 31,					
	2022			2021		
	(NT\$'000)			(NT\$'000)		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Government grants	\$14,574	\$-	\$14,574	\$8,457	\$-	\$8,457
Other income – others	172,002	61,607	233,609	194,426	15,301	209,727
Total	\$186,576	\$61,607	\$248,183	\$202,883	\$15,301	\$218,184

C. Other gains and losses

	For the year ended December 31,					
	2022			2021		
	(NT\$'000)			(NT\$'000)		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Gain (losses) from disposal of property, plant and equipment	\$6,377	\$223,022	\$229,399	\$11,655	\$7,084	\$18,739
Foreign exchange gain (loss), net	239,055	18,568	257,623	194	(15,462)	(15,268)
Gain on lease modification	90	101,344	101,434	710	-	710
Net gain of financial assets at fair value through profit or loss	3,773	-	3,773	1,939	-	1,939
Impairment losses	(40,759)	-	(40,759)	(24,014)	(8,771)	(32,785)
Loss from fire (net)	(2,526)	-	(2,526)	-	-	-
Other losses	(9,554)	(224,941)	(234,495)	(1,330)	(11,946)	(13,276)
Total	\$196,456	\$117,993	\$314,449	\$(10,846)	\$(29,095)	\$(39,941)

D. Finance costs

	For the year ended December 31,					
	2022			2021		
	(NT\$'000)			(NT\$'000)		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Interest on bank loans	\$142,923	\$37,124	\$180,047	\$66,576	\$13,199	\$79,775
Interests on lease liabilities	3,608	-	3,608	1,358	-	1,358
Total	\$146,531	\$37,124	\$183,655	\$67,934	\$13,199	\$81,133

(26) Components of other comprehensive income (OCI)

For the year ended December 31, 2022

	Arising during the period (NT\$'000)	Reclassification during the period (NT\$'000)	Subtotal (NT\$'000)	Income tax benefit (expense) (NT\$'000)	OCI, Net of tax (NT\$'000)
<u>Not reclassified to profit or loss:</u>					
Actuarial gains or losses on defined benefits plan	\$42,519	\$-	\$42,519	\$-	\$42,519
<u>May be reclassified to profit or loss in subsequent period:</u>					
Exchange differences arising on translation of foreign operations	57,556	-	57,556	-	57,556
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	2,799	-	2,799	-	2,799
Total OCI	\$102,874	\$-	\$102,874	\$-	\$102,874

For the year ended December 31, 2021

	Arising during the period (NT\$'000)	Reclassification during the period (NT\$'000)	Subtotal (NT\$'000)	Income tax benefit (expense) (NT\$'000)	OCI, Net of tax (NT\$'000)
<u>Not reclassified to profit or loss:</u>					
Actuarial gains or losses on defined benefits plan	\$9,757	\$-	\$9,757	\$-	\$9,757
<u>May be reclassified to profit or loss in subsequent period:</u>					
Exchange differences arising on translation of foreign operations	(32,403)	-	(32,403)	-	(32,403)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(1,623)	-	(1,623)	-	(1,623)
Total OCI	\$(24,269)	\$-	\$(24,269)	\$-	\$(24,269)

(27) Income tax

A. The major components of income tax expense (income) are as follows:

Income tax expense (benefit) recognized in profit or loss

	For the year ended December 31,					
	2022			2021		
	(NT\$'000)			(NT\$'000)		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Current income tax expense (benefit):						
Current income tax expense	\$2,159,046	\$-	\$2,159,046	\$710,541	\$-	\$710,541
Adjustments in respect of current income tax of prior periods	(7,615)	-	(7,615)	(42,129)	-	(42,129)
Deferred tax expense (benefit):						
Deferred tax expense (benefit) relating to origination and reversal of temporary differences	6,973	-	6,973	3,391	-	3,391
Total income tax expense	\$2,158,404	\$-	\$2,158,404	\$671,803	\$-	\$671,803

B. A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the year ended December 31,					
	2022			2021		
	(NT\$'000)			(NT\$'000)		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Accounting profit before tax from continuing operations	\$10,334,990	\$(243,116)	\$10,091,874	\$5,641,125	\$(477,214)	\$5,163,911
Tax payable at the enacted tax rates	\$2,335,264	\$-	\$2,335,264	\$1,252,271	\$-	\$1,252,271
Surtax on Undistributed earnings	98,428	-	98,428	16,343	-	16,343
Tax effect of income tax-exempted	(145,786)	-	(145,786)	(83,019)	-	(83,019)
Tax effect of expenses not deductible for tax purposes	36,422	-	36,422	(23,426)	-	(23,426)
Tax effect of deferred tax assets/liabilities	1,480	-	1,480	(190,288)	-	(190,288)
Reversal of uncertain tax position upon finalization	(7,615)	-	(7,615)	(42,129)	-	(42,129)
Others	(159,789)	-	(159,789)	(257,949)	-	(257,949)
Total income tax expense recognized in profit or loss	\$2,158,404	\$-	\$2,158,404	\$671,803	\$-	\$671,803

C. Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2022

	Beginning balance as of Jan. 1, 2022 (NT\$'000)	Deferred tax income (expense) recognized in P/L (NT\$'000)	Exchange adjustment (NT\$'000)	Ending balance as of Dec. 31, 2022 (NT\$'000)
Temporary differences				
Prepaid appreciation tax on agricultural land	\$9,593	\$-	\$-	\$9,593
Unrealized loss on inventory valuation	11,557	2,495	-	14,052
Unrealized exchange loss (gain)	(355)	203	-	(152)
Unrealized exchange loss (gain)	1,302	706	-	2,008
Other	601	1,145	(13)	1,733
Investments accounted for using the equity method	(25,661)	(11,522)	-	(37,183)
Deferred tax income/(expense)		<u>\$ (6,973)</u>	<u>\$ (13)</u>	
Net deferred tax assets/(liabilities)	<u>\$ (2,963)</u>			<u>\$ (9,949)</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$23,053</u>			<u>\$27,386</u>
Deferred tax liabilities	<u>\$ (26,016)</u>			<u>\$ (37,335)</u>

For the year ended December 31, 2021

	Beginning balance as of Jan. 1, 2021 (NT\$'000)	Deferred tax income (expense) recognized in P/L (NT\$'000)	Exchange adjustment (NT\$'000)	Ending balance as of Dec. 31, 2021 (NT\$'000)
Temporary differences				
Prepaid appreciation tax on agricultural land	\$9,593	\$-	\$-	\$9,593
Unrealized loss on inventory valuation	18,120	(6,563)	-	11,557
Unrealized exchange loss (gain)	(9,488)	9,133	-	(355)
Unrealized exchange loss (gain)	-	1,302	-	1,302
Other	549	123	(71)	601
Investments accounted for using the equity method	(18,275)	(7,386)	-	(25,661)
Deferred tax income/(expense)		<u>\$(3,391)</u>	<u>\$(71)</u>	
Net deferred tax assets/(liabilities)	<u>\$499</u>			<u>\$(2,963)</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$28,262</u>			<u>\$23,053</u>
Deferred tax liabilities	<u>\$(27,763)</u>			<u>\$(26,016)</u>

D. Unrecognized deferred tax assets

As of December 31, 2022 and 2021, deferred tax assets that have not been recognized as they may not be used to offset future taxable income amounted to NT\$1,857,747 thousand and NT\$1,541,832 thousand, respectively.

E. Unused balance of deductible net operating loss within the Company was listed as follows:

Occurrence year	Accumulated net operating loss (NT\$'000)	Unused balance		Expiration Year
		As of December 31,		
		2022 (NT\$'000)	2021 (NT\$'000)	
2012	\$101,046	\$-	\$95,084	2022
2019	2,023,410	-	366,800	2029
		\$-	\$461,884	

F. The assessment of income tax return

As of December 31, 2022, the assessment status of income tax returns of the Company and subsidiaries was as follows:

	The assessment of income tax returns
The Company	Assessed and approved up to 2019
Subsidiary - Pegavision Corporation	Assessed and approved up to 2020
Subsidiary - Kinsus Investment Co., Ltd.	Assessed and approved up to 2020
Subsidiary - BeautyTech Platform Corporation	Assessed and approved up to 2020
Subsidiary - Mayin Investment Co., Ltd.	The first-time assessment of 2021 has not yet been approved.
Subsidiary - FacialBeau International Corporation	The first-time assessment of 2021 has not yet been approved.

