Stock Code: 6208

Highlight Tech Corp. and Its Subsidiaries

Consolidated Financial Report and Independent Auditors' Report 2022 and 2021

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

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Representation Letter

Considering that the companies to be included into the consolidated financial statements of associates under the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" were the same as those to be included into the consolidated financial statements of the parent and subsidiaries under IFRS 10 for 2021 (from Jan. 1, 2021 to Dec. 31, 2022), and the relevant information to be disclosed in the consolidated financial statements of associates has already been disclosed in said consolidated financial statements of the parent and subsidiaries, no consolidated financial statements of associates were prepared separately.

It is hereby certified that the information disclosed herein is true and correct.

Highlight Tech Corp.

Chairman: Ming-Tien, Wu

Mar. 9, 2023

Independent Auditor ′s Report

To Highlight Tech Corp.,

Audit opinion

We have reviewed the accompanying consolidated balance sheets of Highlight Tech Corp. (the "Company") and its subsidiaries (collectively, the "Group") for the years ended Dec. 31, 2022 and 2021 and the relevant consolidated statements of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years then ended Dec. 31, 2022 and 2021, and Notes to the consolidated financial statement, including a summary of significant accounting policies (collectively referred to as the consolidated financial statements).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of Dec. 31, 2022 and 2021 and for the years then ended, and its consolidated financial performance and its consolidated cash flows for the years then ended in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China, based on our audit results and the audit reports of other certified public accountants (CPAs) (refer to the section of "Other matters").

Basis for opinion

We conducted our audits in accordance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in 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 Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audit results and the audit reports of other accountants, We are convinced that we have acquired enough and appropriate audit evidence to serve as the basis of audit opinion.

Key audit matters

Key audit matters refer to the most vital matters in our audit of the consolidated financial statements of the Group for the year ended Dec. 31, 2022 based on our professional judgment. These matters were addressed in our audit of the consolidated financial statements as a whole, and in forming our audit opinion. We do not express a separate opinion on these matters.

Key audit matters of the consolidated financial statements of the Group for the year ended Dec. 31, 2022 are stated as follows:

<u>Revenue recognition</u>

The operating revenue of the Group mainly comes from the manufacturing of vacuum components and the sales and maintenance of vacuum equipment. Due to sales revenue that is material to the consolidated financial statements and in accordance with the provisions of the Statements on Auditing Standards regarding the recognition of predetermined revenue as a significant risk, we have listed the revenue authenticity of specific customers as a key audit matter. Please refer to Notes 4 and 25 to the consolidated financial statements for the relevant accounting policies related to the generation of operating revenue.

The audit procedures performed by us for the revenue recognition include:

I. Understand and evaluate the effectiveness of the design and implementation of the internal control system for the recognition of above revenue.

II. Inspect the breakdown of revenue from specific customer of vacuum components, and review the customer orders, delivery confirmation, and proof of payment to confirm the authenticity of the maintenance revenue.

Other matters

The consolidated financial statements of HTC & Solar Service Limited, an associate invested in under the equity method, included in the aforementioned consolidated financial statements were audited by other CPAs. Therefore, in our opinion of said consolidated financial statements, the amount of the above-mentioned investment in said associate and the share of profit and loss thereof are recognized based on the audit reports issued by other CPAs. The above-mentioned investment using the equity method amounted to NT$206,254,000 as of Dec. 31, 2021, accounting for 4% of the total assets. The share of comprehensive income recognized using the equity method for the year ended Dec. 31, 2021 was NT$34,460,000, accounting for 7% of the total income.

The Company has prepared individual financial reports for 2021 and 2020, and we have issued an audit report containing our unqualified opinion with other matters in the audit report for reference.

Responsibilities of the management and governing bodies for the consolidated financial statements

The responsibilities of the management are to prepare the consolidated financial statements with fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and regulations of IFRS and IAS as well as IFRIC and SIC interpretations endorsed and issued into effect by the FSC, and to maintain necessary internal control associated with the preparation in order to ensure that the financial statements are free from material misstatement arising from fraud or error.

When the consolidated financial statements are prepared, the management is responsible for assessing the ability of the Group in continuing as a going concern, disclosing relevant matters, and adopting the going concern basis of accounting unless the management intends to liquidate the Group or cease the operations without other viable alternatives.

The governing bodies of the Group (including the Audit Committee) are responsible for supervising the financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance on whether the consolidated financial statements as a whole are free from material misstatement arising from fraud or error, and to issue an independent auditors' report. Reasonable assurance is a high-level assurance but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatement can arise from fraud or error. If the amounts of misstatements, either separately or in aggregate, could reasonably be expected to influence the economic decisions of the users of the consolidated financial statements, they are considered material.

We have utilized our professional judgment and maintained professional doubt when performing the audit work in accordance with the auditing standards generally accepted in the Republic of China. We also perform the following tasks:

I. Identify and assess the risks of material misstatement arising from fraud or error within the consolidated financial statements; design and execute appropriate countermeasures in response to said risks, and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Therefore, the risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error.
II. Understand the internal control related to the audit in order to design appropriate audit procedures under the circumstances, while not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
III. Evaluate the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and relevant disclosures made by the management.
IV. Conclude on the appropriateness of the management's adoption of the going concern basis of accounting based on the audit evidence obtained and whether a material uncertainty exists for events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we are of the opinion that a material uncertainty exists for said events or conditions, we shall remind users of the consolidated financial statements to pay attention to relevant disclosures in said statements within our audit report. If such disclosures are inadequate, we need 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.
V. Evaluate the overall presentation, structure, and content of the consolidated financial statements (including relevant notes), and whether the consolidated financial statements adequately present the relevant transactions and events.
VI. Obtain sufficient and appropriate audit evidence concerning the financial information of entities within the Group, to express an opinion on the consolidated financial statements. We are responsible for guiding, supervising, and performing the audit and forming an audit opinion on the Group.

The matters communicated between us and the governing bodies include the planned scope and times of the audit and significant audit findings (including any significant deficiencies in internal control identified during the audit).

We also provided governing bodies with a declaration that we have complied with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China regarding independence, and communicated with them all relationships and other matters that may possibly be regarded as detrimental to our independence (including relevant protective measures).

From the matters communicated with the governance bodies, we determined the key audit matters for the audit of the Group's consolidated financial statements for the year ended Dec. 31, 2022. We have clearly indicated such matters in the auditors' report unless legal regulations prohibit the public disclosure of specific matters, or in extremely rare cases, we decided not to communicate over specific items in the auditors' report for it could be reasonably anticipated that the negative effects of such disclosure would be greater than the public interest it brings forth.

Deloitte & Touche

CPA Hung-Ju, Liao

CPA Chi-Chen, Li

Financial Supervisory Commission R.O.C.
Approval Document No.
Jing-Guang-Zheng-Shen-Zi No. 0990031652

Securities and Futures Commission
Approval Document No.
Tai-Cai-Zheng-Liu-Zi No. 0920123784

Mar. 9, 2023

Highlight Tech Corp. and Its Subsidiaries

Consolidated Balance Sheet

Dec. 31, 2022 and 2021

Unit: NTD thousand

Code	Assets	Dec. 31, 2022 Amount	%	Dec. 31, 2021 Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 4 & 6)	$ 690,474	10	$ 614,614	10
1110	Financial assets at fair value through profit or loss - current (Notes 4 & 7)	33,184	1	102,658	2
1136	Financial assets at amortized cost - current (Notes 4, 9 & 34)	47,612	1	48,407	1
1140	Contract assets - current (Note 4 & 25)	16,475	-	-	-
1150	Notes receivable (Notes 4, 10 & 25)	11,893	-	73,222	1
1170	Accounts receivable (Notes 4, 10, 25 & 33)	549,815	8	482,970	8
1200	Other receivables (Note 4)	4,552	-	6,237	-
1220	Current income tax assets (Notes 4 & 27)	4,658	-	51	-
130X	Inventories (Notes 4 & 11)	1,476,978	22	1,203,176	21
1410	Prepayments (Note 33)	226,425	3	161,249	3
1479	Other current assets	1,283	-	1,226	-
11XX	Total current assets	3,063,349	45	2,693,810	46
	Non-current assets				
1517	Financial assets at fair value through other comprehensive income - non-current (Notes 4 & 8)	5,985	-	6,156	-
1535	Financial assets at amortized cost - non-current (Notes 4 & 9)	17,638	-	17,388	-
1550	Investments accounted for using equity method (Notes 4, 13 & 33)	243,126	4	206,254	4
1600	Property, plant and equipment (Notes 4, 14, 33 & 34)	3,119,487	46	2,380,345	41
1755	Right-of-use assets (Notes 4 & 15)	82,224	1	89,519	2
1760	Investment property (Notes 4, 16 & 34)	-	-	235,817	4
1805	Goodwill (Notes 4 & 17)	51,471	1	51,471	1
1821	Other intangible assets (Notes 4 & 18)	57,631	1	58,050	1
1840	Deferred tax assets (Notes 4 & 27)	46,210	1	32,535	1
1915	Prepayment for land and equipment	77,452	1	28,152	-
1920	Refundable deposits	11,580	-	10,736	-
15XX	Total non-current assets	3,712,804	55	3,116,423	54
1XXX	Total assets	$ 6,776,153	100	$ 5,810,233	100

Code	Liabilities and equity	Dec. 31, 2022 Amount	%	Dec. 31, 2021 Amount	%
	Current liabilities				
2100	Short-term debts (Notes 4, 19 & 34)	$ 440,000	7	$ 340,000	6
2110	Short-term bills payable (Notes 4 & 19)	-	-	13,993	-
2130	Contract liabilities - current (Note 25)	233,144	3	364,650	6
2150	Notes payable (Note 30)	-	-	137,436	2
2170	Accounts payable (Note 33)	645,030	10	476,291	8
2200	Other payables (Notes 22 & 33)	736,093	11	608,527	11
2230	Current income tax liabilities (Notes 4 & 27)	113,316	2	59,172	1
2250	Current provisions (Note 4 & 21)	10,676	-	-	-
2280	Lease liabilities - current (Note 15)	19,537	-	18,306	-
2322	Current portion of long-term loans payable within 1 year (Notes 4, 19 & 34)	291,803	4	95,642	2
2399	Other current liabilities	4,784	-	6,089	-
21XX	Total current liabilities	2,494,383	37	2,120,106	36
	Non-current liabilities				
2540	Long-term loans (Notes 4, 19 & 34)	864,509	13	609,629	11
2570	Deferred tax liabilities (Notes 4 & 27)	15,297	-	16,729	-
2580	Lease liabilities - non-current (Note 15)	43,618	-	51,781	1
2640	Net defined benefit liability - non-current (Notes 4 and 23)	1,557	-	3,879	-
2645	Guarantee deposits received	380	-	4,556	-
25XX	Total non-current liabilities	925,361	13	686,574	12
2XXX	Total liabilities	3,419,744	50	2,806,680	48
	Equity attributable to owners of the Company (Note 24)				
	Share capital				
3110	Common stock	1,182,017	17	1,171,906	20
3140	Advance receipts for common stock	-	-	10,111	-
3100	Total	1,182,017	17	1,182,017	20
3200	Capital surplus	445,417	7	500,138	9
	Retained earnings				
3310	Legal reserve	280,652	4	245,818	4
3320	Special reserves	64,768	1	64,768	1
3350	Undistributed earnings	930,915	14	655,163	12
3300	Total retained earnings	1,276,335	19	965,749	17
3400	Other equity	(27,007)	-	(35,430)	(1)
31XX	Total owners' equity of the Company	2,876,762	43	2,612,474	45
36XX	Non-controlling interests (Note 24)	479,647	7	391,079	7
3XXX	Total equity	3,356,409	50	3,003,553	52
	Total liabilities and equity	$ 6,776,153	100	$ 5,810,233	100

The accompanying notes are an integral part of the consolidated financial statements.
(Refer to the audit report of Deloitte & Touche on Mar. 9, 2023)

Highlight Tech Corp. and Its Subsidiaries

Consolidated Statements of Comprehensive

For the Years Ended Dec. 31, 2022 and 2021

Unit: NTD thousand

(Except for earnings per share which is in NTD)

		2022		2021	
Code		Amount	%	Amount	%
4100	Operating revenue, net (Notes 4, 25 & 33)	$ 3,907,642	100	$ 3,307,714	100
5110	Operating costs (Notes 11, 26 & 33)	2,403,648	62	2,046,066	62
5900	Gross profit	1,503,994	38	1,261,648	38
	Operating expenses (Notes 10, 26 & 33)				
6100	Selling and marketing expenses	321,358	8	333,468	10
6200	Administrative expenses	355,253	9	348,589	11
6300	Research and development expenses	193,872	5	103,162	3
6450	Expected credit impairment losses	4,673	-	1,385	-
6000	Total operating expenses	875,156	22	786,604	24
6500	Other income and expenses, net (Note 26)	944	-	(4,031)	-
6900	Net operating income	629,782	16	471,013	14
	Non-operating income and expenses (Notes 13, 26 & 33)				
7100	Interest income	3,846	-	4,288	-
7010	Other income	6,707	-	14,637	1
7020	Other gains or losses	47,695	1	(19,559)	(1)
7050	Financial costs	(11,076)	-	(10,564)	-
7060	Share of profit or loss on associates accounted for using equity method	26,481	1	35,064	1
7000	Total non-operating income and expenses	73,653	2	23,866	1
7900	Net income before tax	703,435	18	494,879	15
7950	Income tax expense (Notes 4 & 27)	136,681	3	69,912	2
8200	Current net income	566,754	15	424,967	13

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Code		2022 Amount	2022 %	2021 Amount	2021 %
	Other comprehensive income				
8310	Items that will not be reclassified subsequently to profit or loss:				
8311	Re-measurement of the defined benefit plan (Note 23)	$ 2,164	-	$ 2,580	-
		2,164	-	2,580	-
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translating the financial statements of foreign operations (Note 24)	9,366	-	(2,557)	-
8370	Share of other comprehensive income of associates accounted for using equity method (Note 13)	467	-	(604)	-
8391	Other items that may be reclassified to profit or loss (Note 12)	-	-	43,239	1
8399	Income tax related to items that may be reclassified (Notes 24 & 26)	(1,638)	-	437	-
		8,195	-	40,515	1
8300	Other comprehensive income for the current year (net of tax)	10,359	-	43,095	1
8500	Total comprehensive income for the current year	$ 577,113	15	$ 468,062	14
	Net income attributable to:				
8610	Owners of the Company	$ 494,980	12	$ 388,234	12
8620	Non-controlling interests	71,774	2	36,733	1
8600		$ 566,754	14	$ 424,967	13
	Total comprehensive income attributable to				
8710	Owners of the Company	$ 503,917	13	$ 397,960	12
8720	Non-controlling interests	73,196	2	70,102	2
8700		$ 577,113	15	$ 468,062	14
	Earnings per share (Note 28)				
9750	Basic	$ 4.19		$ 3.32	
9850	Diluted	4.13		3.25	

The accompanying notes are an integral part of the consolidated financial statements.
(Refer to the audit report of Deloitte & Touche on Mar. 9, 2023)

Highlight Tech Corp. and Its Subsidiaries

Income Consolidated Statements of Changes in Equity

For the Years Ended Dec. 31, 2022 and 2021

Unit: NTD thousand (Except for dividend per share which is in NTD)

		Equity attributable to owners of the Company												
					Retained earnings			Other equity items						
Code		Share capital	Advance receipts for common stock	Capital surplus	Legal reserve	Special reserves	Undistributed earnings	Exchange differences on translating the financial statements of foreign operations	Re-measurement of the defined benefit plan	Unearned compensation	Total	Total	Non-controlling interests	Total equity
A1	Balance at Jan. 1, 2021	$ 1,039,936	$ 114,239	$ 457,533	$ 216,502	$ 64,768	$ 568,154	($ 47,034)	$ 1,878	$ -	($ 45,156)	$ 2,415,976	$ 287,539	$ 2,703,515
	Earnings appropriation and allocation for 2020 (Note 24)													
B1	Legal reserve	-	-	-	29,316	-	(29,316)	-	-	-	-	-	-	-
B5	Shareholders' cash dividends of the Company - NT$1.99 per share	-	-	-	-	-	(232,015)	-	-	-	-	(232,015)	-	(232,015)
		-	-	-	29,316	-	(261,331)	-	-	-	-	(232,015)	-	(232,015)
C17	Changes in other capital surplus	-	-	205	-	-	-	-	-	-	-	205	-	205
D1	Net income for 2021	-	-	-	-	-	388,234	-	-	-	-	388,234	36,733	424,967
D3	Other comprehensive income after tax for 2021	-	-	-	-	-	-	8,082	1,644	-	9,726	9,726	33,369	43,095
D5	Total comprehensive income for 2021	-	-	-	-	-	388,234	8,082	1,644	-	9,726	397,960	70,102	468,062
I1	Convertible bonds (Note 20)	131,970	(104,128)	46,334	-	-	-	-	-	-	-	74,176	-	74,176
M7	Changes in ownership interests of subsidiaries (Notes 24 & 29)	-	-	(3,934)	-	-	(39,894)	-	-	-	-	(43,828)	40,951	(2,877)
O1	Shareholders' cash dividends of subsidiaries (Note 24)	-	-	-	-	-	-	-	-	-	-	-	(7,513)	(7,513)
Z1	Balance at Dec. 31, 2021	1,171,906	10,111	500,138	245,818	64,768	655,163	(38,952)	3,522	-	(35,430)	2,612,474	391,079	3,003,553
	Earnings appropriation and allocation for 2021 (Note 24)													
B1	Legal reserve	-	-	-	34,834	-	(34,834)	-	-	-	-	-	-	-
B5	Shareholders' cash dividends of the Company - NT$1.5 per share	-	-	-	-	-	(177,303)	-	-	-	-	(177,303)	-	(177,303)
		-	-	-	34,834	-	(212,137)	-	-	-	-	(177,303)	-	(177,303)
C15	Cash dividends from capital surplus - NT$ 0.7 per share (Note 24)	-	-	(82,741)	-	-	-	-	-	-	-	(82,741)	-	(82,741)
C17	Changes in other capital surplus	-	-	10	-	-	-	-	-	-	-	10	-	10
D1	Net income for 2022	-	-	-	-	-	494,980	-	-	-	-	494,980	71,774	566,754
D3	Other comprehensive income after tax for 2022	-	-	-	-	-	-	7,569	1,368	-	8,937	8,937	1,422	10,359
D5	Total comprehensive income for 2022	-	-	-	-	-	494,980	7,569	1,368	-	8,937	503,917	73,196	577,113
I1	Convertible bonds (Note 20)	10,111	(10,111)	-	-	-	-	-	-	-	-	-	-	-
M7	Changes in ownership interests of subsidiaries (Notes 12, 24 & 29)	-	-	-	-	-	(7,091)	-	-	-	-	(7,091)	(13,036)	(20,127)
N1	Issuance of employee stock warrants by associated companies	-	-	15,790	-	-	-	-	-	-	-	15,790	-	15,790
E3	Cash-refunding capital reduction of non-controlling interest from subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(7,590)	(7,590)
O1	Shareholders' cash dividends of subsidiaries (Note 24)	-	-	-	-	-	-	-	-	-	-	-	(33,175)	(33,175)
T1	Issuance of new restricted employee shares by subsidiaries	-	-	12,220	-	-	-	-	-	(514)	(514)	11,706	69,173	80,879
Z1	Balance at Dec. 31, 2022	$ 1,182,017	$ -	$ 445,417	$ 280,652	$ 64,768	$ 930,915	($ 31,383)	$ 4,890	($ 514)	($ 27,007)	$ 2,876,762	$ 479,647	$ 3,356,409

