

**TAISOL ELECTRONICS CO., LTD.  
AND SUBSIDIARIES**

**Consolidated Financial Statements**

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

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The independent auditors' 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' report and consolidated financial statements, the Chinese version shall prevail.

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## Representation Letter

The entities that are required to be included in the combined financial statements of TaiSol Electronics Co., Ltd. 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, TaiSol Electronics Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: TaiSol Electronics Co., Ltd.

Chairman: Yu, Ching-Sung

Date: February 24, 2023



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## Independent Auditors' Report

To the Board of Directors of TaiSol Electronics Co., Ltd.:

### Opinion

We have audited the consolidated financial statements of TaiSol Electronics Co., Ltd. and its subsidiaries (“the Group”), which comprise the consolidated balance sheet as of December 31, 2022 and 2021, the consolidated statement 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 the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Account of 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.

#### 1. Revenue recognition

Please refer to Notes 4(m), 5(b)(i), 6(m) and 6(s) to the consolidated financial statements.

Description of key audit matter:

The test on revenue recognition is one of our key audit matters. The Group has to provide a discount to its customers based on the contract agreement and records it as a reduction of revenue.

How the matter was addressed in our audit:

Our principal audit procedures included the following:

- Test the manual controls relating to sales and collection operations and financial reporting, check and reconcile sales system data with general ledger entries, and assess whether the Group's revenue recognition policy is in compliance with the relevant standards and revenue information is properly disclosed.
- Read the relevant customer sales contracts and terms, test for consistency with accounting policies, and consider the accounting treatment and disclosure of sales discounts.
- Perform year-to-year analysis on the revenue by product line and the revenue from top ten customers to determine whether there are any significant misstatements.
- Select appropriate samples to verify with vouchers and relevant documents.
- Select sales transactions from a period of time before and after the balance sheet date and verify with vouchers and relevant documents to assess the accuracy of the timing and amounts of revenue recognized.
- Obtain the detail of the discounts accrued by the management of the Group (refund liabilities) and verify with the relevant internal and external information to assess the reasonableness of the relevant parameters and the underlying assumptions. Review the accuracy of the estimated discount accrued in prior years to assess whether there are material anomalies in the amounts of the accrued discounts (refund liabilities).

## 2. Commission estimate

Please refer to Notes 4(g) , 5(b)(ii), 6(m) to the consolidated financial statements.

Description of key audit matter:

Commission expense is one of our key audit matters. Part of the sales of the Group are made through agents and commissions are required to pay on the basis of contract agreements. These expenses estimated by the management of the Group in respect of the foregoing are accrued as operating expenses.

How the matter was addressed in our audit:

Our principal audit procedures included the following:

- Read the terms of the sales contract of the relevant agent and test the consistency of the accounting treatment.
- Perform year-to-year analysis on the commission expense of the main agents to evaluate if there are any significant abnormalities.
- Obtain the detail of the commission accrued by the management of the Group and verify with the relevant internal and external information to assess the reasonableness of its parameters and the underlying assumptions. Review the accuracy of the estimated commission expenses accrued in prior years to assess whether there are material anomalies in the amounts of the accrued commission.

## 3. Valuation of Inventory

Please refer to Notes 4(h), 5(b)(iii) and 6(d) to the consolidated financial statements.

Description of key audit matter:

Inventories are measured at the lower of cost or net realizable value at the reporting date. Due to factors such as rapid changes in technology or the upgrading of production technology, the obsolete or no longer meet market demand of the original product, the sales price of the relevant product may fluctuate or become sluggish, and there may be a risk that the cost of inventories exceeds its net realized value.

How the matter was addressed in our audit:

Our principal audit procedures included the following:

- Review the inventory aging reports to analyze the changes for each period.
- Assess the reasonableness of the accounting policies of the Group, such as policies for the valuation of inventories or the provision of obsolete goods.
- Assess whether the process of the inventory valuation is in conformity with the accounting policies.
- Understand the basis for valuation of net realized value used by the management of the Group and select appropriate samples to assess the reasonableness of the net realized value of inventories.
- Assess whether the disclosure of the inventory is appropriate.

#### **Other Matter**

TaiSol Electronics Co., Ltd. has prepared its parent-company-only financial statements 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 with the 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 or supervisors) are responsible for overseeing the Group's financial reporting process.

#### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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



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

The engagement partners on the audit resulting in this independent auditors' report are Chen, Fu Jen and Yin, Yuan Sheng.

KPMG

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

#### **Notes to Readers**

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and its 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' 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' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2022		December 31, 2021		Liabilities and Equity		December 31, 2022		December 31, 2021	
		Amount	%	Amount	%			Amount	%	Amount	%
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (note 6(a))	\$ 764,603	21	418,151	10	2100	Short-term borrowings (note 6(i))	\$ -	-	20,000	-
1150	Notes receivable, net (notes 6(b) and (s))	293,692	8	248,838	6	2170	Accounts payable	898,157	25	1,242,329	31
1170	Accounts receivable, net (notes 6(b) and (s))	1,329,185	37	1,844,185	46	2209	Other payables (note 6(m))	400,059	11	457,360	11
1200	Other receivables, net (note 6(c))	3,898	-	13,046	-	2230	Current tax liabilities	101,319	3	74,069	2
1220	Current tax assets	-	-	1,948	-	2280	Current lease liabilities (note 6(k))	34,806	1	42,912	1
130X	Inventories (note 6(d))	410,390	12	653,622	16	2399	Other current liabilities (notes 6(m) and (s))	140,888	4	117,994	3
1410	Prepayments (note 6(h))	90,559	3	105,336	3	2321	Bonds payable, current portion (note 6(j))	-	-	210,406	5
1470	Other current assets (notes 6(h) and 8)	733	-	1,847	-		<b>Total current liabilities</b>	<u>1,575,229</u>	<u>44</u>	<u>2,165,070</u>	<u>53</u>
	<b>Total current assets</b>	<u>2,893,060</u>	<u>81</u>	<u>3,286,973</u>	<u>81</u>		<b>Non-Current liabilities:</b>				
	Non-current assets:					2570	Deferred tax liabilities (note 6(o))	110,165	3	111,538	3
1600	Property, plant and equipment (notes 6(e) and 8)	468,122	13	501,640	12	2580	Non-current lease liabilities (note 6(k))	4,986	-	36,968	1
1755	Right of use assets (note 6(f))	61,511	2	98,755	3	2670	Other non-current liabilities	12,859	1	13,079	-
1780	Intangible assets (note 6(g))	1,517	-	2,164	-		<b>Total non-current liabilities</b>	<u>128,010</u>	<u>4</u>	<u>161,585</u>	<u>4</u>
1840	Deferred tax assets (note 6(o))	71,347	2	47,488	1		<b>Total liabilities</b>	<u>1,703,239</u>	<u>48</u>	<u>2,326,655</u>	<u>57</u>
1990	Other non-current assets	59,909	2	98,932	3		<b>Equity attributable to owners of parent (notes 6(j), (p) and (q)):</b>				
	<b>Total non-current assets</b>	<u>662,406</u>	<u>19</u>	<u>748,979</u>	<u>19</u>	3110	Ordinary share	879,081	25	879,081	22
						3200	Capital surplus	348,899	10	348,765	9
							Retained earnings:				
						3310	Legal reserve	170,281	5	151,536	4
						3320	Special reserve	85,614	2	73,874	2
						3350	Unappropriated retained earnings	446,785	13	341,655	8
								<u>702,680</u>	<u>20</u>	<u>567,065</u>	<u>14</u>
						3410	Exchange differences on translation of foreign financial statements	(61,180)	(2)	(85,614)	(2)
						3500	Treasury shares	(17,253)	(1)	-	-
							<b>Total equity</b>	<u>1,852,227</u>	<u>52</u>	<u>1,709,297</u>	<u>43</u>
<b>Total assets</b>		<u>\$ 3,555,466</u>	<u>100</u>	<u>4,035,952</u>	<u>100</u>		<b>Total liabilities and equity</b>	<u>\$ 3,555,466</u>	<u>100</u>	<u>4,035,952</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

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

	2022		2021	
	Amount	%	Amount	%
4000 <b>Operating revenue (notes 6(s) and 7)</b>	\$ 4,568,318	100	4,978,281	100
5000 <b>Operating costs (notes 6(d) and 12)</b>	3,695,334	81	4,094,906	82
5900 <b>Gross profit from operations</b>	872,984	19	883,375	18
6000 <b>Operating expenses (notes 6(b), (n), (t), 7 and 12):</b>				
6100 Selling expenses	274,604	6	242,163	5
6200 Administrative expenses	144,516	3	156,608	3
6300 Research and development expenses	177,758	4	204,347	4
6450 Expected credit loss (gain)	426	-	(2,555)	-
	597,304	13	600,563	12
6900 <b>Net operating income</b>	275,680	6	282,812	6
7000 <b>Non-operating income and expenses (notes 6(j), (k), (u) and 12):</b>				
7100 Interest income	6,057	-	5,180	-
7010 Other income	19,158	-	19,776	-
7020 Other gains and losses, net	74,039	2	(40,348)	(1)
7050 Finance costs, net	(8,879)	-	(11,585)	-
	90,375	2	(26,977)	(1)
7900 <b>Profit from continuing operations before tax</b>	366,055	8	255,835	5
7950 <b>Less: Income tax expenses (note 6(o))</b>	98,578	2	68,386	1
<b>Profit</b>	267,477	6	187,449	4
8300 <b>Other comprehensive income:</b>				
8360 <b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>				
8361 Exchange differences on translation of foreign financial statements	23,179	-	(11,740)	-
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
8300 <b>Other comprehensive income</b>	23,179	-	(11,740)	-
8500 <b>Total comprehensive income</b>	\$ 290,656	6	175,709	4
<b>Profit, attributable to:</b>				
8610 Owners of parent	\$ 267,477	6	187,449	4
<b>Comprehensive income attributable to:</b>				
8710 Owners of parent	\$ 290,656	6	175,709	4
<b>Earnings per share (note 6(r))</b>				
9750 <b>Basic earnings per share</b>	\$ 3.05		2.13	
9850 <b>Diluted earnings per share</b>	\$ 3.00		2.10	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
TAISOL ELECTRONICS CO., LTD. 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								Exchange differences on translation of foreign financial statements	Treasury shares	Total equity
	Share capital			Capital surplus	Retained earnings			Total retained earnings			
	Ordinary shares	Advance receipts for share capital	Total share capital		Legal reserve	Special reserve	Unappropriated retained earnings				
<b>Balance at January 1, 2021</b>	\$ 878,012	271	878,283	345,042	129,160	74,065	334,491	537,716	(73,874)	-	1,687,167
Profit	-	-	-	-	-	-	187,449	187,449	-	-	187,449
Other comprehensive income	-	-	-	-	-	-	-	-	(11,740)	-	(11,740)
Total comprehensive income	-	-	-	-	-	-	187,449	187,449	(11,740)	-	175,709
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	-	-	22,376	-	(22,376)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	(158,100)	(158,100)	-	-	(158,100)
Reversal of special reserve	-	-	-	-	-	(191)	191	-	-	-	-
Issuance of shares for exercise of employee stock options	1,069	(271)	798	129	-	-	-	-	-	-	927
Others	-	-	-	3,594	-	-	-	-	-	-	3,594
<b>Balance at December 31, 2021</b>	879,081	-	879,081	348,765	151,536	73,874	341,655	567,065	(85,614)	-	1,709,297
Profit	-	-	-	-	-	-	267,477	267,477	-	-	267,477
Other comprehensive income	-	-	-	-	-	-	-	-	23,179	-	23,179
Total comprehensive income	-	-	-	-	-	-	267,477	267,477	23,179	-	290,656
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	-	-	18,745	-	(18,745)	-	-	-	-
Special reserve appropriated	-	-	-	-	-	11,740	(11,740)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	(131,862)	(131,862)	-	-	(131,862)
Purchase of treasury share	-	-	-	-	-	-	-	-	-	(17,253)	(17,253)
Disposal of subsidiaries	-	-	-	-	-	-	-	-	1,255	-	1,255
Others	-	-	-	134	-	-	-	-	-	-	134
<b>Balance at December 31, 2022</b>	\$ 879,081	-	879,081	348,899	170,281	85,614	446,785	702,680	(61,180)	(17,253)	1,852,227

See accompanying notes to consolidated financial statements.