(28) Earnings per share

Basic earnings per share is calculated by dividing net profit for the year attributable to the common shareholders of the parent entity by the weighted average number of common shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting any influences) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

A. Basic earnings per share

	For the year ended December 31,					
	2022			2021		
	(NT\$'000)			(NT\$'000)		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Net income attributable to common shareholders of the parent (in NT\$'000)	<u>\$7,100,781</u>	<u>\$(123,989)</u>	<u>\$6,976,792</u>	<u>\$4,102,363</u>	<u>\$(243,379)</u>	<u>\$3,858,984</u>
Weighted average number of common shares outstanding (in thousand shares)	<u>451,027</u>	<u>451,027</u>	<u>451,027</u>	<u>450,646</u>	<u>450,646</u>	<u>450,646</u>
Basic earnings per share (in NT\$)	<u>\$15.74</u>	<u>\$(0.27)</u>	<u>\$15.47</u>	<u>\$9.10</u>	<u>\$(0.54)</u>	<u>\$8.56</u>

B. Diluted earnings per share

	For the year ended December 31,					
	2022			2021		
	(NT\$'000)			(NT\$'000)		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Net income attributable to common shareholders of the parent (NT\$'000)	\$7,100,781	\$(123,989)	\$6,976,792	\$4,102,363	\$(243,379)	\$3,858,984
Net income attributable to common shareholders of the parent after dilution (NT\$'000)	\$7,100,781	\$(123,989)	\$6,976,792	\$4,102,363	\$(243,379)	\$3,858,984
Weighted average number of common shares outstanding (in thousand shares)	451,027	451,027	451,027	450,646	450,646	450,646
Effect of dilution:						
Employee bonus (compensation) – stock (in thousand shares)						
Restricted stocks (in thousand shares)	11,809	11,809	11,809	2,571	2,571	2,571
Weighted average number of common shares outstanding after dilution (in thousand shares)	462,836	462,836	462,836	453,217	453,217	453,217
Diluted earnings per share (in NT\$)	\$15.34	\$(0.27)	\$15.07	\$9.05	\$(0.54)	\$8.51

No other transactions that would significantly change the outstanding common shares or potential common shares incurred during the period after reporting date and up to the approval date of financial statements.

(29) Subsidiary that has material non-controlling interests

Proportion of equity interest held by non-controlling interests:

Name	Country	As of December 31,	
		2022	2021
PIOTEK HOLDINGS LTD. and its subsidiary	China	49.00%	49.00%
Pegavision Corporation and its subsidiary	Taiwan	69.67%	69.67%

Accumulated balances of material non-controlling interest:

	As of December 31,	
	2022	2021
	(NT\$'000)	(NT\$'000)
PIOTEK HOLDINGS LTD. and its subsidiaries	\$(41,842)	\$75,477
Pegavision Corporation and its subsidiary	\$4,536,035	\$3,844,289

Profit (loss) allocated to material non-controlling interest:

	For the year ended December 31,	
	2022	2021
	(NT\$'000)	(NT\$'000)
PIOTEK HOLDINGS LTD. and its subsidiaries	\$(120,873)	\$(236,570)
Pegavision Corporation and its subsidiary	\$1,077,551	\$869,694

The summarized financial information of this subsidiary is provided below. This information is based on amounts before inter-company eliminations.

Summarized PIOTEK HOLDINGS LTD. and its subsidiaries information of profit or loss is as follows:

	For the year ended December 31,	
	2022	2021
	(NT\$'000)	(NT\$'000)
Operating revenue	\$817,398	\$2,344,680
Loss from continuing operation	(246,688)	(482,761)
Total comprehensive income for the period	(239,420)	(495,436)

Summarized Pegavision Corporation and its subsidiaries information of profit or loss is as follows:

	For the year ended December 31,	
	2022	2021
	(NT\$'000)	(NT\$'000)
Operating revenue	\$6,321,198	\$5,595,043
Profit from continuing operation	1,545,341	1,248,436
Total comprehensive income for the period	1,548,014	1,240,212

Summarized PIOTEK HOLDINGS LTD. and its subsidiaries information of financial position is as follows:

	As of December 31,	
	2022	2021
	(NT\$'000)	(NT\$'000)
Current assets	\$318,326	\$1,258,443
Non-current assets	756,481	952,045
Current liabilities	126,557	1,039,165
Non-current liabilities	1,033,614	1,017,267

Summarized Pegavision Corporation and its subsidiaries information of financial position is as follows:

	As of December 31,	
	2022	2021
	(NT\$'000)	(NT\$'000)
Current assets	\$3,970,829	\$3,262,570
Non-current assets	5,590,768	5,302,346
Current liabilities	2,441,504	2,778,429
Non-current liabilities	634,361	278,060

Summarized PIOTEK HOLDINGS LTD. and its subsidiaries cash flows information is as follows:

	For the year ended December 31,	
	2022	2021
	(NT\$'000)	(NT\$'000)
Operating activities	\$(147,078)	\$(213,183)
Investing activities	445,303	(56,782)
Financing activities	(126,960)	208,461
Net increase/(decrease) in cash and cash equivalents	84,748	(44,702)

Summarized Pegavision Corporation and its subsidiaries cash flows information is as follows:

	For the year ended December 31,	
	2022	2021
	(NT\$'000)	(NT\$'000)
Operating activities	\$2,047,463	\$2,632,863
Investing activities	(1,428,504)	(1,848,633)
Financing activities	(623,260)	(172,250)
Net increase/(decrease) in cash and cash equivalents	(2,845)	602,964

7. RELATED PARTY TRANSACTIONS

(1) Deal with related parties as of the end of the reporting period

Related parties and Relationship

Related parties	Relationship
Pegatron Corporation	Parent company
FuYang Technology Corp.	Associate
AzureWave Technologies, Inc	Other related parties
ASFLY TRAVEL SERVICE LTD.	Other related parties
AzureWave Technologies (Shanghai) Inc.	Other related parties
COTEK ELECTRONICS(SUZHOU) CO., LTD.	Other related parties
Maintek Computer (Suzhou) Co., Ltd	Other related parties
Casetek Computer (Suzhou) Co., Ltd.	Other related parties
ASIAROCK TECHNOLOGY LIMITED	Other related parties
ASROCK RACK INCORPORATION	Other related parties
PEGATRON JAPAN INC	Other related parties
PEGATRON CZECH S.R.O	Other related parties

(2) Significant transactions with related parties

A. Sales

	For the year ended December 31,	
	2022 (NT\$'000)	2021 (NT\$'000)
Parent company	\$421	\$1,329
Other related parties	35,715	92,903
Total	\$36,136	\$94,232

Selling prices and collection terms to related parties are similar to those to third party customers for the year ended December 31, 2022 and 2021. The collection terms are 30 to 90 days from the end of delivery month by telegraphic transfer.

B. Lease-related parties

(a) Right-of-use assets

Related parties	Nature	As of December 31,	
		2022 (NT\$'000)	2021 (NT\$'000)
Parent company	Buildings	\$264,484	\$-
Other related parties	Buildings	331	1,164
Total		\$264,815	\$1,164

(b) Lease liabilities

Related parties	As of December 31,	
	2022 (NT\$'000)	2021 (NT\$'000)
Parent company	\$265,534	\$-
Other related parties	333	1,165
Total	\$265,867	\$1,165

(c) Lease payment (Rental expense)

Related parties	Nature	For the year ended December 31,	
		2022 (NT\$'000)	2021 (NT\$'000)
Parent company	Plant	\$33,945	\$100,846

(d) Interest expenses

Related parties	For the year ended December 31,	
	2022 (NT\$'000)	2021 (NT\$'000)
Parent company	\$2,343	\$-
Other related parties	6	6
Total	\$2,349	\$6

- C. For the year ended December 31, 2022 and 2021, the Group recognized operating expenses of NT\$6,387 thousand and NT\$4,687 thousand, respectively, for services provided by other related parties.

For the year ended December 31, 2022 and 2021, the Group recognized operating expenses of NT\$2,963 thousand and NT\$331 thousand (tax included), respectively, for services provided by the Parent.

For the year ended December 31, 2022, the Group recognized operating expense of NT\$1,165 thousand, for providing services to the associate.

For the year ended December 31, 2022 and 2021, the Group incurred operating expenses of NT\$94,295 thousand and NT\$93,649 thousand (tax included), respectively, for utility bills paid by the Parent on behalf of the Group.

For the year ended December 31, 2021, the Group recognized operating expense of NT\$150 thousand bills paid repair expense to other related parties.

For the year ended December 31, 2021, the Group recognized operating expense of NT\$224 thousand due to subcontracting maintenance and repair on factories to its associate.

- D. For the year ended December 31, 2022 and 2021, the Group recognized rent income of NT\$193 thousand and NT\$1,229 thousand, respectively, for plants leased to other related parties.

For the year ended December 31, 2021, the Group recognized rent income of NT\$3,538 thousand for plants leased to the associate.

- E. For the year ended December 31, 2021, the Group recognized other income in amount of NT\$361 thousand due to paying utilities on behalf of associate.

