Stock Code:3551

SHIH HER TECHNOLOGIES INC.
AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2022 and 2021

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Representation Letter

The entities that are required to be included in the combined financial statements of SHIH HER TECHNOLOGIES INC. as of and for the year ended December 31, 2022 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, SHIH HER TECHNOLOGIES INC. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: SHIH HER TECHNOLOGIES INC.
Chairman: Hsueh Shen, Chen
Date: March 14, 2023

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Independent Auditors' Report

To the Board of Directors of SHIH HER TECHNOLOGIES INC.:

Opinion

We have audited the consolidated financial statements of SHIH HER TECHNOLOGIES INC.("the Group"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the 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 Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Account of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

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

1. Impairment of account receivable

   Please refer to Note 4(g) "Financial instruments" for the accounting policy of impairment of account receivable and refer to Note 6(c) of the consolidated financial statements for the details.

Description of key audit matter:

The Group engages in business primarily with clients which are involved in the manufacture of mold and electronic parts with credit term, which make the Group vulnerable to credit risk. The default of the client may lead to impairment loss of the receivables. The assessment of impairment loss involves subjective judgments of the management, which is the major source of estimation uncertainty. Therefore, this whole matter needed to be taken into serious consideration.

How the matter was addressed in our audit:

Our principal audit procedures included: assessing whether the Group's impairment of accounts receivable has been set aside in accordance with the Group's policy, including inquiring from the management if they had identified the debtors who have financial difficulties; selecting a moderate number of samples from the account aging statements to ensure the accuracy of the statements, and understanding the reason on overdue accounts; assessing the uncollectable accounts receivable for the appropriateness of impairment assessment of accounts receivable; assessing the appropriateness and adequacy for doubtful accounts made by the management based on the subsequent collection of accounts receivable.

2. Revenue recognition

For the accounting policy regarding the revenue recognition, please refer to Note 4(o) Revenue from contracts with customers; for the details of revenue recognition and the explanation of revenue, please refer to Note 6(r) of the consolidated financial report.

Description of the key audit mater:

The Group is engaged in the cleaning and maintenance of semiconductor equipment, photoelectric equipment and more. The timing of the recognition of operating revenues is based on the transaction terms in the contract with the customers, and given consideration to the special industry characteristic the Group is in, the sales revenue comes from multiple operation, therefore, our auditors deem this as one of the key audit matters.

How the matter was addressed in our audit:

Our principal procedures include: examining the sales contracts and evaluating revenue recognition policies based on the contract terms; observing the design of internal controls regarding sale transactions, as well as performing sample testing to confirm its effectiveness; performing adjustment analysis of all receipts and account records for a particular customer, or sample testing induvial sales transactions and matching them against the respective customer purchase order, delivery slips and account records etc.; selecting transactions and making before and after period end as samples to inspect the transaction terms, delivery slips, and customer confirmation etc.; obtaining the details of the work in progress items, understanding its completion ratio calculation and evaluating the reasonableness of revenue recognition at the year end.

Other Matter

The Group has additionally prepared its parent-company-only financial statement as of and for the years ended December 31, 2022 and 2021, on which we have issued an unmodified opinion.

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

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

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

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

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 professional skepticism throughout the audit. We also:

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The engagement partners on the audit resulting in this independent auditors' report are Cheng-Chien Chen and Yung Hua Huang.

KPMG

Taipei, Taiwan (Republic of China)
March 14, 2023

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2022		December 31, 2021	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 1,022,583	21	919,878	21
1110	Financial assets at fair value through profit or loss - current (note 6(b))	92,913	2	227,920	5
1170	Notes and trade receivable (including related party), net (notes 6(c) and 7)	457,286	10	474,659	11
130X	Inventories (note 6(d))	131,235	3	100,271	2
1476	Other financial assets (note 7)	2,299	-	1,448	-
1479	Other current assets	22,060	-	16,158	-
		1,728,376	36	1,740,334	39
	Non-current assets:				
1550	Investments accounted for using the equity method (note 6(f))	132,798	3	117,475	3
1600	Property, plant and equipment (notes 6(g) and 8)	2,532,832	53	2,245,666	51
1755	Right-of-use assets (note 6(h))	49,260	1	53,681	1
1760	Investment property, net (note 6(i))	147,917	3	151,276	3
1840	Deferred tax assets (note 6(o))	3,473	-	4,687	-
1990	Other non-current assets (notes 6(j) and (n))	195,579	4	124,839	3
		3,061,859	64	2,697,624	61
	Total assets	**$ 4,790,235**	**100**	**4,437,958**	**100**

		December 31, 2022		December 31, 2021	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (note 6(k))	$ 40,000	1	-	-
2170	Notes and trade payable	132,963	3	136,820	3
2230	Current tax liabilities	80,425	2	99,121	2
2280	Lease liability - current (note 6(m))	3,446	-	3,495	-
2305	Other current financial liabilities	395,193	8	355,312	8
2322	Long-term borrowings, current portion (note 6(l))	111,143	2	66,325	2
2399	Other current liabilities	26,129	1	32,850	1
		789,299	17	693,923	16
	Non-Current liabilities:				
2540	Long-term borrowings (note 6(l))	573,139	12	494,714	11
2570	Deferred tax liabilities (note 6(o))	16,529	-	-	-
2580	Non-current lease liabilities (note 6(m))	2,305	-	5,751	-
2670	Other non-current liabilities	4,574	-	4,562	-
		596,547	12	505,027	11
	Total liabilities	1,385,846	29	1,198,950	27
	Equity attributable to owners of parent (note 6(p))				
3110	Ordinary shares	567,749	12	567,749	13
3200	Capital surplus	469,586	10	611,523	14
	Retained earnings:				
3310	Legal reserve	394,924	9	354,320	8
3320	Special reserve	110,540	2	122,830	3
3350	Unappropriated retained earnings	1,972,920	41	1,693,126	38
		2,478,384	52	2,170,276	49
	Other equity:				
3400	Other equity	(80,000)	(2)	(110,540)	(3)
3500	Treasury shares	(31,330)	(1)	-	-
	Total equity	3,404,389	71	3,239,008	73
	Total liabilities and equity	**$ 4,790,235**	**100**	**4,437,958**	**100**

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

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

		2022		2021	
		Amount	**%**	**Amount**	**%**
4000	**Sales revenues (notes 6(r) and 7)**	$ 2,392,764	100	2,136,895	100
5000	**Operating costs (notes 6(d) and 12)**	1,503,823	63	1,373,272	64
5950	**Gross profit from operations**	888,941	37	763,623	36
	Operating expenses (notes 6(c), (s) and 12):				
6100	Selling expenses	194,008	8	187,751	9
6200	Administrative expenses	197,460	8	183,312	9
6300	Research and development expenses	64,492	3	40,177	2
6450	Reversal of impairment loss determined in accordance with IFRS 9	(12,806)	(1)	(64,515)	(3)
	Total operating expenses	443,154	18	346,725	17
6900	**Net operating profit**	445,787	19	416,898	19
	Non-operating income and expenses:				
7010	Other income (notes 6(t) and 7)	4,166	-	13,762	1
7020	Other gains and losses (notes 6(b), (e) and (u))	7,996	-	48,425	2
7050	Finance costs (note 6(m))	(8,019)	-	(6,635)	-
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method (note 6(f))	9,259	-	10,752	1
7100	Interest income	15,934	1	9,910	-
	Total non-operating income and expenses	29,336	1	76,214	4
7900	**Profit before income tax**	475,123	20	493,112	23
7950	**Less: Income tax expenses (note 6(o))**	111,967	5	86,051	4
8200	**Profit**	363,156	15	407,061	19
	Other comprehensive income:				
8310	**Components of other comprehensive income (loss) that will not be reclassified to profit or loss**				
8311	Gains (losses) on remeasurements of defined benefit plans	1,727	-	(581)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss	1,727	-	(581)	-
8360	**Item that may be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	30,540	1	12,290	1
8300	**Other comprehensive income (loss), net**	32,267	1	11,709	1
	Total comprehensive income	**$ 395,423**	**16**	**418,770**	**20**
	Profit , attributable to:				
	Owners of parent	$ 363,156	15	406,626	19
	Non-controlling interests	-	-	435	-
		$ 363,156	**15**	**407,061**	**19**
	Comprehensive income attributable to:				
	Owners of parent	$ 395,423	16	418,335	20
	Non-controlling interests	-	-	435	-
		$ 395,423	**16**	**418,770**	**20**
9750	**Basic earnings per share (NT dollars) (note 6(q))**	**$**	**6.40**		**7.16**
9850	**Diluted earnings per share (NT dollars) (note 6(q))**	**$**	**6.31**		**7.08**