The accompanying notes are an integral part of the consolidated financial statements.
(Refer to the audit report of Deloitte & Touche on Mar. 9, 2023)

Highlight Tech Corp. and Its Subsidiaries

Consolidated Statements of Cash Flows

For the Years Ended Dec. 31, 2022 and 2021

Unit: NTD thousand

Code		2022	2021
	Cash flows from operating activities		
A10000	Current net income before tax	$ 703,435	$ 494,879
A20010	Adjustments for:		
A20100	Depreciation expenses	151,492	152,517
A20200	Amortization expenses	23,486	20,680
A20300	Expected credit impairment losses	4,673	1,385
A20400	Net gains on financial assets at fair value through profit or loss	21,664	(18,060)
A20900	Financial costs	11,076	10,564
A21200	Interest income	(3,846)	(4,288)
A21300	Dividend income	(2,550)	(2,053)
A22300	Share of profit on associates accounted for using equity method	(26,481)	(35,064)
A22500	Losses (gains) on disposal and scrapping of property, plant and equipment	(944)	4,031
A22700	Losses on disposal of investment property	(15,672)	-
A29900	Liability provisions	10,676	-
A23100	Loss on disposal of investments	-	43,239
A23700	Inventory valuation losses	5,063	-
A30000	Net changes in operating assets and liabilities		
A31125	Contract assets	(16,475)	-
A31130	Notes receivable	61,329	(7,159)
A31150	Accounts receivable	(69,555)	(64,362)
A31180	Other receivables	475	5,613
A31200	Inventories	(267,170)	(209,061)
A31230	Prepayments	(118,973)	(105,919)
A31240	Other current assets	(57)	2,794
A32110	Financial liabilities held for trading	(32)	(122)
A32125	Contract liabilities	(131,506)	100,772
A32150	Accounts payable	168,739	122,296
A32180	Other payables	97,280	154,108
A32230	Other current liabilities	(1,305)	4,191
A32240	Net defined benefit liabilities	(158)	(6,204)
A33000	Cash generated from operations	604,664	664,777
A33100	Interest received	5,227	1,929
A33200	Dividends received	8,417	13,789
A33300	Interest paid	(10,595)	(10,526)
A33500	Income tax paid	(103,924)	(94,306)
AAAA	Net cash inflow from operating activities	503,789	575,663

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Code		2022	2021
	Cash flows from investing activities		
B00040	Acquisition of financial assets at amortized cost	($ 5,300)	($ 90,199)
B00050	Proceeds from disposal of financial asset price at amortized cost	6,640	48,890
B00100	Acquisition of financial assets at fair value through profit or loss	(24,000)	(30,597)
B00200	Proceeds from disposal of financial assets at fair value through profit or loss	71,842	22,010
B02700	Purchase of property, plant and equipment	(871,720)	(86,408)
B02800	Proceeds from disposal of property, plant and equipment	5,489	124,664
B03700	Increase in refundable deposits	(2,551)	(1,592)
B03800	Decrease in refundable deposits	1,709	9,376
B04500	Purchase of intangible assets	(20,422)	(11,266)
B05500	Proceeds from disposal of investment properties	251,200	-
B07100	Increase in prepayment for land and equipment	(117,962)	(168,250)
BBBB	Net cash outflow from investing activities	(705,075)	(183,372)
	Cash flows from financing activities		
C00100	Increase in short-term debts	2,387,000	2,267,000
C00200	Decrease in short-term debts	(2,287,000)	(2,213,540)
C00500	Increase in short-term bills payable	36,971	128,781
C00600	Decrease in short-term bills payable	(50,964)	(134,786)
C01600	New long-term loans	884,550	92,360
C01700	Repayment of long-term loans	(433,509)	(128,705)
C03000	Collection of guarantee deposits received	150	276
C03100	Return of guarantee deposits received	(4,326)	(56)
C04020	Repayment of lease principal	(21,594)	(21,927)
C04500	Issue of cash dividends	(260,044)	(232,015)
C05800	Payment of cash dividends to non-controlling interests	(33,175)	(7,513)
C09900	Acquisition of non-controlling interests	(20,127)	(2,877)
C09900	Issuance of new restricted employee shares by subsidiaries	80,879	-
C09900	Cash capital reduction from subsidiaries	(7,590)	-
C09900	Gain from the exercise of disgorgement by the Company	10	205
CCCC	Net cash inflow (outflow) from financing activities	271,231	(252,797)
DDDD	Effect of changes in exchange rates on cash and cash equivalents	5,915	397
EEEE	Net increase in cash and cash equivalents	75,860	139,891
E00100	Opening balance of cash and cash equivalents	614,614	474,723
E00200	Ending balance of cash and cash equivalents	$ 690,474	$ 614,614

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

(Refer to the audit report of Deloitte & Touche on Mar. 9, 2023)

Highlight Tech Corp. and Its Subsidiaries
Notes to Consolidated Financial Statements
For the Years Ended Dec. 31, 2022 and 2021
(Unless stated otherwise, the unit is NTD thousand)

I. Organization and Operations

The Company was incorporated in April 1997 and started operations in May of the same year. It is mainly engaged in the manufacturing of vacuum components for high-tech processes, the design and production of system modules, and the sales and maintenance of vacuum equipment.

Since December 2002, the Company's stock has been listed on Taipei Exchange for trading.

The consolidated financial statements are presented in New Taiwan dollars, the Company's functional currency.

II. Date and Procedures for Approval of the Financial Report

The consolidated financial statements were approved by the board of directors and authorized for issue on Feb. 23, 2023.

III. Application of Newly Issued and Amended Standards and Interpretations

(I) Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The application of the amendments to the IFRSs endorsed and issued into effect by the FSC will not have a material impact on the accounting policies of the Company and the entities controlled by the Company (collectively, the "Group").

(II) IFRSs endorsed by FSC that are applicable from 2023 onwards

New/ Revised/ Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IAS 1 "Disclosure of	Jan. 1, 2023 (Note 1)

Accounting Policies"	
Amendments to IAS 8 "Definition of Accounting Estimates"	Jan. 1, 2023 (Note 2)
Amendments to IAS 12 "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction"	Jan. 1, 2023 (Note 3)

Note 1: This amendment applies for annual reporting periods beginning after Jan. 1, 2023.

Note 2: The amendments apply to changes in accounting estimates and accounting policies that occur during the annual reporting period beginning on or after Jan. 1, 2023.

Note 3: The amendments apply to transactions occurring on or after Jan. 1, 2022, except for the recognition of deferred tax for temporary differences related to leases sand decommissioning obligations on Jan. 1, 2022.

As of the date the consolidated financial statements were approved for release, the amendments to the above-mentioned standards and interpretations will not have a significant impact on the Group's financial position and financial performance based on the assessment.

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

New/ Revised/ Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined
Amendments to IFRS 16 - Lease liability in a Sale and Leaseback	Jan. 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	Jan. 1, 2023
Amendments to IFRS 17	Jan. 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9- Comparative Information"	Jan. 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	Jan. 1, 2024
Amendments to IAS 1 - Non-current Liabilities with Covenants	Jan. 1, 2024

Note 1: Unless otherwise specified, the above-mentioned new/ revised/ amended standards or interpretations will take effect during the annual reporting period beginning on or after each date.

Note 2: A seller-lessee applies the amendments retrospectively to IFRS 16 to sale and leaseback transactions entered into after the date of initial application.

As of the date the consolidated financial statements were approved for release, the Group continued to assess the possible impact of the application of the above standards and interpretations on its financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

IV. <u>Summary of Significant Accounting Policies</u>

(I) Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRSs as endorsed and issued into effect by the FSC.

(II) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the financial instruments measured at fair value.

The fair value measurement is classified into three levels based on the observability and significance of relevant inputs:

1. Level 1 inputs: Quoted (unadjusted) prices in active markets for identical assets or liabilities on the measurement date.
2. Level 2 inputs: Inputs, other than quoted market prices within level 1 that are observable, either directly (i.e. prices) or indirectly (derived from prices) for assets or liabilities.
3. Level 3 inputs: Unobservable inputs for assets or liabilities.

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

Current assets include:

1. Assets held primarily for the purpose of trading;
2. Assets expected to be realized within 12 months after the balance sheet date; and
3. Cash or cash equivalents (excluding assets restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held primarily for the purpose of trading;
2. Liabilities due to be settled within 12 months after the balance sheet date; and
3. Liabilities with a repayment deadline that cannot be unconditionally deferred for at least 12 months after the balance sheet date.

Assets and liabilities that are not classified as current are classified as non-current.

(IV) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities (subsidiaries) controlled by the Company. Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statements of comprehensive income from the effective dates of acquisition up to the effective dates of disposal. The financial statements of subsidiaries have been adjusted to ensure consistency between their accounting policies and the Group's. All intra-group transactions, balances, income, and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group and non-controlling interests have been adjusted to reflect the changes in its relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 12 and Tables 5 and 6 for the detailed information on subsidiaries (including the percentage of ownership and main business).

(V) Business combination

Business combination are accounted for using the acquisition method. Acquisition-related costs are recognized in expenses in the period in which the costs are incurred and the services are obtained.

Goodwill is measured based on the total amount by which the fair value of the consideration of the transfer and the fair value of the acquiree's interests held by the acquirer at the acquisition date exceeds the net amount of identifiable assets acquired and liabilities assumed at the acquisition date. If, after reassessment, the net amount of identifiable assets acquired and liabilities assumed at the acquisition date still exceeds the sum of the fair value of the consideration of the transfer and the fair value of the acquiree's interests held by the acquirer at the acquisition date, the difference is a bargain purchase gain and shall be recognized in profit or loss immediately.

(VI) Foreign currency

When the financial statements of each individual entity in the Group are prepared, transactions in currencies other than the entity's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing on the transaction dates.

At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. The resulting exchange difference is recognized in profit or loss. For items whose changes in fair value are recognized in other comprehensive income, the resulting exchange difference is recognized in other comprehensive income.

Non-monetary items measured at historical cost that are denominated in foreign currencies are translated at the rates of exchange prevailing on the transaction dates and are not retranslated.

When the consolidated financial statements are prepared, the assets and liabilities of the Company's foreign operations (including subsidiaries or associates that operate in countries or adopt the functional currencies different from the Company) are translated into New Taiwan dollars at the rates of exchange prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period. The resulting currency exchange differences are recognized in other comprehensive income (and attributed to the owners of the Company and non-controlling interests).

(VII) Inventories

Inventories include raw materials (maintenance materials), finished goods, work in progress, and merchandise. The value of inventories is determined based on the cost or net realizable value, whichever is lower. The comparison of the cost and the realizable value is based on individual items except for inventories of the same category. The net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale. The cost of inventories is calculated using the weighted average method.

(VIII) Investments in associates

An associate is an entity on which the Group has significant influence and is not a subsidiary.

The Group adopts the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of the equity of associates based on the percentage of ownership.

(IX) Property, plant and equipment

Property, plant and equipment are recognized at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment under construction are recognized at cost less accumulated impairment loss. The cost shall include professional service expenses and the borrowing costs eligible for capitalization. Such assets are classified into appropriate property, plant and equipment categories upon completion and reaching the status of intended use, and the depreciation will begin.

Except for self-owned land, which is not depreciated, each significant component of the remaining property, plant and equipment is depreciated separately on a straight-line basis within their useful lives. Where the lease term is shorter than the useful life, property, plant and equipment shall be depreciated over the lease term. The Group conducts at least one annual review at the end of each year to assess the estimated useful life, residual value, and depreciation methods, and applies the effect of changes in applicable accounting estimates prospectively.

When derecognizing property, plant and equipment, the difference between the net disposal proceeds and the carrying amount of the asset shall be recognized in loss or profit.

(X) Investment property

Investment property refers to property held for the purpose of earning rents or capital appreciation or both.

Self-owned investment property is initially measured at cost (including transaction cost), and subsequently measured at cost less accumulated depreciation. Investment property is depreciated on a straight-line basis.

When investment property is derecognized, the difference between the net disposal price and the carrying amount of the asset is recognized in profit or loss.

(XI) Goodwill

The cost of goodwill from business combination is the amount of goodwill recognized at the acquisition date. It is subsequently measured at cost less accumulated impairment loss.

To measure impairment, goodwill is allocated among cash generating units (the "CGUs") or a group of CGUs, which are expected to benefit from the synergy.

The carrying amount and recoverable amount of the CGUs to which goodwill is allocated will be compared every year (and whenever there are signs of impairment) as impairment testing on the units. If the goodwill allocated to the CGUs was obtained through business combination during the year, the CGUs shall undergo the impairment testing before the end of the year. If the recoverable amount of CGUs to which goodwill is allocated is lower than its carrying amount, the impairment loss is first deducted from the carrying amount of the goodwill of said CGUs. Next, the carrying amount of other assets within said CGUs is deducted from the carrying amount of the goodwill of said CGUs in proportion to the carrying amount of each asset. Any impairment loss is recognized in loss in the current period. Impairment loss of goodwill shall not be reversed subsequently.

When a certain operation within a CGU to which goodwill is allocated is disposed of, the amount of goodwill related to the operation disposed of is included in the carrying amount of said operation to determine the gain or loss on disposal.

(XII) Intangible assets

1. Acquired separately

   Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization. Intangible assets are amortized using straight-line method over the useful lives. The Group conducts at least one annual review at the end of each year to assess the estimated useful life, residual value, and amortization methods, and applies the effect of changes in applicable accounting estimates prospectively.

2. Acquired through business combination

   The intangible assets acquired in a business combination are recognized at fair value at the acquisition date and recognized separately from goodwill. The subsequent measurement method is the same as that adopted for the intangible assets acquired separately.

3. Derecognition

   When investment property is derecognized, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

(XIII) Impairment of property, plant and equipment, right-of-use assets, investment property and intangible assets (excluding goodwill)

The Group assesses if there are any signs of possible impairment in property, plant, and equipment as well as right-of-use, investment property and intangible assets (excluding goodwill) at each balance sheet date. If there is any sign of impairment, an estimate is made of its recoverable amount. If it is not possible to determine the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the fair value less cost of sales or its value in use, whichever is higher. If the recoverable amount of an individual asset or a CGU is lower than its carrying amount, the carrying amount is reduced to the recoverable amount, and the impairment loss is recognized in profit or loss.

When the impairment loss is subsequently reversed, the carrying amount of the asset or the CGU is increased to the revised recoverable amount, provided that the increased carrying amount shall not exceed the carrying amount (less amortization or depreciation) of the asset or the CGU, which was not recognized in impairment loss in prior years. The reversal of the impairment loss is recognized in profit or loss.

(XIV) Financial instruments

Financial assets and financial liabilities shall be recognized in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and liabilities are initially recognized at fair values. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss and included in the initially recognized amount of the financial assets or financial liabilities.

1. Financial assets

Regular trading of financial assets shall be recognized and derecognized in accordance with trade date accounting.

(1) Measurement types

Financial assets held by the Group are those measured at fair value through profit or loss (FVTPL) and at amortized cost, as well as investments in equity instruments measured at fair value through other comprehensive income (FVTOCI).

A. Financial assets at FVTPL

Financial assets measured at FVTPL are those mandatorily measured at FVTPL. Financial assets mandatorily measured at FVTPL include investments in equity instrument that the Group has not designated to measure at FVTOCI, and debt instruments that are not eligible to be classified as measured at amortized cost or at FVTOCI.

Financial assets measured at FVTPL are measured at fair value; the dividends and interest generated from which are recognized in other income and interest income, and the gains or losses arising from re-measurement are recognized in profit or loss. Please refer to Note 32 for the method of determining the fair value.

B. Financial assets at amortized cost

When the Group's investments in financial assets meet the following two conditions simultaneously, they are classified as financial assets measured at amortized cost:

a. Held under a certain business model, of which the objective is to collect contractual cash flows by holding the financial assets; and

b. The cash flows on specific dates specified in the contractual terms are solely payments of the principal and interest on the principal amount outstanding.

After initial recognition, such assets (including cash and cash equivalents, financial assets at amortized cost (including current and non-current), notes receivable, accounts receivable, other receivables, and refundable deposits) are measured at the amortized cost of the total carrying amount determined by the effective interest method less any impairment loss, and any foreign currency exchange gains or losses are recognized in profit or loss.

Except for the following two cases, interest revenue is calculated by multiplying the effective interest rate by the total carrying amount of financial assets:

a. For purchased or originated credit-impaired financial asset, interest revenue is calculated by multiplying the credit-adjusted effective interest rate by the amortized cost of the financial asset.

b. For a financial asset that is not purchased or originated credit-impaired but subsequently becomes credit impaired, interest income is calculated by multiplying the effective interest rate from the next reporting period after the credit impairment by the amortized cost of the financial asset.

Credit-impaired financial assets refer to a situation in which the issuer or debtor has experienced significant financial difficulties or defaulted, the debtor is likely to apply for bankruptcy or other financial restructuring, or the active market for such financial assets disappears due to financial difficulties.

Cash equivalents include time deposits that are highly liquid and readily convertible into a fixed amount of cash at any time within 3 months from the date of acquisition while featuring little risk of value changes, which are used to meet short-term cash commitments.

C. Investments in equity instruments at FVTOCI

The Group may, upon initial recognition, make an irrevocable election to designate as at FVTOCI the investments in equity instruments that are not held for trading and the ones that are not recognized by an acquirer in a business combination or with the contingent consideration.

Investments in an equity instrument measured at FVTOCI are measured at fair value, and any subsequent fair value changes are recognized in other comprehensive income and accumulated in other equity. At the time of disposal of such investments, the accumulated gains and losses are directly reclassified to retained earnings and will not be reclassified to profit or loss.

Dividends of investments in equity instruments measured at FVTOCI are recognized in profit or loss when the Group's right to receive dividends is established unless such dividends clearly represent the recovery of a part of the investment cost.