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

## TAISOL ELECTRONICS CO., LTD. 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
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 366,055	255,835
<b>Adjustments:</b>		
Adjustments to reconcile profit or loss:		
Depreciation expense	166,755	187,852
Amortization expense	829	1,611
Expected credit loss (gain)	426	(2,555)
Net loss on financial assets at fair value through profit or loss	-	105
Interest expense	8,879	11,585
Interest income	(6,055)	(5,171)
Loss on disposal of property, plan and equipment	562	3,789
Loss on disposal of investments	1,255	-
Unrealized foreign exchange loss (gain)	14,250	(2,552)
Gains on modification of leases	(13)	(9)
Total adjustments to reconcile profit (loss)	<u>186,888</u>	<u>194,655</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
(Increase) decrease in notes receivable	(41,384)	183,337
Decrease (increase) in accounts receivable	514,515	(209,510)
Decrease in accounts receivable due from related parties	-	5,702
Decrease in other receivables	9,172	36,396
Decrease (increase) in inventories	250,012	(18,377)
Decrease (increase) in prepayments	16,397	(51,475)
Decrease in other current assets	1,116	56,671
Increase in other non-current assets	(617)	(360)
Total changes in operating assets	<u>749,211</u>	<u>2,384</u>
Changes in operating liabilities:		
Decrease in accounts payable	(358,772)	(308)
Decrease in other payable	(56,502)	(76,390)
Increase (decrease) in other current liabilities	19,114	(7,065)
(Decrease) increase in other operating liabilities	(221)	614
Total changes in operating liabilities	<u>(396,381)</u>	<u>(83,149)</u>
Total changes in operating assets and liabilities	<u>352,830</u>	<u>(80,765)</u>
Total adjustments	<u>539,718</u>	<u>113,890</u>
Cash inflow generated from operations	905,773	369,725
Interest received	6,213	4,914
Interest paid	(6,276)	(7,539)
Income taxes paid	(94,612)	(67,998)
<b>Net cash flows from operating activities</b>	<u>811,098</u>	<u>299,102</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of property, plant and equipment	(33,429)	(71,599)
Proceeds from disposal of property, plant and equipment	31	-
Acquisition of intangible assets	(176)	(312)
Acquisition of right-of-use assets	-	(3,231)
Increase in other non-current assets	(19,192)	(35,283)
<b>Net cash flows used in investing activities</b>	<u>(52,766)</u>	<u>(110,425)</u>
<b>Cash flows from (used in) financing activities:</b>		
Decrease in short-term borrowings	(20,000)	(192,000)
Repayments of bonds	(213,009)	-
Repayments of long-term debt	-	(41,667)
Payment of lease liabilities	(43,922)	(44,662)
Cash dividends paid	(131,862)	(158,100)
Exercise of employee share options	-	927
Payments to acquire treasury shares	(17,253)	-
Other financing activities	134	3,594
<b>Net cash flows used in financing activities</b>	<u>(425,912)</u>	<u>(431,908)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	14,032	(5,633)
<b>Net increase (decrease) in cash and cash equivalents</b>	346,452	(248,864)
<b>Cash and cash equivalents at beginning of period</b>	418,151	667,015
<b>Cash and cash equivalents at end of period</b>	<u>\$ 764,603</u>	<u>418,151</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**TAISOL ELECTRONICS CO., LTD. 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**

TaiSol Electronics Co., Ltd. (the “Company”) was incorporated on September 23rd, 1994 under the approval of Ministry of Economic Affairs, Republic of China (“ROC”). The address of its registered office is 3F, No.302, Rueiguang Rd., Neihu District, Taipei City 114, Taiwan. The principal activities of the Company are the manufacturing, agency sales and trading of connectors and thermal solutions, the processing of components of electronic computers, the processing and assembly of electrical wires and cables, trading of magnesium-aluminum components, the processing of components of automobiles, and the sale and tender of sales quotations for various products of domestic and foreign manufacturers.

The Company’s common shares have been publicly listed on the Taiwan Stock Exchange since December 13th, 2013. Please refer to Note 14 for the Group's operating activities and operating segments informations.

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

These consolidated financial statements were authorized for issue by the Board of Directors on February 24, 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”

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**TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
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- (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:

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
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 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. The following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

- (a) Statement of compliance

The 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).

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**TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(b) Basis of preparation

(i) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position:

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) The defined benefit liabilities (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 Company entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan dollars, which is the Group's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principle of preparation of consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries.

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 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.

(ii) List of the subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principle activity	Shareholding	
			December 31, 2022	December 31, 2021
The Company	World Window Electronics (H.K.) Limited (hereinafter referred to as "World Window Electronics")	Investment holding and trading	100 %	100 %
The Company	TaiSol Electronics (HONG KONG) Co., Ltd. (hereinafter referred to as "TaiSol HONG KONG")	Investment holding	100 %	100 %
The Company	TaiSol Electronics Japan Co., Ltd. (hereinafter referred to as "TaiSol Japan")	Trading	100 %	100 %
The Company	Techmaster Limited (SAMOA) (hereinafter referred to as "Techmaster")	Trading	- %	100 %

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**TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Name of investor	Name of subsidiary	Principle activity	Shareholding	
			December 31, 2022	December 31, 2021
The Company	SiYang TaiSol Electronics Co., Ltd. (hereinafter referred to as "SiYang TaiSol")	Manufacturing and trading	100 %	100 %
The Company	Vietnam TaiSol Electronics Co., Ltd. (hereinafter referred to as "Vietnam TaiSol")	Trading	100 %	100 %
World Window Electronics	DongGuan TaiSol Electronics Co., Ltd. (hereinafter referred to as "DongGuan TaiSol")	Manufacturing and trading	100 %	100 %
TaiSol HONG KONG	Suzhou TaiSol Electronics Co., Ltd. (hereinafter referred to as "Suzhou TaiSol")	Manufacturing and trading	100 %	100 %

Vietnam TaiSol had established in November, 2021, and increased its capital in January, 2022.

Techmaster had applied for deregistration in November 2022, and its net worth was transferred to the Company.

There were no subsidiaries excluded from the consolidated financial statements.

(d) Foreign currencies

(i) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing 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 date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the 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, joint control, or significant influence 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.

(Continued)

**TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

An asset is classified as current when one of following criteria is met; all other assets are classified as non-current assets.

- (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 expects to realize the asset 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.

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

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) The liability is due to be settled within twelve months after the reporting period; or
- (iv) It 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 is 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

(i) Financial assets

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

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**TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

On initial recognition, a financial asset is classified as measured at: amortized cost and FVTPL. 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 measured at fair value through profit or loss:

- 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 initial recognition amount deduct the cumulative amortization using the effective interest method and adjusted for any loss allowance. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

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

All financial assets not classified as measured at amortized cost or at FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designates 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 accounts receivable, other receivables, guarantee deposit paid and other financial assets, etc.).

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

- 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.

(Continued)

**TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

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.

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.

The Group assumes that the credit risk on a financial asset has increased significantly if it is past due. The Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Group in full.

ECLs are probability-weighted estimate of credit losses over the expected life of financial assets. 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. ECL 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 is 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. An evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower;
- A breach of contract or default has been resorted to legal action;
- 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.

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**TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of assets.

The gross carrying amount of a financial asset is written off either partially or in full to the extent that there is no realistic prospect of recovery. 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.

When the Group enters into transactions whereby it transfers assets but retains either all or substantially all of the risks and rewards of the assets, the transferred assets are not derecognized from statement of balance sheet.

(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 agreements and the definitions of a financial liability and an equity instrument.

2) Equity instruments

An equity instrument is any contract that evidences the residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued is 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 stock. 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 surplus is not sufficient to be written down).

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**TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

4) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds denominated in NTD that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

5) Financial liabilities

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.

6) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or canceled, 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.

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

7) 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.

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**TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(h) Inventories

The cost of inventories includes all necessary expenditures and charges for bringing the inventory to an available to sale condition and location.

Subsequent measurement of inventories is based on each inventories category, at whichever is lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business on balance sheet date, less the estimated costs of completion and selling expenses. When the cost of inventories exceeding than the net realizable value, it should be offset against the cost to net realizable value, and the amount of inventory should be recognized as cost of goods sold in the current period. In the event of an increase in the net realized value in the subsequent period, within the original offset amount, reverse the increase in the net realized value and recognized the reversal amount as a decrease in the cost of goods sold in the current period.

(i) 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 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.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that 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 the current and comparative years are as follows:

- |   |            |
|---|------------|
| 1) Buildings  | 5~55 years |
| 2) Machinery and equipment  | 1~10 years |
| 3) Molding equipment is used for three to five years or as expected |            |
| 4) Office equipment   | 2~6 years  |
| 5) Other equipment  | 2~15 years |

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**TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
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Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Lease

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 lessee

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 evaluated and 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.

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.

(Continued)

**TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
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The lease liability is subsequently measured at amortized cost 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 in the lease term resulting from a change of the Group's assessment on whether it will exercise an extension or termination option; or
- there is any lease modification.

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 the difference in profit or loss for 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 balance sheets.

If an arrangement contains lease and non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group has elected not to recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a practical expedient, the Group elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

- the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2022; and
- there is no substantive change in other terms and conditions of the lease.

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**TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
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In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

(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, not with reference to the underlying asset. 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.

(k) Intangible assets

(i) Recognition and measurement

Other intangible assets, including patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

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

1) Patent	3~19 years
2) Software	2~5 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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**TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
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(l) Impairment of non-financial assets

The Group assesses at the end of each reporting date whether there is any indication that the carrying amounts of non-financial assets (other than inventories and deferred tax assets) may be impaired. If any such indication exists, then the asset's recoverable amount is estimated.

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 from other assets or cash generating units (CGUs).

The recoverable amount for an individual asset or a CGU is the higher of its fair value less costs to sell or its value in use. 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.

For other non-financial assets, an impairment loss is reversed only to the extent that the asset's carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the assets in prior years.

(m) Revenue from contracts with customers

(i) 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 to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good to a customer. The accounting policies for the Group's main types of revenue are explained below.

1) Sale of goods

Revenue is recognized when the control over a product has been transferred to the customer. When the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

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**TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
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The Group offers discounts for various customers or products, based on the market demand and competition. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated discounts. Accumulated experience and consideration of the sales contract are used to estimate the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A refund liability is recognized for expected discounts payable to customers in relation to sales made at each reporting date.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

2) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(ii) Contract costs

1) Incremental costs of obtaining a contract

The Group recognizes as an asset the incremental costs of obtaining a contract with a customer if the Group expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred, regardless of whether the contract was obtained, shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Group applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

2) Costs to fulfil a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Group recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria: the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify; the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and the costs are expected to be recovered.