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent									
			Retained earnings			Total other equity interest				
	Share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Treasury shares	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2021	$ 567,749	679,504	329,228	129,680	1,362,098	(122,830)	-	2,945,429	2,717	2,948,146
Profit	-	-	-	-	406,626	-	-	406,626	435	407,061
Other comprehensive income (loss)	-	-	-	-	(581)	12,290	-	11,709	-	11,709
Total comprehensive income (loss)	-	-	-	-	406,045	12,290	-	418,335	435	418,770
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	25,092	-	(25,092)	-	-	-	-	-
Special reserve appropriated	-	-	-	(6,850)	6,850	-	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(56,775)	-	-	(56,775)	-	(56,775)
Cash dividends from capital surplus	-	(68,130)	-	-	-	-	-	(68,130)	-	(68,130)
Difference between consideration and carrying amount of subsidiaries acquired	-	149	-	-	-	-	-	149	-	149
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(3,152)	(3,152)
Balance at December 31, 2021	567,749	611,523	354,320	122,830	1,693,126	(110,540)	-	3,239,008	-	3,239,008
Profit	-	-	-	-	363,156	-	-	363,156	-	363,156
Other comprehensive income (loss)	-	-	-	-	1,727	30,540	-	32,267	-	32,267
Total comprehensive income (loss)	-	-	-	-	364,883	30,540	-	395,423	-	395,423
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	40,604	-	(40,604)	-	-	-	-	-
Special reserve appropriated	-	-	-	(12,290)	12,290	-	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(56,775)	-	-	(56,775)	-	(56,775)
Cash dividends from capital surplus	-	(141,937)	-	-	-	-	-	(141,937)	-	(141,937)
Purchase of treasury share	-	-	-	-	-	-	(31,330)	(31,330)	-	(31,330)
Balance at December 31, 2022	**$ 567,749**	**469,586**	**394,924**	**110,540**	**1,972,920**	**(80,000)**	**(31,330)**	**3,404,389**	**-**	**3,404,389**

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

		2022	2021
Cash flows from (used in) operating activities:			
Profit before income tax	$	475,123	493,112
Adjustments:			
Adjustments to reconcile profit (loss):			
Depreciation expense		194,890	164,539
Amortization expense		31,759	23,354
Expected credit loss (reversal of provision)		(12,806)	(64,515)
Net loss (gain) on financial assets at fair value through profit or loss		34	3,630
Finance cost		8,019	6,635
Interest revenue		(15,934)	(9,910)
Share of (profit) loss of associates and joint ventures accounted for using equity method		(9,259)	(10,752)
Loss on disposal of property, plant and equipment		181	1,390
Gain on disposal of non-current assets classified as held for sale		-	(71,984)
Loss (gain) on disposal of investments		2,735	(6,709)
Impairment loss on non-financial assets		3,792	18,421
Others		-	8
Total adjustments to reconcile profit (loss)		203,411	54,107
Changes in operating assets and liabilities:			
Financial assets at fair value through profit or loss		132,238	(21,614)
Notes and trade receivables		30,179	48,211
Other receivables		(851)	19,186
Inventories		(30,964)	(24,778)
Other current assets and others		(5,647)	27,589
Notes and accounts payable		(3,857)	(8,534)
Other current liabilities		28,140	65,482
Total changes in operating assets and liabilities		149,238	105,542
Cash inflow generated from operations		827,772	652,761
Interest paid		(8,019)	(6,635)
Income taxes paid		(119,333)	(78,921)
Net cash flows from operating activities		700,420	567,205
Cash flows from (used in) investing activities:			
Proceeds from disposal of investments accounted for using equity method		-	2,865
Proceeds from disposal of non-current assets classified as held for sale		-	126,616
Acquisition of property, plant and equipment		(555,889)	(511,464)
Disposal of property, plant and equipment		-	1,136
Decrease (increase) in guarantee deposits paid		(77)	24,266
Decrease (increase) in other non-current assets		2,796	(12,690)
Interest received		15,934	9,910
Net cash flows used in investing activities		(537,236)	(359,361)
Cash flows from (used in) financing activities:			
Increase (decrease) in short-term loans		40,000	(7,279)
Proceeds from long-term debt		383,582	160,000
Repayments of long-term debt		(260,339)	(82,279)
Increase (decrease) in guarantee deposits received		12	(230)
Payment of lease liabilities		(3,495)	(3,625)
Cash dividends paid		(198,712)	(124,905)
Cost of increase in treasury stock		(31,330)	-
Acquisition of non-controlling interests		-	(1,875)
Net cash flows used in financing activities		(70,282)	(60,193)
Effect of exchange rate changes on cash and cash equivalents		9,803	7,455
Net increase in cash and cash equivalents		102,705	155,106
Cash and cash equivalents at beginning of period		919,878	764,772
Cash and cash equivalents at end of period	$	**1,022,583**	**919,878**

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

SHIH HER TECHNOLOGIES INC. (the "Company") was incorporated in June 1997 as a company limited by shares under the Company Act of the Republic of China (R.O.C.). The major business activities of the Company are the manufacture, design and maintain of semiconductor and opto-electronics. The Company's common shares were listed on the Taipei Exchange (TPEx) in April 2008.

(2) Approval date and procedures of the consolidated financial statements

These consolidated financial statements were authorized for issue by the Board of Directors on March 14, 2023.

(3) New standards, amendments and interpretations adopted:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

- Amendments to IAS 16 "Property, Plant and Equipment－Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts－Cost of Fulfilling a Contract"
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"

(b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"
- Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

(Continued)

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"
- IFRS 17 " Insurance Contracts" and amendments to IFRS 17 " Insurance Contracts"
- Amendments to IAS 1 "Non-current Liabilities with Covenants"
- Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 – Comparative Information "
- IFRS16 "Requirements for Sale and Leaseback Transactions"

(4) Summary of significant accounting policies

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations") and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the

SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Financial Supervisory Commission, R.O.C..

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

1) Financial instruments at fair value through profit or loss are measured at fair value;

2) The defined benefit liability (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollar (NTD), which is the Company's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

(Continued)

SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES
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(ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding (%) December 31, 2022	Shareholding (%) December 31, 2021	Description
The Company	Skill High Management Limited (Skill High)	General investment	100.00 %	100.00 %	
The Company	CHANG YORK TECHNOLOGY INC. (CHANG YORK)	Maintenance, trading and assembly of semiconductor equipment, optoelectronic equipment and spare parts	100.00 %	100.00 %	(Note 1)
The Company	YUAN GUANG TECHNOLOGIES INC. (YUAN GUANG)	Gold products manufacting, recycled precious metal manufacturing and chemical products manufacturing	100.00 %	100.00 %	
Skill High	Shih Full Management Limited (Shih Full)	General investment	100.00 %	100.00 %	
Skill High	Shih Hang Management Limited (Shih Hang)	〃	100.00 %	100.00 %	
Skill High	Shih Pu Management Limited (Shih Pu)	〃	100.00 %	100.00 %	
Shih Full	Shih Ping Technologies (Shen Zhen) Co. Ltd (hereinafter referred to as Shih Ping (Shen Zhen))	Semiconductor, photoelectric equipment and parts cleaning, main tenance and recycling treatment	73.58 %	73.58 %	(Note 2)
Shih Hang	Shih Ping Technologies (Shen Zhen) Co. Ltd (hereinafter referred to as Shih Ping (Shen Zhen))	〃	26.42 %	26.42 %	(Note 2)
Shih Pu	Shih Tien Optoelectronics Technologies (ximen) (hereinafter referred to as Shin Tien (Ximen))	〃	100.00 %	100.00 %	
ShinPing (Shen Zhen)	Dongguan Shih Ping Optoelectronics Technology, Ltd. (heroinafter refered to as Shih Ping (Dongguan))	〃	100.00 %	100.00 %	
Shih Ping (Shen Zhen)	Chengdu Shih Zheng Technology, Ltd. (hereinafter referred to as Shih Zheng (Chengdu))	〃	100.00 %	100.00 %	
Shih Ping (Shen Zhen)	Shin Ju Technologies (Hefei) Ltd (hereinafter referred to as Shih Ju (Hefei))	〃	100.00 %	100.00 %	(Note 2)

(Note 1) The Group acquired a non-controlling interest in the company in November 2021.

(Note 2) The Group originally established a third-party company to invest in Mainland China companies, and in December 2021, the restructuring was adjusted to reinvest in Mainland China companies through a Mainland China company.

(iii) Subsidiaries excluded from the consolidated financial statements: None.

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the dates that the fair value was determined. Non-monetary items denominated in foreign currencies measured based on historical cost are translated using the exchange rate at the dates of transaction.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or a 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.

(Continued)

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non current.

An entity shall classify a liability as current when:

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) 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 issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(g) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

· it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

· its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

3) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and trade receivables, other receivable, guarantee deposit paid and other financial assets).