F. Accounts receivable - related parties

	As of December 31,	
	2022 (NT\$'000)	2021 (NT\$'000)
Parent company	\$359	\$141
Other related parties	2,565	26,170
Total	2,924	26,311
Less: loss allowance	-	-
Net	\$2,924	\$26,311

G. Other receivables

	As of December 31,	
	2022 (NT\$'000)	2021 (NT\$'000)
Other related parties	\$-	\$367

H. Prepaid expenses

	As of December 31,	
	2022 (NT\$'000)	2021 (NT\$'000)
Parent company	\$3,166	\$-
Other related parties	2,302	-
Total	\$5,468	\$-

I. Refundable deposits

	As of December 31,	
	2022 (NT\$'000)	2021 (NT\$'000)
Parent company	\$10,000	\$10,000
Other related parties	357	352
Total	\$10,357	\$10,352

J. Other payables

	As of December 31,	
	2022 (NT\$'000)	2021 (NT\$'000)
Parent company	\$27,379	\$33,981
Other related parties	168,638	26
Total	\$196,017	\$34,007

K. Property transaction with related party

(a) Acquisition of Assets

Variety	Related parties	Acquisition Price	Reference basis for price decision
<u>2022.01.01~2022.12.31</u>			
Machinery	Parent company	\$462	By Bidding
Machinery	Other related parties	\$169,921	By Bidding

L. Salaries and rewards to key management of the Group

	For the year ended December 31,	
	2022 (NT\$'000)	2021 (NT\$'000)
Short-term employee benefit	\$97,871	\$52,426
Post-employee benefit	972	963
Total	\$98,843	\$53,389

8. PLEDGED ASSETS

The following assets of the Group are pledged as collaterals:

Item	Carrying Amount As of		Purpose
	2022 (NT\$'000)	2021 (NT\$'000)	
Property, plant and equipment - land (carrying amount)	\$196,960	\$-	Long-term secured loans
Property, plant and equipment - buildings (carrying amount)	124,544	42,036	Long-term secured loans
Refundable deposits	2,000	2,000	Security deposit to custom authority
Refundable deposits	-	2,535	Litigation deposit
Total	<u>\$323,504</u>	<u>\$46,571</u>	

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) The Group's unused letters of credit (LC) as of December 31, 2022 are as follows:

Currency	LC Amount (in thousand)	Security (in thousand)
JPY	JPY 8,726,337	\$-
USD	USD 10,244	-

(2) Details of significant constructions in progress and outstanding contracts of property, plant and equipment as of December 31, 2022 are as follows:

Nature of Contract	Contract Amount (NT\$'000)	Amount Paid (NT\$'000)	Outstanding Balance (NT\$'000)
Machinery and construction contracts	<u>\$18,541,679</u>	<u>\$9,711,609</u>	<u>\$8,830,070</u>

- (3) The Group had disputes with Wuxi Land Environmental Technology Co.,LTD. (“Wuxi Land Company” hereinafter) regarding the hazardous waste clean up and recycle contract. In June 2020, Wuxi Land Company filed a lawsuit against and Group and requested returning security deposit of RMB 1,000 thousand and prepayment of RMB 9,081 thousand. As of September 30, 2021, the Group received RMB 14,392 thousand from Wuxi Land Company, and the payment was booked under receipts in advance. Wuxi Land Company filed to freeze the advance receipt in August 2020. The People's Court of Huqiu District, Suzhou City ruled to freeze RMB 10,100 thousand, which the Group accounted for under restricted assets. According to the judgment of the Suzhou Intermediate People's Court dated December 3, 2021, the Group shall return security deposit of RMB 1,000 thousand and prepayment of RMB 8,998 thousand to Wuxi Land Company. The Company made the payments in full as of December 31, 2022.
- (4) The Group has entered into a long-term sales agreement with its customer. The customer should fulfill its obligation of making a certain number of orders as agreed in the agreement and the Group shall provide the products to the customer pursuant to the agreement.
- (5) The Group entered into long-term sales agreements with its customers. According to the agreement, after customers pay the deposit in advance, the Group shall provide the products to the customer pursuant to the agreement.

10. SIGNIFICANT DISASTER LOSS

The Group leased a factory area to FuYang Technology Corp. where a fire occurred on October 11, 2020. The Group recognized property, plant and equipment - loss from fire in the amount of NT\$75,327 thousand, and the loss caused by the subsequent restoration of the plant was NT\$84,210 thousand. In the second quarter of 2022, the compensation of damage to buildings and equipment amounted to NT\$157,011 thousand, and the net loss from the abovementioned fire damage was NT\$2,526 thousand, which was booked under other profits and losses - loss from fire for the year ended December 30, 2022.

11. SIGNIFICANT SUBSEQUENT EVENT

In accordance with a resolution proposed by Board in a meeting held on February 15, 2022 and approved by Shareholders in the annual general meeting held on May 27, 2022, the Company shall execute 2022 restricted stocks plan in total volume of 5,400,000 shares. The issuance is approved by Financial Supervisory Commission (“FSC”) on June 23, 2022 in an FSC's letter numbered 1110347163.

The Board meeting on February 13, 2023 resolves to issue 2,035,500 restricted shares at unit share price of NT\$85.6 with the record date of issuance on March 20, 2023.

12. OTHERS

(1) Categories of financial instruments

Financial assets

	<u>As of December 31,</u>	
	2022	2021
	<u>(NT\$'000)</u>	<u>(NT\$'000)</u>
Financial assets at fair value through profit or loss:		
Mandatorily measured at fair value through P/L	\$1,218,551	\$616,080
Financial assets at fair value through OCI	51,000	51,000
Financial assets measured at amortized cost:		
Cash and petty cash	16,684,198	15,332,027
Time deposit	20,057	20,057
Accounts receivable	5,049,805	5,678,515
Other receivables	606,035	406,782
Total	<u>\$23,629,646</u>	<u>\$22,104,461</u>

Financial liabilities

	<u>As of December 31,</u>	
	2022	2021
	<u>(NT\$'000)</u>	<u>(NT\$'000)</u>
Financial liabilities at amortized cost:		
Short-term borrowings	\$376,620	\$1,099,846
Trade and other payables	10,797,942	10,149,785
Long-term borrowings (including current portion with maturity less than 1 year)	12,075,501	10,078,111
Lease liabilities (including current portion with maturity less than 1 year)	363,360	161,503
Total	<u>\$23,613,423</u>	<u>\$21,489,245</u>

(2) Objectives and policies of financial risk management

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies, measures, and manages the risks based on its policy and risk preferences.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies always.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market risk comprises currency risk, interest rate risk and other price risk (e.g. equity instruments).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables. There are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Group's exposure to foreign currency risk relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign operations.

The Group has certain foreign currency receivables denominated in the same foreign currency as certain foreign currency payables, therefore natural hedge is achieved. Thus, hedge accounting is not adopted.

Foreign currency sensitivity analysis of possible change in foreign exchange rates on the Group's profit/loss and equity is performed on significant monetary items denominated in foreign currencies as of the reporting period-end. The Group's foreign currency risk is mainly related to volatility in the exchange rates of US dollars. It is stated as follows:

If NT dollars appreciates/depreciates against US dollars by 1%, net income (loss) for the year ended December 31, 2022 and 2021 would decrease/increase by NT\$87,029 thousand and NT\$37,195 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk relates primarily to the Group's investments with variable interest rates and loans with fixed and variable interest rates, which are all categorized as loans and receivables.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as of the end of the reporting period and presumed to be held for one accounting year, including investments and loans with variable interest rates. If interest rate increases/decreases by 0.1%, the net income (loss) for the year ended December 31, 2022 and 2021 would decrease/increase by NT\$7,847 thousand and NT\$5,694 thousand, respectively.

(4) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract and result in a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts and notes receivable) and from its financing activities including bank deposits and other financial instruments.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit risk of all customers are assessed based on a comprehensive review of the customers' financial status, credit ratings from credit institutions, past transactions, current economic conditions and the Group's internal credit ratings. The Group also employs some credit enhancement instruments (e.g. prepayment or insurance) to reduce certain customers' credit risk.

As of December 31, 2022 and 2021, receivables from the top ten customers were accounted for 48.77% and 44.01% of the Group's total accounts receivable, respectively. The concentration of credit risk is relatively insignificant for the remaining receivables.

Credit risk from balances with banks and other financial instruments is managed by the Group's finance division in accordance with the Group's policy. The counterparties that the Group transacts with are determined by internal control procedures. They are banks with fine credit ratings and financial institutions, corporate and government agencies with investment-grade credit ratings. Thus, there is no significant default risk. Conclusively, no significant credit risk is expected by the Group.

The Group adopted IFRS 9 to assess the expected credit losses. Except for trade receivables, the remaining debt instrument investments which are not measured at fair value through profit or loss, low credit risk for these investments is a prerequisite upon acquisition and by using their credit risk as a basis for the distinction of categories. The Group makes an assessment at each reporting date as to whether the credit risk still meets the conditions of low credit risk and then further determines the method of measuring the loss allowance and the loss ratio.

Financial assets are written off when there is no realistic prospect of future recovery (the issuer or the debtor is in financial difficulties or bankruptcy).

(5) Liquidity risk management

The Group maintains financial flexibility using cash and cash equivalents, highly-liquid marketable securities, bank loans, etc. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted interest payment relating to borrowings with variable interest rates is extrapolated based on the estimated yield curve as of the end of the reporting period.

