

**Taiwan Union Technology Corporation and
Subsidiaries**

**Consolidated Financial Statements for the
Years Ended December 31, 2022 and 2021 and
Independent Auditors' Report**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2022 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

TAIWAN UNION TECHNOLOGY CORPORATION

By

HSIN CHUNG-HERNG
Chairman

March 8, 2023

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Taiwan Union Technology Corporation

Opinion

We have audited the accompanying consolidated financial statements of Taiwan Union Technology Corporation and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, 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 December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and 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 of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Group's consolidated financial statements for the year ended December 31, 2022 is stated as follows:

Recognition of Revenue from Specific Customers

The Group's main source of revenue comes from the manufacture and sale of copper clad laminate and prepreg and providing mass lamination services of printed circuit boards to its customers. The revenue changes in major customers have a significant impact on the consolidated financial statements, and revenue has inherently higher risk. Therefore, the accuracy of the revenue from specific customers who meet specific standards was deemed as a key audit matter. Refer to Note 4 "Revenue Recognition" for the related accounting policies.

Our main audit procedures performed included the following:

1. We understood the internal controls, evaluated the design of the key controls, determined whether the key controls had been implemented and tested the effectiveness of the operating controls related to the recognition of revenue from specific customers.
2. We selected samples from the sales details of the revenue from specific customers, including the verification of customer orders, packing lists by customers signature or export declarations and invoice to support the facts of the accuracy of the revenue.
3. We tested receiving payment after the reporting period and inspected whether there were any significant reversals of revenue through sales discounts and sales returns which occurred after the reporting period.

Other Matter

We have also audited the parent company only financial statements of Taiwan Union Technology Corporation as of December 31, 2022 and 2021 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Jui-Chuan Chih and Po-Jen Weng.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 8, 2023

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

TAIWAN UNION TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 5,890,505	30	\$ 4,717,288	22
Financial assets at fair value through profit or loss - current (Notes 7 and 29)	9,795	-	11,124	-
Financial assets at amortized cost - current (Note 9)	913,967	5	1,853,349	8
Notes receivable (Note 10)	552,381	3	913,787	4
Trade receivables (Note 10)	5,608,825	28	6,687,953	31
Other receivables	53,406	-	49,052	-
Current tax assets (Note 24)	2,402	-	25,834	-
Inventories (Note 11)	1,965,339	10	2,857,117	13
Prepayments	6,161	-	11,198	-
Other current assets	80,874	-	75,457	-
Total current assets	15,083,655	76	17,202,159	78
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 8 and 29)	8,171	-	5,104	-
Property, plant and equipment (Note 13)	4,286,557	22	4,319,736	20
Right-of-use assets (Note 14)	94,743	1	95,910	1
Other intangible assets (Note 15)	14,435	-	14,498	-
Deferred tax assets (Note 24)	43,176	-	44,653	-
Prepayments for equipment	143,731	1	167,225	1
Refundable deposits (Note 31)	14,346	-	13,478	-
Other non-current assets	73,711	-	87,836	-
Total non-current assets	4,678,870	24	4,748,440	22
TOTAL	\$ 19,762,525	100	\$ 21,950,599	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	\$ 61,420	-	\$ 446,904	2
Financial liabilities at fair value through profit or loss - current (Notes 7 and 29)	41,760	-	-	-
Trade payables	3,268,531	17	4,602,236	21
Other payables (Note 18)	874,263	4	1,138,665	6
Current tax liabilities (Note 24)	91,417	1	188,638	1
Provisions - current (Note 19)	14,901	-	35,172	-
Current portion of putable bonds (Note 17)	1,756,862	9	-	-
Current portion of long-term borrowings (Note 16)	418,715	2	-	-
Other current liabilities (Note 18)	25,450	-	28,620	-
Total current liabilities	6,553,319	33	6,440,235	30
NON-CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - non-current (Notes 7 and 29)	-	-	8,460	-
Bonds payable (Note 17)	-	-	1,738,826	8
Long-term borrowings (Note 16)	1,146,168	6	1,782,580	8
Deferred tax liabilities (Note 24)	95,839	1	94,234	-
Net defined benefit liabilities - non-current (Note 20)	90,780	-	127,962	1
Guarantee deposits received	18,139	-	21,593	-
Total non-current liabilities	1,350,926	7	3,773,655	17
Total liabilities	7,904,245	40	10,213,890	47
EQUITY (Note 21)				
Share capital				
Ordinary shares	2,691,518	14	2,689,387	12
Capital collected in advance	-	-	768	-
Total share capital	2,691,518	14	2,690,155	12
Capital surplus	2,085,826	11	2,046,626	9
Retained earnings				
Legal reserve	1,461,098	7	1,273,773	6
Special reserve	255,623	1	212,698	1
Unappropriated earnings	5,481,879	28	5,769,080	26
Total retained earnings	7,198,600	36	7,255,551	33
Other equity	(117,664)	(1)	(255,623)	(1)
Total equity	11,858,280	60	11,736,709	53
TOTAL	\$ 19,762,525	100	\$ 21,950,599	100