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

· debt securities that are determined to have low credit risk at the reporting date; and

· other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

(Continued)

SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES
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When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group’s historical experience and informed credit assessment as well as forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

· significant financial difficulty of the borrower or issuer;

· a breach of contract such as a default or being more than 90 days past due;

· the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

· it is probable that the borrower will enter bankruptcy or other financial reorganization; or

· the disappearance of an active market for a security because of financial difficulties.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

4) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital suplus is not sufficient to be written down).

4) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

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

(Continued)

5) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

6) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first in first out method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Non-current assets held for sale

Non-current assets or disposal groups comprising assets and liabilities that are highly probable to be recovered primarily through sale rather than through continuing use, are reclassified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter, generally, the assets or disposal groups are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment loss on a disposal group is first allocated to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to assets not within the scope of IAS 36 – *Impairment of Assets*. Such assets will continue to be measured in accordance with the Group's accounting policies.

Impairment losses on assets initially classified as held for sale and any subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of the cumulative impairment loss that has been recognized.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

(Continued)

SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(j) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The consolidated financial statements include the Group' s share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases.

Gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated Group's interests in the associate. When the Group's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. 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.

(k) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

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

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(l) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(Continued)

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

1) Housing construction and its ancillary equipment: 3~56 years

2) Machinery and equipment: 3~13 years

3) Office equipment and others: 3~11 years

Depreciation methods, useful lives and residual values are reviewed at year end and adjusted if appropriate.

(m) Leases

At inception of a contract, the Group assesses whether a 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.

(i) As a leasee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method 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. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group’s incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES
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Lease payments included in the measurement of the lease liability comprise the following:

— fixed payments, including in-substance fixed payments;

— variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

— amounts expected to be payable under a residual value guarantee; and

— payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured using the effective interest method. It is remeasured when:

— there is a change in future lease payments arising from the change in an index or rate; or

— there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or

— there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or

— there is a change of its assessment on whether it will exercise a extension or termination option; or

— there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Group has selected not to recognize right-of-use assets and lease liabilities for short-term leases of office equipment and transportation equipment, leases of low value lease object and staff dormitory leases of variable object. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(Continued)

(ii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS15 to allocate the consideration in the contract.

(n) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

(Continued)

SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES
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(o) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer.

The Group expects that the time between the transfer of goods or services to the customer under all customer contracts and the payment of such goods or services by the customer will not exceed one year, therefore, the company does not adjust the monetary time value of the transaction price.

(p) Government grants and government assistance

The Group recognizes an unconditional government grant in profit or loss as other income when the grant becomes receivable.

Other government grants related to assets are initially recognized as deferred income or deducted from the book value at fair value if there is reasonable assurance that they will be received, and the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized. If the government grant is to subsidize the cost of assets obtained, the Group recognized in profit or loss during the useful life period according to the depreciation and amortization method of the asset.

(q) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in retained earnings within equity.

(Continued)

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(r) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

(i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date, and has reflected the uncertainty related to income tax.

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(s) Business combination

The Company accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of (i) the consideration transferred (which is generally measured at fair value) and (ii) the amount of non-controlling interest in the acquiree, both over the identifiable net assets acquired at the acquisition date. If the amount calculated above is a deficit balance, the Company recognized that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

All acquisition-related transaction costs are expensed as incurred, except for the issuance of debt or equity instruments.

For each business combination, the Group measures any non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, if the non-controlling interests are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition-date fair values, unless another measurement basis is required by the IFRSs endorsed by the FSC.

(t) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares.

(u) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

The preparation of the consolidated financial statements, management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

(a) Judgment of whether the Group has substantive control over its investees

The Group holds 36.80% of Minerva Works PTD. Ltd. (Minerva) and 63.20% of the remaining equity is concentrated. The Company is unable to obtain more than half of the seats of directors or more than half of the voting rights of the shareholders present at the Board of Shareholders.

The Group holds 35.71% of Nanjing Hung Jie Technology Corporation (Nanjing Hung Jie), and the remaining shares are held by one single shareholder.

Therefore, the judgment of the Group has only material influence on the investee company.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

(a) The loss allowance of trade receivables

The Group has estimated the loss allowance of trade receivables that is based on the risk of a default occurring and the rate of expected credit loss. The Group has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs.

The Group's accounting policies include measuring financial and nonfinancial assets and liabilities at fair value through profit or loss.

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The Group's financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. The Group establishes relevant internal control for fair value measurement. This includes establishing an evaluation team to be responsible for reviewing all major fair value measurements (including level 3 fair value) and reporting directly to two CFO.

The Group strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

(a) Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.

(b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).

(c) Level 3: inputs for the assets or liability that are not based on observable market data (non-observable parameter).

The Group recognizes the transfer on the reporting date if there is a transfer event or situation between the various levels of fair value. For relevant information on the assumption used to measure fair value, please refer to Note 6(v) Financial Instruments.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand and demand deposits	$ 671,911	719,754
Time deposits	350,672	180,111
Cash equivalents (Bonds acquired under repurchase agreement with a maturity less than 3 months)	-	20,013
	$ 1,022,583	**919,878**

Please refer to note 6(v) for the interest rate risk, and the fair value sensitivity analysis of the financial assets and liabilities of the Group.

(b) Financial assets and liabilities at fair value through profit or loss

	December 31, 2022	December 31, 2021
Derivative financial assets－Convertible Bonds (CLN)	$ 27,163	28,963
Structured Deposits	-	13,870
Beneficiary Certificate	65,750	185,087
	$ 92,913	**227,920**

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(i) For the years ended December 31, 2022 and 2021, the Group recognized the fair value are $34 and $3,630 thousand, accounted under other gain and loss.

(ii) For credit risk and market risk, please refer to note 6(v).

(iii) The financial assets above have not been pledged as collateral.

(c) Notes and trade receivables (including related parties)

	December 31, 2022	December 31, 2021
Notes receivables	$ 5,625	4,911
Trade receivables	495,458	526,620
Trade receivables-related parties	1,267	570
Less: Loss allowance	(45,064)	(57,442)
	$ 457,286	474,659

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as the incorporated forward-looking information, including macroeconomic and relevant industry information. The Group's loss allowance provisions for notes and trade receivables were determined as follows:

	December 31, 2022		
	Notes and trade receivables amount	Weighted average Loss rate	Loss Allowance provision
Current	$ 419,884	0%~5%	2,212
Past due within 60 days	30,956	0%~12%	1,286
Past due 61~180 days	20,238	0%~80%	11,179
Past due 181~360 days	1,770	50%~100%	885
Past due over 360 days	2,927	100%	2,927
There is indication of breaching for contract	26,575	100%	26,575
Total	$ 502,350		45,064

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	December 31, 2021		
	Notes and trade receivables amount	**Weighted average Loss rate**	**Loss Allowance provision**
Current	$ 428,778	0%~2%	1,614
Past due within 60 days	44,160	0%~12%	5,082
Past due 61~180 days	19,174	0%~80%	10,757
Past due 181~360 days	6,298	80%~100%	6,298
Past due over 360 days	7,116	100%	7,116
There is indication of breaching for contract	26,575	100%	26,575
Total	**$ 532,101**		**57,442**

The movement in the allowance for impairment loss on notes and trade receivables was as follows:

	2022	**2021**
Balance at January 1	$ 57,442	122,170
Impairment losses recognized (reversed)	(12,806)	(64,515)
Collection of bad debt	-	(487)
Amounts written off	(57)	-
Foreign exchange gains	485	274
Balance at December 31	**$ 45,064**	**57,442**

As of December 31, 2022 and 2021, the notes and trade receivables have not been pledged as collateral.

(d) Inventories

	December 31, 2022	**December 31, 2021**
Finished goods	$ 99,727	78,967
Work in progress	1,081	117
Raw materials	30,427	21,187
	$ 131,235	**100,271**

The cost of inventory recognized as cost of good sold in 2022 and 2021 were $1,503,823 thousand and $1,373,272 thousand, respectively.

The Group did not provide any inventories as collateral.

(e) Non-current assets held for sale

In February 2021, the Group sold the Datong Factory through the resolution of the Board of Directors. The Group signed a real estate sales contract with Licheng Technology Co., Ltd., and according to the agreement, the Group needed to obtain soil pollution inspection report. The registration of transfer of ownership could be carried out only after receiving the relieving control permission of the environmental hazardous substances, with the sales amount of $129,000 thousand (before tax). These properties were reclassified to non-current assets held for sale with a carrying amount of $54,632 thousand and derecognized after obtaining the approval of change registration in August 2021. The gain of $71,984 thousand (including value-added tax, etc.) resulting from the disposal was recognized under other gains and losses, please refer to Note 6 (u) for details.