Non-derivative financial instruments

	Less than					More than 5	Total
	1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	years	
	(NT\$'000)	(NT\$'000)	(NT\$'000)	(NT\$'000)	(NT\$'000)	(NT\$'000)	(NT\$'000)
<u>As of December 31, 2022</u>							
Loans	\$1,917,562	\$1,946,233	\$2,419,057	\$2,352,841	\$1,285,669	\$3,359,078	\$13,280,440
Payables	10,797,942	-	-	-	-	-	10,797,942
Lease liabilities	135,582	125,779	83,335	9,905	6,088	8,775	369,464
<u>As of December 31, 2021</u>							
Loans	\$1,904,121	\$1,332,751	\$1,819,319	\$2,414,663	\$2,223,156	\$1,997,783	\$11,691,793
Payables	10,149,785	-	-	-	-	-	10,149,785
Lease liabilities	53,668	41,761	28,400	19,691	8,216	12,964	164,700

(6) Movement schedule of liabilities arising from financing activities

Movement schedule of liabilities for year ended December 31, 2022:

	Short-term borrowings	Long-term borrowings	Refundable deposits	Leases liabilities	Total liabilities from financing activities
	(NT\$'000)	(NT\$'000)	(NT\$'000)	(NT\$'000)	(NT\$'000)
As of January 1, 2022	\$1,099,846	\$10,078,111	\$1,820,407	\$161,503	\$13,159,867
Cash flows	(723,226)	1,902,638	3,063,848	(117,882)	4,125,378
Non-cash changes					
Lease range changes	-	-	-	315,332	315,332
Interests on lease liabilities	-	-	-	3,608	3,608
Other	-	(20,559)	-	-	(20,559)
Currency rate change	-	115,311	-	799	116,110
As of December 31, 2022	\$376,620	\$12,075,501	\$4,884,255	\$363,360	\$17,699,736

Movement schedule of liabilities for the year ended December 31, 2021:

	Short-term borrowings (NT\$'000)	Long-term borrowings (NT\$'000)	Refundable deposits (NT\$'000)	Leases liabilities (NT\$'000)	Total liabilities from financing activities (NT\$'000)
As of January 1, 2021	\$2,640,307	\$3,609,548	\$73,235	\$106,246	\$6,429,336
Cash flows	(1,540,461)	6,515,162	1,747,172	(50,176)	6,671,697
Non-cash changes					
Lease range changes	-	-	-	104,170	104,170
Interests on lease liabilities	-	-	-	1,358	1,358
Other	-	(30,329)	-	-	(30,329)
Currency rate change	-	(16,270)	-	(95)	(16,365)
As of December 31, 2021	\$1,099,846	\$10,078,111	\$1,820,407	\$161,503	\$13,159,867

(7) Fair values of financial instruments

A. The evaluation methods and assumptions applied in determining the fair value

Fair value is the price that would be received to sell a financial asset or paid to transfer a financial liability in an orderly transaction between willing market participants (not under coercion or liquidation). The following methods and assumptions are used by the Group in estimating the fair values of financial assets and liabilities:

- (a) The carrying amount of cash and cash equivalents, receivables, payables and other current liabilities approximate their fair value due to their short maturity terms.
- (b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (e.g. listed equity securities, beneficiary certificates, bonds and futures etc.) at the report date.
- (c) Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

(d) Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the GreTai Securities Market, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

B. Fair value of financial instruments measured at amortized cost

The carrying amount of the Group's financial assets and liabilities measure at amortized cost approximates their fair value.

C. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(8) for fair value measurement hierarchy for financial instruments of the Group.

(8) Fair value measurement hierarchy

A. Fair value measurement hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

B. Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

As of December 31, 2022

	Level 1 (NT\$'000)	Level 2 (NT\$'000)	Level 3 (NT\$'000)	Total (NT\$'000)
<u>Financial assets:</u>				
Financial assets at fair value through profit or loss				
Funds	\$1,218,551	\$-	\$-	\$1,218,551
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	-	-	51,000	51,000

Financial liabilities:

None

As of December 31, 2021

	Level 1 (NT\$'000)	Level 2 (NT\$'000)	Level 3 (NT\$'000)	Total (NT\$'000)
<u>Financial assets:</u>				
Financial assets at fair value through profit or loss				
Funds	\$616,080	\$-	\$-	\$616,080
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	-	-	51,000	51,000

Financial liabilities:

None

Transfers between Level 1 and Level 2 during the period

For the year ended December 31, 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value hierarchy.

Reconciliation for fair value measurements on a recurring basis in Level 3 hierarchy

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

	<u>Assets</u>
	Financial assets at fair value through other comprehensive income
	<u>Stocks</u>
Beginning balances as at January 1, 2022	\$51,000
Total gains and losses recognized for the year ended December 31, 2022:	
Amount recognized in OCI (presented in “Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income”)	-
Acquisition for the year ended December 31, 2022	-
Ending balances as at December 31, 2022	<u>\$51,000</u>
	<u>Assets</u>
	Financial assets at fair value through other comprehensive income
	<u>Stocks</u>
Beginning balances as at January 1, 2021	\$51,000
Total gains and losses recognized for the year ended December 31, 2021:	
Amount recognized in OCI (presented in “Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income”)	-
Acquisition for the year ended December 31, 2021	-
Ending balances as at December 31, 2021	<u>\$51,000</u>

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As of December 31, 2022

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets at fair value through other comprehensive income					
Stocks	Comparable listed OTC companies law	Discount for lack of marketability	10%	The higher the discount for lack of marketability, the lower the fair value of the stocks	5% increase (decrease) in the discount for lack of marketability would result in increase (decrease) in the Group's equity by NT\$2,295 thousand

As of December 31, 2021

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets at fair value through other comprehensive income					
Stocks	Comparable listed OTC companies law	Discount for lack of marketability	10%	The higher the discount for lack of marketability, the lower the fair value of the stocks	5% increase (decrease) in the discount for lack of marketability would result in increase (decrease) in the Group's equity by NT\$2,295 thousand

(9) Significant financial assets and liabilities denominated in foreign currencies

Information regarding the Group's significant financial assets and liabilities denominated in foreign currencies was listed below: (In Thousands)

	As of December 31,					
	2022			2021		
	Foreign Currencies (\$'000)	Exchange Rate	NTD (NT\$'000)	Foreign Currencies (\$'000)	Exchange Rate	NTD (NT\$'000)
<u>Financial assets</u>						
Monetary items:						
USD	\$358,240	30.718	\$11,004,250	\$245,037	27.702	\$6,788,004
CNY	\$331,722	4.411	\$1,463,064	\$160,266	4.342	\$695,867
<u>Financial liabilities</u>						
Monetary items:						
USD	\$74,920	30.717	\$2,301,343	\$110,844	27.683	\$3,068,501
CNY	\$111,912	4.411	\$493,590	\$258,978	4.342	\$1,124,473

The above information is disclosed based on the carrying amount of foreign currency (after being converted to functional currency).

Foreign exchange gain/loss on monetary financial assets and liabilities is shown as below.

Foreign currency resulting in exchange gain or loss	For the year ended December 31,	
	2022 (NT\$'000)	2021 (NT\$'000)
USD	\$259,530	\$(27,671)
Other	(1,907)	12,403

(10) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximize shareholder value. The Group manages and adjusts its capital structure considering changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

(11) Discontinued operations

Piotek Computer (Suzhou) Co., Ltd., a subsidiary of the Group, ceased production and operation in 2022, which met the definition of discontinued operations. Therefore, the cash-generating unit was expressed as discontinued operations. The relevant profit and loss of Piotek Computer (Suzhou) Co., Ltd. will be re-expressed rather than retrospectively adjusted.

The operating results and cash inflows (outflows) of the discontinued operations are as follows:

	For the year ended December 31,	
	2022	2021
	(NT\$'000)	(NT\$'000)
Income (loss) from discontinued operation:		
Operating revenue	\$814,568	\$2,336,321
Operating costs	(971,327)	(2,564,410)
Gross loss	(156,759)	(228,089)
Operating expenses		
Sales and marketing	(16,641)	(39,756)
General and administrative	(166,270)	(100,291)
Research and development	(29,674)	(83,069)
Expected credit gains (losses)	(17,902)	(4)
Total operating expenses	(230,487)	(223,120)
Operating loss	(387,246)	(451,209)

- C. Marketable securities held as of December 31, 2022 (excluding investments in subsidiaries, associates and joint ventures): Please refer to attachment 2.
- D. Individual securities acquired or disposed of with accumulated amount of at least NT\$ 300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.
- E. Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: Please refer to attachment 3.
- F. Disposal of individual real estate with amount of at least NT\$100 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.
- G. Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the year ended December 31, 2022: Please refer to attachment 4.
- H. Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of December 31, 2022: None.
- I. Derivative instrument transactions: None.
- J. Intercompany relationships and significant intercompany transactions for the year ended December 31, 2022: Please refer to attachment 10.