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

TAIWAN UNION TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Note 22)	\$ 18,472,128	100	\$ 21,132,040	100
OPERATING COSTS (Note 11)	<u>15,066,947</u>	<u>82</u>	<u>16,701,679</u>	<u>79</u>
GROSS PROFIT	<u>3,405,181</u>	<u>18</u>	<u>4,430,361</u>	<u>21</u>
OPERATING EXPENSES (Note 23)				
Selling and marketing expenses	1,011,851	5	1,115,889	6
General and administrative expenses	584,880	3	670,201	3
Research and development expenses	310,896	2	264,261	1
Expected credit gain	<u>(46)</u>	<u>-</u>	<u>(29)</u>	<u>-</u>
Total operating expenses	<u>1,907,581</u>	<u>10</u>	<u>2,050,322</u>	<u>10</u>
PROFIT FROM OPERATIONS	<u>1,497,600</u>	<u>8</u>	<u>2,380,039</u>	<u>11</u>
NON-OPERATING INCOME AND EXPENSES (Note 23)				
Interest income	74,740	-	47,728	-
Other gains and losses	77,212	1	15,768	-
Finance costs	<u>(28,589)</u>	<u>-</u>	<u>(30,203)</u>	<u>-</u>
Total non-operating income and expenses	<u>123,363</u>	<u>1</u>	<u>33,293</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	1,620,963	9	2,413,332	11
INCOME TAX EXPENSE (Note 24)	<u>359,539</u>	<u>2</u>	<u>532,090</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>1,261,424</u>	<u>7</u>	<u>1,881,242</u>	<u>9</u>

(Continued)

TAIWAN UNION TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ 35,781	-	\$ (9,989)	-
Unrealized gains from investments in equity instruments at fair value through other comprehensive income	3,067	-	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 24)	(7,156)	-	1,998	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	<u>134,892</u>	<u>1</u>	<u>(42,925)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>166,584</u>	<u>1</u>	<u>(50,916)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,428,008</u>	<u>8</u>	<u>\$ 1,830,326</u>	<u>9</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,261,424	7	\$ 1,881,242	9
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,261,424</u>	<u>7</u>	<u>\$ 1,881,242</u>	<u>9</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,428,008	8	\$ 1,830,326	9
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,428,008</u>	<u>8</u>	<u>\$ 1,830,326</u>	<u>9</u>
EARNINGS PER SHARE (Note 25)				
Basic	<u>\$ 4.69</u>		<u>\$ 7.01</u>	
Diluted	<u>\$ 4.49</u>		<u>\$ 6.68</u>	

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

(Concluded)