(f) Investments accounted for using equity method

(i) Associate company information

	Proportion of shareholding and voting rights	
Name of Associates	**December 31, 2022**	**December 31, 2021**
Minerva Works Pte. Ltd. (Minerva)	36.80 %	36.80 %
Zhe An Technology (Shen Zhen) Ltd. (Shen Zhen Zhe An)	- %	(Note 1)
Nanjing Hong Jie Optoelectronics Technology Ltd. (Nanjing Hong Jie)	35.71 %	35.71 % (Note 2)

Note 1: Shen Zhen Zhe An completed the liquidation in the third quarter of 2021, with the investment price of $2,865 thousand recovered due to the liquidation.

Note 2: Nanjing Hongjie was originally held by Shih Hang. In December 2021, Nanjing Hongjie underwent a restructuring and was owned by Shih Ping (ShenZhen), with the shareholding ratio remained unchanged. The relevant change registration process of restructuring had been completed.

(ii) The Group's financial information for investments accounted for using the equity method that are individually insignificant, which is the amount contained in the financial statements of the consolidated company, was as follows:

	December 31, 2022	**December 31, 2021**
Carrying amount of individually insignificant associates' equity	**$ 132,798**	**117,475**

	2022	**2021**
Attributable to the Group:		
Profit	$ 9,259	10,752
Other comprehensive income	5,044	-
Total profit	**$ 14,303**	**10,752**

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(iii) The Group did not provide any investments accounted for using the equity method as collateral.

(g) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 2022 and 2021, were as follows:

	Land	Buildings	Machinery and equipment	Other equipment	Construction in progress and testing equipment	Total
Cost or deemed cost:						
Balance on January 1, 2022	$ 584,388	1,296,069	517,107	205,745	447,374	3,050,683
Additions	-	98,793	86,312	36,289	242,182	463,576
Disposals and retirements	-	(6,443)	(17,769)	(14,443)	-	(38,655)
Reclassification	-	287,570	12,414	11,428	(311,412)	-
Effect of changes in exchange rates	-	5,671	3,313	1,285	5,492	15,761
Balance on December 31, 2022	**$ 584,388**	**1,681,660**	**601,377**	**240,304**	**383,636**	**3,491,365**
Balance on January 1, 2021	$ 417,907	1,316,482	464,138	207,790	282,302	2,688,619
Additions	203,137	31,935	82,274	20,345	163,652	501,343
Disposals and retirements	-	(25,835)	(27,318)	(25,989)	-	(79,142)
Reclassification	-	-	(3,147)	3,147	-	-
Transfer to non-current assets held for sale	(36,656)	(28,762)	-	-	-	(65,418)
Effect of changes in exchange rates	-	2,249	1,160	452	1,420	5,281
Balance on December 31, 2021	**$ 584,388**	**1,296,069**	**517,107**	**205,745**	**447,374**	**3,050,683**
Depreciation and impairments loss:						
Balance on January 1, 2022		419,945	264,673	120,399	-	805,017
Depreciation	-	90,483	60,925	32,796	-	184,204
Disposals and retirements	-	(6,443)	(17,727)	(14,304)	-	(38,474)
Reclassification	-	169	(223)	54	-	-
Impairment loss	-	3,792	-	-	-	3,792
Effect of changes in exchange rates	-	1,226	1,852	916	-	3,994
Balance on December 31, 2022	**$ -**	**509,172**	**309,500**	**139,861**	**-**	**958,533**
Balance on January 1, 2021	$ -	382,459	243,071	111,641	-	737,171
Depreciation	-	72,899	50,351	30,717	-	153,967
Disposals and retirements	-	(25,020)	(26,933)	(24,663)	-	(76,616)
Reclassification	-	-	(2,414)	2,414	-	-
Transfer to non-current assets held for sale	-	(10,786)	-	-	-	(10,786)
Effect of changes in exchange rate	-	393	598	290	-	1,281
Balance on December 31, 2021	**$ -**	**419,945**	**264,673**	**120,399**	**-**	**805,017**
Carrying amounts:						
Balance on December 31, 2022	**$ 584,388**	**1,172,488**	**291,877**	**100,443**	**383,636**	**2,532,832**
Balance on December 31, 2021	**$ 584,388**	**876,124**	**252,434**	**85,346**	**447,374**	**2,245,666**
Balance on January 1, 2021	**$ 417,907**	**934,023**	**221,067**	**96,149**	**282,302**	**1,951,448**

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The Group provide property, plant and equipment for using the equity method as collateral, please refer to Note 8.

In addition, the Group disposed of the Datong Plant in March 2021, and reclassified it from property, plant and equipment to non-current assets held for sale based on its carrying amount. The disposal was completed in August 2021. Please refer to Note 6(e).

(h) Right-of-use assets

	Land	Land use rights	Building	Other equipment	Total
Cost:					
Balance on January 1, 2022	$ -	115,725	10,186	425	126,336
Effect of changes in exchange rates	-	1,705	-	-	1,705
Balance on December 31, 2022	**$ -**	**117,430**	**10,186**	**425**	**128,041**
Balance on January 1, 2021	$ 163,127	115,166	9,080	1,299	288,672
Additions	-	-	10,186	-	10,186
Write-off	(163,127)	-	(9,080)	(874)	(173,081)
Effect of changes in exchange rates	-	559	-	-	559
Balance on December 31, 2021	**$ -**	**115,725**	**10,186**	**425**	**126,336**
Accumulated depreciation and impairment losses:					
Balance on January 1, 2022	$ -	71,287	1,132	236	72,655
Depreciation	-	1,544	3,395	142	5,081
Effect of changes in exchange rates	-	1,045	-	-	1,045
Balance on December 31, 2022	**$ -**	**73,876**	**4,527**	**378**	**78,781**
Balance on January 1, 2021	$ -	69,434	6,810	969	77,213
Depreciation	-	1,512	3,402	141	5,055
Write-off	-	-	(9,080)	(874)	(9,954)
Effect of changes in exchange rates	-	341	-	-	341
Balance on December 31, 2021	**$ -**	**71,287**	**1,132**	**236**	**72,655**
Carrying amount:					
Balance at December 31, 2022	**$ -**	**43,554**	**5,659**	**47**	**49,260**
Balance on December 31, 2021	**$ -**	**44,438**	**9,054**	**189**	**53,681**
Balance on January 1, 2021	**$ 163,127**	**45,732**	**2,270**	**330**	**211,459**

The Group is subject to the regulations of the Bureau of Industry of the Ministry of Economic Affairs of the "Key Points of Land Lease in Tainan Science and Technology Industrial Zone". In March 2021, the Group applied for the approval of the exercise of preferential off-take rights in the case of lease-sub-acquisition and paid $148,764 thousand. Because the Group is subject to the Environmental Protection Agency of the Executive Yuan "Soil and Groundwater Pollution Dyeing and Renovation Law", the land was transferred in July 2021, recognized in Property, plant and equipment.

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(i) Investment property

Investment property comprises office buildings that are leased to third parties under operating lease, including properties that are held as right-of-use assets, as well as properties that are owned by the Group. The leases of investment properties contain an initial non-cancellable lease term of 5 to 10 years. Some leases provide the lessees with options to extend at the end of the term.

		Buildings
Cost or deemed cost:		
Balance on January 1, 2022	$	224,928
Effect of changes in foreign exchange rates		3,314
Balance on December 31, 2022	**$**	**228,242**
Balance on January 1, 2021	$	223,841
Effect of changes in foreign exchange rates		1,087
Balance on December 31, 2021	**$**	**224,928**
Accumulated depreciation and impairment losses:		
Balance on January 1, 2022	$	73,652
Depreciation for the year		5,605
Effect of changes in exchange rates		1,068
Balance on December 31, 2022	**$**	**80,325**
Balance on January 1, 2021	$	49,406
Depreciation for the year		5,517
Impairment loss		18,421
Effect of changes in exchange rates		308
Balance on December 31, 2021	**$**	**73,652**
Carrying amounts:		
Balance on December 31, 2022	**$**	**147,917**
Balance on December 31, 2021	**$**	**151,276**
Fair value amounts:		
Balance on December 31, 2022	**$**	**147,917**
Balance on December 31, 2021	**$**	**151,276**

(i) The investment property listed above refers to commercial investment property leased to others. Each lease contract includes the original non-cancellable lease term of 1 to 2 years, and the subsequent lease term in negotiated with the lessee, and no contingent rent is collected.

(ii) The fair value is evaluated based on the market value. The emulation considers the aggregate amount of using the rate of return that reflects the specific, risks inherent in the net cash flow to determine the value of the investment property.

(iii) In 2021, it is assessed that the book value of the investment property is higher than the recoverable amount, so the impairment loss of $18,421 thousand is recognized under other profit and loss. As of December 31, 2022 has no such condition.

(iv) The investment property of the Group had not been pledged as collateral.