(2) Impairment of financial assets and contract assets

The Group assesses and contract assets the impairment loss of financial assets measured at amortized cost (including accounts receivable) based on the expected credit loss at each balance sheet date.

Accounts receivable and contract assets the recognized as allowance losses based on lifetime expected credit losses. Other financial assets are first assessed based on whether the credit risk has increased significantly since the initial recognition. If there is no significant increase in the risk, a loss allowance is recognized at an amount equal to 12-month ECLs. If the risks have increased significantly, a loss allowance is recognized at an amount equal to lifetime ECLs.

The ECLs refer to the weighted average credit loss with the risk of default as the weight. The 12-month ECLs represent the ECLs from possible defaults of a financial instrument within

12 months after the reporting date. The lifetime ECLs represent the ECLs from all possible defaults in a financial instrument over the expected life of a financial instrument.

For the purpose of internal credit risk management, the Group, without considering the collateral held, determines that the following situations represent defaults in the financial assets:

A. Internal or external information indicates that it is impossible for the debtor to settle the debt.

B. It is overdue for more than 90 days, unless there is reasonable and corroborative information showing that a default date postponed is more appropriate.

The Group recognizes an impairment loss for all financial assets with a corresponding downward adjustment to their carrying amount through a loss allowance account. However, the loss allowance for investment in debt instruments measured at FVTOCI is recognized in other comprehensive income without a downward adjustment to the carrying amount.

(3) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash inflow from the financial asset expire or when it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the consideration received is recognized in profit or loss. When derecognizing an investment in equity instrument at FVTOCI in its entirety, the cumulative profit or loss is transferred directly to retained earnings and is not reclassified to profit or loss.

2. Equity instruments

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

Equity instruments issued by the Group are recognized at the proceeds received, net of the cost of direct issue.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. The purchase, sale, issuance, or cancellation of the Company's own equity instruments is not recognized in profit or loss.

3. Financial liability

   (1) Subsequent measurement

   All financial liabilities are measured at amortized cost using the effective interest method except for the following cases:

   <u>Financial liabilities at FVTPL</u>

   Financial liabilities at FVTPL include those held for trading.

   Financial liabilities held for trading are measured at fair value; the interest accrued is recognized in financial costs, and other gains or losses arising from re-measurement are recognized in other gains or losses.

   Please refer to Note 32 for the method of determining the fair value.

   (2) Derecognition of financial liabilities

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

4. Convertible bonds

   The components of conversion rights of convertible bonds issued by the Group are not a fixed amount of conversion rights settled through the Group's own equity instruments through the exchange of a fixed amount of cash or other financial assets, so it is classified as derivative financial liabilities.

At the time of initial recognition, the derivative financial liabilities of convertible bonds are measured at fair value, and the initial carrying amount of the non-derivative financial liabilities is the balance after embedded derivatives are separated. In subsequent periods, non-derivative financial assets are measured at amortized cost using the effective interest method, and derivative financial liabilities are measured at fair value, and changes in fair value are recognized in profit or loss. The transaction costs related to the issue of convertible bonds are allocated to the non-derivative financial liabilities (recognized in the carrying amount of liabilities) and derivative financial assets (recognized in profit or loss) of the instrument in proportion to the fair values.

5. Derivative instruments

The Group's derivative instruments, including forward foreign exchange contracts, are adopted to manage the Group's exchange rate risk.

Derivative instruments are initially recognized at fair value when the derivative contract is signed, and subsequently remeasured at fair value at the balance sheet date. The gains or losses resulting from subsequent measurement are directly recognized in profit or loss. When the fair value of a derivative instrument is a positive number, it is classified as a financial asset; when the fair value is a negative number, it is classified as a financial liability.

(XV) Provisions

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. A provision is measured using the cash flows estimated to settle the present obligation.

Warranties

The warranty obligation to ensure that the product conforms to the agreed specifications is recognized when the relevant product is recognized as revenue based on the management's best estimate of the expense required to settle the obligations of the Group.

(XVI) Revenue recognition

After the performance obligations are identified in a customer contract, the Group allocates the transaction price to each performance obligation, and recognizes it in revenue when each performance obligation is satisfied.

1. Merchandise sales revenue

   When the products are delivered to the location designated by customers, customers have the right to determine the price and the way the products are used while bearing the main responsibility for resale and the risk of obsolescence, upon which revenue and accounts receivable/contract assets are recognized by the Group and transferred to accounts receivable when the remaining obligations are satisfied.

2. Service income

   Service income comes from the provision of maintenance and cleaning services. Relevant income is recognized when the service is completed and accepted.

(XVII) Leasing

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

1. The Group as lessor

   Where almost all the risks and rewards attached to the ownership of an asset are transferred to the lessee in lease terms, such leases are classified as finance leases. All other leases are classified as operating leases.

Under operating leases, lease payments less lease incentives are recognized in income on a straight-line basis over the relevant lease terms. The original direct cost incurred in obtaining an operating lease is added to the carrying amount of the underlying asset and recognized in expenses on a straight-line basis over the lease term.

When a lease covers both land and building elements, the Group assesses whether almost all the risks and rewards attached to the ownership of each element have been transferred to the lessee to assess whether each element is classified as a financial lease or an operating lease. A lease payment is allocated to land and buildings based on the proportion of the fair value of lease rights of the land element to that of the building element on the date that the contract is established. If a lease payment can be reliably allocated to these two elements, each element is treated according to the applicable lease category. If a lease payment cannot be allocated to these two elements reliably, the overall lease is classified as a finance lease, but if both of these elements clearly meet the criteria for an operating lease, the overall lease is classified as an operating lease.

2. The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of each lease, except for leases of low-value assets and short-term leases accounted for by applying a recognition exemption where lease payments are recognized in expenses on a straight-line basis over the lease terms.

A right-of-use asset is initially measured at cost (including the initial measured amount of lease liabilities, the amount of lease payments made to the lessor less lease incentives received prior to the inception of a lease, initial direct costs, and the estimated costs of restoring underlying assets), and subsequently measured at cost less accumulated depreciation and accumulated impairment and adjusted for any re-measurement of the lease liabilities.

Right-of-use assets are presented on a separate line in the consolidated balance sheets.

A right-of-use asset is depreciated on a straight-line basis over the period from the lease commencement date to the end of its useful life, or to the end of the lease term, whichever is earlier.

The lease liability is initially measured at the present value of the lease payment (fixed payment). If the interest rate implicit in a lease can be easily determined, the lease payment is discounted at such an interest rate. If the interest rate cannot be easily determined, the lessee's incremental borrowing rate applies.

Subsequently, lease liabilities are measured at the amortized cost using the effective interest rate method, and interest expense is amortized over the lease term. If changes in the lease term lead to changes in future lease payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets has been reduced to zero, the remaining re-measurement amount is recognized in profit or loss. For lease modifications that are not treated as a separate lease, re-measurement of the lease liabilities due to the reduced scope of the lease is to reduce the right-of-use assets, and to recognize the profit or loss of the partial or full termination of the lease; the re-measurement of the lease liabilities due to other modifications is to adjust the right-of-use assets. Lease liabilities are presented on a separate line in the consolidated balance sheets.

The variable rent in a lease arrangement that is not dependent on the index or rate is recognized in expenses in the period in which it is incurred.

(XVIII) Borrowing costs

Borrowing costs directly attributable to an acquisition, construction, or production of qualifying assets are added to the cost of said assets, until such time as the assets are substantially ready for their intended use or sale.

For specific borrowings, if the investment income earned by making a temporary investment before the capital expenditure that meets the requirements is incurred, it is deducted from the borrowing costs that meet the capitalization conditions.

Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(XIX) Employee benefits

1. Short-term employee benefits

   Relevant liabilities for short-term employee benefits are measured by the non-discounted amount expected to be paid in exchange for employee services.

2. Post-employment benefits

   For pension under the defined contribution plan, the amount of pension contributed is recognized in expenses during employees' service period.

   The defined benefit cost under the defined benefit pension plan (including service cost, net interest, and re-measurement) is calculated based on the projected unit credit method. The service cost (including the service costs for the current period) and the net interest on the net defined benefit liabilities (assets) are recognized in employee benefit expenses as they occur. The re-measurement (including actuarial gains and losses, and the return on plan assets, net of interest) is recognized in other comprehensive income and listed in retained earnings when it occurs, and will not be reclassified to profit or loss subsequently.

   The net defined benefit liabilities (assets) are the deficit (surplus) of the defined benefit pension plan. The net defined benefit assets may not exceed the present value of any refunds from the plan or reductions in future contributions to the plan.

(XX) Income tax

The income tax expense represents the sum of the current income tax and deferred tax.

1. Current income tax

   The Group determines the income (loss) of the current year in accordance with the laws and regulations in each jurisdiction for income tax declaration, and calculates the income tax payable (recoverable) accordingly.

   A surtax imposed on the undistributed earnings pursuant to the Income Tax Act of R.O.C. is recognized in the year in which it is resolved by the annual shareholders' meeting.

   Adjustment to income tax payable from prior years are recognized in the current income tax.

2. Deferred tax

   Deferred income tax is calculated based on the temporary differences between the carrying amount of assets and liabilities and the corresponding tax bases used in the computation of taxable income.

   Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized when there are likely to be taxable income to deduct temporary differences.

   Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that said temporary difference will not be reversed in the foreseeable future. The deductible temporary differences related to said investments are recognized in deferred income tax only if it is probable that there will be sufficient taxable income against which to utilize the benefits of the temporary differences, and they are expected to be reversed in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at each balance sheet date and recognized to the extent that it has become probable that future taxable income will allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates in the period in which the liabilities are expected to be settled or assets realized, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

3. Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, the current and deferred taxes are recognized in other comprehensive income or directly in equity, respectively.

V. Critical Accounting Judgments and Key Sources of Estimation and Uncertainty

The accounting policies adopted by the Group does not involve critical accounting judgments, estimates, and assumptions.

VI. Cash and cash equivalents

	Dec. 31, 2022	Dec. 31, 2021
Cash on hand and petty cash	$ 1,062	$ 1,239
Checking accounts and demand deposits	624,739	552,391
Cash equivalents		
Time deposits	64,673	35,984

	Dec. 31, 2022	Dec. 31, 2021
Bonds under repurchase agreement	-	25,000
	$ 690,474	$ 614,614

VII. Financial instruments at FVTPL

	Dec. 31, 2022	Dec. 31, 2021
Financial assets - current		
Mandatorily at FVTPL		
Non-derivative financial assets		
- Domestic stocks listed on Taipei Exchange	$ -	$ 87,434
- Fund beneficiary certificates	33,184	15,215
Subtotal	33,184	102,649
Derivative instruments held for trading (not designated for hedging)		
- Forward foreign exchange contracts	-	9
	$ 33,184	$ 102,658

For the domestic privately placed stocks listed on Taipei Exchange held by the Group, as the supplementary public offering process was completed, and such stocks have been officially listed on Taipei Exchange for trading since Apr. 29, 2021, their fair values can be quoted in the active market and can be traded in the public offering market, so the Group has reclassified such stocks held to financial assets - current since April 2021.

Forward foreign exchange contracts

The unexpired forward foreign exchange contracts without hedging accounting applied at the balance sheet date are as follows:

Dec. 31, 2021

	Currency	Contract period	Contract amount (NTD thousand)
Sale of forward foreign exchange contracts	USD to NTD	2021.08.02-2022.05.31	USD 30／NTD 842

The purpose of the Group in engaging in forward foreign exchange transactions is mainly to hedge the risks of exchange rate fluctuations arising from its foreign currency assets and liabilities.

VIII. Financial assets at fair value through other comprehensive income

	Dec. 31, 2022	Dec. 31, 2021
Non-current		
Investments in equity instruments at FVTOCI		
Domestic investment		
Unlisted stocks	$ 5,985	$ 6,156

The Group's investment in aforesaid equity investments is based on a mid and long-term strategy, so it has elected to designate said investments as measured at FVTOCI.

IX. Financial assets at amortized cost

	Dec. 31, 2022	Dec. 31, 2021
Current		
Time deposits with original maturity date of more than 3 months (I & II)	$ 47,612	$ 48,407
Non-current		
Time deposits with original maturity date of more than 1 year (annual interest rate at 2.25% - 2.75%)	$ 17,638	$ 17,388

(I) As of Dec. 31, 2022 and 2021, the annual interest rate range of time deposits with original maturity date of more than 3 months was 0.23%-3.3% and 0.16%- 0.815%, respectively.

(II) For information on pledging of financial assets measured at amortized cost, please refer to Note 34.

(III) The policy adopted by the Group is to invest only in debt instruments with low credit risk based on impairment assessment. The Group measured the 12-month ECL or lifetime ECL of the investments in debt instruments based on the historical default loss rate and the prospects of its industry. Because debtors' credit risk was low and had sufficient ability to pay off contractual debts. As of Dec. 31, 2022 and 2021, there is no ECL recognized for financial assets measured at amortized cost.

X. Notes receivable and accounts receivable

	Dec. 31, 2022	Dec. 31, 2021
Notes receivable from operations		
At amortized cost	$ 11,893	$ 73,222
Accounts receivable from operations		
At amortized cost		
Total carrying amount	$ 584,004	$ 514,538
Less: Allowance for losses	34,189	31,568
	$ 549,815	$ 482,970

Accounts receivable

The Group's average credit period for sales is 30 days to 120 days. The policy adopted by the Group is to only transact with reputable counterparties and obtain full guarantees when necessary to reduce the risk of financial losses due to defaults. The Group will adopt other publicly available financial data and records of transaction between both sides to rate major customers. The business units will classify customers and grant credit limits based on the ratings. If necessary, customers will be required to provide guarantees or conduct transactions in cash. The Group's management will review and approve counterparties' credit limits to control the exposure to the credit risk.

The Group recognizes the loss allowance for accounts receivable based on the lifetime ECLs. The lifetime ECLs are calculated using a provision matrix based on the consideration for customers' past default records, current financial position, and industrial economic situation. As the Group's historical experience in credit loss shows that there is no significant difference in the loss patterns among different customer groups, the customer groups are not further differentiated in the provision matrix, and only the ECLs based on the age of the accounts receivable are set.

If there is evidence that a counterparty is facing serious financial difficulties and the Group cannot reasonably expect to recover the amount, the Group will directly write off the relevant accounts receivable, but will continue to try to collect the receivable. The recovered amount is recognized in profit or loss.

The loss allowance for accounts and notes receivable measured by the Group based on the provision matrix as follows:

Dec. 31, 2022

	Less than 90 days	91-180 days	181-365 days	Over 366 days	Total
ECLs	0%	1%	30%	50%～100%	
Total carrying amount	$ 474,021	$ 66,750	$ 28,307	$ 26,819	$ 595,897
Allowance for losses (lifetime ECLs)	-	(1,064)	(8,459)	(24,666)	(34,189)
Amortized cost	$ 474,021	$ 65,686	$ 19,848	$ 2,153	$ 561,708

Dec. 31, 2021

	Less than 90 days	91-180 days	181-365 days	Over 366 days	Total
ECLs	0%	1%	30%	50%～100%	
Total carrying amount	$ 467,147	$ 72,884	$ 24,149	$ 23,580	$ 587,760
Allowance for losses (lifetime ECLs)	-	(750)	(7,245)	(23,573)	(31,568)
Amortized cost	$ 467,147	$ 72,134	$ 16,904	$ 7	$ 556,192

The information on changes in the loss allowance for accounts receivable is as follows:

	2022	2021
Balance at beginning of the year	$ 31,568	$ 34,861
Add: Impairment loss recognized for the year	4,673	1,385
Less: Actual write-off for the year	(89)	(4,526)
Foreign currency translation difference	(1,963)	(152)
Balance at end of the year	$ 34,189	$ 31,568

XI. Inventories

	Dec. 31, 2022	Dec. 31, 2021
Finished goods	$ 731,308	$ 540,963
Work in progress	164,856	94,133
Raw materials (including maintenance materials)	420,917	417,898
Merchandise	159,897	150,182
	$ 1,476,978	$ 1,203,176

In 2022 and 2021, the cost of sales related to inventories was NT$2,403,648,000 and NT$2,046,066,000, respectively. The cost of sales for 2022, including inventory valuation losses, was NT$5,063,000.

XII. Subsidiaries

(I) Subsidiaries included in the consolidated financial statements

The main entities in the consolidated financial statements are as follows:

Name of investor	Name of subsidiary	Nature of business	Shareholding percentage Dec. 31, 2022	Shareholding percentage Dec. 31, 2021	Description
The Company	Highlight Tech International Corp.	A holding company that invests in businesses in Mainland China	100	100	
The Company	Highlight Tech System Corp. (Highlight Tech System)	Surface treatment, automatic control equipment engineering, mechanical equipment manufacturing, as well as design, manufacturing, wholesale, and retail of electronic components	-	-	Notes 3 & 4
The Company	Finesse Technology Co., Ltd. (Finesse Technology)	Mechanical equipment maintenance and wholesale of relevant parts	39.82	43.20	Note 4
The Company	Shanorm Tech Co., Ltd. (Shanorm Tech)	Repair of mechanical equipment and electronic components and retail of mechanical appliances and electronic materials	99.26	66.16	Note 1
The Company	Schmidt Scientific Taiwan Ltd. (Schmidt Scientific)	Sales of medical equipment, electronic components, optical instruments, and automatic solar cell stringer machines	57.17	57.17	Note 2
The Company	HIGHLIGHT TECH JAPAN LLC.	Sales of electronic equipment, manufacturing of vacuum components, and sales and maintenance of vacuum equipment	-	-	Note 6
Finesse Technology	Highlight Tech System	Surface treatment, automatic control equipment engineering, mechanical equipment manufacturing, as well as design, manufacturing, wholesale, and retail of electronic components	100	100	Notes 3 & 4
Finesse Technology	Schmidt Scientific	Sales of medical equipment, electronic components, optical instruments, and automatic solar cell stringer machines	15.18	15.18	Note 2
Finesse Technology	Finesse Lifecare Co., Ltd. (Finesse Lifecare)	Manufacturing of electronic components as well as wholesale and retail of precision instruments and electronic materials	35.29	35.29	Note 5

Finesse Technology	Finesse Technology (Shanghai) Co., Ltd.	Maintenance and sales of electronic product components as well as mechanical and electrical equipment	100	100	
Highlight Tech International Corp.	Highlight Tech (Shanghai) Corp.	Sales of vacuum components and sales and maintenance of vacuum equipment	100	100	
Highlight Tech System	Highlight Tech System International Limited	A holding company that invests in businesses in Mainland China	100	100	
Highlight Tech System International Limited	Highlight Tech System (Shanghai) Corp.	Manufacturing of mechanical equipment, as well as design, manufacturing, wholesale, and retail of electronic components.	100	100	
Schmidt Scientific	Schmidt Taiwan International Ltd. (STIL)	Sale and purchase of various medical equipment, electronic products, and solar energy equipment	-	100	Note 2
STIL	Schmidt Technology Inc. (STI)	A holding company that invests in businesses in Mainland China	-	100	Note 2
STI	Schmidt International Trading (Shanghai) Co., Ltd.	Sale and purchase of various medical equipment, electronic products, and solar energy equipment	-	100	Note 7

Note 1: The Company acquired 33.10% of equity from non-related party in January 2022 with the amount of NT$20,127,000, please refer to the description in Note 29.