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General and administrative costs, costs of wasted materials, labor or other resources to fulfil the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Group cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations (or partially satisfied performance obligations), the Group recognizes these costs as expenses when incurred.

(n) Employee benefits

(i) Defined contribution plans

Obligations for contributions to the defined contribution plans are expensed as related services are 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 the 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 any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any 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 other comprehensive income, and accumulated in retained earnings. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

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 benefit obligations 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.

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(o) Share-based payment transaction

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the resting period of the awards. The compensation cost is adjusted to reflect the number of awards given to employees for which the performance and non-market conditions are expected to be met, such that the amount ultimately recognized shall be based on the number of equity instruments that eventually have vested.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for differences between expected and actual outcomes.

The grant date of a share-based payment is the date which the board of directors authorized the price and number of a new award.

(p) Income taxes

Income taxes comprise both 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 shall be 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 that reflects uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are not recognized for the following exceptions:

- (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 tax assets are recognized for unused tax losses, 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 reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

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Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

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.

(q) Earnings per share

The basic and diluted EPS attributable to shareholders of the Group are disclosed in the financial statements. Basic earnings per share is calculated as the profit attributable to the ordinary shareholders of the Group 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 Group divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potential dilutive ordinary shares. The Group's dilutive potential common shares comprise employee remuneration, convertible bond and employee stock options.

(r) Operating segment

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, in conformity with the Regulations and the IFRSs endorsed by the FSC, requires management to make judgments estimates and assumptions that affect the application of the accounting policies and reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimations.

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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.

- (a) 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:

- (i) Classification of investment property

The Group has sublet a vacated warehouse but has decided not to treat this property as investment property because it is not the Group's intention to hold it for the long term, for capital appreciation, or for rental. Accordingly, the property continues to be classified under property, plant and equipment.

- (b) 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.

- (i) Accrual of sales allowance

The Group also records a refund liability for estimated future allowances in the same period the related revenue is recorded. Refund liability for estimated sales allowances is generally made and adjusted based on historical experience and customer contracts. The adequacy of estimations is reviewed periodically. However, the adequacy of estimations may be affected by factors such as market price competition and the evolution of product technology, which could result in significant adjustments to the variable consideration. A refunded liability is recognized for expected discounts payable to customers in relation to sales made. Please refer to Notes 6(m) and 6(s) for further description of the refund liabilities.

- (ii) The estimate of Commission

The Group estimates commission expenses based on historical experience and contracts with the agents and recognized it as current sales expenses in the respective period and the Group regularly reviews the reasonableness of the estimates. However, the adequacy of estimations may be affected by factors such as market price competition and economic conditions, which could result in significant adjustments to the variable consideration. Please refer to Note 6(m) for further description of the commission payable.

- (iii) Valuation of Inventory

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for normal inventory consumption, obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon. Due to the rapid technological changes or the upgrading of production technology, there may be significant changes in the net realizable value of inventories. Please refer Note 6(d) for valuation of Inventory.

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**(6) Explanation of significant accounts:**

(a) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand	\$ 594	611
Demand deposits	347,638	268,661
Time deposits	396,371	148,879
Repurchase agreement	<u>20,000</u>	<u>-</u>
Cash and cash equivalents in the statement of cash flows	<u><u>\$ 764,603</u></u>	<u><u>418,151</u></u>

(b) Notes and accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable—measured at amortized cost	\$ 293,692	248,838
Accounts receivable—measured at amortized cost	1,333,261	1,847,796
Less: Loss allowance	<u>4,076</u>	<u>3,611</u>
	<u><u>\$ 1,622,877</u></u>	<u><u>2,093,023</u></u>

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 accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including the macroeconomic and related industrial information. The loss allowance provisions of the clients classified as category A were determined as follows:

	<u>December 31, 2022</u>		
	<u>Book value of accounts and notes receivable</u>	<u>Weighted average expected credit losses rate</u>	<u>Loss allowance provision for lifetime expected credit losses</u>
Current	\$ 1,341,508	-	-
1 to 30 days past due	22,211	1%	222
31 to 120 days past due	2,515	1%	25
121 to 365 days past due	<u>1,440</u>	1%	<u>14</u>
	<u><u>\$ 1,367,674</u></u>		<u><u>261</u></u>

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	<b>December 31, 2021</b>		
	<b>Book value of accounts and notes receivable</b>	<b>Weighted average expected credit losses rate</b>	<b>Loss allowance provision for lifetime expected credit losses</b>
Current	\$ 1,791,350	-	-
1 to 30 days past due	8,362	1%	84
31 to 120 days past due	23,587	1%	236
	<b>\$ 1,823,299</b>		<b>320</b>

The loss allowance provisions of the clients classified as category B were determined as follows:

	<b>December 31, 2022</b>		
	<b>Book value of accounts and notes receivable</b>	<b>Weighted average expected credit losses rate</b>	<b>Loss allowance provision for lifetime expected credit losses</b>
Current	\$ 231,310	1%	2,313
1 to 30 days past due	7,061	5%	353
31 to 120 days past due	20,590	5%	1,029
121 to 365 days past due	10	5%	1
	<b>\$ 258,971</b>		<b>3,696</b>

	<b>December 31, 2021</b>		
	<b>Book value of accounts and notes receivable</b>	<b>Weighted average expected credit losses rate</b>	<b>Loss allowance provision for lifetime expected credit losses</b>
Current	\$ 257,873	1%	2,579
1 to 30 days past due	7,121	5%	356
31 to 120 days past due	8,341	5%	417
	<b>\$ 273,335</b>		<b>3,352</b>

The loss allowance provisions of the clients classified as category C were determined as follows:

	<b>December 31, 2022</b>		
	<b>Book value of accounts and notes receivable</b>	<b>Weighted average expected credit losses rate</b>	<b>Loss allowance provision for lifetime expected credit losses</b>
121 to 365 days past due	\$ 6	10%	1
More than 365 days past	302	10%	30
	<b>\$ 308</b>		<b>31</b>

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The movements in the allowance for notes and accounts receivable were as follows:

	<u>2022</u>	<u>2021</u>
Balance at January 1	\$ 3,611	6,207
Impairment losses recognized (reversed)	426	(2,555)
Effect of changes in exchange rates	<u>39</u>	<u>(41)</u>
Balance at December 31	<u>\$ 4,076</u>	<u>3,611</u>

The Group's notes and accounts receivable were not pledged as collateral.

(c) Other receivables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Others receivables	\$ 4,461	13,601
Less: Loss allowance	<u>563</u>	<u>555</u>
	<u>\$ 3,898</u>	<u>13,046</u>

Other receivables are impaired at the loss allowance based on 12 month expected credit losses. The loss allowance provisions and credit impairments were determined as follows:

	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
	<u>Life time Expected loss — unimpaired</u>	<u>Life time Expected loss— impaired</u>	<u>Life time Expected loss— unimpaired</u>	<u>Life time Expected loss— impaired</u>
Current	\$ 3,898	-	13,046	-
More than 365 days past	<u>-</u>	<u>563</u>	<u>-</u>	<u>555</u>
Gross carrying amounts	3,898	563	13,046	555
Loss allowance	<u>-</u>	<u>(563)</u>	<u>-</u>	<u>(555)</u>
Amortized cost (carrying amount)	<u>\$ 3,898</u>	<u>-</u>	<u>13,046</u>	<u>-</u>

The movements in the allowance for others receivables were as follows:

	<u>2022</u>		
	<u>Life time Expected loss— unimpaired</u>	<u>Life time Expected loss impaired</u>	<u>Total</u>
Balance at January 1	\$ -	555	555
Effect of changes in exchange rates	<u>-</u>	<u>8</u>	<u>8</u>
Balance at December 31	<u>\$ -</u>	<u>563</u>	<u>563</u>

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	2021		
	Life time Expected loss— unimpaired	Life time Expected loss impaired	Total
Balance at January 1	\$ -	559	559
Effect of changes in exchange rates	-	(4)	(4)
Balance at December 31	<u>\$ -</u>	<u>555</u>	<u>555</u>

## (d) Inventories

	December 31, 2022	December 31, 2021
Finished goods	\$ 251,118	383,037
Work in progress	31,796	54,098
Raw materials	78,408	104,255
Merchandise	49,068	112,232
Total	<u>\$ 410,390</u>	<u>653,622</u>

The details of the cost of sales were as follows:

	2022	2021
Cost of goods sold	\$ 3,657,842	4,058,666
Recognition of provisions for inventory valuation	16,849	18,357
Loss on scrap of inventory	20,739	18,365
Gain on physical inventory	(96)	(482)
	<u>\$ 3,695,334</u>	<u>4,094,906</u>

The Group's inventories mentioned above were not pledged as collateral.

## (e) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Group were as follows:

	Land	Buildings	Machinery and equipment	Molding equipment	Office equipment	Other equipment	Total
Cost or deemed cost:							
Balance at January 1, 2022	\$ 107,699	157,934	439,057	42,241	7,656	172,485	927,072
Additions	-	-	13,073	6,855	803	6,180	26,911
Disposal	-	(465)	(44,199)	(3,321)	(2,694)	(83,075)	(133,754)
Reclassification	-	60,196	(3,889)	-	-	3,889	60,196
Effect of exchange rate changes	-	1,306	6,539	572	46	3,229	11,692
Balance at December 31, 2022	<u>\$ 107,699</u>	<u>218,971</u>	<u>410,581</u>	<u>46,347</u>	<u>5,811</u>	<u>102,708</u>	<u>892,117</u>
Balance at January 1, 2021	\$ 107,699	158,700	468,180	36,208	7,177	200,987	978,951
Additions	-	-	17,761	20,172	568	8,825	47,326
Disposal	-	-	(43,385)	(13,872)	(69)	(35,759)	(93,085)
Effect of exchange rate changes	-	(766)	(3,499)	(267)	(20)	(1,568)	(6,120)
Balance at December 31, 2021	<u>\$ 107,699</u>	<u>157,934</u>	<u>439,057</u>	<u>42,241</u>	<u>7,656</u>	<u>172,485</u>	<u>927,072</u>

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	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Molding equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Total</u>
Depreciation:							
Balance at January 1, 2022	\$ -	27,117	241,169	9,283	4,521	143,342	425,432
Depreciation for the year	-	6,093	87,481	7,064	1,929	22,865	125,432
Disposal	-	(465)	(43,835)	(3,121)	(2,694)	(83,046)	(133,161)
Reclassification	-	-	(1,404)	-	-	1,404	-
Effect of exchange rate changes	-	114	3,805	106	32	2,235	6,292
Balance at December 31, 2022	<u>\$ -</u>	<u>32,859</u>	<u>287,216</u>	<u>13,332</u>	<u>3,788</u>	<u>86,800</u>	<u>423,995</u>
Balance at January 1, 2021	\$ -	22,210	181,662	13,031	2,231	151,748	370,882
Depreciation for the year	-	4,943	102,385	8,270	2,368	28,526	146,492
Disposal	-	-	(41,554)	(11,921)	(69)	(35,752)	(89,296)
Effect of exchange rate changes	-	(36)	(1,324)	(97)	(9)	(1,180)	(2,646)
Balance at December 31, 2021	<u>\$ -</u>	<u>27,117</u>	<u>241,169</u>	<u>9,283</u>	<u>4,521</u>	<u>143,342</u>	<u>425,432</u>
Carrying amounts:							
Balance at December 31, 2022	<u>\$ 107,699</u>	<u>186,112</u>	<u>123,365</u>	<u>33,015</u>	<u>2,023</u>	<u>15,908</u>	<u>468,122</u>
Balance at January 1, 2021	<u>\$ 107,699</u>	<u>136,490</u>	<u>286,518</u>	<u>23,177</u>	<u>4,946</u>	<u>49,239</u>	<u>608,069</u>
Balance at December 31, 2021	<u>\$ 107,699</u>	<u>130,817</u>	<u>197,888</u>	<u>32,958</u>	<u>3,135</u>	<u>29,143</u>	<u>501,640</u>

Please refer to Note 8 for the property, plant and equipment pledged to secure bank loans as of December 31, 2022 and 2021.