(2) Information on investees

- A. Investees over whom the Company exercises significant influence or control (excluding investees in Mainland China): Please refer to attachment 5.
- B. Investees over which the Company exercises control shall be disclosed of information under Note 13(1):
 - (a) Financing provided to others: None.
 - (b) Endorsement/Guarantee provided to others: None.

- (c) Marketable securities held as of December 31, 2022 (excluding investments in subsidiaries, associates and joint ventures): Please refer to attachment 6.
- (d) Individual securities acquired or disposed of with accumulated amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.
- (e) Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: Please refer to attachment 7.
- (f) Disposal of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.
- (g) Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the year ended December 31, 2022: Please refer to attachment 8.
- (h) Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of December 31, 2022: Please refer to attachment 9.
- (i) Derivative instrument transactions: None.

(3) Information on investments in Mainland China:

A. Name of investee in China, main business, paid-in capital, method of investment, investment flows, percentage of ownership, investment gain or loss, carrying amount at the end of reporting period, inward remittance of earning or loss and the upper limit on investment in China:

(In Thousands of New Taiwan Dollars/ Foreign currencies)

Name of Investee in China	Main Business	Paid-in Capital (NT\$'000)	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2022 (NT\$'000)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of Dec. 31, 2022 (NT\$'000)	Profit/ Loss of Investee (NT\$'000)	Percentage of Ownership (Direct or Indirect Investment)	Share of Profit/Loss (NT\$'000)	Carrying Amount as of Dec. 31, 2022 (NT\$'000)	Accumulated Inward Remittance of Earnings as of Dec. 31, 2022 (NT\$'000)	Accumulated Outflow of Investment from Taiwan to Mainland China as of Dec. 31, 2022 (NT\$'000)	Investment Amounts Authorized by Investment Commission, MOEA (NT\$'000)	Upper Limit on Investment in China by Investment Commission, MOEA (NT\$'000)
					Outflow (NT\$'000)	Inflow (NT\$'000)									
Kinsus Interconnect Technology Suzhou Corp.	Manufacturing and selling PCB (not high-density fine-line)	\$2,150,225 (Note 2)	(2)	\$2,150,225 (Note 2)	\$-	\$-	\$2,150,225 (Note 2)	\$1,040,694 (Note 2 and Note 4)	100%	\$1,040,694 (Note 2, Note 4 and Note 11)	\$3,300,364 (Note 2, Note 4 and Note 11)	\$-	\$2,150,225 (Note 2)	\$2,150,225 (Note 2)	No upper limit (Note 5)

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Kinsus Interconnect Technology Corp.

Notes to Consolidated Financial Statements (Continued)

Name of Investee in China	Main Business	Paid-in Capital (NT\$'000)	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2022 (NT\$'000)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of Dec. 31, 2022 (NT\$'000)	Profit/ Loss of Investee (NT\$'000)	Percentage of Ownership (Direct or Indirect Investment)	Share of Profit/Loss (NT\$'000)	Carrying Amount as of Dec. 31, 2022 (NT\$'000)	Accumulated Inward Remittance of Earnings as of Dec. 31, 2022 (NT\$'000)	Accumulated Outflow of Investment from Taiwan to Mainland China as of Dec. 31, 2022 (NT\$'000)	Investment Amounts Authorized by Investment Commission, MOEA (NT\$'000)	Upper Limit on Investment in China by Investment Commission, MOEA (NT\$'000)
					Outflow (NT\$'000)	Inflow (NT\$'000)									
Piotek Computer (Suzhou) Co., Ltd.	Researching, developing, producing and selling electronic components, PCBs and related products and providing after-sale services	\$5,120,607 (Note 2)	(2)	\$2,895,247 (Note 2)	\$-	\$-	\$2,895,247 (Note 2)	\$(250,899) (Note 2 and Note 4)	51%	\$(127,958) (Note 2, Note 4 and Note 11)	\$(77,419) (Note 2, Note 4 and Note 11)	\$-	\$2,895,247 (Note 2)	\$2,895,247 (Note 2)	No upper limit (Note 5)

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Kinsus Interconnect Technology Corp.

Notes to Consolidated Financial Statements (Continued)

Name of Investee in China	Main Business	Paid-in Capital (NT\$'000)	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2022 (NT\$'000)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of Dec. 31, 2022 (NT\$'000)	Profit/ Loss of Investee (NT\$'000)	Percentage of Ownership (Direct or Indirect Investment)	Share of Profit/Loss (NT\$'000)	Carrying Amount as of Dec. 31, 2022 (NT\$'000)	Accumulated Inward Remittance of Earnings as of Dec. 31, 2022 (NT\$'000)	Accumulated Outflow of Investment from Taiwan to Mainland China as of Dec. 31, 2022 (NT\$'000)	Investment Amounts Authorized by Investment Commission, MOEA (NT\$'000)	Upper Limit on Investment in China by Investment Commission, MOEA (NT\$'000)
					Outflow (NT\$'000)	Inflow (NT\$'000)									
Xiang-Shuo (Suzhou) Trading Limited	Trading of PCB (not high-density fine-line) and material for related products	\$- (Note 7)	(2)	\$59,980	\$-	\$59,980	\$- (Note 7)	\$1,168 (Note 2 and Note 4)	-% (Note 7)	\$1,168 (Note 2, Note 4 and Note 11)	\$- (Note7)	\$-	\$- (Note7)	\$- (Note7)	\$- (Note7)
Pegavision (Jiangsu) Limited	Producing and Selling medical equipment	\$85,620 (USD 3,000)	(1)	\$85,620	\$-	\$-	\$85,620	\$(2,618) (Note 2 and Note 4)	30.33%	\$(794) (Note 2, Note 4 and Note 11)	\$23,974 (Note 2, Note 4 and Note 11)	\$-	\$85,620	\$85,620	\$3,891,439 (Note 6)

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Kinsus Interconnect Technology Corp.

Notes to Consolidated Financial Statements (Continued)

Name of Investee in China	Main Business	Paid-in Capital (NTS'000)	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2022 (NTS'000)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of Dec. 31, 2022 (NTS'000)	Profit/ Loss of Investee (NTS'000)	Percentage of Ownership (Direct or Indirect Investment)	Share of Profit/Loss (NTS'000)	Carrying Amount as of Dec. 31, 2022 (NTS'000)	Accumulated Inward Remittance of Earnings as of Dec. 31, 2022 (NTS'000)	Accumulated Outflow of Investment from Taiwan to Mainland China as of Dec. 31, 2022 (NTS'000)	Investment Amounts Authorized by Investment Commission, MOEA (NTS'000)	Upper Limit on Investment in China by Investment Commission, MOEA (NTS'000)
					Outflow (NTS'000)	Inflow (NTS'000)									
BeautyTech Platform (Shanghai) Corporation	Selling medical equipment and cosmetic products	\$14,885 (USD 500)	(3) (Note 3)	\$-	\$14,885	\$-	\$14,885	\$14,507 (Note 2 and Note 4)	30.33%	\$3,740 (Note 2, Note 4 and Note 11)	\$7,542 (Note 2, Note 4 and Note 11)	\$-	\$14,885	\$14,885	\$156,246 (Note 10)
Pegavision Contact Lenses (Shanghai) Corporation	Selling medical equipment	\$112,559 (USD 3,600)	(3) (Note 8)	\$112,559	\$-	\$-	\$112,559	\$(16,831) (Note 2 and Note 4)	30.33%	\$(5,077) (Note 2, Note 4 and Note 11)	\$24,002 (Note 2, Note 4 and Note 11)	\$-	\$95,043	\$95,043	
Gemvision Technology (Zhejiang) Limited	Selling medical equipment	\$97,031 (RMB 22,000) (Note 2)	(3) (Note 9)	\$-	\$-	\$-	\$-	\$(2,403) (Note 2 and Note 4)	30.33%	\$(888) (Note 2, Note 4 and Note 11)	\$21,068 (Note 2, Note 4 and Note 11)	\$-	\$-	\$-	

Note 1: The investment methods are divided into the following three types, just indicate the types:

- (1) Go directly to the mainland for investment.
- (2) Reinvest in mainland China through a third-region company.
- (3) Other methods.

Note 2: Amounts in foreign currencies are translated into New Taiwan dollars using the exchange rates on the balance sheet date.

Note 3: 100% Shares of BeautyTech Platform (Shanghai) owned and directly invested by BeautyTech Platform Corporation.

Note 4: Gain/loss on investment is recognized based on the financial statements which were audited by the independent auditors of the parent company in Taiwan.

Note 5: The Company meets the conditions of corporate operation headquarter in the Principle of Evaluation for Investment and Technical Cooperation in Mainland China. Thus, there is no upper limit on investment amount.

Note 6: The upper limit on investment for Pegavision (Jiangsu) Limited is calculated as 60% of the net value of the recent financial statements audited by independent auditors of Pagavision Corporation.