TAIWAN UNION TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company							Others		Total Equity
	Shares (In Thousands)	Share Capital		Capital Surplus	Retained Earning			Exchange Difference on Translation of the Financial Statements of Foreign Operations	Unrealized Gains on Financial Assets at Fair Value through Other Comprehensive Income	
		Ordinary Shares	Capital Collected in Advance		Legal Reserve	Special Reserve	Unappropriated Earnings			
BALANCE AT JANUARY 1, 2021	267,144	\$ 2,671,444	\$ 2,790	\$ 1,896,375	\$ 1,095,967	\$ 313,609	\$ 5,259,724	\$ (212,698)	\$ -	\$ 11,027,211
Appropriation of the 2020 earnings										
Legal reserve	-	-	-	-	177,806	-	(177,806)	-	-	-
Special reserve	-	-	-	-	-	(100,911)	100,911	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(1,287,000)	-	-	(1,287,000)
Net profit for the year ended December 31, 2021	-	-	-	-	-	-	1,881,242	-	-	1,881,242
Other comprehensive loss for the year ended December 31, 2021, net of income tax	-	-	-	-	-	-	(7,991)	(42,925)	-	(50,916)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	-	1,873,251	(42,925)	-	1,830,326
Recognized on issuance of employee share options (Note 26)	-	-	-	43,267	-	-	-	-	-	43,267
Issuance of ordinary shares under employee share options	1,794	17,943	(2,022)	106,984	-	-	-	-	-	122,905
BALANCE AT DECEMBER 31, 2021	268,938	2,689,387	768	2,046,626	1,273,773	212,698	5,769,080	(255,623)	-	11,736,709
Appropriation of the 2021 earnings										
Legal reserve	-	-	-	-	187,325	-	(187,325)	-	-	-
Special reserve	-	-	-	-	-	42,925	(42,925)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(1,347,000)	-	-	(1,347,000)
Net profit for the for the year ended December 31, 2022	-	-	-	-	-	-	1,261,424	-	-	1,261,424
Other comprehensive income for the year ended December 31, 2022, net of income tax	-	-	-	-	-	-	28,625	134,892	3,067	166,584
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	-	-	1,290,049	134,892	3,067	1,428,008
Recognized on issuance of employee share options (Note 26)	-	-	-	30,553	-	-	-	-	-	30,553
Issuance of ordinary shares under employee share options	214	2,131	(768)	8,647	-	-	-	-	-	10,010
BALANCE AT DECEMBER 31, 2022	269,152	\$ 2,691,518	\$ -	\$ 2,085,826	\$ 1,461,098	\$ 255,623	\$ 5,481,879	\$ (120,731)	\$ 3,067	\$ 11,858,280

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

TAIWAN UNION TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,620,963	\$ 2,413,332
Adjustments for:		
Depreciation expenses	457,698	435,158
Amortization expenses	4,584	4,166
Expected credit loss reversed on trade receivables	(46)	(29)
Net loss (gain) on fair value changes of financial assets at fair value through profit or loss	30,617	(16,550)
Compensation costs of employee share options	30,553	43,267
Finance costs	28,589	30,203
Interest income	(74,740)	(47,728)
Loss on disposal of property, plant and equipment	2,363	8,485
Write-downs of inventories	40,196	19,205
(Reversed) recognition of provisions	(20,813)	6,891
Changes in operating assets and liabilities		
Notes receivable	361,406	(76,375)
Trade receivables	1,078,997	(1,892,393)
Other receivables	(34,066)	(15,222)
Inventories	850,414	(661,183)
Prepayments	5,037	10,124
Other current assets	(5,417)	(22,098)
Trade payables	(1,333,705)	1,594,012
Other payables	(255,735)	134,843
Other current liabilities	(3,170)	16,357
Defined benefit liabilities	(1,401)	514
Cash generated from operations	2,782,324	1,984,979
Interest paid	(19,220)	(8,783)
Income taxes paid	(437,402)	(464,189)
Net cash generated from operating activities	<u>2,325,702</u>	<u>1,512,007</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of financial assets at amortized cost	939,382	1,642,040
Purchase of financial assets at fair value through profit or loss	(69,201)	(94,814)
Proceeds from sale of financial assets at fair value through profit or loss	73,213	108,727
Purchase of property, plant and equipment	(259,001)	(334,506)
Proceeds from disposal of property, plant and equipment	627	816
Increase in refundable deposits	(868)	(200)
Payments for intangible assets	(4,290)	(7,639)
Decrease in other non-current assets	14,125	6,243
Increase in prepayments for equipment	(121,859)	(98,802)
Interest received	<u>104,452</u>	<u>46,962</u>
Net cash generated from investing activities	<u>676,580</u>	<u>1,268,827</u>

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TAIWAN UNION TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	\$ -	\$ 18,620
Repayments of short-term borrowings	(385,484)	-
Proceeds from long-term borrowings	12,280	60,363
Repayments of long-term borrowings	(229,977)	(106,006)
Proceeds from guarantee deposits received	-	10,749
Repayments of guarantee deposits received	(3,454)	-
Dividends paid to owners of the Company	(1,347,000)	(1,287,000)
Proceeds from issuance of ordinary shares	<u>10,010</u>	<u>122,905</u>
Net cash used in generated from financing activities	<u>(1,943,625)</u>	<u>(1,180,369)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>114,560</u>	<u>(20,676)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,173,217	1,579,789
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>4,717,288</u>	<u>3,137,499</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 5,890,505</u>	<u>\$ 4,717,288</u>

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

(Concluded)

TAIWAN UNION TECHNOLOGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Taiwan Union Technology Corporation (the “Company”) was incorporated under the Company Act and other related regulations of the Republic of China (ROC) on May 22, 1974. Its former name was Taiwan Union Glass Industrial Co., Ltd., and its name was changed to Taiwan Union Technology Corporation since 2000. The Company’s shares have been listed on the Taipei Exchange (TPEX) since December 18, 2003.