(f) Right of use assets

The Group leases buildings, vehicles, and office equipments. Information about leases for which the Group as a lessee was as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Office equipment</u>	<u>Total</u>
Cost:					
Balance at January 1, 2022	\$ 23,923	201,048	16,462	238	241,671
Additions	-	2,758	1,875	-	4,633
Disposal	-	(683)	(3,343)	-	(4,026)
Effect of exchange rate changes	353	2,845	111	-	3,309
Balance at December 31, 2022	<u>\$ 24,276</u>	<u>205,968</u>	<u>15,105</u>	<u>238</u>	<u>245,587</u>
Balance at January 1, 2021	\$ 20,848	190,513	14,142	238	225,741
Additions	3,231	12,171	3,822	-	19,224
Disposal	-	-	(1,445)	-	(1,445)
Effect of exchange rate changes	(156)	(1,636)	(57)	-	(1,849)
Balance at December 31, 2021	<u>\$ 23,923</u>	<u>201,048</u>	<u>16,462</u>	<u>238</u>	<u>241,671</u>
Depreciation:					
Balance at January 1, 2022	\$ 1,420	131,328	10,116	52	142,916
Depreciation for the year	561	36,863	3,852	47	41,323
Reclassification	34	-	-	-	34
Disposal	-	-	(1,968)	-	(1,968)
Effect of exchange rate changes	19	1,670	82	-	1,771
Balance at December 31, 2022	<u>\$ 2,034</u>	<u>169,861</u>	<u>12,082</u>	<u>99</u>	<u>184,076</u>
Balance at January 1, 2021	\$ 880	95,889	7,069	4	103,842
Depreciation for the year	547	36,301	4,464	48	41,360
Disposal	-	-	(1,387)	-	(1,387)
Effect of exchange rate changes	(7)	(862)	(30)	-	(899)
Balance at December 31, 2021	<u>\$ 1,420</u>	<u>131,328</u>	<u>10,116</u>	<u>52</u>	<u>142,916</u>

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	<u>Land</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Office equipment</u>	<u>Total</u>
Carrying amounts:					
Balance at December 31, 2022	\$ 22,242	36,107	3,023	139	61,511
Balance at January 1, 2021	\$ 19,968	94,624	7,073	234	121,899
Balance at December 31, 2021	\$ 22,503	69,720	6,346	186	98,755

## (g) Intangible assets

	<u>Computer software</u>	<u>Patents</u>	<u>Total</u>
Cost:			
Balance at January 1, 2022	\$ 3,908	2,274	6,182
Acquisition	176	-	176
Disposal	(185)	(790)	(975)
Effect of exchange rate changes	45	-	45
Balance at December 31, 2022	\$ 3,944	1,484	5,428
Balance at January 1, 2021	\$ 9,095	3,628	12,723
Acquisition	223	89	312
Disposal	(5,357)	(1,440)	(6,797)
Effect of exchange rate changes	(53)	(3)	(56)
Balance at December 31, 2021	\$ 3,908	2,274	6,182
Amortization:			
Balance at January 1, 2022	\$ 3,119	899	4,018
Amortization	458	371	829
Disposal	(185)	(790)	(975)
Effect of exchange rate changes	39	-	39
Balance at December 31, 2022	\$ 3,431	480	3,911
Balance at January 1, 2021	\$ 7,560	1,695	9,255
Amortization	964	647	1,611
Disposal	(5,357)	(1,440)	(6,797)
Effect of exchange rate changes	(48)	(3)	(51)
Balance at December 31, 2021	\$ 3,119	899	4,018
Carrying amounts:			
Balance at December 31, 2022	\$ 513	1,004	1,517
Balance at January 1, 2021	\$ 1,535	1,933	3,468
Balance at December 31, 2021	\$ 789	1,375	2,164

The Group did not provide any of the aforementioned intangible assets as collateral.

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## (h) Prepayments and other current assets

The Group's prepayments were as follows:

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Prepaid sales tax	\$ 52,275	65,604
Other prepayments	38,250	39,631
Prepayments for purchases	<u>34</u>	<u>101</u>
	<u>\$ 90,559</u>	<u>105,336</u>

The Group's other current assets were as follows:

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Restricted time deposits	\$ 600	600
Overpaid sales tax	-	779
Others	<u>133</u>	<u>468</u>
Total	<u>\$ 733</u>	<u>1,847</u>

## (i) Short-term borrowings

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Unsecured bank loans	\$ -	<u>20,000</u>
Unused credit lines	<u>\$ 735,295</u>	<u>688,680</u>
Interest rate	<u>-</u>	<u>0.70%~0.75%</u>

For the collateral for bank loans, please refer to Note 8.

## (j) Bonds payable

(i) The main terms of issuing the convertible corporate bonds were as follows:

<u>Item</u>	<u>The second unsecured domestic convertible corporate bonds</u>
1) Principal amount	\$300,000 thousand dollars
2) Par value	\$100 thousand dollars
3) Issuance price	101% of nominal value
4) Duration	2019.08.20~2022.08.20
5) Maturity	3 year
6) Coupon rate	0%

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<b>Item</b>	<b>The second unsecured domestic convertible corporate bonds</b>
7) Redemption methods	<p>The Company may redeem its bonds in advance when one of the following conditions is met:</p> <ol style="list-style-type: none"> <li>1) Within the period between three months after the issuance date and 40 days prior to maturity, if the closing price of the Company's common shares on the TWSE for a period of 30 consecutive trading days has been exceeding at least 30% of the conversion price in effect on each trading day, the Company may redeem all bonds at par value by cash.</li> <li>2) If the amount outstanding of bonds is less than 10% of the principal amount within the period between the three months after the issuance date and the 40 days prior to maturity, the Company may redeem the outstanding bonds at their principal amount.</li> </ol>
8) Bondholders with a put option	None.
9) Conversion price and adjustment	<p>The conversion price was NT\$74.8 per share on the issuance date. The conversion method provides for the adjustment of the conversion price of bonds after the issuance, and it will be dealt with according to the relevant provisions.</p> <p>On June 5, 2020, the Company paid cash dividends of ordinary shares for \$2.1 per share, pursuant to a resolution of the shareholders' meeting. The base date was July 13, 2020. Since July 13, 2020, the conversion price was adjusted from \$74.8 to \$73.06.</p> <p>On July 5, 2021, the Company paid cash dividends of ordinary shares with \$1.80 per share, pursuant to a resolution of the shareholders' meeting. The base date was August 8, 2021. Since August 8, 2021, the conversion price was adjusted from \$73.06 to \$70.62.</p> <p>On May 20, 2022, the Company paid cash dividends of ordinary shares with \$1.5 per share, pursuant to a resolution of the shareholders' meeting. The base date was June 26, 2022. Since June 26, 2022, the conversion price was adjusted from \$70.62 to \$68.27.</p>
(ii)	<p>The second unsecured domestic convertible corporate bonds issued by the Group reached maturity on August 20, 2022. According to the regulations, the Group had redeemed and suspended the trading. The Group had repaid in full at the end of August, 2022.</p>

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**TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
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- (iii) The details of the second unsecured domestic convertible corporate bonds issued on August 20, 2019 were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
The original issued amount of the convertible bonds	\$ 303,000	303,000
Less: Accumulative redeemed amount	(213,009)	-
Accumulative converted amount	(89,991)	(89,991)
Unamortized discounted corporate bonds payable	-	(2,603)
Expected to be redeemed within one year	<u>-</u>	<u>(210,406)</u>
Corporate bonds issued balance at year-end	<u>\$ -</u>	<u>-</u>
Equity component – conversion options, included in capital surplus– stock options	<u>\$ -</u>	<u>9,495</u>
	<u>2022</u>	<u>2021</u>
Interest expense	<u>\$ 2,603</u>	<u>4,100</u>

- (iv) The second unsecured domestic convertible corporate bonds issued by the Group separates options and liabilities and is recognized as equity and liabilities respectively, and the details are as follows:

	<u>Amount</u>
Present value of the convertible bonds issued	\$ 290,644
Embedded derivative financial instruments - redemption option	(1,150)
The elements of equity issued	<u>13,506</u>
Total convertible corporate bonds issued	<u>\$ 303,000</u>

- (k) Lease liabilities

The amounts of the Group's lease liabilities were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current	<u>\$ 34,806</u>	<u>42,912</u>
Non-current	<u>\$ 4,986</u>	<u>36,968</u>

For the maturity analysis, please refer to Note 6(v).

The amounts recognized in profit or loss were as follows:

	<u>2022</u>	<u>2021</u>
Interest on lease liabilities	<u>\$ 4,098</u>	<u>6,312</u>
Income from sub-leasing right-of-use assets	<u>\$ 5,578</u>	<u>6,212</u>
Expenses relating to short-term leases	<u>\$ 21,650</u>	<u>17,516</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 77</u>	<u>85</u>

(Continued)

**TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
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The leases amounts recognized in the statement of cash flows for the Group were as follows:

	<u>2022</u>	<u>2021</u>
Total cash outflow for leases	<u>\$ 69,747</u>	<u>68,575</u>

(i) Real estate leases

The Group leases land and buildings for its office space, staff dormitories, research and development centers and plants. The leases of office space and plants typically run for a period of 2 to 5 years, and of staff dormitories for 3 to 8 years, and of R&D centers for 2 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(ii) Other leases

The Group leases vehicles and other equipment, with lease terms of one to five years.

(l) Operating lease

The Group leases out some plants. The Group has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Less than one year	<u>\$ 5,332</u>	<u>5,255</u>

(m) Other payables and other current liabilities

The other payables were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accrued expenses	\$ 112,855	93,250
Commission payable	105,292	115,056
Salary and bonus payable	80,732	126,031
Remuneration payable to employees, directors, and supervisors	38,590	42,846
Payable for equipment	22,527	28,577
Other payables	<u>40,063</u>	<u>51,600</u>
	<u>\$ 400,059</u>	<u>457,360</u>

(Continued)

**TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
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The other current liabilities were as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Refund liabilities	\$ 132,847	109,506
Temporary credits	6,478	6,960
Receipts under custody	1,546	1,511
Unearned receipts	17	17
	<b><u>\$ 140,888</u></b>	<b><u>117,994</u></b>

A refund liability is recognized for expected discounts payable to customers in relation to sales made at each reporting date.

(n) Employee benefits

(i) Defined benefit plans

In the fourth quarter of 2021, the Group settled with the employees who were eligible for the defined benefit scheme. The Group applied to the Department of Labor, Taipei City Government in accordance with the law for payment of the employee pension and return of the residual amount of the labor retirement reserve. The Group received the residual amount in April 2022, and recognized liquidation gain of \$4,727 thousand.

(ii) Defined contribution plans

The Group 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 this defined contribution plan, the Group contributes a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

The cost of the pension contributions to the Bureau of Labor Insurance for the years ended December 31, 2022 and 2021 amounted to \$5,299 thousand and \$5,593 thousand, respectively.