(j) Other non current assets

The other non current assets of the Group were as follows:

	December 31, 2022	December 31, 2021
Prepayments for equipment	$ 173,595	68,377
Guarantee deposits paid	4,129	4,052
Others	17,855	52,410
	$ 195,579	**124,839**

(k) Short-term borrowings

	December 31, 2022	December 31, 2021
Unsecured bank loans	$ 40,000	-
Commercial paper payable	-	-
Total	**$ 40,000**	**-**
Unused credit lines	**$ 690,000**	**730,000**
Range of interest rates	**1.52%~1.69%**	**-**

(i) In 2022, the new short-term borrowings and repayments of the Group amounted to $179,973 thousand and $139,973 thousand, respectively. Moreover, except for repayments due, the amounts of short-term borrowings of the Group in 2021 was not significant.

(ii) The short-term borrowings of the Group had not been pledged as collateral.

(l) Long-term borrowings

The detail, conditions and terms of the long-term borrowings of the Group are as follows:

	December 31, 2022	December 31, 2021
Secured bank loans	$ 580,282	449,039
Unsecured bank loans	104,000	112,000
Less: current portion due within 1 year	(111,143)	(66,325)
Total	**$ 573,139**	**494,714**
Range of interest rates	**1.45%~1.85%**	**1%~1.2%**

(i) In 2022 and 2021, the Group's new long-term borrowings amounted to $383,582 thousand and $160,000 thousand, and the repayments amounted to $260,339 thousand and $82,279 thousand, respectively.

(ii) For the collateral for long-term borrowings, please refer to note 8.

(m) Lease liabilities

The Group leases land, buildings and vehicles for its operation. The leases period is 3 to 20 years. The Group has preferential right to purchase part of the leased land and buildings, and some lease agreements have terms for renewal.

The Group's lease liabilities are as follows:

	December 31, 2022	December 31, 2021
Current	$ 3,446	3,495
Non-current	$ 2,305	5,751

Expiration analysis please refer to note 6(v) Financial Instruments.

The amounts recognized in profit or loss were as follows:

	2022	2021
Interest on lease liabilities	$ 130	60
Expenses relating to short-term leases	$ 3,395	3,441

The amounts recognized in the statement of cash flows for the Group was as follows:

	2022	2021
Total cash outflow for leases	$ 7,020	7,126

The Group repurchased the leased land from lease and exercised the preferential purchase right in March 2021, please refer to Note 6 (h).

(n) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

	December 31, 2022	December 31, 2021
Present value of the defined benefit obligations	$ (36,160)	(34,991)
Fair value of plan assets	38,642	35,730
Net defined benefit asset	$ 2,482	739

The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

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1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Group' s Bank of Taiwan labor pension reserve account balance amounted to $38,642 thousand as of December 31, 2022. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movement in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Group in the year 2022 and 2021 were as follows:

		2022	2021
Defined benefit obligations at January 1	$	34,991	33,793
Benefits paid		(124)	-
Current service costs and interest cost (income)		176	169
Remeasurements loss (gain):			
- Experience gain and loss		3,113	18
- demographic assumptions		-	1,011
- financial assumptions		(1,996)	-
Defined benefit obligation at December 31	$	**36,160**	**34,991**

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Group in the year 2022 and 2021 were as follows:

		2022	2021
Fair value of plan assets at January 1	$	35,730	35,093
Contributions		12	12
Benefits paid		(124)	-
Interest income		180	175
Remeasurements loss (gain):			
- Return on plan assets excluding interest income		2,844	450
Fair value of plan assets at December 31	$	**38,642**	**35,730**

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4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group were as follows:

		2022	2021
Net interest of net liabilities for defined benefit obligations (assets)	$	(4)	(7)
Operating costs	$	(3)	(10)
Selling expenses		(1)	(2)
Administration expenses		-	5
	$	(4)	(7)

5) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	2022	2021
Discount rate	1.500%	0.500%
Future salary increases rate	3.500%	3.000%

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date is $12 thousand.

The weighted average lifetime of the defined benefits plans is 10.2 years.

6) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation in the year 2022 and 2021 shall be as follows:

		Influences of defined benefit obligations	
		Increased 0.25%	Decreased 0.25%
December 31, 2022:			
Discount rate	$	(905)	941
Future salary increasing rate	$	908	(878)
December 31, 2021:			
Discount rate	$	(959)	1,000
Future salary increasing rate	$	959	(925)

(Continued)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2022 and 2021.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The consolidated entities set up overseas have defined contribution plans. These plans are funded in accordance with the regulations of their respective countries, as the contribution in the current period.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to $27,855 thousand and $25,199 thousand for the years ended December 31, 2022 and 2021, respectively.

(o) Income Taxes

(i) Income tax expense

The components of income tax expense in the years 2022 and 2021 were as follows:

	2022	2021
Current income tax expense	$ 94,224	85,865
Deferred income tax expense	17,743	186
Income tax expense	**$ 111,967**	**86,051**

The Group had no income tax recognized in other comprehensive income for 2022 and 2021.

Reconciliation of income tax and profit before tax for 2022 and 2021 was as follows:

	2022	2021
Profit excluding income tax	$ 475,123	493,112
Income tax using the Company's domestic tax rate	95,025	98,622
Effect of tax rates in foreign jurisdiction (not applicable for separate financial statements)	2,410	15,215
Non-deductible expenses	(3,791)	(31,342)
Undistributed earnings additional tax	16,048	8,499
Others	2,275	(4,943)
Income tax expense	**$ 111,967**	**86,051**

(Continued)

(ii) Deferred income tax assets and liabilities

1) Recoginzed deferred income tax assets

Changes in the amount of deferred income tax assets for 2022 and 2021 were as follows:

	Allowance loss	Others	Total
Balance at January 1, 2022	$ (628)	(4,059)	(4,687)
Recognized in profit or loss	23	1,191	1,214
Balance at December 31, 2022	**$ (605)**	**(2,868)**	**(3,473)**
Balance at January 1, 2021	$ (596)	(4,277)	(4,873)
Recognized in profit or loss	(32)	218	186
Balance at December 31, 2021	**$ (628)**	**(4,059)**	**(4,687)**

2) Recoginzed deferred income tax liabilities

	Defined Benefit Plans	Investment income recognized under the equity method	Total
Balance at January 1, 2022	$ -	-	-
Recognized in profit or loss	2,771	13,758	16,529
Balance at December 31, 2022	**$ 2,771**	**13,758**	**16,529**

The Group have not recognized any deferred tax liabilities in December 31, 2021.

3) Unrecognized deferred income tax liabilities

Considered the overall development and investment planning of the group, the Group does not intend to repatriate the surplus of overseas subsidiaries, therefore, the Group does not recognize the deferred tax assets and deferred tax liabilities of overseas subsidiaries.

As of December 31, 2022, the company has not recognized as a deferred tax liabilities was amounted $8,399 thousand.

(iii) The Company and its subsidiaries, CHANG YORK and YUAN GUANG., whose tax returns for the years through 2020 were assessed by the National Tax Bureau.

(p) Capital and other equity

(i) Ordinary shares

As of December 31, 2022 and 2021, the number of authorized ordinary shares were both 100,000 thousand shares with par value of $10 per share. The total value of authorized ordinary shares was amounted to $1,000,000 thousand. As of that date, 56,775 thousand of ordinary shares amounted $567,750 thousand were issued. All issued shares were paid up upon issuance.

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(ii) Capital surplus

The balances of capital surplus as of December 31, 2022 and 2021, were as follows:

	December 31, 2022	December 31, 2021
Share issue premium	$ -	111,159
Corporate debt conversion premium	467,023	497,801
Difference arising from subsidiary's share price and its carrying value	1,218	1,218
Stock option expired	233	233
Changes in equity of the invested company accounted for using equity method	1,112	1,112
	$ 469,586	**611,523**

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

In accordance with the resolution of Board of Directors held on March 24, 2022, and March 25, 2021, the Company has resolved to distribute the cash dividends of $141,937 thousand and $68,130 thousand from capital surplus to the owners of common stock in the amount of $2.5 per share and $1.2 per share, respectively, which have been approved and implemented at the shareholders' meeting.

(iii) Retained earnings and dividend policy

The Company's article of incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the board of directors and submitted to the stockholders' meeting for approval.

Before the distribution of dividends, the Company shall take into consideration its operating environment, industry developments, and the long-term interests of stockholders, as well as its programs to maintain operating efficiency and meet its capital expenditure budget and financial goals in determining the stock or cash dividends to be paid. After the above appropriations, current and prior-period earnings that remain undistributed will be proposed for distribution by the board of directors, and a meeting of shareholders will be held to decide on this matter. The stock dividends shall not be more than 50% of total dividend, and the cash dividend shall be 50% to 100% of total dividend.