The Company mainly produces copper clad laminate, prepreg and mass lamination, and is a supplier of printed circuit boards.

The consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”) are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on March 8, 2023.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. 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 initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2023

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments will be applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

1) Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments specify that the Group should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- The Group may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- a) The Group changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- b) The Group chose the accounting policy from options permitted by the standards;
- c) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
- d) The accounting policy relates to an area for which the Group is required to make significant judgements or assumptions in applying an accounting policy, and the Group discloses those judgements or assumptions; or
- e) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

2) Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Group may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Group uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group’s financial position and financial performance.

- c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New, Amended and Revised Standards and Interpretations	Effective Date Announced 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 by IASB
Amendments to IFRS 16 “Leases Liability in a Sale and leaseback”	January 1, 2024 (Note 2)
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

Note 1: Unless stated otherwise, the above IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

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

- 1) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulate that, when the Group sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Group loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Group sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Group’s interest as an unrelated investor in the associate or joint venture, i.e., the Group’s share of the gain or loss is eliminated. Also, when the Group loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Group’s interest as an unrelated investor in the associate or joint venture, i.e., the Group’s share of the gain or loss is eliminated.

- 2) Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” (revise in 2020) and contract terms of non-current liabilities (revise in 2022)

The 2020 amendments clarify that for a liability to be classified as non-current, the Group shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Group will exercise that right.

The 2020 amendments also stipulate that, if the right to defer settlement is subject to compliance with specified conditions, the Group must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date. The 2022 amendments further clarify that only covenants with which an entity is required to comply on or before the reporting date should affect the classification of a liability as current or non-current. Although the covenants to be complied with within twelve months after the reporting period do not affect the classification of a liability, the Group shall disclose information that enables users of financial statements to understand the risk of the Group that may have difficulty complying with the covenants and repay its liabilities within twelve months after the reporting period.

In 2020, the amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Group's own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Group's own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32 "Financial Instruments: Presentation", the aforementioned terms would not affect the classification of the liability.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. 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.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

- Assets held primarily for the purpose of trading;
- Assets expected to be realized within 12 months after the reporting period; and

- Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- Liabilities held primarily for the purpose of trading;
- Liabilities due to be settled within 12 months after the reporting period; and
- Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statements of profit or loss and other comprehensive income from the effective dates of acquisition up to the effective dates of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. 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.

See Note 12, Table 4 and Table 5 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual entity in the Group, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at 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 retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purpose of presenting consolidated financial statements, the functional currencies of its foreign operations (including subsidiaries, associates, joint ventures and branches in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

f. Inventories

Inventories consist of raw materials, merchandise, finished goods and semi-finished goods and work in process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

g. Property, plant and equipment

Property, plant and equipment are initially measured and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Intangible assets

1) Intangible assets 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 and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Impairment of property, plant and equipment, right-of-use asset, intangible assets and assets related to contract costs

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. Financial instruments

Financial assets and financial liabilities are recognized when an entity in the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to an acquisition or issuance 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.

1) Financial assets

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

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 29.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost and time deposits with original maturity of more than 3 months, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits and the investments with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

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

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), investments in debt instruments that are measured at FVTOCI, lease receivables, as well as contract assets.

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables, lease receivables and contract assets. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Group considers the following situations as indication that a financial asset is in default (without taking into account any collateral held by the Group):

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.
- ii. Financial asset is more than 90 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit with or loss by a reduction in their carrying amount through a loss allowance account.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset 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 sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

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

Equity instruments issued by an entity in the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Group's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Group's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except the following situation, all financial liabilities are measured at amortized cost using the effective interest method:

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when such financial liabilities are either held for trading.

Financial liabilities held for trading are stated at fair value, and any gains or losses on such financial liabilities are recognized in other gains or losses.

Fair value is determined in the manner described in Note 29.

b) Derecognition of financial liabilities

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

4) Convertible bonds

The component parts of compound instruments (i.e., convertible bonds) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or upon the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised; in which case, the balance recognized in equity will be transferred to capital surplus - share premiums. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premiums.