Under the retirement scheme for senior managers of the Group, the retirement benefits of senior management are provided by the payment to the insurance company premiums, under which the Group has no statutory or constructive obligation to pay additional amount after payment of a fixed amount to the insurance company. Under the contribution pension plan, the Group's pension costs amounted to \$(179) thousand and \$606 thousand for the years ended December 31, 2022 and 2021, respectively.

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**TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(o) Income taxes

(i) Income tax expenses

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

	<u>2022</u>	<u>2021</u>
Current tax expense		
Current period	\$ 119,704	68,074
Adjustment for prior years	<u>4,106</u>	<u>10,649</u>
	<u>123,810</u>	<u>78,723</u>
Deferred tax expense (income)		
Origination and reversal of temporary differences	<u>(25,232)</u>	<u>(10,337)</u>
Income tax expense	<u><u>\$ 98,578</u></u>	<u><u>68,386</u></u>

There were no income tax expense recognized in equity and other comprehensive income for the years ended December 31, 2022 and 2021.

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

	<u>2022</u>	<u>2021</u>
Profit before income tax	<u>\$ 366,055</u>	<u>255,835</u>
Income tax using the Company's domestic tax rate	\$ 73,211	51,167
Effect of tax rates in foreign jurisdiction	24,116	27,110
Effect of investment income (loss)	17,827	(18,434)
Tax incentives	(10,862)	(9,844)
Tax-exempt income	(22,344)	(4,539)
Non-deductible expense	529	380
Use of previously unrecognized tax losses	(4,185)	-
Aggregate deductible temporary differences associated with investments in subsidiaries	12,192	18,529
Change in provision in prior periods	4,106	10,649
Additional tax on undistributed earnings	1,255	2,174
Others	<u>2,733</u>	<u>(8,806)</u>
Income tax expense	<u><u>\$ 98,578</u></u>	<u><u>68,386</u></u>

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**TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
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(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The Group is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as of December 31, 2022 and 2021. Also, management considers it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Aggregate amount of temporary differences related to investments in subsidiaries	<u>\$ (8,243)</u>	<u>(8,243)</u>

2) Unrecognized deferred tax assets

As of December 31, 2022 and 2021, the temporary differences associated with investments in subsidiaries were not recognized as deferred income tax assets as the Group has the ability to control the reversal of these temporary differences which are not expected to reverse in the foreseeable future.

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Aggregate amount of temporary differences related to investments in subsidiaries	<u>\$ 43,798</u>	<u>30,616</u>

3) Recognized deferred tax assets and liabilities

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

Deferred tax liabilities:

	<b>Unrealized investment gains</b>	<b>Others</b>	<b>Total</b>
<b>Balance at January 1, 2022</b>	\$ 110,842	696	111,538
Recognized in profit or loss	(899)	(474)	(1,373)
<b>Balance at December 31, 2022</b>	<u>\$ 109,943</u>	<u>222</u>	<u>110,165</u>
<b>Balance at January 1, 2021</b>	\$ 103,651	1,649	105,300
Recognized in profit or loss	7,191	(953)	6,238
<b>Balance at December 31, 2021</b>	<u>\$ 110,842</u>	<u>696</u>	<u>111,538</u>

Deferred Tax Assets:

	<b>Allowance for sales return and discounts</b>	<b>Provision for bad debts</b>	<b>Unrealized Investment loss</b>	<b>Others</b>	<b>Total</b>
<b>Balance at January 1, 2022</b>	\$ 12,012	1,151	18,511	15,814	47,488
Recognized in profit or loss	4,392	814	11,027	7,626	23,859
<b>Balance at December 31, 2022</b>	<u>\$ 16,404</u>	<u>1,965</u>	<u>29,538</u>	<u>23,440</u>	<u>71,347</u>

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**TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
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	Allowance for sales return and discounts	Provision for bad debts	Unrealized Investment loss	Others	Total
Balance at January 1, 2021	\$ 12,785	1,399	11,501	5,228	30,913
Recognized in profit or loss	(773)	(248)	7,010	10,586	16,575
Balance at December 31, 2021	<u>\$ 12,012</u>	<u>1,151</u>	<u>18,511</u>	<u>15,814</u>	<u>47,488</u>

(iii) Assessment of tax

The Company's income tax returns for the years through 2020 have been examined and approved by the R.O.C. tax authorities.

(p) Capital and other equity

As of December 31, 2022 and 2021, the Company's authorized share capital amounted to \$1,000,000 thousand with a par value of \$10 per share. The aggregate amount of the aforesaid authorized share capital was composed of ordinary shares only, and the issued shares were 87,908 thousand shares.

(i) Ordinary shares

For the year ended December 31, 2021, the employee share option issued by the Company amounting to \$927 thousand was converted into 83 thousand shares of common stock at \$10.93~\$11.31 per share. The related registration procedures were completed during the year.

(ii) Capital surplus

The components of capital surplus were as follows:

	December 31, 2022	December 31, 2021
Additional paid in capital	\$ 325,371	325,371
Share option –convertible bonds issued	-	9,495
Others	23,528	13,899
	<u>\$ 348,899</u>	<u>348,765</u>

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.

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**TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
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(iii) Retained earnings

In accordance with the Company's articles, if there are earnings at year end, 10 percent should be set aside as legal reserve (unless the amount in the legal reserve is already equal to or greater than the total paid-in capital) and special reserve according to the Securities and Exchange Act and the Company's operations after the payment of income tax and offsetting accumulated losses from prior years. The remaining portion will be combined with earnings from prior years, and the Board of directors can propose distribution plan to be approved by the shareholders' meeting.

In consideration of the Company's longterm operating plan, funding needs, and satisfying shareholder demand for cash flow, distribution of earnings may be retained in whole or in part as unappropriated retained earnings by resolution of the shareholders' general meeting and shall be paid in subsequent years. The distribution of dividends by shareholders may be in the form of cash dividends or share dividends, where the distribution rate of share dividends shall be not less than 20 percent, provided that the ratio of such earnings to cash dividends or share dividends shall be adjusted by resolution of the shareholders in accordance with the actual profit and fund status for the year.

1) Legal reserve

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 Rule 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 period. The subsequent reversals of the contra accounts in shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

Earnings distribution for 2021 and 2020 was decided by the resolution adopted, at the general meeting of shareholders held on May 20, 2022 and July 5, 2021, respectively. The relevant dividend distributions to shareholders were as follows:

	<u>2021</u>		<u>2020</u>	
	<u>Amount per share (NT dollars)</u>	<u>Amount</u>	<u>Amount per share (NT dollars)</u>	<u>Amount</u>
Dividends distributed to ordinary shareholders				
Cash	\$ <u>1.5</u>	<u>131,862</u>	<u>1.8</u>	<u>158,100</u>

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**TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

On February 24, 2023, the Company's Board of Directors resolved to appropriate the 2022 earnings. These earnings were appropriated as follows:

	<b>2022</b>	
	<b>Amount per share (NT dollars)</b>	<b>Amount</b>
Dividends distributed to ordinary shareholders		
Cash	<b>\$ 2.00</b>	<b>174,916</b>

(iv) Treasury shares

In accordance with the requirements under section 28(2) of the Securities and Exchange Act, on July 1, 2022, the Board of Directors resolved to repurchase 600 thousand shares as treasury shares to inspire its employees, at a price of \$30.0 to \$60.0 per share during the repurchased period from July 1 to August 31, 2022. During the repurchased period, the Company repurchased 450 thousand shares for a total consideration of \$17,253 thousand. As of December 31, 2022, the number of shares held by the Company was 450 thousand shares.

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 rights before their transfer. In addition, the number of shares bought back shall not exceed 10% of the total number of issued shares. The total purchase amount shall not exceed the sum of retained earnings, additional paid-in capital-premiums and realized capital surplus. The Company had complied with the above mentioned regulations and there was no exception.

(v) Other equity amounts (net of tax)

	<b>Exchange differences on translation of foreign financial statements</b>
Balance as of January 1, 2022	\$ (85,614)
Exchange differences on translation of net assets of foreign operations	23,179
Loss (gain) on disposal of foreign operations reclassified to profit or loss	1,255
Balance as of December 31, 2022	<b>\$ (61,180)</b>
Balance as of January 1, 2021	\$ (73,874)
Exchange differences on translation of net assets of foreign operations	(11,740)
Balance as of December 31, 2021	<b>\$ (85,614)</b>

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**TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(q) Share-based payment

(i) Employee stock options and share-based payment

On February 25, 2015, the Board of Directors resolved to issue 600 units of employee stock options with an exercisable right of 1,000 share of ordinary shares per unit. The resolution was approved by the shareholders' meeting on May 15, 2015. It came into effect on July 22, 2015 pursuant to letter No. 1040027805 of the Financial Supervisory Commission, and was issued by a resolution of the Board of Directors on August 11, 2015.

Share-based payment transactions of the Group are as follows:

	<u>Equity settlement</u> <u>Employee stock options</u>
Grant date	2015.8.11
Number of options granted	600 thousand shares
Contract period	6 years
Recipients	Employees of specific job seniority or full-time regular employees of the Company and its domestic and foreign subsidiaries, which the Company accounts for more than 50% ownership directly or indirectly with special contribution to the Company, in addition of being the key personnel in relation to the Company's operations.
Vested conditions	2~5 years of service

1) Determining the fair value of equity instruments granted

The Group adopted the Binomial-Model to evaluate the fair value of the stock option at the grant date. The assumptions adopted in this valuation model were as follows:

	<u>Employee stock options</u>
Share price at the grant date	\$18.35 per share
Exercise price	\$14.11 per share
Expected volatility (%)	35.50%
The expected life of the option (years)	6 year
The risk-free rate (%)	0.98%

Expected volatility was based on one year historical volatility of the listed comparable companies in TEJ report; the duration of stock options is in accordance with the regulations. The risk-free rate was determined based on zero-coupon bonds.

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**TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
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The exercise price of stock warrant was NT\$14.11 per share on the issuance date. In the event of any subsequent issue requiring adjustment of the exercise price, the relevant provisions shall be followed.

On May 31, 2016, the Company paid cash dividends of ordinary shares with a par value of \$1.50932321 per share pursuant to a resolution of the shareholders' meeting. The base date was July 11, 2016. Since July 11, 2016, the exercise price was adjusted from \$14.11 to \$13.18.

On May 19, 2017, the Company paid cash dividends of ordinary shares with a par value of \$2.19749455 per share pursuant to a resolution of the shareholders' meeting. The base date was July 11, 2017. Since July 11, 2017, the exercise price was adjusted from \$13.18 to \$12.23.

On June 19, 2018, the Company paid cash dividends of ordinary shares with a par value of \$0.30049480 per share pursuant to a resolution of the shareholders' meeting. The base date was July 28, 2018. Since July 28, 2018, the exercise price was adjusted from \$12.23 to \$12.06.

On July 6, 2018, the Company increased its capital by issuing 16,667 thousand ordinary shares with a par value of \$10 per share pursuant to a resolution of the Board of Directors. The base date was August 4, 2018. Since August 4, 2018, the exercise price was adjusted from \$12.06 to \$11.82.

On June 6, 2019, the Company paid cash dividends of ordinary shares with a par value of \$1.2 per share pursuant to a resolution of the shareholders' meeting. The base date was July 10, 2019. Since July 10, 2019, the exercise price was adjusted from \$11.82 to \$11.58.

On June 5, 2020, the Company paid cash dividends of ordinary shares with a par value of \$2.1 per share pursuant to a resolution of the shareholders' meeting. The base date was July 13, 2020. Since July 13, 2020, the exercise price was adjusted from \$11.58 to \$11.31.