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1) Legal reserve

Under the Companies Act, a company shall allocate 10 per cent of its net after-tax profits as statutory surplus accumulation until it is equal to the total amount of capital. When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with Regulation issued by the FSC, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions. As of December 31, 2022 and 2021, the balances of special reserve were $110,540 thousand and $122,830 thousand, respectively.

3) Retained earnings distribution

The amounts of cash dividends on the appropriations of earnings for 2021 and 2020 had been approved during the shareholders' meeting on June 22, 2022 and August 12, 2021, respectively. The relevant dividend distributions to shareholders were as follows:

	2021		2020	
	Amount per share	**Total amount**	**Amount per share**	**Total amount**
Cash dividend	$ 1.00	56,775	1.00	56,775

4) Treasury shares

For the Company's integrity and shareholders' equity, the Company has complied with Securities and Exchange Act Article 28-2 to repurchase 538 thousand treasury stocks (amounted to $31,330 thousand),which were not cancelled as of December 31, 2022.

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder's rights before their transfer.

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(q) Earnings per share

The calculation of basic earnings per share and diluted earning per share of the Group are calculated as follows:

(i) Basic earnings per share

	2022	2021
Profit attributable to ordinary shareholders of the Group	$ **363,156**	**406,626**
Weihgted-average number of ordinary shares (thousnad) outstanding at the end of period	**56,708**	**56,775**
Basic earnings per share (dollar)	$ **6.40**	**7.16**

(ii) Diluted earnings per share

	2022	2021
Profit attributable to ordinary shareholders of the Group	$ **363,156**	**406,626**
Weighted-average number of ordinary shares outstanding (basic)	56,708	56,775
The impact of full stock issuance on employee	827	671
Weighted average number of ordinary shares outstanding (thousand shares)	**57,535**	**57,446**
Diluted earnings per share (dollar)	$ **6.31**	**7.08**

(r) Revenue from contracts with customers

(i) The details of the revenue were as follows:

	2022	2021
Cleaning income	$ 2,249,790	2,016,773
Sale of goods	138,294	115,653
Income from services	4,680	4,469
	$ **2,392,764**	**2,136,895**

(ii) Contract balance

For details on trade receivables and allowance for impairment, please refer to note 6(c).

(s) Employee and board of directors' remuneration

In accordance with the articles of incorporation the Company should contribute no less than 3% of the profit as employee compensation and less than 3% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

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For the years ended December 31, 2022 and 2021, the Company estimated its employee remuneration amounting to $40,000 thousand and $43,000 thousand and directors' and supervisors' remuneration amounting to $8,000 thousand and $10,000 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2022 and 2021. Related information would be available at the Market Observation Post System website. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2022 and 2021.

(t) Other revenue

		2022	2021
Grant income	$	1,455	10,027
Other		2,711	3,735
	$	**4,166**	**13,762**

(u) Other gains and losses

		2022	2021
Loss on disposal of property, plant and equipment	$	(181)	(1,390)
Gain on disposal of non-current assets held to be sold		-	71,984
Gain(loss) on disposals of investments		(2,735)	6,709
Foreign currency exchange gain(loss), net		18,348	(6,940)
Impairment loss		(3,792)	(18,421)
Others		(3,644)	(3,517)
	$	**7,996**	**48,425**

(v) Financial Instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets and contract assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

The major customers of the Group are centralized in the Semiconductor industry and panel industry customer. To minimize credit risk, the Company periodically evaluates the Company's financial positions and the possibility of collecting trade receivables. As of December 31, 2022 and 2021, 46% and 43% of trade receivables were from the top 5 customers. Thus, credit risk is significantly centralized.

3) Receivables and debt securities

The financial assets, trade receivables and other receivables of the Group as measured at amortized cost as of the reporting date are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected credit losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 6(c).

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises the banking facilities and ensures compliance with the terms of loan agreements.

The analysis of the maturity date of financial debt contracts were as follow:

1) Based on the earliest date on which the consolidated company may be required to repay, it is compiled based on the undiscounted cash flow of financial liabilities, which includes interest but does not include the effect of the netting agreement.

2) The maturity analysis of other non-derivative financial liabilities is compiled in accordance with the agreed repayment date.

3) Derivatives for net delivery are prepared based on undiscounted contract net cash inflows and outflows; derivatives for gross delivery are prepared on the basis of total undiscounted cash inflows and outflows.

	Carrying amount	Contractual cash flows	Within 1 year	1-5 years	Over 5 years
December 31, 2022					
Non-derivative financial liabilities:					
Short-term borrowing	$ 40,000	40,108	40,108	-	-
Long-term borrowing	684,282	704,678	117,892	581,563	5,223
Notes and trade payable	132,963	132,963	132,963	-	-
Lease liabilities	5,751	5,836	3,516	2,320	-
Other financial liabilities	207,296	207,296	207,296	-	-
	$ 1,070,292	**1,090,881**	**501,775**	**583,883**	**5,223**
December 31, 2021					
Non-derivative financial liabilities:					
Long-term borrowing	$ 561,039	578,830	70,999	474,810	33,021
Notes and trade payable	136,820	136,820	136,820	-	-
Lease liabilities	9,246	9,461	3,625	5,836	-
Other financial liabilities	173,618	173,618	173,618	-	-
	$ 880,723	**898,729**	**385,062**	**480,646**	**33,021**

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(Continued)

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risk. All such transactions are carried out within the guidelines set by the Risk Management Committee.

1) Currency risk

Some of the Group' s operating activities are not measured in one of the Group' s functional currencies, resulting in foreign currency exchange rate risk.

The Group's significant exposure to foreign currency risk was as follows:

(in thousands)	**December 31, 2022**			**December 31, 2021**		
	Foreign currency	**Exchange rate**	**NTD**	**Foreign currency**	**Exchange rate**	**NTD**
Financial assets						
Monetary items						
USD	$ 8,067	30.71	247,738	4,566	27.68	126,387
CNY	8,338	4.408	36,754	15,163	4.344	65,868
Non-Monetary items						
Long-term investment under equity method						
SGD	2,080	22.88	47,581	2,221	20.46	45,434
CNY	19,332	4.408	85,217	16,584	4.344	72,042
Financial liabilities						
Monetary items						
USD	157	30.71	4,807	182	27.68	5,045

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, and trade and other payables that are denominated in foreign currency. A weakening (strengthening) of 1% of the NTD against the foreign currency at December 31, 2022 and 2021, would have decreased or increased the net profit before tax by $2,797 thousand and $1,872 thousand, respectively. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for both periods.

Since the Group has many kinds of functional currency, the information on foreign exchange gains (losses) on monetary items is disclosed by total amount. For the years ended December 31, 2022 and 2021 foreign exchange gains (losses) (including realized and unrealized portions), please referred to note 6(u) in detail.

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2) Interest rate risk

The interest rates of interest-bearing financial instruments of the Group on the reporting date are summanized as follows:

		Carrying amount	
		December 31, 2022	**December 31, 2021**
Fixed-rate instruments:			
Financial assets	$	350,672	213,995
Financial liabilities		(40,000)	-
	$	**310,672**	**213,995**
Variable-rate instruments:			
Financial assets	$	670,657	717,915
Financial liabilities		(684,282)	(561,039)
	$	**(13,625)**	**156,876**

The following sensitivity analysis is based on the exposure to interest rate risk of the non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.25% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased or decreased by 0.25%, the net profit(loss) before tax would have decreased or increased by $(34) thousand and $392 thousand for the years ended December 31, 2022 and 2021, respectively, assuming all other variable factors were constant. This mainly resulted from borrowings at variable interest rates.

The Group's financial assets at fixed interest rates are measured using the amortized cost method. Since the change in market interest rate at the end of each reporting period had no impact on profit and loss, disclosure of the sensitivity to changes in fair value is not necessary.

(iv) Fair value of financial instruments

1) Types and fair value of financial instruments

The fair value of financial assets and liabilities at fair value through profit or loss, financial instruments used for hedging, and financial assets at fair value through other comprehensive income is measured on a recurring basis.