Transaction costs that relate to the issuance of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

5) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts and cross-currency swap forward contracts.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g., financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts, and the host contracts are not measured at FVTPL.

k. Provisions

Provisions are measured at the best estimate of the discounted cash flows 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.

l. Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

Revenue from the sale of goods

Revenue from the sale of goods comes from the manufacture and sale of printed circuit boards. Sales of printed circuit boards are recognized as revenue when the goods are delivered to the customer's specific location or shipped because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Estimated sales returns and other allowances are generally made and adjusted based on historical experience and the consideration of varying contractual terms, and be recognized as refund liabilities presented in other current liabilities.

m. Leases

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

The Group as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those 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 is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

n. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plans.

3) Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the Group recognizes any related restructuring costs.

o. Share-based payment arrangements (employee share options)

Employee share options granted to employees and others providing similar services

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that is expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vested immediately.

At the end of each reporting period, the Group revises its estimate of the number of employee share options that are expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options.

p. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforwards and unused tax credits that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profit against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. 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 end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

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, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimations, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group considers the possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2022	2021
Cash on hand	\$ 521	\$ 232
Checking accounts and demand deposits	2,333,449	1,198,691
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	3,526,535	3,333,365
Repurchase agreements collateralized by bonds	<u>30,000</u>	<u>185,000</u>
	<u>\$ 5,890,505</u>	<u>\$ 4,717,288</u>

The market rate intervals of cash in banks and repurchase agreements collateralized by bonds at the end of the year were as follows:

	December 31	
	2022	2021
Bank deposits	0.001%-4.18%	0.001%-2.1%
Repurchase agreements collateralized by bonds	1.2%	0.27%-0.31%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2022	2021
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts (a)	\$ 1,309	\$ 325
Cross-currency swap contracts (b)	1,594	3,017
Non-derivative financial assets		
Convertible bonds of domestic listed shares	<u>6,892</u>	<u>7,782</u>
	<u>\$ 9,795</u>	<u>\$ 11,124</u>
<u>Financial liabilities at FVTPL - current</u>		
Financial liabilities mandatorily classified as at FVTPL		
Non-derivative financial liabilities		
Convertible bonds	<u>\$ 41,760</u>	<u>\$ -</u>
<u>Financial liabilities at FVTPL - non-current</u>		
Financial liabilities mandatorily classified as at FVTPL		
Non-derivative financial liabilities		
Convertible bonds	<u>\$ -</u>	<u>\$ 8,460</u>

- a. At the end of the year, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2022</u>			
Sell	USD/NTD	2023.01.04	USD1,000/NTD31,444
		2023.01.31	USD1,000/NTD30,820
		2023.02.03	USD1,000/NTD31,610
		2023.03.03	USD3,000/NTD90,857
<u>December 31, 2021</u>			
Sell	USD/NTD	2022.01.04	USD1,000/NTD27,938
		2022.02.07	USD1,000/NTD27,770

- b. At the end of the year, outstanding cross-currency swap forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2022</u>			
Cross-currency swap contracts	USD/NTD	2023.01.31	USD8,000/NTD246,340
		2023.02.24	USD11,000/NTD336,580
		2023.03.29	USD5,000/NTD151,950
<u>December 31, 2021</u>			
Cross-currency swap contracts	USD/NTD	2022.01.28	USD8,000/NTD222,552
		2022.02.25	USD9,000/NTD250,731
		2022.03.28	USD8,000/NTD221,920

The Group entered into cross-currency swap contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in Equity Instruments at FVTOCI

	<u>December 31</u>	
	2022	2021
<u>Non-current</u>		
Domestic investments		
Unlisted shares	\$ 8,171	\$ 5,104

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	2022	2021
<u>Current</u>		
Domestic investments		
Time deposits with original maturities of more than 3 months	\$ 913,967	\$ 1,853,349

The range of interest rates for time deposits with original maturities of more than 3 months was approximately 0.905%-4.5% and 0.34%-2.175% per annum as of December 31, 2022 and 2021, respectively.

10. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31	
	2022	2021
<u>Notes receivable</u>		
Notes receivable - operating	\$ 552,381	\$ 913,787
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 4,976,740	\$ 6,165,957
Less: Allowance for impairment loss	(25,983)	(25,852)
	4,950,757	6,140,105
At FVTOCI	658,068	547,848
	<u>\$ 5,608,825</u>	<u>\$ 6,687,953</u>

Trade Receivables

a. At amortized cost

The average credit period of sales of goods was 90 to 120 days. No interest was charged on trade receivables. At the end of each reporting period, the Group revises its estimate of the number of employee share options that are expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date.