Note 7: Xiang-Shou (Suzhou) Trading Limited has completed the cancellation of registration in July 2022. On August 12, 2022, the Company applies to MOEA to cancel the investment in Xiang-Shou (Suzhou) Trading Limited.

Note 8: To improve the synergy of the Group, the equity of Pegavision Contact Lenses (Shanghai) Corporation was transferred to BeautyTech Platform Corporation from Pagavision Corporation.

Note 9: 100% Shares of Gemvision Technology owned and directly invested by Pegavision Contact Lenses (Shanghai) Corporation.

Note 10: The upper limit on investment for BeautyTech Platform (Shanghai) Corporation, Pegavision Contact Lenses (Shanghai) Corporation and Gemvision Technology (Zhejiang) Limited are calculated as 60% of the net value of the recent financial statements audited by independent auditors of BeautyTech Platform Corporation.

Note 11: Transactions are eliminated upon preparation of consolidated financial statements.

B. Significant transactions with investees in China:

- (a) Purchase and balances of related accounts payable as of December 31, 2022: Please refer to attachment 10 for details.
- (b) Sale and balance of related accounts receivable as of December 31, 2022: Please refer to attachment 10 for details.
- (c) Property transaction amounts and resulting gain or loss:

Variety	Related parties	Carrying Value	Price	Gain on disposal	Reference basis for price decision
Machinery	Kinsus Interconnect Technology Suzhou Corp	\$262,997	\$320,616	\$57,619	Negotiated price
				(Note)	

Note: For the year ended December 31, 2019, the Company wrote off NT\$38,556 thousand due to the unrealized gain on disposal of property, plant and equipment. As of December 31, 2022, unrealized gain on disposal of property, plant and equipment is NT\$2,239 thousand, and recongnized as the credit balance of investments accounted for using the equity method.

Note1: For the year ended December 31, 2021, the Company wrote off NT\$16,617 thousand due to the unrealized gain on disposal of property, plant and equipment. As of December 31, 2022, unrealized gain on disposal of property, plant and equipment is NT\$5,487 thousand, and recongnized as the credit balance of investments accounted for using the equity method.

- (d) Ending balance of endorsements/guarantees or collateral provided and the purposes: None.
- (e) Maximum balance, ending balance, interest rate range and total interest for current period from financing provided to others: None.
- (f) Transactions that have significant impact on profit or loss of current period or the financial position, such as services provided or rendered: Please refer to attachment 10 for details.

(g) Above transactions are eliminated upon preparation of consolidated financial statements. Please refer to attachment 10 for details.

(4) Information on major shareholders:

Ownership of shares Name	Number of shares held (shares)	Ownership ratio
Asus Investment Co., Ltd.	60,128,417	13.27%
Asustek Investment Co., Ltd.	58,233,091	12.86%
Asuspower Investment	55,556,221	12.27%

14. OPERATING SEGMENT

For management purposes, the Group is organized into operating segments based on different products and services and has three reportable operating segments as follows:

IC Substrate: This segment produces and manufactures BGA substrates and sells the products to manufacturers of electronic products.

Printed Circuit Board (PCB): This segment produces and manufactures PCBs and sells the products to manufacturers of electronic products.

Optics: This segment produces, manufactures and sells contact lens.

No operating segments have been aggregated to form the above reportable operating segments.

The Group's subsidiary Piotek Computer (Suzhou) Co., Ltd. ceased production and operation in 2022, so it is listed under the item of discontinued business units. Please refer to Note 12(11) for details.

The Group's operating segments adopts the same accounting policies as the ones in Note 4. Management monitors the operating results of its business units separately for decision-making on resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and measured consistently with methods applied to operating profit or loss in the consolidated financial statements.

(1) Segment income (loss), assets and liabilities

For the year ended December 31, 2022

	Continuing operations			Discontinued Operations	Elimination	Consolidated
	IC Substrate (NT\$'000)	PCB (NT\$'000)	Optics (NT\$'000)			
External customer	\$35,302,694	\$6,320,970	\$2,822	\$814,568	\$-	\$42,441,054
Inter-segment	-	-	-	-	-	-
Total revenue	<u>\$35,302,694</u>	<u>\$6,320,970</u>	<u>\$2,822</u>	<u>\$814,568</u>	<u>\$-</u>	<u>\$42,441,054</u>
Segment income (loss)	<u>\$6,640,698</u>	<u>\$1,545,101</u>	<u>\$(9,213)</u>	<u>\$(243,116)</u>	<u>\$-</u>	<u>\$7,933,470</u>

For the year ended December 31, 2021

	Continuing operations			Discontinued Operations	Elimination	Consolidated
	IC Substrate (NT\$'000)	PCB (NT\$'000)	Optics (NT\$'000)			
External customer	\$27,733,029	\$5,595,043	\$8,370	\$2,336,321	\$-	\$35,672,763
Inter-segment	-	-	-	-	-	-
Total revenue	<u>\$27,733,029</u>	<u>\$5,595,043</u>	<u>\$8,370</u>	<u>\$2,336,321</u>	<u>\$-</u>	<u>\$35,672,763</u>
Segment income (loss)	<u>\$3,727,096</u>	<u>\$1,248,436</u>	<u>\$(6,210)</u>	<u>\$(477,214)</u>	<u>\$-</u>	<u>\$4,492,108</u>

Details of assets and liabilities under the Group's operating segments are as follows:

	Continuing operations			Discontinued Operations	Elimination	Consolidated
	IC Substrate (NT\$'000)	PCB (NT\$'000)	Optics (NT\$'000)			
<u>Segment assets</u>						
As of 12/31/2022	<u>\$61,997,159</u>	<u>\$9,561,597</u>	<u>\$66,561</u>	<u>\$1,008,099</u>	<u>\$-</u>	<u>\$72,633,416</u>
As of 12/31/2021	<u>\$47,552,182</u>	<u>\$8,564,916</u>	<u>\$136,895</u>	<u>\$2,132,155</u>	<u>\$-</u>	<u>\$58,386,148</u>

	Continuing operations			Discontinued		Consolidated
	IC Substrate	PCB	Optics	Operations	Elimination	
<u>Segment liabilities</u>	(NT\$'000)	(NT\$'000)	(NT\$'000)	(NT\$'000)	(NT\$'000)	(NT\$'000)
As of 12/31/2022	\$29,581,465	\$3,075,865	\$151	\$1,160,042	\$-	\$33,817,523
As of 12/31/2021	\$20,284,153	\$3,056,489	\$6,589	\$2,049,819	\$-	\$25,397,050

(2) Geographical information

Revenues from external customers

	For the year ended December 31,	
	2022	2021
	(NT\$'000)	(NT\$'000)
Taiwan	\$13,074,886	\$12,538,890
Other countries	29,366,168	23,133,873
Total	\$42,441,054	\$35,672,763

The revenue information above is based on the location of the customers.

Non-current assets

	As of December 31,	
	2022	2021
	(NT\$'000)	(NT\$'000)
Taiwan	\$41,727,367	\$29,168,816
U.S.A.	14	3,391
China	2,226,456	2,297,610
Japan	467	1,164
Total	\$43,954,304	\$31,470,981

(3) Information about major customers

Individual customer's sale accounted for at least 10% of consolidated net sale:

Name of customers	For the year ended December 31,	
	2022	2021
Customer A	\$4,438,537	(Note)
Customer B	(Note)	\$3,837,888

Note: Revenue generated from sales to individual customer did not achieve 10% of the operating revenue of the Group, it was not disclosed.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Endorsement/Guarantee Provided to Others

For the Year Ended December 31, 2022

Attachment 1

(In Thousands of Foreign Currency / New Taiwan Dollars)

Endorsement/ Guarantee Provider		Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement /Guarantee secured by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowed	Endorsement provided by parent company to subsidiaries	Endorsement provided by subsidiaries to parent company	Endorsement provided to entities in China
No. (Note 1)	Name	Name	Nature of Relationship										
-	-	-	-	-	\$-	\$-	\$-	\$-	-%	-	-	-	-

Note 1: Kinsus Interconnect Technology Corp. is coded "0".

Note 2: Amounts in foreign currencies are converted to New Taiwan Dollars using the exchange rates as of the balance sheet date.