The carrying amount and fair value of the Group' s financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity instruments that was not quoted prices in the active market and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

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	December 31, 2022				
		Fair Value			
	Carrying amounts	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Non derivative financial assets mandatorily measured at fair value through profit or loss	$ 65,750	17,262	-	48,488	65,750
Mandatorily measured at fair value through profit or loss	27,163	27,163	-	-	27,163
	$ 92,913	**44,425**	**-**	**48,488**	**92,913**
Financial assets measured at amortized cost					
Cash and cash equivalent	$ 1,022,583				
Note and trade receivable (including related parties)	457,286				
Other financial asset	2,299				
Refundable deposit	4,129				
	$ 1,486,297				
Financial liabilities measured at amortized cost					
Long and short term borrowing	$ 724,282				
Notes and trade payables	132,963				
Lease liabilities	5,751				
Guarantee deposit	4,574				
Other financial liabilities	395,193				
	$ 1,262,763				

	December 31, 2021				
		Fair Value			
	Carrying amounts	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Non derivative financial assets mandatorily measured at fair value through profit or loss	$ 198,957	185,087	-	13,870	198,957
Mandatorily measured at fair value through profit or loss	28,963	28,963	-	-	28,963
	$ 227,920	**214,050**	**-**	**13,870**	**227,920**
Financial assets measured at amortized cost					
Cash and cash equivalent	919,878				
Note and trade receivable (including related parties)	474,659				
Other financial assets	1,448				
Refundable deposit	4,052				
	$ 1,400,037				

(Continued)

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	December 31, 2021				
		Fair Value			
	Carrying amounts	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Long and short term borrowing	561,039				
Notes and trade payables	136,820				
Lease liabilities	9,246				
Guarantee deposit	4,562				
Other financial assets	355,312				
	$ 1,066,979				

2) Valuation techniques for financial instruments measured at fair value

The Group's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

a) Financial assets measured at amortized cost

If the quoted prices in active markets are available, the market price is established as the fair value. However, if quoted prices in active markets are not available, the estimated valuation or prices used by competitors are adopted.

b) Financial assets and financial liabilities measured at amortized cost

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

c) Valuation techniques for financial instuments measured at fair value

i) Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgement and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgement.

The financial instruments held by the Group are classified as follows:

- Financial instruments with active markets: including financial assets which listed (counter) company stocks with active market transactions, their fair value series are determined with reference to market quotes.

- Financial instruments without active markets: Fair value is based on valuation techniques or reference counterparty quotes. The fair value obtained through evaluation techniques can refer to the current fair value of other financial instruments with similar conditions and characteristics, discounted cash flow method or other evaluation techniques, including calculations based on market information available on the date of the consolidated balance sheet.

d) Reconciliation of Level 3 fair values

The following table shows a reconciliation of the beginning balances to the ending balances for the fair value measurements in Level 3 of the fair value hierarchy:

	Financial assets at fair value through profit or loss-unquoted equity instruments	
	2022	**2021**
Balance on January 1	$ 13,870	15,347
Recognized in profit or loss	-	(17)
Aquisition/ Disposal/ Redemption	34,772	(1,460)
Effect of movements in exchange rate	(154)	-
Balance on December 31	**$ 48,488**	**13,870**

The aforementioned total gains and losses were recognized in “other gains and losses”.

e) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group’s financial instruments that use Level 3 inputs to measure fair value use third-party pricing information. Therefore, it is not intended to disclose quantitative information on significant unobservable inputs of fair value.

(w) Financial risk management

(i) Overview

The Group is exposed to the following risks arising from financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

(Continued)

Note 6(v) presents detailed information on exposure to each of the above risks and on the objectives, policies, and processes for measuring and managing risk.

(ii) Risk management structure

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect any changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The board of directors monitors the management to ensure compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The board of directors is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the board of directors.

(x) Capital management

The Group's objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

The Group and other entities in the same industry use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity plus net debt.

As of 31 December 2022, the Group's capital management strategy is consistent with the prior year as of 31 December 2021. The Group's debt-to-equity ratio at the end of the reporting period as of 31 December, 2022 and 2021 is 29% and 27%, respectively.

(y) Investing and financing activities not affecting current cash flow

The Group's investing and financing activities, which did not affect the current cash flow, for the years ended December 31, 2022 and 2021, were as follows:

(i) Acquisition of Right-of-use assets by lease, please refer to note 6(h).

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(ii) Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2022	Cash flows	Non-Cash flows	December 31, 2022
Short-term borrowings	$ -	40,000	-	40,000
Long-term borrowings	561,039	123,243	-	684,282
Lease liabilities	9,246	(3,495)	-	5,751
Total liabilities from financing activities	**$ 570,285**	**159,748**	**-**	**730,033**

	January 1, 2021	Cash flows	Non-Cash flows	December 31, 2021
Short-term borrowings	$ 7,279	(7,279)	-	-
Long-term borrowings	483,318	77,721	-	561,039
Lease liabilities	139,599	(3,625)	(126,728)	9,246
Total liabilities from financing activities	**$ 630,196**	**66,817**	**(126,728)**	**570,285**

(7) Related-party transactions:

(a) Name and relationship with related parties

Name of related party	Relationship with the Group
Minerva Works Pte Ltd. (Minerva)	An associate
Zhe An Technology (Shenzhen) Ltd. (Shen Zhen Zhe An) (Note 1)	An associate
Nanjing Hung Jie Optoelectronics Technology Ltd. (Nanjing Hung Jie)	An associate

(Note 1) Shen Zhen Zhe An was dissolved and liquidated in August, 2021.

(b) Significant transactions with related parties

(i) Sales

	Sales		Trade receivables and other receivables–related party	
	2022	2021	December 31, 2022	December 31, 2021
Associates	**$ 16,541**	**27,150**	**2,169**	**1,349**

The above trading terms and conditions are not materially different from those of ordinary customers.

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(ii) Rent revenue

	2022	2021
Associates		
Zhe An (Shenzhen)	$ -	1,486

The rent will be charged at the prevailing market price on the tenth day of each month.

(c) Key management personnel compensation

	2022	2021
Short-term employee benefits	$ 31,012	30,678
Post-employment benefits	635	621
	$ 31,647	31,299

(8) Pledged assets:

The following assets are provided as collateral for financing, litigation, factory lease deposit and business transaction margin.

Pledged assets	Object	December 31, 2022	December 31, 2021
Land	Bank loan	$ 550,538	347,400
Building	Bank loan	445,680	480,341
		$ 996,218	827,741

(9) Commitments and contingencies:

(a) The consolidated company's unrecognized contractual commitments on the acquisition of real estate, plant and equipment that are material and unrecognized are as follows:

	December 31, 2022	December 31, 2021
Acquisition of property, plant and equipment	$ 374,915	240,931

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

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(12) Other:

A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By function / By item	For the year ended December 31, 2022			For the year ended December 31, 2021		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefit						
Salary	459,291	222,467	681,758	427,590	221,844	649,434
Labor and health insurance	37,374	16,734	54,108	33,668	15,325	48,993
Pension	17,308	10,543	27,851	15,937	9,255	25,192
Remuneration of directors	-	8,183	8,183	-	10,162	10,162
Others	26,202	11,868	38,070	26,103	12,108	38,211
Depreciation (Note 1)	147,867	41,418	189,285	131,107	27,915	159,022
Amortization	29,823	1,936	31,759	22,115	1,239	23,354

(Note 1) The depreciation of investment real estate is not included.

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions during the year ended December 31, 2022 required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of lender	Name of borrower	Financial statement account	Related party	Highest balance of financing to other parties during the period	Ending balance	Amount actually drawn	Interest rate	Nature of financing (Note 2)	Transaction amounts	Reason for short-term financing	Allowance for bad debt	Collateral		Financing limit for each borrowing company (Note 1)	Maximum financing limit for the lender (Note 1)
													Item	Value		
1	Shih Tian (Xiamen)	Shih Ju (Hefei)	Other receivables-related parties	Yes	22,530 (RMB5,000 thousand)	-	-	1.75%	2	-	Operating capital	-	-	-	21,532	86,128
1	Shih Tian (Xiamen)	Shin Ping (Shenzhen)	Other receivables-related parties	Yes	24,783 (RMB5,500 thousand)	-	-	1.75%	2	-	Operating capital	-	-	-	21,532	86,128

Note 1: The total amount of leading to others shall not exceed 10% of the net value, and the total amount shall not exceed 40% of the company's net worth.

Note 2: Nature of financing activities is as follows:

(1) Represents entities with business transaction with the Group.

(2) Represents where an inter-company or inter-firm short-term financing facility is necessary.

Note 3: Transactions within the Group were eliminated in the consolidated financial statements.

(ii) Guarantees and endorsements for other parties: None

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(iii) Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Nature and name of securities	Relationship with the securities issuer	Account name	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Yuanta 2-10 Year Investment Grade Corporate Bond Fund-USD(A)	None	Current financial assets at fair value through profit of loss	10	3,053	-	3,053	
〃	Yuanta CHINSAN CLN	〃	〃	200	20,135	- %	20,135	
〃	Yuanta GSD CLN	〃	〃	70	7,028	- %	7,028	
YUAN GUANG	Allianz Global Investors Taiwan Money Market Fund	〃	〃	160	2,040	- %	2,040	
〃	UPAMC James Bond Money Market Fund	〃	〃	118	2,004	- %	2,004	
〃	Yuanta DE-LI Money Market Fund	〃	〃	121	2,007	- %	2,007	
〃	Yuanta DE-BAO Money Market Fund	〃	〃	164	2,006	- %	2,006	
CHANG YORK	Yuanta DE-LI Money Market Fund	〃	〃	121	2,011	- %	2,011	
〃	Yuanta 2-10 Year Investment Grade Corporate Bond Fund-USD(A)	〃	〃	7	2,137	- %	2,137	
〃	UPAMC James Bond Money Market Fund	〃	〃	118	2,004	- %	2,004	
Shih Ju (Hefei)	ICBC "Tianlibao" No. 2 Net Value Financial Investment Product for Corporate*	〃	〃	10,000	44,080	- %	44,080	
〃	ICBC "Premium Selection 14 days Chi-Ying Fixed Income Open-end Financial Investment Product for Corporate*	〃	〃	976	4,408	- %	4,408	

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	factory	2022/06/08	229,394	173,555	Tech-Top Engineering Co., LTD.	Non-related parties				-	According to market conditions	The group's operations and capacity expansion	

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock: None

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock: None

(Continued)

SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES
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(ix) Trading in derivative instruments: Please refer to note 6(b).