Note 2: Schmidt Scientific's Board of Directors approved the in December 2021 to dispose of the STIL and close the STI, and the recognized exchange difference on translating the financial statements of NT$43,239,000 was reclassified to loss on disposal of investments. Registration for STIL and STI were canceled in October 2022 and August 2022 respectively and liquidation has been completed.

Note 3: Finesse Technology. acquired 1.11% of the non-controlling interests of Highlight Tech System in 2021. Please refer to Note 29 for details.

Note 4: Because the Company has obtained more than half of the board seats of Finesse Technology, it has control over Finesse Technology, which was therefore listed as a subsidiary. The extraordinary shareholders' meetings of both Finesse Technology and Highlight Tech System passed a resolution on

Oct. 20, 2021 to set Nov. 30, 2021 as the record date for share exchange. Finesse Technology issued new shares to obtain 62.87% of equity of Highlight Tech System through the share exchange, and Highlight Tech System became a wholly-owned subsidiary of Finesse Technology. As a result of the share conversion, the Company's shareholding ratio in Finesse Technology increased to 43.20%. In 2022, Finesse Technology issued new restricted employee shares which reduced the shareholding ratio to 39.82%.

Note 5: As Finesse Lifecare and Finesse Technology share more than half of the directors, the Company has control over Finesse Lifecare, which was therefore listed as a subsidiary.

Note 6: The Company established Highlight Tech Japan LLC. on Aug. 28, 2020, and the investment has not been remitted as of Dec. 31, 2022.

Note 7: The cancellation of registration was completed on Aug. 30, 2022.

(II) Information on subsidiaries with significant non-controlling interests

	Percentage of equity and voting rights held by non-controlling interests	
Name of subsidiary	Dec. 31, 2022	Dec. 31, 2021
Finesse Technology	60.18%	56.8%

Please refer to Table 5 for the information on the main place of business and country of company registration.

	Profit or loss allocated to non-controlling interests		Non-controlling interests	
Name of subsidiary	2022	2021	Dec. 31, 2022	Dec. 31, 2021
Finesse Technology	$ 72,784	$ 59,064	$ 441,090	$ 331,487

The aggregate financial information of the subsidiary below is compiled based on the amount before the elimination of inter-company transactions:

Finesse Technology

	Dec. 31, 2022	Dec. 31, 2021
Current assets	$ 539,710	$ 348,442
Non-current assets	412,756	645,771
Current liabilities	(177,019)	(173,947)
Non-current liabilities	(5,746)	(199,924)
Equity	$ 769,701	$ 620,342

	Dec. 31, 2022	Dec. 31, 2021
Equity attributable to:		
Owners of the Company	$ 328,611	$ 288,855
Non-controlling interests of Finesse Technology	441,090	331,487
	$ 769,701	$ 620,342

	2022	2021
Operating revenue	$ 614,875	$ 424,202
Current net income	$ 125,390	$ 97,274
Other comprehensive income	1,497	2,113
Total comprehensive income	$ 126,887	$ 99,387
Net income attributable to:		
Owners of the Company	$ 52,606	$ 38,210
Non-controlling interests of Finesse Technology	72,784	59,064
	$ 125,390	$ 97,274
Total comprehensive income attributable to:		
Owners of the Company	$ 53,280	$ 39,123

Non-controlling interests of Finesse Technology	73,607	60,264
	$ 126,887	$ 99,387

Cash flows		
Operating activities	$ 151,697	$ 67,237
Investing activities	261,917	(5,775)
Financing activities	(259,477)	(16,849)
Net cash inflow	$ 154,137	$ 44,613

Payment of dividends to non-controlling interests		
Finesse Technology	($ 33,175)	($ 7,513)

XIII. Investments accounted for using equity method

Investments in associates

	Dec. 31, 2022	Dec. 31, 2021
Associates that are not individually material		
HTC & Solar Service Limited	$ 243,126	$ 206,254

Aggregate information on associates that are not individually material

	2022	2021
The Group's share		
Current net income	$ 26,481	$ 35,064
Other comprehensive income	467	(604)
Total comprehensive income	$ 26,948	$ 34,460

In October 2022, the shareholding ratio of the Group dropped from 39.29% to 37.08% due to the issuance of new restricted employee shares by HTC & Solar Service Limited.

The Group's share of profit or loss and other comprehensive income of the investment in the company under the equity method in 2022 and 2021 was recognized based on the associates' financial statements that have been audited by CPAs for the same period.

XIV. Property, plant and equipment

The Group's property, plant and equipment are for self-use.

The changes in property, plant and equipment over the two phases are detailed in Table 1.

Depreciation expenses are recognized on a straight-line basis based on the number of useful lives below:

Buildings	
Main buildings of plants	5-50 years
Plant renovation projects	10 years
Machinery and equipment	2-20 years
Transportation equipment	5-6 years
Office equipment	3-8 years
Leasehold improvements	2-11 years
Other equipment	2-10 years

The Group's property, plant and equipment are pledged as collateral for borrowings, please refer to Note 34.

XV. Lease arrangements

(I) Right-of-use assets

	Dec. 31, 2022	Dec. 31, 2021
Carrying amount of tight-of-use assets		
Land	$ 26,525	$ 27,617
Buildings	33,022	41,521
Transportation equipment	22,677	20,381
	$ 82,224	$ 89,519

	2022	2021
Additions to right-of-use assets	$ 20,537	$ 9,061
Depreciation expenses of right-of-use assets		
Land	$ 1,856	$ 1,828
Buildings	8,499	9,118

	2022	2021
Transportation equipment	12,034	12,028
Office equipment	-	2
	$ 22,389	$ 22,976

Except for the additions and recognition of depreciation expenses listed above, there was no significant sublease or impairment of the Group's right-of-use assets in 2022 and 2021.

(II) Lease liabilities

	2022	2021
Carrying amount of lease liabilities		
Current	$ 19,537	$ 18,306
Non-current	$ 43,618	$ 51,781

Range of discount rate for lease liabilities is as follows:

	2022	2021
Land	1.9%	1.9%
Buildings	1.26%～2.68%	1.26%～2.68%
Transportation equipment	0.03%～4.75%	0.03%～5.97%
Office equipment	-	1.26%

(III) Material lease-in activities and terms

The Group signed a land lease contract in April 2011. The lease term was from November 2011 to June 2018. The annual rent was NT$3,024,000. The Group built a plant on the leased land with the Group as the builder. According to the lease contract, when the lease term expired, the ownership of the plant must be transferred and registered to the lessor of the land. The land value tax during the lease term shall be paid by the lessor of the land. The Group signed a building and land lease supplementary agreement in November 2016. The lease term is from January 2018 to June 2028. The annual rent is NT$2,272,000. After the lease term expires, the Group can enjoy the preferential right to lease said building and land.

The Group signed a land lease contract in January 2006. The lease term was from July 2006 to June 2018. The annual rent for the first to sixth years was NT$960,000, and it was NT$1,136,000 for the 7th to 12th year. The Group built a plant on the leased land with the Group as the builder. According to the lease contract, when the lease term expired, the ownership of the plant must be transferred and registered to the lessor of the land. The land value tax during the lease term shall be paid by the lessor of the land. The Group signed a building and land lease supplementary agreement in March 2017. The lease term is from July 2018 to June 2023. The annual rent is NT$3,145,000. After the lease term expires, the Group can enjoy the preferential right to lease said building and land.

(IV) Other leasing information

	2022	2021
Short-term lease expenses	$ 10,847	$ 9,108
Lease expenses of low-value assets	$ 5,503	$ 2,916
Total cash outflow from leases	($ 38,757)	($ 35,020)

The Group has leased certain office equipment which qualifies for short-term leases and transportation equipment which qualifies for low-value asset leases. The Group has elected to apply the recognition exemption for said equipment and, thus, did not recognize the right-of-use assets and lease liabilities of said leases.

XVI. Investment property

	Land	Building and equipment	Total
Costs			
Balance at Jan. 1, 2021 and Dec. 31, 2021	$ 188,981	$ 52,040	$ 241,021
Accumulated Depreciation			
Balance at Jan. 1, 2021	$ -	$ 1,734	$ 1,734
Depreciation expenses	-	3,470	3,470
Balance at Dec. 31, 2021	$ -	$ 5,204	$ 5,204

Net amount at Dec. 31, 2021	$ 188,981	$ 46,836	$ 235,817
Costs			
Balance at Jan. 1, 2022	$ 188,981	$ 52,040	$ 241,021
Disposal	(188,981)	(52,040)	(241,021)
Balance at Dec. 31, 2022	$ -	$ -	$ -
Accumulated Depreciation			
Balance at Jan. 1, 2022	$ -	$ 5,204	$ 5,204
Depreciation expenses	-	289	289
Disposal	-	(5,493)	(5,493)
Balance at Dec. 31, 2022	$ -	$ -	$ -
Net amount at Dec. 31, 2022	$ -	$ -	$ -

The total amount of lease payments that will be received in the future for leasing out investment property under operating leases is as follows:

	Dec. 31, 2021
1st year	$ 10,200
2nd year	10,200
3rd year	5,950
	$ 26,350

Investment property is depreciated on a straight-line basis based on the number of useful lives below:

Main buildings	15 years

The Group acquired land and plant from a non-related party in May 2020, mainly for lease-out.

The fair value of investment property on May 15, 2020 was NT$263,719. The fair value was based on the appraisal conducted by the independent Jing-Zhun Real Estate Appraisal Firm, which was not a related party, on May 15, 2020. The evaluation is carried out by using the market comparison method and cost method.

The Group's Board of Directors passed a resolution on Dec. 9, 2021 to sell the land and plant buildings recognized in investment property to a non-related party at a price of NT$251,200,000, and a sale and purchase contract was signed on Jan. 27, 2022. The transfer has been completed and NT$15,672,000 of disposal profit have been recognized.

For the amount of investment property pledged as collateral for borrowings, please refer to Note 34.

XVII. Goodwill

	2022	2021
Finesse Technology	$ 36,738	$ 36,738
Shanorm Tech	14,733	14,733
	$ 51,471	$ 51,471

The goodwill generated by the Group's acquisition of Finesse Technology came from the benefits brought by the expected benefits of the business integration and growth of mechanical equipment maintenance.

The goodwill generated by the Group's acquisition of Shanorm Tech came from the expected benefits of the business integration and growth of vacuum pump maintenance as well as sales of used machines and spare parts.

The Group did not recognize any impairment loss of goodwill for the years ended Dec. 31, 2022 and 2021.

XVIII. Other intangible assets

	Customer relations	Computer software licenses	Professional technologies	Royalties	Total
Costs					
Balance at Jan. 1, 2021	$ 56,047	$ 30,899	$ 7,500	$ 500	$ 94,946
Acquired separately	-	11,266	-	-	11,266
Reclassification	-	26,342	-	-	26,342
Derecognized upon maturity	-	(8,615)	-	-	(8,615)
Net exchange difference	-	(40)	-	-	(40)
Balance at Dec. 31, 2021	$ 56,047	$ 59,852	$ 7,500	$ 500	$ 123,899
Accumulated amortization					
Balance at Jan. 1, 2021	$ 23,888	$ 23,723	$ 5,711	$ 500	$ 53,822
Amortization expenses	8,652	11,642	386	-	20,680
Derecognized upon maturity	-	(8,615)	-	-	(8,615)
Net exchange difference	-	(38)	-	-	(38)
Balance at Dec. 31, 2021	$ 32,540	$ 26,712	$ 6,097	$ 500	$ 65,849
Net amount at Dec. 31, 2021	$ 23,507	$ 33,140	$ 1,403	$ -	$ 58,050

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	Customer relations	Computer software licenses	Professional technologies	Royalties	Total
Costs					
Balance at Jan. 1, 2022	$ 56,047	$ 59,852	$ 7,500	$ 500	$ 123,899
Acquired separately	-	20,422	-	-	20,422
Reclassification	-	2,621	-	-	2,621
Derecognized upon maturity	-	(4,580)	-	-	(4,580)
Net exchange difference	-	59	-	-	59
Balance at Dec. 31, 2022	$ 56,047	$ 78,374	$ 7,500	$ 500	$ 142,421
Accumulated amortization					
Balance at Jan. 1, 2022	$ 32,540	$ 26,712	$ 6,097	$ 500	$ 65,849
Amortization expenses	8,652	14,448	386	-	23,486
Derecognized upon maturity	-	(4,580)	-	-	(4,580)
Net exchange difference	-	35	-	-	35
Balance at Dec. 31, 2022	$ 41,192	$ 36,615	$ 6,483	$ 500	$ 84,790
Net amount at Dec. 31, 2022	$ 14,855	$ 41,759	$ 1,017	$ -	$ 57,631

Amortization expenses are recognized on a straight-line basis based on the number of useful lives below:

Customer relations	6-10 years
Computer software licenses	1-5 years
Professional technologies	20 years

The Group's other intangible assets were not pledged as collateral.

XIX. Borrowings

(I) Short-term debts

	Dec. 31, 2022	Dec. 31, 2021
Bank credit borrowings	$ 440,000	$ 340,000

The annual interest rates for short-term debts are as follows:

	Dec. 31, 2022	Dec. 31, 2021
Credit borrowings	1.2%~2.04%	0.7%~1.45%

(II) Short-term bills payable

	Dec. 31, 2022	Dec. 31, 2021
Commercial paper payable	$ -	$ 14,000
Less: Discount on	-	(7)

short-term bills payable	$ -	$ 13,993

The short-term bills payable that has not yet expired is as follows:

Dec. 31, 2021

Guarantee/ Acceptance agency	Face value	Discount amount	Carrying amount	Interest rate range (%)	Name of collateral
Commercial paper payable					
Mega Bills Finance Co., Ltd.	$ 14,000	$ 7	$ 13,993	0.862%	None

(III) Long-term loans

Lending bank	Maturity date	Annual interest rate	Dec. 31, 2022	Dec. 31, 2021
Secured borrowings				
First Commercial Bank	2039.08.05	1.875%	$ 62,345	$ 92,299
Chang Hwa Commercial Bank, Ltd.	2040.07.12	1.05%	-	190,000
First Commercial Bank	2040.02.26	1.925%	81,601	85,000
First Commercial Bank	2035.02.26	1.925%	14,039	15,000
Bank of Taiwan	2025.08.15	1.125%	158,493	217,928
Bank of Taiwan	2025.11.15	1.125%	58,452	78,492
Bank of Taiwan	2026.01.15	1.125%	19,980	26,460
Bank of Taiwan	2026.07.15	1.125%	452,016	-
Bank of Taiwan	2027.04.15	1.125%	288,626	-
Bank of Taiwan	2027.12.15	1.125%	20,760	92
			1,156,312	705,271
Less: Current portion within 1 year			291,803	95,642
			$ 864,509	$ 609,629

The bank borrowings were secured by the Group's own land and buildings, please refer to Note 34.

XX. Bonds payable - Dec. 31, 2021

The Company issued the third domestic unsecured convertible bonds for the amount of NT$400,000,000 on May 29, 2020, with a coupon rate of 0%, at 100.5% of the par value. The total number of bonds issued was 4,000 in the total amount of NT$400,000,000 over a term of 3 years, from May 29, 2020 to May 29, 2023; the conversion was fully completed in November 2021.

Conversion rights of bondholders

Bondholders can request the Company at any time, from the day following the three months after the issue date of the convertible bonds (Aug. 30, 2020) to the maturity date (May 29, 2023), to convert the convertible bonds held into common stocks of the Company in accordance with the regulations except for (1) the book closure period in accordance with the law; (2) the period from the 15 business days before the Company's book closure date for stock dividends, book closure date for cash dividends, or book closure date for share subscription to the record date of the distribution of the entitlements; (3) from the record date of capital reduction to the day before the day of the capital reduction and redemption of shares; and (4) from the start date of the suspension of conversion (subscription) for the change of face value of the stock to the day before the day of the issue of new shares in exchange for the old shares. The conversion price was set at NT$28.3 per share at the time of issue, and may adjusted thereafter in accordance with the regulations.

The Company's right to redeem the bonds

(I) From Aug. 30, 2020 (from the day following the 3 months after the issue) to Apr. 19, 2023 (40 days before the maturity date), if the closing price of the Company's ordinary shares exceeds the current conversion price by 30% for 30 consecutive business days, the Company may, within the 30 business days thereafter, redeem the outstanding bonds in cash at the face value of the bonds according to the regulations.

(II) From Aug. 30, 2020 (from the day following the 3 months after the issue) to Apr. 19, 2023 (40 days before the maturity date), if the balance of the outstanding bonds is less than 10% of the original total face value upon issue, the Company may, at any time thereafter, redeem the outstanding bonds in cash at the face value of the bonds according to the regulations.

The convertible bonds include the liability and equity components. The equity components are presented in capital surplus - stock options under equity. The effective interest rate originally recognized for the liability component is 1.4994%.

Said third domestic unsecured convertible bonds have been converted at the request of bondholders. The conversion content in 2021 is as follows:

	Amount
Total amount of bonds requested to be converted	$ 76,700
Less: Common stock converted from the bonds requested to be converted above at the conversion price set in the issue regulations	(27,842)
Conversion premium	48,858
Add: Capital surplus-stock options	2,952
Less: Financial assets held for trading	(215)
Discount on bonds payable	(2,309)
Part of ordinary shares included in the capital surplus – conversion premium for conversion of bonds	$ 49,286

XXI. Provisions

	Dec. 31, 2022
Current	
Warranties	$ 10,676

	Warranties
Balance at Jan. 1, 2022	$ -
Increase for this period	10,676
Balance at Dec. 31, 2022	$ 10,676

The warranties provision for liabilities is the present value of the best estimate of the future economic outflows due to the warranties obligations by the management of the Group according to the contract for the sale of goods. This estimate is based on historical warranties and adjusted by taking into account new raw materials, changes in the process or other factors that affect product quality.