On July 5, 2021, the Company paid cash dividends of ordinary shares with a par value of \$1.8 per share pursuant to a resolution of the shareholders' meeting. The base date was August 8, 2021. Since August 8, 2021, the exercise price was adjusted from \$11.31 to \$10.93.

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**TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
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2) Related information of employee stock option plans

Information on employee stock options was as follows:

	<b>2021</b>	
	<b>Weighted average price (NT dollars)</b>	<b>Share option (Thousand of shares)</b>
Outstanding at January 1	\$ 11.31	150
Exercised during the year	10.93~11.31	(83)
Expired during the year	-	(67)
Exercisable at December 31		-

(r) Earnings per share

The basic earnings per share were calculated as follows:

	<b>2022</b>	<b>2021</b>
Basic earnings per share:		
Profit attributable to the Company	<u>\$ 267,477</u>	<u>187,449</u>
Weighted average number of ordinary shares outstanding (in thousands of shares)	<u>87,708</u>	<u>87,860</u>
Basic earnings per share (in New Taiwan dollars)	<u>\$ 3.05</u>	<u>2.13</u>
Diluted earnings per share:		
Profit attributable to the Company	\$ 267,477	187,449
Effect of dilutive potential ordinary shares		
Convertible bonds	<u>2,603</u>	<u>4,205</u>
Profit attributable to ordinary equity holders of the Company (after adjusting the effect of dilutive potential ordinary share)	<u>\$ 270,080</u>	<u>191,654</u>
Weighted average number of ordinary shares outstanding (in thousands of shares)	87,708	87,860
Effect of dilutive potential ordinary shares		
Effect of issuance of share options (in thousands of shares)	407	356
Effect of the conversion of convertible bonds (in thousands of shares)	1,898	2,887
Effect of employee share bonus (in thousands of shares)	-	<u>81</u>
Weighted average number of common shares outstanding (Diluted / in thousands of shares)	<u>90,013</u>	<u>91,184</u>
Diluted earnings per share (in New Taiwan dollars)	<u>\$ 3.00</u>	<u>2.10</u>

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**TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
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## (s) Revenue from contracts with customers

## (i) Details of revenue

	<b>2022</b>			
	<b>The Company and others</b>	<b>Suzhou TaiSol</b>	<b>DongGuan TaiSol</b>	<b>Total</b>
Primary geographical markets:				
Asia	\$ 2,882,472	299,411	1,202,053	4,383,936
America	157,385	-	-	157,385
Europe	26,997	-	-	26,997
	<b><u>\$ 3,066,854</u></b>	<b><u>299,411</u></b>	<b><u>1,202,053</u></b>	<b><u>4,568,318</u></b>
Merchandise:				
Connector	\$ 901,167	-	15,054	916,221
Thermal solutions	2,165,687	299,411	1,186,999	3,652,097
	<b><u>\$ 3,066,854</u></b>	<b><u>299,411</u></b>	<b><u>1,202,053</u></b>	<b><u>4,568,318</u></b>
	<b>2021</b>			
	<b>The Company and others</b>	<b>Suzhou TaiSol</b>	<b>DongGuan TaiSol</b>	<b>Total</b>
Primary geographical markets:				
Asia	\$ 3,187,581	705,927	942,465	4,835,973
America	105,953	-	-	105,953
Europe	36,355	-	-	36,355
	<b><u>\$ 3,329,889</u></b>	<b><u>705,927</u></b>	<b><u>942,465</u></b>	<b><u>4,978,281</u></b>
Merchandise:				
Connector	\$ 1,062,289	-	13,581	1,075,870
Thermal solutions	2,267,600	705,927	928,884	3,902,411
	<b><u>\$ 3,329,889</u></b>	<b><u>705,927</u></b>	<b><u>942,465</u></b>	<b><u>4,978,281</u></b>

## (ii) Contract Balance

	<b>December 31, 2022</b>	<b>December 31, 2021</b>	<b>January 1, 2021</b>
Notes receivable	\$ 293,692	248,838	435,521
Accounts receivable	1,333,261	1,847,796	1,648,928
Accounts receivable due from related parties	-	-	5,702
Less: Loss allowance	4,076	3,611	6,207
Total	<b><u>\$ 1,622,877</u></b>	<b><u>2,093,023</u></b>	<b><u>2,083,944</u></b>
Contract liabilities	<b><u>\$ 132,864</u></b>	<b><u>109,523</u></b>	<b><u>117,612</u></b>

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**TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
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For details on notes and accounts receivable and allowance for impairment, please refer to Note 6(b).

(t) Employee compensation and directors' and supervisors' remuneration

The Company's Articles of Incorporation stipulate that if there is profit for the year, a minimum of 3% but not exceeding 15% shall be allocated as employee compensation and a maximum of 5% as director compensation. 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.

For the years ended December 31, 2022 and 2021, the Company estimated its employee remuneration amounting to \$11,189 thousand and \$17,101 thousand, and directors' and supervisors' remuneration amounting to \$10,300 thousand and \$8,200 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 article. These remunerations were expensed under operating expenses during 2022 and 2021. Related information is available at the Market Observation Post System website. The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2022 and 2021.

(u) Non-operating income and expenses

(i) Interest income

The Group's interest income was as follows:

	<u>2022</u>	<u>2021</u>
Interest income from bank deposits	\$ 6,055	5,171
Other interest income	<u>2</u>	<u>9</u>
Total interest income	<u>\$ 6,057</u>	<u>5,180</u>

(ii) Other income

The Group's other income was as follows:

	<u>2022</u>	<u>2021</u>
Rental income	\$ 5,578	6,212
Others	<u>13,580</u>	<u>13,564</u>
Total other income	<u>\$ 19,158</u>	<u>19,776</u>

The unconditional government grants are recognized amounting to CNY273 thousand and CNY719 thousand for the years 2022 and 2021, respectively.

(Continued)

**TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Other gains and losses

The Group's other gains and losses were as follows:

	<u>2022</u>	<u>2021</u>
Losses on disposal of property, plant and equipment	\$ (562)	(3,789)
Losses on disposals of investments	(1,255)	-
Gains on modification of leases	13	9
Foreign exchange gains (losses)	80,267	(28,002)
Losses on financial assets at fair value through profit or loss	-	(105)
Miscellaneous disbursements	(4,805)	(8,461)
Others	<u>381</u>	<u>-</u>
Other gains and losses, net	<u>\$ 74,039</u>	<u>(40,348)</u>

(iv) Finance costs

	<u>2022</u>	<u>2021</u>
Interest expense	\$ <u>8,879</u>	<u>11,585</u>

(v) Financial Instrument

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represented the maximum amount exposed to credit risk. As of December 31, 2022 and 2021, the maximum amount exposed to credit risk amounted to \$2,411,361 thousand, and \$2,544,876 thousand, respectively.

2) Concentration of credit risk

For the years ended December 31, 2022 and 2021, the Group's ten largest customers accounted for 72% and 68%, respectively, of the Group's net revenue. There were no geographical concentration of credit risk.

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**TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (ii) Liquidity risk

The followings were the contractual maturities of financial liabilities, including estimated interest payment.

	<u>Carrying amounts</u>	<u>Cash flows</u>	<u>Less than one year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
December 31, 2022						
Non-derivative financial liabilities						
Accounts payable	\$ 898,157	898,157	898,157	-	-	-
Other payables	400,059	400,059	400,059	-	-	-
Lease liabilities	39,792	41,360	36,328	4,722	310	-
	<u>\$ 1,338,008</u>	<u>1,339,576</u>	<u>1,334,544</u>	<u>4,722</u>	<u>310</u>	<u>-</u>
December 31, 2021						
Non-derivative financial liabilities						
Unsecured bank loans	\$ 20,000	20,023	20,023	-	-	-
Accounts payable	1,242,329	1,242,329	1,242,329	-	-	-
Other payables	457,360	457,360	457,360	-	-	-
Bonds Payable	210,406	214,079	214,079	-	-	-
Lease liabilities	79,880	85,395	46,935	35,047	3,413	-
	<u>\$ 2,009,975</u>	<u>2,019,186</u>	<u>1,980,726</u>	<u>35,047</u>	<u>3,413</u>	<u>-</u>

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

## (iii) Currency risk

## 1) Exposure of foreign currency risk

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

	<u>December 31, 2022</u>			<u>December 31, 2021</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
<u>Financial assets</u>						
<u>Monetary items</u>						
CNY	\$ 8,293	4.408	36,554	732	4.344	3,179
USD	56,112	30.710	1,723,207	76,732	27.680	2,123,948
JPY	14,064	0.232	3,268	17,278	0.241	4,155
HKD	45	3.938	175	7	3.549	23
<u>Financial liabilities</u>						
<u>Monetary items</u>						
CNY	1,547	4.408	6,820	4,244	4.344	18,434
USD	26,930	30.710	827,032	42,604	27.680	1,179,283
JPY	8,197	0.232	1,905	8,987	0.241	2,161
HKD	31	3.938	122	75	3.549	265

(Continued)

**TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
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2) Sensitivity analysis

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, accounts receivable, other receivables, accounts payable and other payables that are denominated in foreign currency. A strengthening (weakening) of 0.25% of the NTD against all foreign currencies as of December 31, 2022 and 2021 would have increased (decreased) the net profit after tax as follows. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2021.

	<b>Effect of appreciation on net profit after tax</b>	<b>Effect of depreciation on net profit after tax</b>
<b>December 31, 2022</b>		
CNY (0.25% of appreciation or depreciation)	\$ 59	(59)
USD (0.25% of appreciation or depreciation)	1,792	(1,792)
JPY (0.25% of appreciation or depreciation)	3	(3)
	<b>\$ 1,854</b>	<b>(1,854)</b>
<b>December 31, 2021</b>		
CNY (0.25% of appreciation or depreciation)	\$ (31)	31
USD (0.25% of appreciation or depreciation)	1,889	(1,889)
JPY (0.25% of appreciation or depreciation)	4	(4)
	<b>\$ 1,862</b>	<b>(1,862)</b>

3) Foreign exchange gains and losses on monetary items

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) amounted to gains of \$80,267 thousand and losses of \$28,002 thousand, respectively.

(iv) Interest rate analysis

The short-term borrowings of the Group are floating interest rate obligations, so the change in market interest rate will cause the effective interest rate of the short-term borrowings to fluctuate in its future cash flows, based on the loan balances at December 31, 2022 and 2021. Each 1% increase in market interest rate will increase the future cash outflow of the Group to \$0 thousand and \$200 thousand, respectively.

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**TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (v) Fair value

## 1) Categories of financial instruments and fair value hierarchy

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 investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

	Carrying amounts	December 31, 2022			
		Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 764,603	-	-	-	-
Notes and accounts receivable (including related parties)	1,622,877	-	-	-	-
Other receivables	3,898	-	-	-	-
Restricted time deposits (recognized in other current assets)	600	-	-	-	-
Guarantee deposits paid (recognized in other non-current assets)	19,383	-	-	-	-
<b>Total</b>	<b>\$ 2,411,361</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Financial liabilities measured at amortized cost					
Accounts payable	\$ 898,157	-	-	-	-
Other payables	400,059	-	-	-	-
Lease liabilities	39,792	-	-	-	-
<b>Total</b>	<b>\$ 1,338,008</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	Carrying amounts	December 31, 2021			
		Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 418,151	-	-	-	-
Notes and accounts receivable (including related parties)	2,093,023	-	-	-	-
Other receivables	13,046	-	-	-	-
Restricted time deposits (recognized in other current assets)	600	-	-	-	-
Guarantee deposits paid (recognized in other non-current assets)	20,056	-	-	-	-
<b>Total</b>	<b>\$ 2,544,876</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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**TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	December 31, 2021				
	Carrying amounts	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 20,000	-	-	-	-
Bonds payable	210,406	-	-	-	-
Accounts payable	1,242,329	-	-	-	-
Other payables	457,360	-	-	-	-
Lease liabilities	79,880	-	-	-	-
Total	<u>\$ 2,009,975</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

2) Valuation techniques for financial instruments measured at fair value

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and those prices represent actual and regularly occurring market transactions on an arm's-length basis.