The following table details the loss allowance of trade receivables based on the Group's provision matrix.

December 31, 2022

	Not Past Due	1 to 90 Days Past Due	Over 90 Days Past Due	Total
Gross carrying amount	\$ 4,946,202	\$ 4,555	\$ 25,983	\$ 4,976,740
Loss allowance (Lifetime ECLs)	-	-	(25,983)	(25,983)
Amortized cost	<u>\$ 4,946,202</u>	<u>\$ 4,555</u>	<u>\$ -</u>	<u>\$ 4,950,757</u>

December 31, 2021

	Not Past Due	1 to 90 Days Past Due	Over 90 Days Past Due	Total
Gross carrying amount	\$ 6,127,550	\$ 12,600	\$ 25,807	\$ 6,165,957
Loss allowance (Lifetime ECLs)	<u>(22)</u>	<u>(23)</u>	<u>(25,807)</u>	<u>(25,852)</u>
Amortized cost	<u>\$ 6,127,528</u>	<u>\$ 12,577</u>	<u>\$ -</u>	<u>\$ 6,140,105</u>

The Group's expected credit loss rate for each range in the above table is as follows: Not more than 1% for receivables not past due within 90 days; and 100% for receivables past due over 90 days.

The movements of the loss allowance of trade receivables were as follows:

	December 31	
	2022	2021
Balance at January 1	\$ 25,852	\$ 25,946
Less: Net remeasurement of loss allowance	(46)	(29)
Foreign exchange gains and losses	<u>177</u>	<u>(65)</u>
Balance at December 31	<u>\$ 25,983</u>	<u>\$ 25,852</u>

b. At FVTOCI

For some trade receivables, the Group will decide whether to sell these trade receivables to banks without recourse based on its level of working capital. These trade receivables are classified as at FVTOCI because they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets.

December 31, 2022

	Not Past Due	1 to 90 Days Past Due	Over 90 Days Past Due	Total
Gross carrying amount	\$ 658,068	\$ -	\$ -	\$ 658,068
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 658,068</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 658,068</u>

December 31, 2021

	Not Past Due	1 to 90 Days Past Due	Over 90 Days Past Due	Total
Gross carrying amount	\$ 547,848	\$ -	\$ -	\$ 547,848
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 547,848</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 547,848</u>

Factored trade receivables for the years ended December 31, 2022 and 2021 were as follows:

Counterparty	Receivables Sold	Advances Received at Year-end	Interest Rates on Advances Received (%)	Retained Amount	Credit Line
<u>December 31, 2022</u>					
E.SUN bank	\$ 500,476	\$ -	-	\$ 500,476	\$ 1,108,754
Mega bank	6,635	-	-	6,635	61,420
Chang Hwa Bank	<u>150,957</u>	<u>-</u>	-	<u>150,957</u>	<u>644,910</u>
	<u>\$ 658,068</u>	<u>\$ -</u>		<u>\$ 658,068</u>	<u>\$ 1,815,084</u>
<u>December 31, 2021</u>					
E.SUN bank	\$ 364,888	\$ -	-	\$ 364,888	\$ 920,305
Mega bank	18,042	2,190	0.65	15,852	55,360
Chang Hwa Bank	<u>167,108</u>	<u>-</u>	-	<u>167,108</u>	<u>581,280</u>
	<u>\$ 550,038</u>	<u>\$ 2,190</u>		<u>\$ 547,848</u>	<u>\$ 1,556,945</u>

The above credit lines may be used on a revolving basis. The Group decided to sell these trade receivables to banks without recourse.

11. INVENTORIES

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Finished goods	\$ 641,658	\$ 848,334
Work in process	115,703	152,908
Raw materials	1,163,033	1,750,695
Inventory in transit	13,457	71,724
Spare parts	<u>31,488</u>	<u>33,456</u>
	<u>\$ 1,965,339</u>	<u>\$ 2,857,117</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021 was \$15,066,947 thousand and \$16,701,679 thousand, respectively. The cost of goods sold included inventories write-downs of \$40,196 thousand and \$19,205 thousand, respectively.