Note 3: The endorsement and guaranteed amount of the Company and the consolidated subsidiary is NT\$125,079 thousand.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Marketable Securities Held (Excluding Investments in Subsidiaries, Associates and Joint Ventures)

As of December 31, 2022

Attachment 2

(In Thousands of New Taiwan Dollars)

Name of Held Company	Type and Name of Marketable Securities	Relationship with the Issuer	Financial Statement Account	As of December 31, 2022				Note
				Shares / Units	Carrying Amount	Shareholding %	Fair Value	
Kinsus Interconnect Technology Corp.	Money market funds:							
	Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss	21,355,432	\$257,509	-%	\$272,192	
	Jih Sun Money Market	-	Financial assets at fair value through profit or loss	17,776,549	255,443	-%	267,907	
	Subtotal				512,952		<u>\$540,099</u>	
	Add: Valuation adjustments of financial assets at fair value through profit or loss					27,147		
Total					<u>\$540,099</u>			

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Acquisition of Individual Real Estate with Amount of at Least NT\$ 300 million or 20% of the Paid-in Capital

For Year Ended December 31, 2022

Attachment 3

(In Thousands of New Taiwan Dollars)

Acquiring Company	Name of Property	Transaction Date	Transaction Amount	Payment Status	Counter-party	Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose and Use of Acquisition	Other Terms
							Owner	Relationship with the Company	Transfer Date	Amount			
Kinsus Interconnect Technology Corp.	Houses and buildings	2022.02.25 2022.03.15 and 2022.06.27	<u>\$2,720,500</u>	By Contract	Fan Da Construction Co., Ltd.	None	None	None	None	None	By Bidding	For production capacity expansion and company operation plan.	None
Kinsus Interconnect Technology Corp.	Land, houses and buildings (Including clean room and air conditioning system)	2022.03.16	<u>\$2,310,800</u>	By Contract	Yankey Engineering Co., Ltd.	None	None	None	None	None	By Bidding	For production capacity expansion and company operation plan.	None
Kinsus Interconnect Technology Corp.	Land, houses and buildings (Including air conditioner mechanical and electrical construction)	2022.07.20	<u>\$3,580,000</u>	By Contract	Chiu Ho Engineering Co., Ltd.	None	None	None	None	None	By Bidding	For production capacity expansion and company operation plan.	None

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Related Party Transactions with Purchase or Sales Amount of At least NT\$ 100 Million or 20% of the Paid-in Capital

For the Year Ended December 31, 2022

Attachment 4

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details			Abnormal Transaction		Notes/Accounts Payable or Receivable		Note	
			Purchase/Sale	Amount	% to Total	Payment/ Collection Term	Unit Price	Payment/ Collection Term	Ending Balance		% to Total
Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	Investee accounted for using equity method indirectly	Purchase	\$2,926,925	22.86%	Payment within 60 days from the end of delivery month	Specs of goods purchased are different from others. Cannot be reasonably compared.	Other vendors also enjoy payment within 30~90 days from the end of delivery month	Accounts payable \$(241,659)	(11.74)%	Note

Note: Transactions are eliminated when preparing the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese
Kinsus Interconnect Technology Corp. and Subsidiaries
Investees over Whom the Company Exercise Significant Influence or Control Directly or Indirectly (Excluding Investees in Mainland China)
As of December 31, 2022

Attachment 5

(In Thousands of Foreign Currency / New Taiwan Dollars)

Investor	Investee	Business Location	Main Business and Product	Original Investment Amount		Balance as of December 31, 2022			Net Income (Loss) of the Investee	Share of Income (Loss) of the Investee	Note
				As of December 31, 2021	As of December 31, 2022	Shares	%	Carrying Value			
Kinsus Interconnect Technology Corp.	KINSUS CORP. (USA)	CA. U.S.A.	Designing substrates, formulating marketing strategy analysis, developing new customers, researching and development new product technology	USD 500	USD 500	500,000	100.00%	\$71,710	\$(2,492)	\$(2,492)	Note 4
Kinsus Interconnect Technology Corp.	KINSUS HOLDING (SAMOA) LIMITED	Samoa	Investing activities	USD 166,309	USD 164,309	164,308,720	100.00%	\$3,230,275	\$883,693	\$874,585	Note 4
Kinsus Interconnect Technology Corp.	Kinsus Investment Co., Ltd.	Taiwan	Investing activities	\$1,600,000 (Note)	\$1,600,000 (Note)	160,000,000	100.00%	\$2,841,401	\$522,300	\$522,300	Note 4
Kinsus Investment Co., Ltd.	Pegavision Corporation	Taiwan	Manufacturing medical equipment	\$252,455 (Note 1)	\$252,455 (Note 1)	21,233,736	30.33%	\$1,949,698	\$1,542,135	\$467,790	Note 4
Kinsus Investment Co., Ltd.	FuYang Technology Corp.	Taiwan	Electronic Parts and Components Manufacturing	\$929,422	\$929,422	64,176,872	35.65%	\$381,123	\$149,546	\$53,319	
KINSUS HOLDING (SAMOA) LIMITED	KINSUS HOLDING (CAYMAN) LIMITED	Cayman Islands	Investing activities	USD 72,000	USD 70,000	70,000,000	100.00%	USD 107,442	USD 33,690	USD 33,690	Note 4
KINSUS HOLDING (SAMOA) LIMITED	PIOTEK HOLDINGS LTD. (CAYMAN)	Cayman Islands	Investing activities	USD 94,309	USD 94,309	95,755,000	51.00%	USD (1,418)	USD (8,288)	USD (4,227)	Note 4
PIOTEK HOLDINGS LTD. (CAYMAN)	PIOTEK HOLDING LIMITED	British Virgin Islands	Investing activities	USD 139,841	USD 139,841	139,840,790	100.00%	USD (2,780)	USD (8,288)	USD (8,288)	Note 4
PIOTEK HOLDING LIMITED	PIOTEK (H.K.) TRADING LIMITED	Hong Kong	Trading activities	USD 26	USD 26	200,000	100.00%	USD 2,162	USD (120)	USD (120)	Note 4
Pegavision Corporation	PEGAVISION JAPAN INC.	Japan	Selling Medical equipment	JPY 9,900	JPY 9,900	198	100.00%	\$94,156	\$35,608	\$35,608	Note 4
Pegavision Corporation	Mayin Investment Co., Ltd.	Taiwan	Investing activities	\$120,003	\$246,003	21,000,000	100.00%	\$383,590	\$102,903	\$102,903	Note 4
Mayin Investment Co., Ltd.	BeautyTech Platform Corporation	Taiwan	Selling medical equipment and cosmetic products	\$40,000	\$107,500	8,500,000	85.00%	\$221,349	\$114,108	\$107,629	Note 4
Mayin Investment Co., Ltd.	FacialBeau International Corporation	Taiwan	Selling medical equipment and cosmetic products	\$27,500	\$27,500	2,750,000	55.00%	\$25,576	\$(3,481)	\$(1,915)	Note 4
BeautyTech Platform Corporation	Aquamax Vision Corporation	U.S.A.	Selling medical equipment and cosmetic products	USD 1,100	- (Note 3)	-	-%	\$-	\$(6,344)	\$(6,206)	Note 4
BeautyTech Platform Corporation	Beautytech Platform (Singapore) Pte. Ltd.	Singapore	Selling medical equipment and cosmetic products	Not applicable	USD 200	200,000	100.00%	\$6,221	\$(46)	\$(46)	Note 4
FacialBeau International Corporation	Aquamax Vision Corporation	U.S.A.	Selling medical equipment and cosmetic products	- (Note 3)	USD 1,100	11,000,000	100.00%	\$6,895 (Note 3)	\$(6,344)	\$(138)	Note 4
FacialBeau International Corporation	RODNA Co., Ltd.	Korea	Selling medical equipment and cosmetic products	Not applicable	KRW 100,000	-	100.00%	\$2,345	\$(87)	\$(87)	Note 4

Note 1: The Company's original investment in Kinsus Investment Co., Ltd. was NT\$500,000 thousand. Kinsus Investment Co., Ltd. reduced capital by NT\$102,000 thousand to offset deficits in 2013 And increased capital by NT\$602,000 thousand and NT\$600,000 thousand in 2016 and 2017, respectively. After the increases, the Company's investment amount increased to NT\$1,600,000 thousand.
Note 1: Kinsus Investment Co., Ltd. invested Pegavision Corporation in cost of NT\$286,418 thousand.

As Pegavision Corporation has become a listed company since October, 2019, Kinsus Investment Co., Ltd decreased its investment by NT\$33,963 thousand in selling 855 thousand shares.

Note 2: It includes the investment income accounted for using equity method of 883,693 thousand, realized benefits from upstream transactions of 17,432 thousand and the unrealized benefits on upstream transactions of 26,540 thousand.

Note 3: To improve the synergy of the Group, the equity of Aquamax Vision Corporation was transferred to FacialBeau International Corporation from BeautyTech Platform Corporation.