The Group adopted the binomial tree valuation model to measure its domestic convertible bonds, taking into account such parameters as stock price volatility and risk-free interest rates.

3) There was no transfer between the fair value hierarchy levels for the years ended December 31, 2022 and 2021.

(w) Financial risk management

(i) Overview

The Group has exposures to the following risks from its financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

The following likewise discusses the Group's exposure information, objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying financial statements.

(ii) Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Internal auditors undertake both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

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**TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The Group's risk management policies are established to identify and analyze the risks being 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 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.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities.

1) Accounts receivable and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group assesses the customers' credit risk based on their basic information, which comprises of the default risk in their industry and country.

The Group has established a credit policy, under which, each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases, bank references. Purchase limits are established for each customer, and are reviewed periodically. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group sets a loss allowance for expected credit losses to reflect the estimated loss on accounts receivable. This allowance mainly comprises a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. This allowance for the loss component is determined based on historical payment statistics of similar financial assets.

2) Investments

The credit risk exposure in the bank deposits and other financial instruments are measured and monitored by the Group's finance department. Since the Group's transaction counterparties and the contractually obligated counterparties are banks and corporate organizations with good credits, there is no significant credit risk.

(iv) 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's approach to manage liquidity is to ensure, as far as possible, that it always has sufficient working capital to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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**TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

As of December 31, 2022 and 2021, the Group had unused credit lines of \$735,295 thousand and \$688,680 thousand, respectively.

(v) 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 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.

1) Foreign currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Group's respective entity. The respective functional currencies of the Group's entities are primarily the NTD, and USD, JPY, HKD and CNY. The currencies used in these transactions are denominated in NTD, USD, JPY and CNY. In order to manage exchange rate risk, the Group maintains a certain limit on the net foreign currency position held by the Group.

2) Interest rate risk

The interest rate of the Group's bank loans is mainly of variable interest rates. To manage the interest rate fluctuation risk, the Group periodically assesses the interest rates of bank loans and maintains good relationships with financial institutions to obtain lower financing costs. If the interest rate has greater fluctuation in future and the Group still needs to borrow loans, the Group will adopt other financing tool for fund collection to reduce the dependence on bank loans, as well as the risk arising from fluctuation of interest rates.

(x) Capital management

In consideration of the industry dynamics and future developments, as well as external environment factors, the Group maintains an optimal capital structure to enhance long-term shareholder value by managing its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, research and development activities, dividend payments, and other business requirements for continuing operations and to reward shareholders and take into consideration the interests of other stakeholders.

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

- (i) the cash paid by the Group for the purchase of property, plant and equipment is supplemented by the following information:

	<u>2022</u>	<u>2021</u>
Increase in property, plant and equipment	\$ 26,911	47,326
Add: Payable for equipment as of January 1	28,577	53,257
Less: Payable for equipment as of December 31	(22,527)	(28,577)
Effect of exchange rate changes	<u>468</u>	<u>(407)</u>
Cash paid	<u>\$ 33,429</u>	<u>71,599</u>

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**TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (ii) The cash payment from the Group's acquisition of the right of use assets is supplemented by the following cash flow information:

	<b>2022</b>	<b>2021</b>
Increase in right of use assets	\$ 4,633	19,224
Less: Increase in lease liabilities	(4,633)	(15,993)
Cash paid	\$ -	<b>3,231</b>

- (iii) Reconciliations of liabilities arising from financing activities were as follows:

	<b>January 1, 2022</b>	<b>Cash flows</b>	<b>Non-Cash changes</b>			<b>December 31, 2022</b>
			<b>Effect of exchange rate changes</b>	<b>Right-of-use assets increases</b>	<b>Others</b>	
Short-term borrowings	\$ 20,000	(20,000)	-	-	-	-
Lease liabilities	79,880	(43,922)	1,272	4,633	(2,071)	39,792
Bonds payable	210,406	(213,009)	-	-	2,603	-
Total liabilities from financing activities	\$ <b>310,286</b>	<b>(276,931)</b>	<b>1,272</b>	<b>4,633</b>	<b>532</b>	<b>39,792</b>

	<b>January 1, 2021</b>	<b>Cash flows</b>	<b>Non-Cash changes</b>			<b>December 31, 2021</b>
			<b>Effect of exchange rate changes</b>	<b>Right-of-use assets increases</b>	<b>Others</b>	
Short-term borrowings	\$ 212,000	(192,000)	-	-	-	20,000
Long-term borrowings	41,667	(41,667)	-	-	-	-
Lease liabilities	109,475	(44,662)	(859)	15,993	(67)	79,880
Bonds payable	206,306	-	-	-	4,100	210,406
Total liabilities from financing activities	\$ <b>569,448</b>	<b>(278,329)</b>	<b>(859)</b>	<b>15,993</b>	<b>4,033</b>	<b>310,286</b>

**(7) Related-party transactions**

- (a) Names and relationship with related parties

The following are the entities that have had transactions with the Group during the periods covered in the financial statements.

<b>Name of related party</b>	<b>Relationship with The Group</b>
ORIENTAL COMPUTER INC. (hereinafter referred to as "OCI")	Its principal management are directors of the Company (it is no longer to be a related party since the re-election of directors on July 5, 2021)
VSELL ENTERPRISE CO., LTD. (hereinafter referred to as "VSELL")	Its principal management are chairman of the Company

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**TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(b) Significant transactions with related parties

(i) Sale revenue

The amounts of significant sales transactions between the Group and related parties were as follows:

	<u>2022</u>	<u>2021</u>
Other related parties – OCI	\$ <u>-</u>	<u>3,878</u>

The Group has no other customers to compare with the above related party relating to sales price, and the terms for the related party are approximately 120 days. Collecting period for non-related parties is mainly 30 to 210 days.

(ii) Operating expenses

The amounts of operating expenses of the Group from related parties were as follows:

	<u>2022</u>	<u>2021</u>
Other related parties – VSELL	\$ <u>37</u>	<u>-</u>

(c) Key management personnel transactions

Key management personnel compensation includes:

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 46,143	44,669
Post-employment benefits	5,116	2,475
Other long-term employee benefits	<u>(42)</u>	<u>7,500</u>
	<u>\$ 51,217</u>	<u>54,644</u>

**(8) Pledged assets:**

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Restricted time deposits (recognized in other current asset)	Custom deposits	\$ 600	600
Land and buildings (recognized in property, plant and equipment)	Long-term and short-term loans	<u>145,094</u>	<u>146,268</u>
		<u>\$ 145,694</u>	<u>146,868</u>

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**TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(9) Commitments and contingencies:**

As of December 31, 2022 and 2021, the Group had outstanding notes for guarantee of bank loans, credit limit amounting to \$854,363 thousand and \$733,980 thousand, respectively.

**(10) Losses due to major disasters: None.**

**(11) Subsequent Events: None.**

**(12) Other:**

The employee benefits, depreciation, and amortization categorized by function were as follows:

By item	By function	2022				2021			
		Cost of good sold	Operating expenses	Non-operating expenses	Total	Cost of good sold	Operating expenses	Non-operating expenses	Total
Employee benefits									
Salary		362,147	216,840	-	578,987	597,697	244,891	-	842,588
Labor and health insurance		-	9,470	-	9,470	-	10,132	-	10,132
Pension		-	393	-	393	-	6,199	-	6,199
Remuneration of directors		-	11,340	-	11,340	-	8,450	-	8,450
Others		48,562	20,463	-	69,025	64,017	26,693	-	90,710
Depreciation		125,457	37,139	4,159	166,755	141,885	41,427	4,540	187,852
Amortization		-	829	-	829	-	1,611	-	1,611

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## TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### (13) Other disclosures:

##### (a) Information on significant transactions:

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

##### (i) Loans to other parties:

No.	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Loss allowance	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	TaiSol Electronics Co., Ltd.	Suzhou TaiSol Electronics Co., Ltd.	Other receivables - related parties	Yes	161,075	153,550	-	- %	2	-	Operating capital	-	-	-	370,445	740,891
1	SiYang TaiSol Electronics Co., Ltd.	Suzhou TaiSol Electronics Co., Ltd.	Other receivables - related parties	Yes	112,650	44,080	-	- %	2	-	Operating capital	-	-	-	370,445	740,891
2	DongGuan TaiSol Electronics Co., Ltd.	Suzhou TaiSol Electronics Co., Ltd.	Other receivables - related parties	Yes	132,240	132,240	44,080	5.00 %	2	-	Operating capital	-	-	-	370,445	740,891

Note 1: Purpose of fund financing for the borrower:

- (1) Those with business contact please fill in 1
- (2) Those necessary for short-term financing please fill in 2.

Note 2: Pursuant to the Company's procedure of loans to other parties, the maximum amount of lending purposes shall not exceed 40% of the Company's net worth, for the Company loans to those having business transactions, the amount of each fund financing shall not exceed the amount of business transaction. The amount of business transaction referred to is the higher of the amount of goods purchased or sold between the other parties. The total amount lendable to any such subsidiary of the Company shall not exceed 40% of the net worth of the Company, and the individual amount shall not exceed 20% of the net worth of the Company.

Note 3: Pursuant to the subsidiary's procedure of loans to other parties, the maximum amount of lending purposes shall not exceed 40% of each company's net worth, for the subsidiary loans to those having business transactions, the amount of each fund financing shall not exceed the amount of business transaction. The amount of business transaction referred to is the higher of the amount of goods purchased or sold between the other parties. The total amount and individual amount lendable to any such enterprises due to short term financing shall not exceed 40% of the net worth of each company. With a foreign subsidiary of the parent company which directly and indirectly holds 100% of the voting shares or a subsidiary loans funds to parent company are excluded from item 1. The group's combined total loan amount is limited to the lower of less than 2,500% of the net value of the Company or 40% of the net value of the ultimate parent company. The respective loan amount is limited to the lower of 2,500% of the net value of the Company or 20 % of the net value of the ultimate parent company.

Note 4: The above transactions of loans to Suzhou TaiSol have been eliminated when the consolidated financial statements were prepared.

##### (ii) Guarantees and endorsements for other parties:

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	SiYang TaiSol Electronics Co., Ltd.	2	555,668	48,323	46,065 (Note 3)	-	-	2.49 %	926,113	Y	N	Y
0	The Company	Suzhou TaiSol Electronics Co., Ltd.	2	555,668	96,645	92,130 (Note 3)	-	-	4.97 %	926,113	Y	N	Y

Note 1: Pursuant to the “endorsement guarantee procedure” established by the Company, the total amount of the Company's endorsement and guarantee does not exceed 50% of the net value of current period. Of these, the single corporate guarantee limit shall not exceed 20% of the current net value except for companies in which the Company directly and indirectly holds more than 50% of the voting shares, which shall not exceed 30% of the current net value.