XXII. Other payables

	Dec. 31, 2022	Dec. 31, 2021
Salaries and bonuses payable	$ 228,244	$ 197,446
Remuneration payable to directors and employees	175,547	120,692
Unused annual leave payable	20,979	15,914
Pension payable	4,219	4,305
Travel allowances payable to employees	44,654	52,582
Construction payable and retainage and equipment payable	181,135	151,330
Others	81,315	66,258
	$ 736,093	$ 608,527

XXIII. Post-employment benefit plans

(I) Defined contribution plans

The Company, Finesse Technology, Finesse Lifecare, Highlight Tech System, and Shanorm Tech in the Group have adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the companies make monthly contributions to employees' individual pension accounts of the Bureau of Labor Insurance at 6% of monthly salaries and wages.

The employees of the Group's subsidiaries in China are members of the pension benefit plan operated by the local government in China. The subsidiaries must contribute a certain percentage of the salary cost to the pension benefit plan to provide funding for the plan. The Group's obligation for this government-managed pension benefit plan is only to contribute a specific amount of funds.

(II) Defined benefit plans

The pension system adopted by Schmidt Scientific and Highlight Tech System in the Group in accordance with the Labor Standards Act of R.O.C. is a state-managed defined benefit pension plan. The payment for employee pensions is calculated based on the length of service and the average salary in the 6 months prior to the approved retirement date. The company contributes pensions at 2% of the total monthly employee salaries, which are deposited by the Pension Fund Monitoring Committee in the pension account with the Bank of Taiwan in the name of the committee. Before the end of each year, if the balance in the pension account assessed is inadequate to pay for the retirement benefits for employees who meet the retirement requirements in the following year, the Company will contribute an amount to make up for the difference in a lump sum by the end of March of the following year. The pension account is managed by the Bureau of Labor Funds, Ministry of Labor; the Group has no right to influence the investment management strategy.

The amounts included in the consolidated balance sheets in respect of the Company's defined benefit plans are as follows:

	Dec. 31, 2022	Dec. 31, 2021
Present value of defined benefit obligations	$ 5,840	$ 10,151
Fair value of plan asset	(4,283)	(6,272)
Net defined benefit liabilities	$ 1,557	$ 3,879

Changes in net defined benefit liabilities (assets) are as follows:

	Present value of defined benefit obligations	Fair value of plan asset	Net defined benefit liabilities (assets)
Jan. 1, 2021	$ 18,087	($ 5,424)	$ 12,663
Service cost			
Current service cost	-	-	-
Service cost in the previous period and losses (gains) on settlement	(305)	-	(305)
Interest expense (income)	53	(16)	37
Recognized in profit or loss	(252)	(16)	(268)
Re-measurement			
Return on plan asset (except for the	-	(200)	(200)

amount included in the net interest)			
Actuarial (gains) losses			
- Changes in demographic assumptions	25	-	25
- Changes in financial assumptions	(408)	-	(408)
- Experience adjustments	(1,997)	-	(1,997)
Recognized in other comprehensive income	(2,380)	(200)	(2,580)

	Present value of defined benefit obligations	Fair value of plan asset	Net defined benefit liabilities (assets)
Contributions from the employer	$ -	($ 5,904)	($ 5,904)
Settlement	(2,515)	2,515	-
Benefits payment	(2,789)	2,757	(32)
Dec. 31, 2021	10,151	(6,272)	3,879
Service cost			
Current service cost	-	-	-
Service cost in the previous period and losses (gains) on settlement	-	-	-
Interest expense (income)	70	(44)	26
Recognized in profit or loss	70	(44)	26
Re-measurement			
Return on plan asset (except for the amount included in the net interest)	-	(595)	(595)
Actuarial (gains) losses			
- Changes in demographic assumptions	-	-	-
- Changes in financial assumptions	(319)	-	(319)
- Experience adjustments	(1,250)	-	(1,250)

Recognized in other comprehensive income	(1,569)	(595)	(2,164)
Contributions from the employer	-	(184)	(184)
Settlement	-	-	-
Benefits payment	(2,812)	2,812	-
Dec. 31, 2022	$ 5,840	($ 4,283)	$ 1,557

Due to the pension plans under the Labor Standards Act, the Group is exposed to the following risks:

1. Investment risk: The Bureau invests labor pension funds in domestic (foreign) equity securities, debt securities, and bank deposits on its own use and through agencies entrusted. However, the income from the Group's amount allocated to plan assets is calculated based on the interest rate not lower than the local bank's interest rate for 2-year time deposits.
2. Interest risk: A decrease in the interest rate in the government bonds and corporate bonds will increase the present value of the defined benefit obligation; however, the return on the debt investment through the plan assets will also increase, and the increases will partially offset the effect of the net defined benefit liability.
3. Salary risk: The present value of the defined benefit obligation is calculated with reference to the future salaries of the participants in the plan. As such, an increase in the salary of the participants in the plan will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The critical assumptions made on the measurement date are as follows:

	Dec. 31, 2022	Dec. 31, 2021
Discount rate	1.3%	0.7%
Expected salary increase rate	2%	2%

If each of the critical actuarial assumptions is subject to reasonably possible changes, when all other assumptions remain unchanged, the amounts by which the present value of the defined benefit obligation would increase (decrease) are as follows:

	Dec. 31, 2022	Dec. 31, 2021
Discount rate		
Increase by 0.25%	($ 126)	($ 207)
Decrease by 0.25%	$ 130	$ 214
Expected salary increase rate		
Increase by 0.25%	$ 129	$ 211
Decrease by 0.25%	($ 126)	($ 205)

As actuarial assumptions may be correlated, it is unlikely that only a single assumption would occur in isolation of one another, so the sensitivity analysis above may not reflect the actual changes in the present value of the defined benefit obligation.

	Dec. 31, 2022	Dec. 31, 2021
The expected contributions to the plan for the following year	$ 114	$ 200
The weighted average duration of the defined benefit obligation	9 years	8 years

XXIV. Equity

(I) Common stock

	Dec. 31, 2022	Dec. 31, 2021
Authorized shares (in thousands)	250,000	250,000
Authorized capital	$ 2,500,000	$ 2,500,000
Issued and paid shares (in thousands)	118,202	117,191
Issued capital	$ 1,182,017	$ 1,171,906
Advance receipts for common stock	$ -	$ 10,111

The ordinary shares issued, with a par value of NT$10 per share, are entitled to one voting right per share and to the right to receive dividends.

The change in the Company's equity was mainly due to the convertible bond holders' request for conversion of their bonds into ordinary shares.

As of Dec. 31, 2021, the holders of the Company's third convertible bonds in 2020 requested the conversion of 1,011,000 ordinary shares, which were recognized under advance receipts for common stock and the registration was completed and transferred to the share capital.

(II) Capital surplus

	Dec. 31, 2022	Dec. 31, 2021
May be used to compensate losses, distribute cash, or replenish capital (Note 1)		
Share premium	$ 399,192	$ 481,933
Exercise of employee stock options	2,765	2,765
Expired employee stock options	7,003	7,003
Stock options for expired convertible corporate bonds	8,232	8,232
May only be used to compensate losses		
Recognition of changes in ownership interests of subsidiaries (Note 2)	28,010	-
Exercise of disgorgement by the Company	215	205
	$ 445,417	$ 500,138

Note 1: This type of capital surplus can be used to make up for losses, and can also be used to pay cash dividends or to replenish capital when the Company does not suffer losses, but when

capital is replenished, it is limited to a certain percentage of the paid-in capital each year.

Note 2: This type of capital surplus is the amount of adjustments to changes in the equity of subsidiaries recognized by the Company using the equity method.

(III) Retained earnings and dividends policy

In accordance with the Company's Articles of Incorporation regarding the earnings distribution policy, if there is a surplus in the Company's annual final accounts, it shall first pay taxes and make up for prior years' losses, set aside 10% of balance for the legal reserve, and make an appropriation for or reverse the special reserves according to laws and regulations. The balance, together with the cumulative undistributed earnings from prior years, are used for distribution of shareholders' dividends and bonuses. For the amount to be distributed, the board of directors shall put forth an earnings distribution proposal, and when the earnings are to be distributed in the same method as issue of new shares, the board of directors shall submit the proposal to the shareholders' meeting for resolution before distribution. Pursuant to Paragraph 5, Article 240 of the Company Act, the Company authorizes the board of directors to resolve to distribute the dividends and bonuses or all or part of the legal reserve and capital surplus as stipulated in Paragraph 1, Article 241 of the Company Act in the form of cash with a majority vote of attending directors at a board meeting attended by two-thirds of all directors, which shall be reported to the shareholders' meeting.

For the employee compensation and directors' remuneration distribution policy stipulated in the Company's Articles of Incorporation, please refer to Note 26(8) regarding employee compensation and directors' remuneration.

In addition, according to the Company's Articles of Incorporation, based on the measurement of the future annual capital needs according to the Company's future capital budget plan, some stock dividends will be issued to retain the Company's operating funds as in the dividend policy. However, if the profitability is greatly diluted, the board of directors will consider the operating and capital expenditures and shareholders' demand for cash inflows and decide an appropriate ratio of cash and stock dividends, and the ratio of cash dividends to total dividends shall not be less than 20%.

The legal reserve shall not be appropriated when its balance reaches the amount of the Company's total paid-in capital. The legal reserve may be used to make up for losses. When the Company does not suffer losses, the part of the legal reserve in excess of 25% of the total paid-in capital can be distributed in cash in addition to being used to replenish the capital.

The Company set aside and reversed a special reserve in accordance with the FSC Letters Jin-Guan-Zheng-Fa-Zi No. 1010012865, Jin-Guan-Zheng-Fa-Zi No. 1010047490, Jin-Guan-Zheng-Fa-Zi No. 1030006415, and the directive, entitled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs."

The Company's 2021 and 2020 earnings distribution plans are as follows:

	2021	2020
Legal reserve	$ 34,834	$ 29,316
Cash dividends	$ 177,303	$ 232,015
Cash dividend per share (NTD)	$ 1.5	$ 2

In addition, the Board of Directors decided to pay out cash dividends (NT$0.7 per share) from the capital surplus of NT$82,741,000 on Feb. 24, 2022.

The above cash dividends have been approved as resolved by the board of directors on Feb. 24, 2022 and Feb. 25, 2021, respectively. The remaining earnings distribution items in 2021 and 2020 were resolved by the annual general meeting held on Jun. 9, 2022 and July. 23, 2021, respectively.

The 2020 earnings distribution plan was approved by the board of directors on Feb. 25, 2021. It was proposed to pay out NT$2.0 per share. Since the third domestic unsecured convertible corporate bonds issued by the Company resulted in the increase in the number of outstanding shares, the board of directors resolved to authorize the Chairman to adjust the payout ratio, and NT$1.99 per share was paid out after the change.

On Feb. 23, 2023, the Company's Board of Directors proposed the 2022 earnings distribution as follows:

	2022
Legal reserve	$ 48,789
Cash dividends	$ 217,491
Cash dividend per share (NTD)	$ 1.84

In addition, the board of directors decided to pay out cash dividends (NT$0.86 per share) from the capital surplus of NT$101,654,000.

(IV) Special reserves

In accordance with the FSC Letter Jin-Guan-Zheng-Fa-Zi No. 1090150022 dated Mar. 31, 2021, when IFRSs are adopted for the first time, for the cumulative translation adjustments (gains) under shareholders' equity, a special reserve shall be set aside in the same amount of the portion reclassified to retained earnings for application of the exemption as in IFRS 1. As the increase in retained earnings generated due to the first-time application of IFRSs was insufficient to be recognized, the increase in retained earnings generated due to the conversion to IFRSs by NT$50,031,000 was recognized in special reserves.

The appraised cost of the Company's acquisition of property from a related party in 2017 was lower than the actual transaction price. Therefore, the Company set aside a special reserve of NT$14,737,000 for the difference in accordance with the provisions of the Securities and

Exchange Act.

(V) Other equity items

1. Exchange differences on translating the financial statements of foreign operations

	2022	2021
Balance at beginning of the year	($ 38,952)	($ 47,034)
Generated in the current year		
Exchange differences on translating foreign operations	8,740	(1,141)
Income tax related to other comprehensive income components	(1,638)	437
Share of associates under equity method	467	(604)
Reclassification and adjustment		
Subsidiary's disposal of foreign operations	-	9,390
Other comprehensive income for the current year	7,569	8,082
Balance at end of the year	($ 31,383)	($ 38,952)

2. Re-measurement of the defined benefit plan

	2022	2021
Balance at beginning of the year	$ 3,522	$ 1,878
Generated in the current year		
Share of subsidiaries under equity method	1,368	1,644
Balance at end of the year	$ 4,890	$ 3,522

3. Unearned compensation

	2022
Balance at beginning of the year	$ -
Generated in the current year	
Share of subsidiaries under equity method	(514)
Balance at end of the year	($ 514)

(VI) Non-controlling interests

	2022	2021
Balance at beginning of the year	$ 391,079	$ 287,539
Current net income	71,774	36,733
Other comprehensive income for the current year		
Exchange differences on translating the financial statements of foreign operations	626	(1,416)
Re-measurement of the defined benefit plan	796	936
Disposal of foreign operations	-	33,849
Increase in non-controlling interests with issuance of new restrict employee shares by subsidiaries (Notes 12 and 29)	69,173	-
Refunding capital reduction of non-controlling interest from subsidiaries	(7,590)	-
Acquisition of non-controlling interests in subsidiaries (Notes 12 & 29)	(13,036)	40,951
Shareholders' cash dividends of subsidiaries	(33,175)	(7,513)
Balance at end of the year	$ 479,647	$ 391,079

XXV. Revenue

(I) Breakdown of revenue from customer contracts

	2022	2021
Revenue from customer contracts		
Merchandise sales revenue	$ 1,939,412	$ 1,819,172
Service income	1,587,863	1,096,533
Others	380,367	392,009
	$ 3,907,642	$ 3,307,714

1. Merchandise sales revenue

   The Group recognizes revenue and accounts receivable when products of vacuum equipment and components are delivered to the designated location. The Group's average credit period for merchandise sales ranges from 30 days to 120 days. Each contract is recognized in accounts receivable when goods are transferred with the right to receive the consideration unconditionally. However, for some contracts, part of the consideration is received first from customers before the goods are transferred, and the Group is required to assume the obligation to transfer the goods subsequently; thus, the consideration received is recognized in contract liabilities.

2. Service income

   The Group recognizes revenue and accounts receivable when it provides services, such as maintenance and cleaning, and the acceptance is completed. The Group's average credit period for the maintenance and cleaning services ranges from 30 days to 120 days. Each contract is recognized in accounts receivable when the acceptance for said services is completed with the right to receive the consideration unconditionally. However, for some contracts, part of the consideration is received first from customers before the maintenance and cleaning services are provided, and the Group is required to assume the obligation to provide the maintenance and cleaning services subsequently; thus, the consideration received is recognized in contract liabilities.

(II) Balance of contracts

	Dec. 31, 2022	Dec. 31, 2021	Jan. 1, 2021
Contract assets	$ 16,475	$ -	$ -
Notes and accounts receivable (Note 10)	561,708	556,192	485,903
	$ 578,183	$ 556,192	$ 485,903
Contract liabilities			
Advance sales receipts	$ 233,144	$ 364,650	$ 263,878

The amount of contract liabilities from the beginning of the year and performance obligations fulfilled in the previous period recognized in revenue in the current period is as follows:

	2022	2021
Contract liabilities from the beginning of the year		
Merchandise sales	$ 364,650	$ 263,878

XXVI. Net income before tax

Net income before tax includes the following items:

(I) Other income and expenses, net

	2022	2021
Gains (losses) on disposal of property, plant and equipment, net	$ 944	($ 4,031)

(II) Interest income

	2022	2021
Cash in banks	$ 3,846	$ 4,288

(III) Other income

	2022	2021
Rental income	$ 4,157	$ 12,584
Dividend income	2,550	2,053
	$ 6,707	$ 14,637

(IV) Other gains or losses

	2022	2021
Gains on financial assets and financial liabilities		
Designated financial assets at fair value through profit or loss	($ 21,664)	$ 18,060
Loss on disposal of investments (Note 12)	-	(43,239)
Net foreign currency exchange gains (losses)	36,342	(1,618)
Gains on disposal of investment property (Note 16)	15,672	-
Grant income	11,000	-
Others	6,345	7,238
	$ 47,695	($ 19,559)

(V) Financial costs

	2022	2021
Interest on bank borrowings	$ 15,670	$ 10,207
Interest on lease liabilities	813	1,069
Interest on convertible bonds	-	410
Total interest expense on financial liabilities not at FVTPL	16,483	11,686
Less: The amount with the cost of eligible assets included	(5,407)	(1,122)

	2022	2021
(recognized under property, plant and equipment, and under prepayments for equipment)	$ 11,076	$ 10,564

Relevant information on capitalization of interest is as follows:

	2022	2021
Amount of capitalized interest	$ 5,407	$ 1,122
Interest rate of capitalized interest	0.5484%~1.2204%	0.0263%~0.08%

(VI) Depreciation and amortization

	2022	2021
Property, plant and equipment	$ 128,814	$ 126,071
Investment property	289	3,470
Right-of-use assets	22,389	22,976
Intangible assets	23,486	20,680
	$ 174,978	$ 173,197
An analysis of depreciation expenses by function		
Operating costs	$ 91,437	$ 95,528
Operating expenses	59,766	53,519
Other losses	289	3,470
	$ 151,492	$ 152,517
An analysis of amortization expenses by function		
Operating costs	$ 5,692	$ 4,473
Operating expenses	17,794	16,207
	$ 23,486	$ 20,680

(VII) Employee benefits expenses

	2022	2021
Short-term employee benefits		
Salaries and wages	$ 847,893	$ 740,772

Labor and health insurance	51,715	43,383
Others	39,247	29,113
	938,855	813,268
Post-employment benefits (Note 23)		
Defined contribution plans	30,216	27,049
Defined benefit plans	140	352
	30,356	27,401
	$ 969,211	$ 840,669
An analysis by function		
Operating costs	$ 392,322	$ 294,867
Operating expenses	576,889	545,802
	$ 969,211	$ 840,669

(VIII) Employee compensation and directors' remuneration

In accordance with the provisions of the Articles of Incorporation, the Company shall allocate 10%-15% and no more than 2% of the pre-tax income before the employee compensation and directors' remuneration distributed are deducted for employee compensation and directors' remuneration, respectively. The estimated employee compensation and directors' remuneration for 2022 and 2021 resolved by the board of directors on Feb. 23, 2023 and Feb. 24, 2022, respectively, are as follows:

Estimated percentage

	2022	2021
Employee compensation	11.4%	15%
Directors' remuneration	2%	2%

Amount

	2022	2021
Employee compensation	$ 75,028	$ 76,485
Directors' remuneration	13,163	10,198

If there is a change in the amount after the annual consolidated financial statements are approved for release, it shall be treated as a change in accounting estimates and adjusted and accounted for in the next year.