Note 4: Transactions are eliminated when preparing the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese
Kinsus Interconnect Technology Corp. and Subsidiaries
Marketable Securities Held (Excluding Investments in Subsidiaries, Associates and Joint Ventures)
As of December 31, 2022

Attachment 6
(In Thousands of New Taiwan Dollars)

Name of Held Company	Type and Name of Marketable Securities	Relationship with the Issuer	Financial Statement Account	As of December 31, 2022				Guarantee, Pledge or Other Restricted Conditions		
				Shares (Unit)	Carrying Amount	%	Fair Value	Shares	Carrying Amount	Note
Kinsus Investment Co., Ltd.	Money market funds: Taishin Ta Chong Money Market Fund	-	Financial assets at fair value through profit or loss	829,070	\$11,314	-%	<u>\$11,964</u>	-	<u>\$-</u>	
Pegavision Corporation	Money market funds: Yuanta Wan Tai Money Market Fund	-	Financial assets at fair value through profit or loss	17,190,427	264,000	-%	<u>\$570,445</u>	-	<u>\$-</u>	
	Yuanta De-Li Money Market Fund	-	Financial assets at fair value through profit or loss	18,482,095	306,000	-%				
Mayin Investment Co., Ltd.	Money market funds: Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss	392,329	5,000	-%	<u>\$5,001</u>	-	<u>\$-</u>	
BeautyTech Platform Corporation	Money market funds: Yuanta Wan Tai Money Market Fund	-	Financial assets at fair value through profit or loss	2,733,974	42,000	-%	<u>\$91,042</u>	-	<u>\$-</u>	
	Yuanta De-Li Money Market Fund	-	Financial assets at fair value through profit or loss	2,958,590	49,000	-%				
	Valuation adjustments of financial assets held for trading				1,138					
	Total					<u>\$678,452</u>				
Kinsus Investment Co., Ltd.	Stocks: Ethos Original Co., Ltd.	-	Measured at fair value through other comprehensive income	5,000,000	\$50,000	7.49%	\$50,000	-	\$-	
	Li Chang Finery Inc	-	Measured at fair value through other comprehensive income	32,653	1,000	1.01%	1,000	-	-	
	Total				<u>\$51,000</u>		<u>\$51,000</u>		<u>\$-</u>	

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Acquisition of Individual Real Estate with Amount of at Least NT\$ 300 million or 20% of the Paid-in Capital

For the Year ended December 31, 2022

Attachment 7

(In Thousands of Foreign Currency / New Taiwan Dollars)

Acquiring Company	Name of Property	Transaction Date (Note)	Transaction Amount	Payment Status	Counter-party	Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose and Use of Acquisition	Other Terms
							Owner	Relationship with the Company	Transfer Date	Amount			
Pegavision Corporation	Right-of-use assets -Buildings	2022.04.25	<u>\$330,604</u>	By Contract	Pegatron Corporation	Ultimate parent company	Pegatron Corporation	Ultimate parent company	Renew the tenancy	None	The transaction amount refer to professional appraisal institutions.	Satisfy the growth of business sales.	None

Note: Transaction date means the date of agreement, date of contract signing, date of payment, date of resolution of the board of directors or a committee established by it, or other date that can confirm the counter-party and monetary amount of the transaction, whichever date is earlier.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Related Party Transactions with Purchase or Sales Amount of At least NT\$100 Million or 20% of the Paid-in Capital

For the Year Ended December 31, 2022

Attachment 8

(In Thousands of US/NTD Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment/Collection Term	Unit Price	Payment/Collection Term	Ending Balance	% to Total	
Kinsus Interconnect Technology Suzhou Corp.	Kinsus Interconnect Technology Corp.	Parent company	Sales	USD 98,914	73.91%	Payment within 60 days from the end of delivery month	Specs of goods sold are different from others. Cannot be reasonably compared.	No non-related parties to be compared with.	Accounts receivable USD 8,086	79.03%	Note
Pegavision Corporation	Pegavision Japan Inc.	Also a subsidiary under the Company's control	Sales	\$2,591,603	46.25%	Payment within 90 days from the end of delivery month	Similar to those to third party customers.	Payment within 90 days from telegraphic transfer.	Accounts receivable \$335,242 Contract liability \$(210)	37.41% 1.98%	Note
Pegavision Corporation	BeautyTech Platform Corporation	Also a subsidiary under the Company's control	Sales	\$262,481	4.68%	Payment within 120 days from the end of delivery month	Similar to those to third party customers.	Payment within 90 days from telegraphic transfer.	Accounts receivable \$98,960	11.04%	Note
Pegavision Corporation	Gemvision Technology (Zhejiang) Limited	Also a subsidiary under the Company's control	Sales	\$287,764	5.14%	Payment within 180 days from the end of delivery month	Similar to those to third party customers.	Payment within 90 days from telegraphic transfer.	Accounts receivable \$67,566	7.54%	Note

Note: Transactions are eliminated when preparing the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Receivables from Related Parties of at Least NT\$ 100 Million or 20% of the Paid-in Capital

As of December 31, 2022

Attachment 9

(In Thousands of US / NTD Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Ratio	Overdue		Amount Received in Subsequent Periods	Loss Allowance
					Amount	Action Taken		
Kinsus Interconnect Technology Suzhou Corp.	Kinsus Interconnect Technology Corp.	Parent company	<u>USD 8,086</u> (Note and Note 1)	<u>6.38</u>	<u>\$-</u>	-	<u>\$-</u>	<u>\$-</u>
Pegavision Corporation	Pegavision Japan Inc.	Subsidiary	<u>\$335,242</u> (Note and Note 1)	<u>8.14</u>	<u>\$-</u>	-	<u>\$45,575</u>	<u>\$-</u>

Note: Accounts receivable.

Note 1: Transactions are eliminated when preparing the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese
Kinsus Interconnect Technology Corp. and Subsidiaries
Intercompany Relationships and Significant Intercompany Transactions for the Year Ended December 31, 2022

Attachment 10

(In Thousands of Foreign Currency / New Taiwan Dollars)

No. (Note 1)	Company Name	Counter-Party	Nature of Relationship (Note 2)	Intercompany Transaction			Percentage to Consolidated Net Revenue or Total Assets (Note 3)
				Financial Statement Account	Amount	Terms	
0	<u>2022.01.01~2022.12.31</u> Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	1	Sales revenue	\$20,717	Payment within 30 days from the end of delivery month	0.05%
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	1	Accounts payable	\$241,659	Payment within 60 days from the end of delivery month	0.33%
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	1	Purchase	\$2,926,925	Payment within 60 days from the end of delivery month	6.90%
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	1	Other receivables	\$15,066	Payment within 60 days from the end of delivery month	0.02%
0	Kinsus Interconnect Technology Corp.	KINSUS CORP. (USA)	1	Commission expense	\$35,998	Payment within 30 days from the end of delivery month by TT	0.08%
1	Piotek Computer (Suzhou) Co., Ltd	PIOTEK (H.K.) TRADING LIMITED	3	Sales revenue	\$1,485	Payment within 60-90 days from the end of delivery month	0.11%
2	Pegavision Corporation	Pegavision Japan Inc.	3	Sales revenue	\$2,591,603	Payment within 90 days from the end of delivery month	6.11%
2	Pegavision Corporation	Pegavision Japan Inc.	3	Accounts receivable	\$335,242	Payment within 90 days from the end of delivery month	0.46%
2	Pegavision Corporation	Gemvision Technology (Zhejiang) Limited	3	Sales revenue	\$287,764	Payment within 180 days from the end of delivery month	0.68%
2	Pegavision Corporation	Gemvision Technology (Zhejiang) Limited	3	Accounts receivable	\$67,566	Payment within 180 days from the end of delivery month	0.09%
2	Pegavision Corporation	BeautyTech Platform Corporation	3	Sales revenue	\$262,481	Payment within 120 days from the end of delivery month	0.62%
2	Pegavision Corporation	BeautyTech Platform Corporation	3	Accounts receivable	\$98,960	Payment within 120 days from the end of delivery month	0.14%
2	Pegavision Corporation	BeautyTech Platform Corporation	3	Operating expense	\$40,823	Payment within 120 days from the end of delivery month	0.10%
2	Pegavision Corporation	FacialBeau International Corporation	3	Sales revenue	\$40,822	Payment within 90 days from the end of delivery month	0.10%
2	Pegavision Corporation	FacialBeau International Corporation	3	Accounts receivable	\$16,563	Payment within 90 days from the end of delivery month	0.02%
2	Pegavision Corporation	Pegavision (jiangsu) Limited	3	Operating expense	\$15,115	Payment within 180 days from the end of delivery month	0.04%
3	FacialBeau International Corporation	BeautyTech Platform Corporation	3	Sales revenue	\$54,303	Payment within 30 days from the end of delivery month	0.13%
4	BeautyTech Platform (Shanghai) Corporation	Gemvision Technology (Zhejiang) Limited	3	Service revenue	\$24,758	Payment within 30 days from the end of delivery month	0.06%

Note 1: Transaction information between Parent company and its subsidiaries should be disclosed by codes below:

- (1) Parent company is coded "0".
- (2) The subsidiaries are coded from "1" in the order presented in the table above.

Note 2: Relationship are divided into the following three types and the types are required to be indicated:

- (1) From the parent company to a subsidiary.
- (2) From a subsidiary to the parent company.
- (3) Between subsidiaries.

Note 3: Regarding the percentage of transaction amount to consolidated operating revenues or total assets, it is computed based on the ending balance to consolidated total assets for balance sheet items; and based on interim accumulated amount to consolidated net revenue for income statement items.

Note 4: Transactions exceeding NTS\$15,000 thousand have been disclosed. All the transactions have been eliminated when preparing the consolidated financial statements.