(x) Business relationships and significant intercompany transactions: (Only disclosed transaction amounted to more than 10 million)

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions for the year ended December 31, 2022			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Shih Ju (Hefei)	1	Service revenue	15,678	(Note 3)	0.66%
1	Shih Ping (ShenZhen)	Dongguan Shih Ping	3	Other income	11,013	(Note 3)	0.46%
2	Dongguan Shih Ping	Shih Ping (ShenZhen)	3	Processing Fees income	19,710	(Note 3)	0.82%
3	Chengdu Shih Zheng	Shih Ju (Hefei)	3	Processing Fees income	13,166	(Note 3)	0.55%
4	YUAN GUANG	the Company	2	Processing Fees income	16,319	(Note 3)	0.68%

Note 1: “0” represents the parent company, and the others represent the subsidiaries.

Note 2: “1” represents the transactions from parent company to subsidiary.
“2” represents the transactions from subsidiary to parent company.
“3” represents the transactions between subsidiaries.

Note 3: The sales prices and payment terms of intercompany sales are not significantly different from those of third parties.

Note 4: Transactions within the Group were eliminated in the consolidated financial statements.

(b) Information on investees (excluding investments in mainland China):

The following is the information on investees for the year ended December 31, 2022 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares (thousands)	Percentage of ownership	Carrying value				
the Company	Skill high	Samoa	General investment	1,742,059	1,812,247	57,300	100.00 %	1,793,776	100.00	653	653	Note 1
〃	Chang York	Taiwan	Cleaning, maintenance, trading and assembly of semiconductor equipment, optoelectronic equipment and spare parts	49,313	49,313	5,000	100.00 %	70,578	100.00	18,059	18,059	
〃	Yuan Guang	Taiwan	Metal and Chemical Manufacturing	17,310	17,310	1,500	100.00 %	22,981	100.00	5,568	5,568	
〃	Mineva	Singpore	Cleaning, maintenance, trading and assembly of semiconductor equipment, optoelectronic equipment and spare parts	11,538	11,538	405	36.80 %	47,581	36.80	(8,293)	(2,897)	Note 2
Skill high	Shih Fu	Samoa	General investment	1,007,605	1,007,605	35,500	100.00 %	1,169,632	100.00	13,356	13,356	
〃	Shih Hang	Samoa	General investment	431,744	501,931	14,100	100.00 %	413,515	100.00	5,495	5,495	Note 1
〃	Shih Pu	Samoa	General investment	293,243	293,243	9,100	100.00 %	218,354	100.00	(4,816)	(4,816)	

Note 1: Skill High and Shih Hang reduced their capitals in cash during March 2022. Thereafter, Shih Hang returned the shares to Skill High, who then returned the shares to the Company, resulting in a change in the original investment amounts in both companies. The related procedures were still in progress as of the reporting date.

Note 2: Transactions within the Group were eliminated in the consolidated financial statements.

(Continued)

SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES
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(c) Information on investment in mainland China:

1) Information on re-investment in business related information in mainland China:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2022	Investment flows: Outflow	Investment flows: Inflow	Accumulated outflow of investment from Taiwan as of December 31, 2022	Net income (losses) of the investee (note 1)	Percentage of ownership	Investment income (losses) (note 1)	Book value (note 2)	Accumulated remittance of earnings in current period
Shih Ping (Shen Zhen)	Semiconductor, photoelectric equipment and parts cleaning, miniatous and recycling treatment	1,529,740 (RMB352,150 thousand)	(1) (4)	1,526,346	-	70,187	1,456,159	16,768	100.00%	16,768	1,554,345	-
Shih Ju (Hefei)	Semiconductor, photoelectric equipment and parts cleaning, miniatous and recycling treatment	387,970 (RMB89,312 thousand)	(4)	-	-	-	-	58,208	100.00%	58,208	377,202	-
Dongguan Shih Ping	Semiconductor, photoelectric equipment and parts cleaning, miniatous and recycling treatment	563,770 (RMB120,000 thousand)	(2)	-	-	-	-	(17,156)	100.00%	(17,156)	501,882	-
Shih Tien (Xiamen)	Semiconductor, photoelectric equipment and parts cleaning, miniatous and recycling treatment	290,085 (RMB58,369 thousand)	(1)	290,085	-	-	290,085	(5,108)	100.00%	(5,108)	215,319	-
Chengdu Shih Zheng	Semiconductor, photoelectric equipment and parts cleaning, miniatous and recycling treatment	618,139 (RMB143,072 thousand)	(2)	-	-	-	-	(53,453)	100.00%	(53,453)	556,575	-
Nanjing Hung Jie	Semiconductor, photoelectric equipment and parts cleaning, miniatous and recycling treatment	210,530 (RMB47,459 thousand)	(3) (4)	-	-	-	-	34,032	35.71%	12,156	85,217	-

Note 1: Through the third region investments set up a company to reinvest in the mainland.

Note 2: Reinvestment in a mainland through a mainland company.

Note 3: The above equity transactions have been written off at the time of the preparation of consolidated financial statements expect for the related enterprise invested by Nanjing Hong Jie.

Note 4: The Group originally established a third-party company to invest in Mainland China companies, and in December 2021, the restructuring was adjusted to reinvest in Mainland China companies through a Mainland China company.

2) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
1,746,244	1,746,244	Note 1

Note 1: The company obtained the approval document issued by the Industrial Development Bureau, Ministry of Economic Affairs for compliance with the operation headquarters in May 2019. Therefore, it is not subject to the limited stipulated by the Ministry of Economic Affairs' "Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China".

3) Significant transactions:

For the major direct or indirect transaction of the invested companies in mainland China in 2022 (written off at the time of preparation of the consolidated report), please refer to (a) "information related to major transactions" in detail.

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(d) Major shareholders:

(Unit: share)

Shareholding / Shareholder's Name	Shares	Percentage
GUANJUN LIN Holdings Co. LTD.	8,558,190	15.07 %

(14) Segment information:

(a) Information about reportable segments and their measurement and reconciliations:

	2022					
	Taiwan					
	the Company	CHANG YORK TECHNOLOGY INC.	YUAN GUANG TECHNOLOGY INC.	China	Reconciliation and elimination	Total
Revenue						
Revenue from external customers	$ 1,771,196	78,191	7,792	535,585	-	2,392,764
Intersegment	33,091	4,698	16,319	37,642	(91,750)	-
Total revenue	**$ 1,804,287**	**82,889**	**24,111**	**573,227**	**(91,750)**	**2,392,764**
Reportable segment profit or loss	**$ 412,523**	**20,283**	**6,473**	**(6,013)**	**12,521**	**445,787**

	2021					
	Taiwan					
	the Company	CHANG YORK TECHNOLOGY INC.	YUAN GUANG TECHNOLOGY INC.	China	Reconciliation and elimination	Total
Revenue						
Revenue from external customers	$ 1,540,901	74,424	3,917	517,653	-	2,136,895
Intersegment	30,393	5,700	13,772	39,936	(89,801)	-
Total revenue	**$ 1,571,294**	**80,124**	**17,689**	**557,589**	**(89,801)**	**2,136,895**
Reportable segment profit or loss	**$ 336,174**	**20,541**	**815**	**47,097**	**12,271**	**416,898**

(b) Product and service information

The Corporation is engaged in the maintenance, trading, research and development, design, manufacturing, processing and installment of semiconductor equipment, photoelectric equipment and spare parts.

The revenue, profit and losses and identifiable assets account for more than 90% of the each segment, and there is no need for the disclosure of industry information.

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(c) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

Region	2022	2021
Revenue from external customer		
Taiwan	$ 1,857,179	1,619,242
China	535,585	517,653
	$ 2,392,764	**2,136,895**

(d) Major customers

Revenue from single customer amounting to more than 10% of the combined company' s total revenue is follows:

	2022
Customer B	**$ 611,688**

	2021
Customer B	$ 550,350
Customer A	224,025
	$ 774,375