There was no difference between the actual amount of employee compensation and directors' remuneration distributed for 2021 and 2020 and the amount recognized in the 2021 and 2020 consolidated financial statements.

For information on employee compensation and directors' remuneration decided by the Company's board of directors, please visit the Market Observatory Post System (MOPS) of Taiwan Stock Exchange.

(IX) Gains (losses) on foreign currency exchange

	2022	2021
Total foreign currency exchange gains	$ 48,521	$ 4,607
Total foreign currency exchange losses	(12,179)	(6,225)
Net gains (losses)	$ 36,342	($ 1,618)

XXVII. Income tax

(I) Income tax recognized in profit or loss

Major components of tax expenses are as follows:

	2022	2021
Current income tax		
Incurred in the current year	$ 157,776	$ 90,454
Surtax on undistributed earnings	3,063	2,562
Adjustments to prior years	(7,413)	(13,667)
	153,426	79,349

	2022	2021
Deferred tax		
Incurred in the current year	($ 16,745)	($ 9,437)
Income tax expense recognized in profit or loss	$ 136,681	$ 69,912

The reconciliation between the accounting income and the current income tax expense is as follows:

	2022	2021
Net income before tax	$ 703,435	$ 494,879
Income tax calculated based on statutory tax rate for pre-tax income	$ 185,244	$ 136,143
Non-taxable income		
Income on domestic investment under the equity method	(16,740)	(23,013)
Financial asset valuation gains	4,345	(3,602)
Gain on sale of land	-	(10,985)
Others	3,722	(1,569)
Non-deductible expenses	-	139
Unrecognized deductible temporary differences	(39,458)	(15,142)
Used loss carryforwards	-	(3,120)
Surtax on undistributed earnings	3,063	2,562
Land value increment tax	3,918	2,166
Adjustments to income tax expenses from prior years in the current year	(7,413)	(13,667)
Income tax expense recognized in profit or loss	$ 136,681	$ 69,912

(II) Income tax recognized in other comprehensive income

	2022	2021
Deferred tax		
Incurred in the current year		
Translation of foreign operations	($ 1,638)	$ 437

(III) Current income tax assets and liabilities

	Dec. 31, 2022	Dec. 31, 2021
Current income tax assets		
Tax refund receivable	$ 4,658	$ 51
Current income tax liabilities		
Income tax payable	$ 113,316	$ 59,172

(IV) Deferred tax assets and liabilities

The changes in deferred tax assets and liabilities are as follows:

2022

Deferred tax assets	Balance at beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	Balance at end of the year
Temporary differences				
Inventory valuation losses	$ 9,947	$ 8,328	$ -	$ 18,275
Bad debts loss	356	6,688	-	7,044
Unrealized investment losses	11,024	(11,024)	-	-
Others	11,208	9,683	-	20,891
	$ 32,535	$ 13,675	$ -	$ 46,210
Deferred tax liabilities				
Temporary differences				
Loss on unrealized disposal of assets	$ 46	$ -	$ -	$ 46
Exchange differences on translating foreign operations	5,283	-	1,638	6,921
Provisions for land value increment tax	8,041	-	-	8,041
Profit or loss on subsidiaries	3,358	(3,358)	-	-

accounted for using equity method				
Others	1	288	-	289
	$ 16,729	($ 3,070)	$ 1,638	$ 15,297

2021

Deferred tax assets	Balance at beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	Balance at end of the year
Temporary differences				
Inventory valuation losses	$ 13,469	($ 3,522)	$ -	$ 9,947
Unrealized investment losses	-	11,024	-	11,024
Others	9,149	2,415	-	11,564
	$ 22,618	$ 9,917	$ -	$ 32,535

Deferred tax liabilities				
Temporary differences				
Loss on unrealized disposal of assets	$ 46	$ -	$ -	$ 46
Exchange differences on translating foreign operations	5,720	-	(437)	5,283
Provisions for land value increment tax	8,041	-	-	8,041
Profit or loss on subsidiaries accounted for using equity method	2,787	571	-	3,358
Others	92	(91)	-	1
	$ 16,686	$ 480	($ 437)	$ 16,729

(V) Deductible temporary differences from deferred tax assets not recognized in the consolidated balance sheet

	Dec. 31, 2022	Dec. 31, 2021
Deductible temporary differences		
Losses on overseas investment recognized using equity method	$ 368,208	$ 476,330
Inventory valuation losses	1,930	3,772
	$ 370,138	$ 480,102

(VI) Income tax approval

The profit-seeking enterprise income tax returns filed by the Company and is subsidiaries of Finesse Technology, Highlight Tech System, Shanorm Tech up to 2020, and Schmidt Scientific up to 2019 have been approved by the tax collection authority.

XXVIII. Earnings per share

The earnings and the weighted average number of ordinary shares adopted to calculate the earnings per share are as follows:

Current net income

	2022	2021
Net income attributable to owners of the Company	$ 494,980	$ 388,234
Effect of potentially dilutive ordinary shares:		
Convertible bonds	-	236
Net income used in the computation of the diluted earnings per share	$ 494,980	$ 388,470

Number of shares

Unit: Thousand shares

	2022	2021
Weighted average number of ordinary shares in computation of basic earnings per share	118,202	117,074
Effect of potentially dilutive ordinary shares:		
Convertible bonds	-	1,184
Employee compensation	1,726	1,450
Weighted average number of ordinary shares used in the computation of diluted earnings per share	119,928	119,708

If the Group can settle the compensation to employees in cash or shares, the Group assumes the entire amount of the compensation would be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share if the effect is dilutive. Such a dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

XXIX. Equity transactions with non-controlling interests

Subsidiary Finesse Technology Co., Ltd. issued new restricted employee shares in 2022, resulting in a decrease in the total shareholding ratio from 43.2% to 39.82%.

The Group purchased Shanorm Tech's shares from the non-controlling interests in 2022, resulting in an increase in its total shareholding ratio from 66.16% to 99.26%.

The Group purchased Highlight Tech System's shares from the non-controlling interests in 2021, resulting in an increase in its total shareholding ratio from 83.60% to 84.71%.

Since the transactions above did not change the Group's control over these subsidiaries, the Group treated them as equity transactions.

2022

	Finesse Technology	Shanorm Tech
Cash consideration receive (paid)	$ 80,879	($ 20,127)
The amount that shall be reclassified from the non-controlling interests is calculated based on the relative equity changes for the carrying amount of the net assets	(69,173)	13,036
Equity transaction difference	$ 11,706	($ 7,091)

	Finesse Technology	Shanorm Tech
Account adjusted for equity transaction difference		
Capital surplus - recognition of changes in all equity interests in subsidiaries	$ 12,220	$ -
Undistributed earnings	-	(7,091)
Other equity, unearned compensation.	(514)	-
	$ 11,706	($ 7,091)

2021

	Highlight Tech System
Cash consideration paid	($ 2,877)
The amount that shall be reclassified from the non-controlling interests is calculated based on the relative equity changes for the carrying amount of the net assets of the subsidiaries	2,939
Equity transaction difference	$ 62
Account adjusted for equity transaction difference	
Capital surplus	$ 62

XXX. Non-cash transactions

The Group conducted the following non-cash transaction/investment activities in 2022 and 2021:

	2022	2021
Investment activities that affect both cash and non-cash items		
Purchase of property, plant and equipment	$ 764,089	$ 309,430
Construction and equipment payable and construction retainage at the beginning of the	151,330	65,744

period		
Construction and equipment payable and construction retainage at the end of the period	(181,135)	(151,330)
Notes payable at the beginning of the period	137,436	-
Notes payable at the end of the period	-	(137,436)
Amount of cash paid	$ 871,720	$ 86,408

XXXI. Capital risk management

he Group's capital management is to optimize the balances of debts and equity to make effective use of capital and ensure the smooth operation of each company. The Group's capital structure is composed of net liabilities and equity, and does not need to comply with other external capital requirements. The Group's main management reviews the capital structure quarterly, including considering the costs of various types of capital and relevant risks while investing in financial products to increase the Company's income and manage the capital structure.

XXXII. Financial instruments

(I) Fair value - financial instruments not at fair value

Financial assets with significant difference between carrying amount and fair value

The carrying amount of the Company's financial instruments not measured at fair value is a reasonable approximation of fair value.

(II) Fair value - financial instruments at fair value on a recurring basis

1. Fair value hierarchy

Dec. 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Fund beneficiary certificates	$ 33,184	$ -	$ -	$ 33,184
Financial assets at fair value through other comprehensive income				

	Level 1	Level 2	Level 3	Total
Investment in equity instruments				
Domestic unlisted stocks	$ -	$ -	$ 5,985	$ 5,985

Dec. 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic stocks listed on Taipei Exchange	$ 87,434	$ -	$ -	$ 87,434
Fund beneficiary certificates	15,215	-	-	15,215
Forward foreign exchange contracts	-	9	-	9
Total	$ 102,649	$ 9	$ -	$ 102,658
Financial assets at fair value through other comprehensive income				
Investment in equity instruments				
Domestic unlisted stocks	$ -	$ -	$ 6,156	$ 6,156

Please refer to Note 7 for details of the transfer between Level 1 and Level 2 fair values in 2022 and 2021.

2. Reconciliation of financial instruments measured at Level 3 fair value

2022

	At FVTPL	Financial assets at fair value through other comprehensive income
Financial assets	Equity instruments	Equity instruments
Balance at beginning of the year	$ -	$ 6,156
Bonds converted and derecognized while recognized in	-	-

profit or loss (under other gains or losses)		
Disposal	-	(171)
Balance at end of the year	$ -	$ 5,985

2021

Financial assets	At FVTPL Equity instruments	Financial assets at fair value through other comprehensive income Equity instruments
Balance at beginning of the year	$ 307	$ 6,156
Bonds converted and derecognized while recognized in profit or loss (under other gains or losses)	(215)	-
Recognized in profit or loss (unrealized gain/(loss) on financial assets at FVTPL)	(92)	-
Balance at end of the year	$ -	$ 6,156

3. Valuation techniques and inputs applied for Level 2 fair value measurement

Types of financial instruments	Valuation techniques and inputs
Derivatives - forward foreign exchange contracts	Discounted cash flow method: The future cash flow is estimated based on the observable forward exchange rates and the exchange rates set in the contracts at the end

	of the period, and discounted separately at the discount rate that can reflect the credit risk of each counterparty.
Domestic private placement stocks offered by companies listed on Taipei Exchange	With the B-S option pricing model, the estimation is made based on the price of the target, the option strike price, the risk-free interest rate, the historical volatility of the target, and the duration.

4. Valuation techniques and inputs applied for Level 3 fair value measurement

   Investments in domestic and overseas unlisted equity are estimated with reference to the most recent net worth of the investees.

   For derivatives - redemption right of convertible bonds, binary tree to convertible bonds pricing is adopted to estimate the fair value, and the significant unobservable input used is the stock price volatility. When the volatility of stock prices increases, the fair value of such derivatives will increase.

(III) Categories of financial instruments

	Dec. 31, 2022	Dec. 31, 2021
Financial assets		
At FVTPL		
Mandatorily at FVTPL	$ 33,184	$ 102,658
Financial assets at amortized cost (Note 1)	1,333,564	1,253,574
Financial assets at fair value through other comprehensive income		
Investment in equity instruments	5,985	6,156
Financial liability		
At amortized cost (Note 2)	2,977,815	2,286,074

Note 1: The balances include financial assets measured at amortized

cost, which comprise cash and cash equivalents, notes receivable, accounts receivable, other receivables, financial assets at amortized cost (including current and non-current), and refundable deposits.

Note 2: The balances include financial liabilities measured at amortized cost, which comprise short-term debts, short-term bills payable, notes payable, accounts payable, other payables, and long-term loans (including current portion within 1 year), and guarantee deposits received.

(IV) Financial risk management objective and policies

The Group's financial management department provides services to various business units, coordinates the operations in the domestic and international financial markets, and supervises and manages the financial risks related to the Group's operations through the internal reports on risk exposure analyses based on the degree and breadth of risks. These risks include market risk (including exchange rate risk, interest rate risk, and other price risks), credit risk, and liquidity risk.

1. Market risk

(1) Exchange rate risk

The Group is engaged in sales and purchase transactions denominated in foreign currencies, thus causing the Group to be exposed to the risk of exchange rate fluctuations. The Group's management of the exchange rate risk is to adopt forward foreign exchange contracts to manage the risk within the scope permitted by the policy.

For the carrying amount of the Group's monetary assets and monetary liabilities denominated in non-functional currencies at the balance sheet date (including monetary items denominated in non-functional currencies that have been written off in the consolidated financial statements), please refer to Note 37.

Sensitivity analysis

The Group is mainly affected by fluctuations in the exchange rates of USD, RMB and JPY. The table details the Group's sensitivity analysis when the exchange rates between the foreign currencies and the Group's functional currency change. When each of said foreign currencies appreciates by 1% against each functional currency, the effect on the Group's profit or loss is as follows:

	Effect on USD	
	2022	2021
Increase in net income before tax	$ 1,971	$ 2,751

	Effect on RMB	
	2022	2021
Increase in net income before tax	$ 802	$ 397

	Effect on JPY	
	2022	2021
Increase in net income before tax	$ 626	$ 429

The aforesaid exchange rate impact is mainly arising from the Group's cash and cash equivalents, receivables, and payables denominated in foreign currencies that are still in circulation without cash flow hedging at the balance sheet date.

The decrease in the Group's exchange rate sensitivity this year was mainly due to the decrease in the net assets in USD.

(2) Interest rate risk

Because the Group's entities manage capital by adopting floating interest rates; thus, the interest rate risk exposure arises. The carrying amount of the Group's financial assets and financial liabilities exposed to the interest rate risk at the balance sheet date is as follows:

	Dec. 31, 2022	Dec. 31, 2021
Cash flow interest rate risk		
Financial assets	$ 624,739	$ 552,391
Financial liability	1,596,312	1,045,271

If the interest rate increased by 1% and all other variables remain unchanged, the Group's net income before tax for 2022 and 2021 would have decreased by NT$9,716,000 and NT$4,929,000, respectively, mainly because of the Group's deposits and borrowings at floating interest rates exposed to the cash flow interest rate risk.

The Group's increased sensitivity to interest rates this year was mainly due to the increase in variable rate net debt.

(3) Other value risks

The Group's exposure to the equity price risk arises from the investment in fund beneficiary certificates and stocks; the Group's equity prices are mainly concentrated in Taiwan's fund and stock markets.

If the equity price increased/ decreased by 5%, the pre-tax profit or loss for 2022 and 2021 would have increased/ decreased by NT$1,659,000 and NT$5,133,000, respectively, due to the increase/decrease in the fair value of financial assets at FVTPL. The pre-tax other comprehensive income for 2022 and 2021 would have increased/ decreased by NT$299,000 and NT$308,000, due to the increase/decrease in the fair value of financial assets at FVTOCI.

2. Credit risk

Credit risk refers to the risk that a counterparty defaults on the contract obligation and causes the financial loss to the Group. The greatest risk comes from the failure to recover customers' accounts receivables. The policy adopted by the Group is to only transact with reputable counterparties and obtain full guarantees when necessary to reduce the risk of financial losses due to defaults. The Group will adopt other publicly available financial data and records of transaction between both sides to rate major customers. The business units will classify customers and grant credit limits based on the ratings. If necessary, customers will be required to provide guarantees or conduct transactions in cash. The Group's management will review and approve counterparties' credit limits to control the exposure to the credit risk.

In addition, the Group will review the recoverable amounts of receivables one by one at the balance sheet date to ensure that the unrecoverable receivables have been properly recognized in impairment losses. Accordingly, the Group's management believes that its credit risk has been significantly reduced.

The accounts receivable involve many customers from different industries and geographic regions. There is no significant concentration of receivables in the Group's credit risk.

3. Liquidity risk

The Group manages and maintains sufficient cash and cash equivalents or liquid financial products to support its operations. In addition, it signs credit agreements with banks to maintain appropriate borrowing facilities to meet operational needs.

Borrowings from banks are an important source of liquidity for the Group. As of Dec. 31, 2022 and 2021, the Group's undrawn borrowing facilities were NT$1,854,927,000 and NT$2,046,660,000, respectively.

(1) Table of liquidity and interest rate risks of non-derivative financial liabilities

The remaining contractual maturity analysis of non-derivative financial liabilities was based on the earliest date at which the Group might be required to repay and was compiled based on the undiscounted cash flows of financial liabilities (including principal and estimated interest). Therefore, the bank borrowings with a repayment on demand clause were included in the earliest time period in the table below, regardless of the probability of exercise of the right by banks. The maturity analysis of other non-derivative financial liabilities was compiled in accordance with the agreed repayment date.

For interest cash flows paid at floating interest rates, the undiscounted amount of interest is derived from the yield curve at the balance sheet date.

Dec. 31, 2022

	0-180 days	181-365 days	Over 365 days
Non-derivative financial liabilities			
Non-interest-bearing liabilities	$ 1,381,123	$ -	$ 380
Lease liabilities	10,070	10,070	43,922
Floating interest rate instruments	589,966	146,914	870,506
	$ 1,981,159	$ 156,984	$ 914,808

Dec. 31, 2021

	0-180 days	181-365 days	Over 365 days
Non-derivative financial liabilities			
Non-interest-bearing liabilities	$ 1,222,254	$ -	$ 4,556
Lease liabilities	9,817	9,817	51,966
Floating interest rate instruments	391,079	48,223	614,751
Fixed interest rate	14,114	-	-

instruments	$ 1,637,264	$ 58,040	$ 671,273

(2) Table of liquidity and interest rate risks of derivative financial liabilities

For the liquidity analysis of derivative financial instruments, the derivative instruments settled on a net basis are compiled on the basis of undiscounted total cash inflows and outflows. When the amount payable or receivable is not fixed, the amount disclosed is determined based on the estimated interest rate estimated by the yield curve at the balance sheet date.

Dec. 31, 2021

	0-180 days
Gross settlement	
Forward foreign exchange contracts	
Inflow	$ 842
Outflow	(833)
	$ 9

XXXIII. Related Party Transactions

The transactions, account balances, as well as income and expenses between the Company and its subsidiaries (which are related parties of the Company) are all eliminated upon consolidation, so they are not disclosed in this note. The transactions between the Group and other related parties are as follows:

(I) Name of related parties and relationship

Name of related party	Relationship with the Group
HTC & Solar Service Limited	Associate

(II) Operating revenue

Account title	Related party category	2022	2021
Sales revenue	Associate	$ 37	$ 4

The Group sells various types of components and customized products and provides cleaning services. In particular, the unit price of various components is not significantly different from that for general customers, and the customized products and the parts of each customer's customized products for repair and replacement are different, so the prices cannot be compared.