Note 2: The relationship between the endorser/guarantor and the guaranteed party:

- 1) A company with which it does business.
- 2) A company in which the Company directly and indirectly holds more than 50% of the voting shares.
- 3) A company that directly and indirectly holds more than 50% of the voting shares in the Company.
- 4) Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares.
- 5) A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
- 6) A company that all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
- 7) Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: Suzhou TaiSol and SiYang TaiSol jointly shared the guarantee amount of NTD\$92,130 thousand (USD\$3million), of which the amount spent by SiYang TaiSol did not exceed NTD\$46,065 thousand (USD\$1.5million).

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

Name of holder	Category and name of security	Relationship with the Company	Account	Ending Balance				Maximum investment in 2022	Notes
				Shares/Units (thousands)	Carrying amounts	Percentage	Fair value		
The Company	TriGem Computer, Inc.	None.	Financial assets at fair value through profit or loss-non current	0.103	-	- %	-	-	

Unit: Thousand shares

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

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**TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
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- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None.
- (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:

Name of company	Related party	Relationship	Transaction details				Transactions with terms different from others		Notes/accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Credit terms	Unit price	Credit terms	Balance	Percentage of total notes / accounts receivable (payable)	
The Company	DongGuan TaiSol Electronics Co., Ltd.	Sub-subsidiary of the Company	Purchase	1,169,267	50.41 %	O/A 75 days	-		(430,528)	65.17%	
The Company	Suzhou TaiSol Electronics Co., Ltd.	Sub-subsidiary of the Company	Purchase	449,935	19.40 %	O/A 45 days	-		(9,731)	1.47%	
SiYang TaiSol Electronics Co., Ltd.	Suzhou TaiSol Electronics Co., Ltd.	Inter-company transaction	Sales	191,563	59.06 %	O/A 45 days	-		70,389	46.73%	

Note: The transactions were eliminated when the consolidated financial statements were prepared.

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Name of company	Related party	Relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Loss allowance
					Amount	Actions taken		
DongGuan TaiSol Electronics Co., Ltd.	TaiSol Electronics Co., Ltd.	The ultimate parent company	430,528	2.30	-	-	177,809	-

Note 1: The subsequent information is updated up to February 24, 2023.

Note 2: The transactions were eliminated when the consolidated financial statements were prepared.

- (ix) Trading in derivative instruments:None.
- (x) Business relationships and significant intercompany transactions:

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			Percentage of the consolidated net revenue or total assets
				Account name	Amount	Trading terms	
0	the Company	Suzhou TaiSol Electronics Co., Ltd.	1	Purchase	449,935	There are no non-related party purchase price for comparison.	9.85%
0	the Company	DongGuan TaiSol Electronics Co., Ltd.	1	Purchase	1,169,267	There are no non-related party purchase price for comparison.	25.60%
0	the Company	DongGuan TaiSol Electronics Co., Ltd.	1	Payables to related parties	430,528	O/A 75 days	12.11%
1	DongGuan TaiSol Electronics Co., Ltd.	Suzhou TaiSol Electronics Co., Ltd.	3	Receivables from related parties	44,183	According to the contract	1.24%
2	SiYang TaiSol Electronics Co., Ltd.	Suzhou TaiSol Electronics Co., Ltd.	3	Sales	191,563	There are no non-related party purchase price for comparison.	4.19%
2	SiYang TaiSol Electronics Co., Ltd.	Suzhou TaiSol Electronics Co., Ltd.	3	Receivables from related parties	70,389	O/A 45 days	1.98%

Note 1: The numbers represent the following.

1. 0 represents the parent company.
2. Subsidiaries are numbered from 1.

Note 2: The transactions are categorized as follows:

1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Subsidiary to subsidiary.

Note 3: These transactions were disclosed for either the amounts are over 1% of the consolidated assets or 1% of the consolidated revenue.

Note 4: The transactions were eliminated when the consolidated financial statements were prepared.

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## (b) Information on investees:

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

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance at December 31			Highest percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares	Percentage	Carrying amounts				
TaiSol Electronics Co., Ltd.	World Window Electronics (H.K.) Limited	Hong Kong	trading of connectors and components of electronics and computers and investment in Mainland China	250,119	250,119	64,210	100 %	797,389	100 %	135,419	134,584	Subsidiary
TaiSol Electronics Co., Ltd.	TaiSol Electronics (HONG KONG) Co., Ltd.	Hong Kong	Investment in Mainland China	332,470	332,470	31,056	100 %	30,499	100 %	(58,189)	(54,292)	Subsidiary
TaiSol Electronics Co., Ltd.	Techmaster Limited (SAMOA)	Samoa	Trading	-	346	-	- %	-	100 %	(26)	19	Note 2
TaiSol Electronics Co., Ltd.	TaiSol Electronics Japan Co., Ltd.	Japan	Trading	2,790	2,790	0.1	100 %	1,670	100 %	247	247	Subsidiary
TaiSol Electronics Co., Ltd.	Vietnam TaiSol Electronics Co., Ltd.	Vietnam	Trading	8,307	-	-	100 %	8,051	100 %	(840)	(840)	Subsidiary

Unit: Thousand shares

Note 1: The transactions were eliminated when the consolidated financial statements were prepared.

Note 2: Techmaster had applied for deregistration in November 2022, and its net worth was transferred to the Company.

## (c) Information on investment in mainland China:

## (i) The names of investees in Mainland China, the main businesses and products, and other information:

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 during current period		Accumulated outflow of investment from Taiwan as of December 31, 2022	Net income (losses) of investee	Percentage of ownership	Highest percentage of ownership	Share of profit (losses) of investee	Carrying amount	Accumulated remittance of earnings as of December 31, 2022
					Outflow	Inflow							
Suzhou TaiSol Electronics Co., Ltd.	Processing, manufacturing and trading of components of heat pipe and electronic computers, and trading of magnesium-aluminum components.	185,884 (Note 2)	2	310,171	-	-	310,171	(58,056)	100.00 %	100.00 %	(54,159)	30,080	-
DongGuan TaiSol Electronics Co., Ltd.	Processing, manufacturing and trading of connectors, electronic computers and components of automobiles.	242,187	2	242,187	-	-	242,187	135,533	100.00 %	100.00 %	134,698	785,604	394,010
SiYang TaiSol Electronics Co., Ltd.	Manufacturing and trading of thermal modules, thermal conduit modules, fiber optic cable connectors, etc.	644,910	1	644,910	-	-	644,910	(64,952)	100.00 %	100.00 %	(66,154)	413,071	-

Unit: thousand dollars

Note 1: Investment methods are classified into the following three categories.

- (1) Direct investment in Mainland China.
- (2) Through the establishment of third-region companies then investing in Mainland China.
- (3) Others

Note 2: In May 2019, Suzhou TaiSol made a capital reduction of CNY30,220 thousand to cover losses and a capital reduction return of CNY15,332 thousand. Suzhou TaiSol increased its capital by USD2,053,000 in March 2021, resulting in paid-in capital of USD6,053 thousand.

## (ii) 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 Authorized by Investment Commission, MOEA
1,197,268 (Note 2) (USD 31,100 and HKD61,500)	1,197,268 (Note 2) (USD 31,100 and HKD61,500)	- (Note 1)

Note 1: Since the Company meets the criteria for operational headquarters, the Company is not subject to the limitation as to the amount of investment in Mainland China.

Note 2: Amounts are denominated in New Taiwan Dollars. Foreign currency should be converted at the exchange rates of USD\$: NT\$ = 1:30.710 and HKD\$: NT\$ = 1:3.938 as at the date of the financial report.

## (iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China for the year ended December 31, 2022, are disclosed in "Information on significant transactions".

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(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Yu, Ching-Sung		14,463,046	16.45 %

Note: 1) The information on major shareholders, which is provided by the Taiwan Depository & Clearing Corporation, summarized the shareholders who held over 5% of total non-physical ordinary shares and preference shares (including treasury shares) on the last business date of each quarter. The actual registered non-physical shares may be different from the capital shares disclosed in the financial statement due to different calculation basis.

2) If shares are entrusted, the above information regarding such shares will be revealed by each trustors of individual trust account. The shareholders holding more than 10% of the total shares of the company should declare insider's equity according to Securities and Exchange Act. The numbers of the shares declared by the insider include the shares of the trust assets which the insider has discretion over use. For details of the insider's equity announcement please refer to the TWSE website.

**(14) Segment information:**

(a) General information

The Group has three reportable segments, namely, the Company, Suzhou TaiSol, DongGuan TaiSol and others. The Company mainly sells connectors and thermal solutions. Suzhou Taisol mainly manufactures and sells thermal modules. DongGuan Taisol mainly manufactures and sells connectors and thermal solutions.

The reportable segments are the Group's strategic divisions. They offer different products for various geographic customers, and are managed separately because they require different marketing strategies. Most of the strategic divisions were acquired separately. The management of the acquired divisions remains employed by the Group.

The operating segment accounting policies are similar to those described in note 4 "summary of significant accounting policies". The Group assesses the performance of each reportable segments based on the profit after income tax. The Group treated intersegment sales and transfers as third-party transactions. They are measured at market price.

(b) Information about reportable segments and their measurement and reconciliations

The Group's operating segment information and reconciliation are as follows:

	2022					Total
	The Company	Suzhou TaiSol	DongGuan TaiSol	Others	Reconciliation and elimination	
Revenue:						
Revenue from external customers	\$ 2,990,834	299,411	1,202,053	76,020	-	4,568,318
Intersegment revenues	-	500,897	1,188,199	250,213	(1,939,309)	-
Total revenue	<u>\$ 2,990,834</u>	<u>800,308</u>	<u>2,390,252</u>	<u>326,233</u>	<u>(1,939,309)</u>	<u>4,568,318</u>
Reportable segment profit or loss	<u>\$ 253,913</u>	<u>(54,159)</u>	<u>134,698</u>	<u>(66,975)</u>	<u>-</u>	<u>267,477</u>

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**TAISOL ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
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	2021					Total
	The Company	Suzhou TaiSol	DongGuan TaiSol	Others	Reconciliation and elimination	
Revenue:						
Revenue from external customers	\$ 3,326,352	705,927	942,465	3,537	-	4,978,281
Intersegment revenues	-	693,692	1,253,554	623,310	(2,570,556)	-
Total revenue	<u>\$ 3,326,352</u>	<u>1,399,619</u>	<u>2,196,019</u>	<u>626,847</u>	<u>(2,570,556)</u>	<u>4,978,281</u>
Reportable segment profit or loss	<u>\$ 279,193</u>	<u>(19,996)</u>	<u>33,028</u>	<u>(104,776)</u>	<u>-</u>	<u>187,449</u>

The information of segment assets and liabilities is not disclosed, because the Group's chief operating decision maker does not rely on it.

The material reconciling items of the above reportable segment are as below:

Total reportable segment revenue after deducting the intersegment revenue was \$1,939,309 thousand and \$2,570,556 thousand for the years 2022 and 2021, respectively.

(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.

Geographic information	2022	2021
Revenue from external customers:		
America	\$ 157,385	105,953
Asia	4,383,936	4,835,973
Europe	26,997	36,355
	<u>\$ 4,568,318</u>	<u>4,978,281</u>
	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Non-current assets		
Taiwan	\$ 168,888	174,762
China	421,275	526,268
Others	896	461
	<u>\$ 591,059</u>	<u>701,491</u>

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets, and other assets, not including financial instruments, investments accounted for using equity method, deferred tax assets, and pension fund assets.

(d) Major customers

For the years 2022 and 2021, the major customers who constituted 10% or more of net revenues were as follows:

	2022	2021
Customer A	<u>\$ 896,161</u>	<u>892,364</u>
Customer B	<u>\$ 553,806</u>	<u>513,450</u>
Customer C	<u>\$ 489,770</u>	<u>217,678</u>