The Group's collection of the sales revenue from the above-mentioned related parties is open account (O/A) with net 90 days, and it is O/A with net 30 to 120 days for general customers.

(III) Purchases

Related party category	2022	2021
Associate	$ 1,317	$ 12

The Group's purchases from related parties mainly include parts. Since the Company does not purchase the same products from other non-related parties, the prices cannot be compared.

The Group's purchases from the above-mentioned related parties are based on O/A with net 90 days after acceptance, and there is no major difference from general suppliers.

(IV) Receivables from related parties

Account title	Related party category	Dec. 31, 2022	Dec. 31, 2021
Accounts receivable	Associate	$ 26	$ 2

The outstanding receivables from related parties are not guaranteed. No allowance for losses was provided for receivables from related parties in 2022 and 2021.

(V) Payables to related parties (excluding borrowings from related parties)

Account title	Related party category	Dec. 31, 2022	Dec. 31, 2021
Accounts payable	Associate	$ 8,982	$ 5,790
Other payables	Associate	156	1,221
		$ 9,138	$ 7,011

The balance of the outstanding payables to related parties is not guaranteed.

(VI) Prepayments

Related party category	Dec. 31, 2022	Dec. 31, 2021
Associate	$ -	$ 62

(VII) Endorsement/Guarantee

For information on the Group's endorsements and guarantees to its subsidiaries, please refer to Table 2.

(VIII) Transactions with other related parties

The processing and maintenance fees paid by the Group to its associates in 2022 and 2021 were NT$22,501,000 and NT$17,715,000, respectively, which were recognized in production overheads and operating expenses.

(IX) Remuneration of key management personnel

The total remuneration of directors and other key management personnel is as follows:

	2022	2021
Short-term employee benefits	$ 69,841	$ 79,748
Post-employment benefits	791	826
	$ 70,632	$ 80,574

XXXIV. Pledged assets

The following assets have been provided as collateral for borrowings from banks:

	Dec. 31, 2022	Dec. 31, 2021
Self-owned land	$ 1,050,397	$ 356,516
Buildings	521,239	532,512
Investment property - land	-	188,981
Investment property - buildings	-	46,836
Certificates of deposit pledged (under financial assets at amortized cost - current)	3,021	3,104
	$ 1,574,657	$ 1,127,949

XXXV. Significant contingent liabilities and unrecognized commitments

The significant commitments and contingencies of the Group at the balance sheet date are as follows:

(I) As of Dec. 31, 2022 and 2021, the amount of the performance guarantees provided by the banks entrusted by the Group for the purchase of goods from suppliers was both NT$10,000,000.

(II) Subsidiary Highlight Tech (Shanghai) Corp. and Guangdong Tisnawell New Material Technology Co., Ltd. signed a vacuum product sales contract. As the company failed to make a payment for the goods, the Group filed a lawsuit against the company on Aug. 18, 2020, requesting the company to pay RMB 5,080,000 for the goods and RMB 135,000 for the loss from overdue payment. However, Guangdong Tisnawell New Material Technology Co., Ltd. filed a counterclaim with the court, requiring the Group to pay a total of RMB 6,964,000 for liquidated damages and maintenance costs. The court of first instance verdict in favor of subsidiary Highlight Tech (Shanghai) Corp. As of Dec. 31, 2021, Guangdong Tisnawell was dismissed by the court for failing to pay the counterclaim fee, so the result of the first instance remained the same. The case has entered the stage of enforcement, and the Group has recognized an allowance for losses for the full amount of the accounts receivable of RMB 5,080,000 and has continued to follow up and evaluate the potential impact of the litigation results on its financial statements.

XXXVI. Other matters

The Group have adopted relevant epidemic prevention measures in response to the COVID-19 epidemic and the government's promotion of various epidemic prevention measures. The epidemic has not had a significant impact on the operations and business of the Group in 2022. The Group will continue to assess the economic impact of the epidemic on the Company.

XXXVII. Information on foreign currency financial assets and liabilities with significant impact

The information below is aggregated and presented in foreign currencies other than the functional currency of each entity of the Group. The exchange rates disclosed refer to the exchange rates of such foreign currencies to the functional currency. Foreign currency assets and liabilities with significant impact are as follows:

Unit: NTD thousand/ thousands of foreign currencies

Dec. 31, 2022

Financial assets	Foreign currency	Exchange rate	Carrying amount
Monetary item			
USD	$ 8,861	30.7100 (USD: NTD)	$ 272,117
USD	1,751	6.9646 (USD: RMB)	53,785
RMB	21,800	4.4094 (RMB: NTD)	96,125
JPY	293,332	0.2324 (JPY: NTD)	68,170
JPY	10,813	0.0524 (JPY: RMB)	2,496
Financial liability			
Monetary item			
USD	4,199	30.7100 (USD: NTD)	128,948
USD	28	6.9646 (USD: RMB)	856
RMB	3,613	4.4094 (RMB: NTD)	15,930
JPY	34,833	0.2324 (JPY: NTD)	8,095

Dec. 31, 2021

Financial assets	Foreign currency	Exchange rate	Carrying amount
Monetary item			
USD	$ 10,549	27.68 (USD: NTD)	$ 291,991
USD	1,534	6.4101 (USD: RMB)	42,758
RMB	11,715	4.3471 (RMB: NTD)	50,925

JPY	233,404	0.2405 (JPY: NTD)	56,134
JPY	9,231	0.0562 (JPY: RMB)	2,256
Financial liability			
Monetary item			
USD	2,110	27.68 (USD: NTD)	58,412
USD	38	6.4101 (USD: RMB)	1,193
RMB	2,580	4.3471 (RMB: NTD)	11,217
JPY	64,468	0.2405 (JPY: NTD)	15,505

The Group mainly bears foreign currency exchange rate risks for USD, RMB, and JPY. The information below is aggregated and presented in the functional currencies of the entities holding foreign currencies, and the exchange rates disclosed refer to the exchange rates of these functional currencies to the presentation currency. The foreign currency exchange gains (losses) (realized and unrealized) with a significant impact are as follows:

	2022		2021	
Functional currency	Functional currency to presentation currency	Net gains (losses) on foreign currency exchange	Functional currency to presentation currency	Net gains (losses) on foreign currency exchange
NTD	1 (NTD: NTD)	$ 31,280	1 (NTD: NTD)	$ 355
USD	29.342 (USD: NTD)	-	28.1535 (USD: NTD)	(16)
RMB	4.4254 (RMB: NTD)	5,062	4.3527 (RMB: NTD)	(1,957)
		$ 36,342		($ 1,618)

XXXVIII. Additional disclosures

(I) Information on significant transactions and (II) Information on investees:

1. Loaning funds to others: None.
2. Endorsements/Guarantees provided: Table 2.
3. Marketable securities held at the end of period (excluding investment in subsidiaries and associates): Table 3.
4. Marketable securities acquired or sold at costs or prices at least NT$300 million or 20% of the paid-in capital: None.

5. Acquisition of individual property at costs of at least NT$300 million or 20% of the paid-in capital: None.
6. Disposal of individual property at costs of at least NT$300 million or 20% of the paid-in capital: None.
7. Disposal of individual property at costs of at least NT$100 million or 20% of the paid-in capital: Table 4.
8. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: None.
9. Trading in derivative instruments: Note 7.
10. Information on investees: Table 5.
11. Others: Business relationship and significant transactions between the parent company and its subsidiaries: Table 8.

(III) Information on investments in Mainland China:

1. Information on any investee in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, current income or loss and investment income or loss recognized, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 6.
2. Any of the following significant transactions with investees in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: Table 7.
   (1) The amount and percentage of purchases and the closing balance and percentage of relevant payables.
   (2) The amount and percentage of sales and the closing balance and percentage of relevant receivables.
   (3) The amount of property transactions and the amount of profit (loss) generated.
   (4) The closing balance of endorsement/guarantee bills or the

collateral provided and the purpose.

(5) The maximum balance, closing balance, interest rate range, and total interest of the current period of the financing provided.

(6) Other transactions that have a significant impact on the current profit or loss or financial position, such as the provision or receipt of services.

(IV) Information on major shareholders: List of all shareholders with ownership of 5 percent or greater showing the names and the number of shares and percentage of ownership held by each shareholder: None.

XXXIX. Segments Information

Both the Company and its subsidiaries belong to a operating segment for manufacturing, repairing, and trading electronic components. The information provided to chief operating decision makers to allocate resources and evaluate segment performance is focused on the operating results of the Company and its subsidiaries. The information on the Group's segment assets and liabilities is not provided to the main management for decision-making purposes, so there is no need to disclose segment assets and liabilities.

(I) Segment revenue and operating results

	The Company	Highlight Tech (Shanghai) Corp.	Finesse Technology	Others	Reconciliation and write-off	Total
2022						
Revenue from customers other than the parent company and its subsidiaries	$ 2,274,300	$ 763,478	$ 494,212	$ 375,652	$ -	$ 3,907,642
Revenue from the parent company and its subsidiaries	201,883	32,209	120,663	97,837	(452,592)	-
Total revenue	$ 2,476,183	$ 795,687	$ 614,875	$ 473,489	($ 452,592)	$ 3,907,642
Segment profit (loss)	$ 378,038	$ 101,778	$ 121,711	$ 19,948	$ 8,307	$ 629,782
Interest income						3,846
Other income						6,707
Other gains or losses						47,695
Financial costs						(11,076)
Share of profit or loss on associates accounted for using equity method						26,481
Net income before tax						$ 703,435
2021						
Revenue from customers other than the parent company and its subsidiaries	$ 1,900,677	$ 613,090	$ 354,696	$ 439,251	$ -	$ 3,307,714

Revenue from the parent company and its subsidiaries	142,052	24,267	69,506	66,250	(302,075)	-
Total revenue	$ 2,042,729	$ 637,357	$ 424,202	$ 505,501	($ 302,075)	$ 3,307,714
Segment profit (loss)	$ 233,524	$ 2,635	$ 104,878	$ 50,213	$ 79,763	$ 471,013
Interest income						4,288
Other income						14,637
Other gains or losses						(19,559)
Financial costs						(10,564)
Share of profit or loss on associates accounted for using equity method						35,064
Net income before tax						$ 494,879

Segment profit (loss) refers to the profit earned by each segment, excluding non-operating income and expenditures and income tax expenses. The amounts measured are provided to the chief operating decision maker to allocate resources to the segment and measure its performance.

(II) Revenue from main products and services

The analysis of the revenue main products and services of the Group's continuing operations is as follows:

	2022	2021
Merchandise sales revenue	$ 1,939,412	$ 1,819,172
Service income	1,587,863	1,096,533
Others	380,367	392,009
	$ 3,907,642	$ 3,307,714

(III) Segment by geographical location

The Group mainly operates in two regions: Taiwan and China.

The information on the revenue from the Group's continuing operations from external customers based on operating location and the location where non-current assets are located is listed below:

	Revenue from external customers	
	2022	2021
Taiwan	$ 3,032,547	$ 2,613,216
China	875,095	694,498
	$ 3,907,642	$ 3,307,714

	Non-current assets	
	Dec. 31, 2022	Dec. 31, 2021
Taiwan	$ 3,418,465	$ 2,872,983

China	212,926	176,625
	$ 3,631,391	$ 3,049,608

Non-current assets exclude assets classified as financial instruments and deferred tax assets.

(IV) Information on major customers

The individual customer contributing to at least 10% of the Group's total revenue is as follows:

	2022	2021
Company A	$ 869,081	$ 694,720

Highlight Tech Corp. and Its Subsidiaries

Property, plant and equipment

For the Years Ended Dec. 31, 2022 and 2021

Table 1 Unit: NTD thousand

	Self-owned Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Leasehold Improvements	Leased Assets	Other Equipment	Property Under Construction	Total
Costs										
Balance at Jan. 1, 2021	$ 542,153	$ 1,197,384	$ 596,937	$ 12,013	$ 42,431	$ 55,535	$ 1,564	$ 127,310	$ 120,026	$ 2,695,353
Additions	-	9,808	40,100	1,320	2,630	282	-	8,202	247,088	309,430
Disposal	(108,910)	(29,052)	(78,784)	(824)	(2,153)	-	-	(17,675)	-	(237,398)
Reclassification	693,881	2,282	13,550	-	479	-	-	6,191	(1,001)	715,382
Net exchange difference	-	(2,174)	(1,104)	(14)	(53)	-	-	(154)	-	(3,499)
Balance at Dec. 31, 2021	$ 1,127,124	$ 1,178,248	$ 570,699	$ 12,495	$ 43,334	$ 55,817	$ 1,564	$ 123,874	$ 366,113	$ 3,479,268
Accumulated depreciation and impairment										
Balance at Jan. 1, 2021	$ -	$ 492,990	$ 449,636	$ 6,345	$ 30,033	$ 35,648	$ 55	$ 92,840	$ -	$ 1,107,547
Depreciation expenses	-	42,752	47,202	1,392	3,875	15,951	329	14,570	-	126,071
Disposal	-	(13,218)	(74,990)	(801)	(2,141)	-	-	(17,553)	-	(108,703)
Reclassification	-	-	(23,232)	-	-	-	-	(70)	-	(23,302)
Net exchange difference	-	(1,558)	(967)	(9)	(47)	-	-	(109)	-	(2,690)
Balance at Dec. 31, 2021	$ -	$ 520,966	$ 397,649	$ 6,927	$ 31,720	$ 51,599	$ 384	$ 89,678	$ -	$ 1,098,923
Net amount at Dec. 31, 2021	$ 1,127,124	$ 657,282	$ 173,050	$ 5,568	$ 11,614	$ 4,218	$ 1,180	$ 34,196	$ 366,113	$ 2,380,345
Costs										
Balance at Jan. 1, 2022	$ 1,127,124	$ 1,178,248	$ 570,699	$ 12,495	$ 43,334	$ 55,817	$ 1,564	$ 123,874	$ 366,113	$ 3,479,268
Additions	-	92,000	56,957	-	2,653	2,393	-	23,194	586,892	764,089
Disposal	-	(529)	(36,738)	(1,181)	(1,758)	(1,564)	-	(4,081)	-	(45,851)
Reclassification	-	759,966	58,417	-	635	7,962	(1,564)	5,793	(733,446)	97,763
Derecognized in current period	-	-	(519)	-	-	-	-	(1,459)	-	(1,978)
Net exchange difference	-	7,302	2,500	55	187	-	-	474	9	10,527
Balance at Dec. 31, 2022	$ 1,127,124	$ 2,036,987	$ 651,316	$ 11,369	$ 45,051	$ 64,608	$ -	$ 147,795	$ 219,568	$ 4,303,818
Accumulated depreciation and impairment										
Balance at Jan. 1, 2022	$ -	$ 520,966	$ 397,649	$ 6,927	$ 31,720	$ 51,599	$ 384	$ 89,678	$ -	$ 1,098,923
Depreciation expenses	-	47,431	54,685	1,553	4,442	5,712	27	14,964	-	128,814
Disposal	-	(260)	(33,622)	(1,181)	(1,755)	(631)	-	(3,857)	-	(41,306)
Reclassification	-	-	(8,290)	-	336	4,332	(412)	(4,257)	-	(8,291)
Derecognized in current period	-	-	(519)	-	-	-	-	(1,459)	-	(1,978)
Net exchange difference	-	5,454	2,169	19	174	-	-	353	-	8,169
Balance at Dec. 31, 2022	$ -	$ 573,591	$ 412,072	$ 7,318	$ 34,917	$ 61,012	($ 1)	$ 95,422	$ -	$ 1,184,331
Net amount at Dec. 31, 2022	$ 1,127,124	$ 1,463,396	$ 239,244	$ 4,051	$ 10,134	$ 3,596	$ 1	$ 52,373	$ 219,568	$ 3,119,487

Highlight Tech Corp. and Its Subsidiaries

Endorsement/Guarantee Provided

For the Year Ended Dec. 31, 2022

Table 2

Unit: NTD thousand (Except for foreign currencies which are in dollars)

No. (Note 1)	Endorsement/ Guarantee Provider	Party Endorsed/Guaranteed		Limit of Endorsement/ Guarantee for Single Enterprise (Note 3)	Maximum Endorsement/ Guarantee Balance in this Period	Ending Balance of Endorsements/ Guarantees Provided	Amount Drawn (Note 6)	Amount of Endorsements / Guarantees with Assets Pledged	Ratio of Cumulative Endorsements/ Guarantees to Net Worth as in the Latest Financial Statements	Upper Limit on Endorsements/ Guarantees (Notes 4 & 5)	Parent Company to Subsidiary	Subsidiary to Parent Company	To Entity in Mainland China
		Company Name	Relationship (Note 2)										
0	Highlight Tech Corp.	Highlight Tech (Shanghai) Corp.	(3)	$ 863,029	$ 30,866 (RMB 7,000,000)	$ 30,866 (RMB 7,000,000)	$ - (RMB -)	$ -	1.07%	$ 1,438,381	Y	N	Y

Note 1: The Company is coded "0." The investees are coded sequentially beginning from "1" by each individual company.

Note 2: (1) A company with which it does business.

(2) A company in which the Company directly or indirectly holds more than fifty percent (50%) of the voting shares.

(3) A company that directly or indirectly holds more than fifty percent (50%) of the voting shares in the Company.

(4) Companies that are endorsed and guaranteed by all shareholders based on their shareholding ratios because of a joint investment relationship.

Note 3: The limit of endorsement/guarantee for a single enterprise is 20% of the net worth of the Company or any of its subsidiaries at the end of the period, but for a single overseas associate, it shall not exceed 30% of the net worth of the Company or any of its subsidiaries at the end of the period.

Note 4: The upper limit of endorsements/guarantees provided to external entities is 50% of the Company's net worth at the end of the period.

Note 5: The upper limit of endorsements/guarantees provided to external entities by a subsidiary is 50% of the subsidiary's net worth at the end of the period.

Note 6: It is the actual amount of the endorsement/guarantee drawn by the company endorsed/guaranteed within the scope of the endorsement/guarantee balance.

Note 7: The total external endorsements/guarantees provided by the Company and its subsidiaries are limited to no more than 50% of the net consolidated worth at the end of the period, and the total endorsements/guarantees provided to a single enterprise is limited to no more than 20% of the net consolidated worth at the end of the period, except for a single overseas associate, which shall not exceed 30% of the net consolidated worth at the end of the period.

Highlight Tech Corp. and Its Subsidiaries

Statement of Marketable Securities Held at the End of Period

Dec. 31, 2022

Table 3

Unit: NTD thousand

Company	Type and Name of Marketable Securities	Marketable Securities Relationship with Securities Issuer	Account Title	End of Period				Remarks
				Number of Shares or Units	Carrying Amount	Shareholding Ratio (%)	Fair Value	
Highlight Tech System Corp.	Funds							
	FSITC Money Market Fund	—	Financial assets at FVTPL - current	50,125	$ 9,075	-	$ 9,075	
	Stocks							
	Jienpeng International Co., Ltd.	—	Financial assets at FVTOCI - non-current	281,304	$ -	10.42	$ -	
Schmidt Scientific Taiwan Ltd.	Funds							
	Jih Sun Money Market Fund	—	Financial assets at FVTPL - current	1,599,747	$ 24,109	-	$ 24,109	
	Stocks							
	Syntec Scientific Corporation	—	Financial assets at FVTOCI - non-current	598,500	$ 5,985	4.52	$ 5,985	

Note: For information on investments in subsidiaries and associates, please refer to Table 5.

Highlight Tech Corp. and Its Subsidiaries

Disposal of individual property at costs of at least NT$100 million or 20% of the paid-in capital

For the Year Ended Dec. 31, 2022

Table 4

Unit: NTD thousand, unless otherwise specified

Company Name	Counterparty	Relationship	Transaction				Situation and Reason that Transaction Terms are Different from General Ones (Note 1)		Notes/Accounts Receivable (Payable)		Remarks (Note 2)
			Purchase/ Sale	Amount	As a Percentage of Total Purchases (Sales) (%)	Credit Period	Unit Price	Credit Period	Balance	As a Percentage of Total Notes/ Accounts Receivable (Payable) (%)	
Highlight Tech Corp.	Highlight Tech (Shanghai) Corp.	Subsidiary (indirect ownership of 100% of the equity)	Sales	$ 146,609	6	O/A with net 60 days after the sale	There is no major difference in the unit price of the various components sold; the customized products and the parts of each customer's customized products for repair and replacement are different, so the prices cannot be compared.	O/A with net 60 days to 120 days for general customers	$ 21,259	7	

Note 1: If terms of related-party transactions are different from third-party transactions, explain the differences and reason in the 'Unit price' and 'Credit term' columns.

Note 2: In case related-party transaction terms involve advance receipts (prepayments) transaction, explain in the footnote the reasons, contractual provisions, related amounts, and differences in types of transaction compared to third-party transactions.

Note 3: Paid-in capital referred to herein is the paid-in capital of parent company. If the shares issued by an issuer have no par value or a par value other than NT$10 per share, the threshold of 20% of paid-in capital, as set out in the preceding item, shall be replaced by 10% of equity attributable to owners of the indicated parent company, as stated in the respective balance sheet.

Highlight Tech Corp. and Its Subsidiaries

Information on Investees

For the Year Ended Dec. 31, 2022

Table 5

Unit: NTD thousand (Unless stated otherwise)

Name of Investor	Name of Investee	Location	Main Business Activities	Initial Investment Amount		Held at the End of Period			Net Profit (Loss) on Investee in this Period	Investment Income (Loss) Recognized for this Period (Note 6)	Remarks
				End of Current Period	End of Last Period	Number of Shares	Percentage (%)	Carrying Amount			
Highlight Tech Corp.	Highlight Tech International Corp.	British Virgin Islands	A holding company that invests in businesses in Mainland China	$ 978,114 (US$31,850,000)	$ 978,114 (US$31,850,000)	27,414,695	100	$ 660,476	$ 108,826	$ 108,122	Subsidiary; Note 1
	Htc & Solar Tech Service Limited	Hsinchu County	Equipment maintenance and cleaning business	117,024	117,024	12,322,052	37.08	243,126	67,302	26,482	
	Schmidt Scientific Taiwan Ltd.	Taipei City	Sales and repair and maintenance of medical equipment, electronic components, optical instruments, semiconductor and optoelectronic process facilities, testing equipment, and automatic solar cell stringer machines	19,000	19,000	4,785,014	57.17	71,692	(4,704)	(2,689)	Subsidiaries
	Shanorm Tech Co., Ltd.	Hsinchu County	Repair of mechanical equipment and electronic components and retail of mechanical appliances and electronic materials	64,383	44,256	6,035,992	99.26	53,656	(2,207)	(2,203)	Subsidiaries
	Finesse Technology Co., Ltd.	Hsinchu County	Repair and maintenance of electronic product components and mechanical equipment and sales of relevant parts	201,017	201,017	9,671,934	39.82	328,604	133,008	52,606	Subsidiary; Note 2
Finesse Technology Co., Ltd.	Highlight Tech System Corp.	Hsinchu County	Surface treatment, automatic control equipment engineering, mechanical equipment manufacturing, as well as design, manufacturing, wholesale, and retail of electronic components	73,868	73,868	14,480,496	100.00	296,019	16,990		Subsidiaries
	Finesse Lifecare Co., Ltd.	Hsinchu County	Manufacturing of electronic components as well as wholesale and retail of precision instruments and electronic materials	360	4,500	36,000	35.29	135	2,055		Subsidiaries

	Schmidt Scientific Taiwan Ltd.	Taipei City	Sales and repair and maintenance of medical equipment, electronic components, optical instruments, semiconductor and optoelectronic process facilities, testing equipment, and automatic solar cell stringer machines	4,955	4,955	1,270,541	15.18	20,873	(4,704)		Subsidiaries
Highlight Tech System Corp.	Highlight Tech System International Limited	Samoa	A holding company that invests in businesses in Mainland China	29,175 (US$950,000)	29,175 (US$950,000)	900,000	100	59,168	11,969		Subsidiary; Note 3
Schmidt Scientific Taiwan Ltd.	Schmidt Taiwan International Ltd.	British Virgin Islands	Sale and purchase of various medical equipment, electronic products, and solar energy equipment	-	553 (US$18,000)	-	-	-	(101)		Subsidiary; Note 4
Schmidt Taiwan International Ltd.	Schmidt Technology Inc.	Cayman Islands	A holding company that invests in businesses in Mainland China	-	23,186 (US$755,000)	-	-	-	(2,023)		Subsidiary; Note 4

Note 1: The difference between the net equity value of Highlight Tech International Corp. of NT$680,110,000 and the carrying amount is due to the unrealized profit on deferred credits of NT$17,441,000 and the realized profit on upstream transactions of NT$2,193,000.

Note 2: The investment income or losses recognized in the current period include the current income of NT$55,779,000 and minus the customer relationship amortization of NT$3,173,000.

Note 3: The difference between the net equity value of Highlight Tech System International Limited of NT$59,537,000 and the carrying amount is the unrealized profit of deferred credit of NT$369,000.

Note 4: the registration of Schmidt Taiwan International Ltd. has been canceled in October 2022 and it has been liquidated.

Note 5: Please refer to Table 6 for relevant information on investees in Mainland China.

Note 6: It is only necessary to list the amount of profit and loss of each subsidiary recognized by the Company as a direct reinvestment and each subsidiaries accounted for using the equity method.

Highlight Tech Corp. and Its Subsidiaries

Information on investments in Mainland China

For the Year Ended Dec. 31, 2022

Table 6

Unit: NTD thousand (Unless stated otherwise)

Name of Investee	Main Business Activities	Paid-In Capital (Note 3)	Method of Investments (Note 1)	Cumulative Amount of Remittance from Taiwan to Mainland China, Beginning of Current Period (Note 3)	Amount Remitted from Taiwan to Mainland China/ Amount Remitted Back to Taiwan for Current Period		Cumulative Amount of Remittance from Taiwan to Mainland China, End of Current Period (Note 3)	Net Profit (Loss) on Investee in this Period	Shareholding of the Company (Direct or Indirect)	Investment Income (Loss) Recognized for this Period	Carrying Amount of Investments at the End of the Period	Cumulative Amount of Investment Income Repatriated to Taiwan as of the Current Period
					Outflow	Inflow						
Highlight Tech (Shanghai) Corp.	Sales of electronic equipment, manufacturing of vacuum components, and sales and maintenance of vacuum equipment	$ 898,268 (US$29,250,000)	(2) Highlight Tech International Corp.	$ 898,268 (US$29,250,000)	$ -	$ -	$ 898,268 (US$29,250,000)	$ 108,844	100	$ 108,844 (Note 2)	$ 674,397 (Note 2)	$ -
Highlight Tech System (Shanghai) Corp.	Surface treatment, automatic control equipment engineering, mechanical equipment manufacturing, as well as design, manufacturing, wholesale, and retail of electronic components	27,639 (US$900,000)	(2) Highlight Tech System International Limited	27,639 (US$900,000)	-	-	27,639 (US$900,000)	12,011	100	12,011 (Note 2)	58,534 (Note 2)	-
Finesse Technology (Shanghai) Co., Ltd.	Maintenance and sales of electronic product components as well as mechanical and electrical equipment	9,213 (US$300,000)	(1) Finesse Technology Co., Ltd.	9,213 (US$300,000)	-	-	9,213 (US$300,000)	4,867	100	4,867 (Note 2)	18,712 (Note 2)	-
Schmidt International Trading (Shanghai) Co., Ltd. (Note 6)	Sale and purchase of various medical equipment, electronic products, and solar energy equipment	-	(2) Schmidt Technology Inc.	6,142 (US$200,000)	-	154 (US$5,000)	5,988 (US$195,000)	(2,044)	-	(2,044) (Note 2)	- (Note 2)	-

Name of Investor	Cumulative Amount of Remittance from Taiwan to Mainland China, End of Current Period (Note 3)	Investment Amount Approved by the Investment Commission of MOEA (Note 3)	Limit on Investments in Mainland China imposed by the Investment Commission
The Company	$ 898,268 (US$29,250,000)	$ 1,156,232 (US$37,650,000)	Note 4
Highlight Tech System Corp.	27,639 (US$900,000)	27,639 (US$900,000)	$ 136,400 (Note 5)
Finesse Technology Co., Ltd.	9,213 (US$300,000)	9,213 (US$300,000)	$ 435,207 (Note 5)
Schmidt Scientific Taiwan Ltd.	5,988 (US$195,000)	6,142 (US$200,000)	$ 82,500 (Note 5)

Note 1: Investment methods are divided into the following three types, just enter the code:

(1) Direct investment in Mainland China.

(2) Indirect investment in mainland China through third-region companies (please indicate the investment companies in the third regions).

(3) Other methods.

Note 2: Recognized based on the financial statements audited and attested by CPAs appointed by the parent company in Taiwan.

Note 3: The relevant figures in this table are listed in NTD (1: 30.71).

Note 4: In accordance with the newly amended “Principles for the Review of Investment or Technical Cooperation in Mainland China” on Aug. 29, 2008, the Company obtained the certification documents issued by the Industrial Development Bureau, Ministry of Economic Affairs, on Nov. 16, 2020 for meeting the operating scope of the operations headquarters in the manufacturing industry, so there is no need to calculate the investment limit.

Note 5: For Highlight Tech System Corp., Finesse Technology Co., Ltd., and Schmidt Scientific Taiwan Ltd., based on the newly amended Principles for the Review of Investment or Technical Cooperation in Mainland China on Aug. 29, 2008, the investment limit for small- and medium-sized enterprises is NT$80,000,000 or 60% of net worth, whichever is higher.

Note 6: The cancellation of registration was completed on Aug. 30, 2022.

Highlight Tech Corp. and Its Subsidiaries

Information on Significant Transactions with Investees in Mainland China, Either Directly or Indirectly Through a Third Party, and Their Prices, Payment Terms, Unrealized Gains or Losses, and Other Relevant Information

For the Year Ended Dec. 31, 2022

Table 7

Unit: NTD thousand

I. The Amount and Percentage of Purchases and Sales and the Closing Balance and Percentage of Relevant Receivables.

Company Name	Counterparty	Relationship	Transaction				Amount and Reason that Transaction Terms are Different from General Ones		Notes/Accounts Receivable (Payable)		Unrealized Gain/(loss)	Remarks
			Purchase/Sale	Amount	As a Percentage of Total Purchases (Sales)	Credit Period	Unit Price	Credit Conditions	Balance	As a Percentage of Total Notes/ Accounts Receivable (Payable) (%)		
Highlight Tech Corp.	Highlight Tech (Shanghai) Corp.	Subsidiary (indirect ownership of 100% of the equity)	Sales	$ 146,60	6	O/A with net 60 days after the sale	There is no major difference in the unit price of the various components sold; the customized products and the parts of each customer's customized products for repair and replacement are different, so the prices cannot be compared.	O/A with net 60 days to 120 days for general customers	$ 21,259	7	$ 17,441	
Highlight Tech System Corp.	Highlight Tech System (Shanghai) Corp.	Subsidiary (indirect ownership of 100% of the equity)	Sales	7,22	2	O/A with net 90 days after the sale	There is no major difference in the unit price of the various components and equipment sold; the customized products and the parts of each customer's customized products for repair and replacement are different, so the prices cannot be compared.	O/A with net 30 days to 120 days for general customers	130	1	320	
Finesse Technology Co., Ltd.	Finesse Technology (Shanghai) Co., Ltd.	Subsidiary (Direct Ownership of 100% of Equity)	Sales	23,07	4	O/A with net 90 days after the sale	There is no major difference in the unit price of the various components and equipment sold; the customized products and the parts of each customer's customized products for repair and replacement are different, so the prices cannot be compared.	O/A with net 30 days to 120 days for general customers	2,837	3	-	
Finesse Technology Co., Ltd.	Highlight Tech System (Shanghai) Corp.	Subsidiary (indirect ownership of 100% of the equity)	Sales	32,31	5	O/A with net 90 days after the sale	There is no major difference in the unit price of the various components and equipment sold; the customized products and the parts of each customer's customized products for repair and replacement are different, so the prices cannot be compared.	O/A with net 30 days to 120 days for general customers	6,777	6	-	

II. The Closing Balance of Endorsement/Guarantee Bills or the Collateral Provided and the Purpose

Unit: NTD thousand (Except for USD and RMB which are in dollars)

Name of Related Party	Relationship Between the Company and the Related Party	Closing Balance of Endorsement, Guarantee, or Collateral Provided, End of Period	Purpose of Endorsement, Guarantee, or Collateral Provided
Highlight Tech (Shanghai) Corp.	Subsidiary (indirect ownership of 100% of the equity)	$ 30,866 (RMB 7,000,000) (Note)	In order to cope with the expansion of Highlight Tech (Shanghai) Corp. and the insufficiency of initial investment funds, the Company provided it with endorsement/ guarantee, so that it can apply for loans from banks to replenish its working capital.

Note: This is the closing balance of endorsement/guarantee provided by the Company to Highlight Tech (Shanghai) Corp.

Highlight Tech Corp. and Its Subsidiaries

Business Relationship and Significant Transactions Between the Parent Company and Its Subsidiaries

For the Year Ended Dec. 31, 2022

Table 8

Unit: NTD thousand

No.	Company Name	Counterparty	Relationship with the Company (Note)	Transaction			
				Financial Statement Account	Amount	Transaction Condition	As a Percentage of Consolidated Total Operating Revenues or Total Assets
0	Highlight Tech Corp.	Highlight Tech (Shanghai) Corp.	1.	Sales revenue	$ 146,609	Pricing at general transaction prices - O/A with net 60 days	3.75
			1.	Miscellaneous	6,581	-	0.17
			1.	Accounts receivable	21,259	-	0.31
		Shanorm Tech Co., Ltd.	1.	Sales revenue	47,978	Pricing at general transaction prices - O/A with net 90 days	1.23
			1.	Accounts receivable	12,921	-	0.19
1	Highlight Tech System Corp.	Highlight Tech System (Shanghai) Corp.	3.	Sales revenue	7,228	Pricing at general transaction prices - O/A with net 90 days	0.18
			3.	Miscellaneous	4,385	-	0.11
			3.	Other receivables	3,982	-	0.06
		Finesse Technology Co., Ltd.	2.	Sales revenue	32,197	Pricing at general transaction prices - O/A with net 60 days	0.82
			2.	Accounts receivable	10,029	-	0.15
		Highlight Tech Corp.	2.	Sales revenue	4,914	Pricing at general transaction prices - O/A with net 60 days	0.13
2	Highlight Tech (Shanghai) Corp.	Highlight Tech Corp.	2.	Sales revenue	29,937	Pricing at general transaction prices - O/A with net 60 days	0.77
			2.	Accounts receivable	9,846	-	0.15
		Highlight Tech System (Shanghai) Corp.	3.	Miscellaneous	3,097	Pricing at general transaction prices - O/A with net 60 days	0.08
3	Shanorm Tech Co., Ltd.	Highlight Tech Corp.	2.	Sales revenue	3,999	Pricing at general transaction prices - O/A with net 90 days	0.10
			2.	Miscellaneous	3,960	-	0.10
4	Finesse Technology Co., Ltd.	Highlight Tech System Corp.	3.	Sales revenue	40,037	Pricing at general transaction prices - O/A with net 60 days	1.02
			3.	Accounts receivable	10,496	-	0.15
		Finesse Technology (Shanghai) Co., Ltd.	3.	Sales revenue	23,070	Pricing at general transaction prices - O/A with net 90 days	0.59
			3.	Accounts receivable	2,837	-	0.04
		Highlight Tech System (Shanghai) Corp.	3.	Sales revenue	32,317	Pricing at general transaction prices - O/A with net 90 days	0.83
			3.	Accounts receivable	6,771	-	0.10
		Highlight Tech Corp.	2.	Sales revenue	23,959	Pricing at general transaction prices - O/A with net 90 days	0.61
			2.	Accounts receivable	3,892	-	0.06
5	Schmidt Scientific Taiwan Ltd.	Highlight Tech (Shanghai) Corp.	3.	Sales revenue	20,328	Pricing at general transaction prices - O/A with net 60 days	0.52
			3.	Accounts receivable	17,271	-	0.25
		Schmidt International Trading (Shanghai) Co., Ltd.	3.	Miscellaneous	2,167	Pricing at general transaction prices - O/A with net 60 days	0.06

6	Highlight Tech System (Shanghai) Corp.	Finesse Technology Co., Ltd.	3.	Sales revenue	8,223	Pricing at general transaction prices - O/A with net 90 days	0.21
		Finesse Technology (Shanghai) Co., Ltd.	3.	Sales revenue	11,196	Pricing at general transaction prices - O/A with net 90 days	0.29
			3.	Accounts receivable	2,991	-	0.04
7	Finesse Technology (Shanghai) Co., Ltd.	Highlight Tech System (Shanghai) Corp.	3.	Sales revenue	4,572	Pricing at general transaction prices - O/A with net 90 days	0.12
8	Finesse Lifecare Co., Ltd.	Finesse Technology Co., Ltd.	3.	Sales revenue	3,311	Pricing at general transaction prices - O/A with net 90 days	0.08

Note: There are three types of relations with the transaction company, just enter the code:

1. Parent to subsidiary
2. Subsidiary to parent.
3. Between subsidiaries.