12. SUBSIDIARIES

Subsidiaries Included in the Consolidated Financial Statements

The detail information of the subsidiaries at the end of reporting period was as follows:

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark
			2022	2021	
Taiwan Union Technology Corporation	Taiwan Union Holding Corporation	Investment holding	100	100	a
Taiwan Union Technology Corporation	Taiwan Union Technology (Thailand) Co., Ltd.	Manufacture and sale of CCL and PP.	100	-	b
Taiwan Union Holding Corporation	Taiwan Union (Samoa) Corporation	Investment holding	100	100	c
	Taiwan Union Investment Corporation	International trading and investment holding	100	100	d
Taiwan Union (Samoa) Corporation	Taiwan Union (Changshu) Corporation	Manufacture and sale of CCL and PP.	100	100	e
Taiwan Union Investment Corporation	Taiwan Union (Zhongshan) Corporation	Manufacture and sale of CCL and PP.	100	100	f

- a. Taiwan Union Holding Corporation (“TUCH”) is a 100% owned subsidiary of Taiwan Union Technology Corporation. It was established in the British Virgin Islands in March 2001 and obtained approval from the Investment Commission of the Ministry of Economic Affairs for investment activities.
- b. Taiwan Union Technology (Thailand) Co., Ltd (“Taiwan Union Technology Thailand”) was established in December 2022 with 100% investment from Taiwan Union Technology Corporation. The Company mainly produces copper clad laminate and prepreg.
- c. Taiwan Union (Samoa) Corporation (“TUCS”) is a 100% owned subsidiary of TUCH. It was established in the Independent State of Samoa in May 2004 and obtained approval from the Investment Commission of the Ministry of Economic Affairs for investment activities.
- d. Taiwan Union Investment Corporation (“TUCI”) is a 100% owned subsidiary of TUCH. It was established in the Independent State of Samoa in October 2006 and obtained approval from the Investment Commission of the Ministry of Economic Affairs for investment activities.
- e. Taiwan Union (Changshu) Corporation (“TUCC”) is a 100% owned subsidiary of TUCS. It was established in the Zhejiang Province, China and obtained the business license in August 2004. The validity period of the business license is from August 16, 2004 to August 15, 2054. The Company mainly produces copper clad laminate and prepreg.
- f. Taiwan Union (Zhongshan) Corporation (“TUCZ”) is a 100% owned subsidiary of TUCI. It was established in the Guangdong Province, China and obtained the business license in December 2006. The validity period of the business license is from December 12, 2006 to December 12, 2056. The Company mainly produces copper clad laminate and prepreg.

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Utilities Equipment	Transportation Equipment	Office Equipment	Other Equipment	Total
<u>Cost</u>								
Balance at January 1, 2022	\$ 743,948	\$ 2,056,155	\$ 4,863,470	\$ 611,651	\$ 30,829	\$ 193,006	\$ 991,582	\$ 9,490,641
Additions	-	20,862	101,571	34,305	3,892	7,177	91,194	259,001
Disposals	-	-	(32,567)	(1,015)	(1,453)	(911)	(4,507)	(40,453)
Reclassification	-	5,035	36,182	14,421	-	3,541	85,905	145,084
Effects of foreign currency exchange differences	-	14,315	31,353	-	188	2,142	9,884	57,882
Balance at December 31, 2022	<u>\$ 743,948</u>	<u>\$ 2,096,367</u>	<u>\$ 5,000,009</u>	<u>\$ 659,362</u>	<u>\$ 33,456</u>	<u>\$ 204,955</u>	<u>\$ 1,174,058</u>	<u>\$ 9,912,155</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2022	\$ -	\$ 808,697	\$ 3,323,120	\$ 260,844	\$ 19,840	\$ 108,775	\$ 649,629	\$ 5,170,905
Depreciation expenses	-	76,534	230,749	43,667	3,700	23,663	76,662	454,975
Disposals	-	-	(30,089)	(1,015)	(1,309)	(820)	(4,230)	(37,463)
Effects of foreign currency exchange differences	-	7,595	21,311	-	130	1,162	6,983	37,181
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 892,826</u>	<u>\$ 3,545,091</u>	<u>\$ 303,496</u>	<u>\$ 22,361</u>	<u>\$ 132,780</u>	<u>\$ 729,044</u>	<u>\$ 5,625,598</u>
Carrying amounts at December 31, 2022	<u>\$ 743,948</u>	<u>\$ 1,203,541</u>	<u>\$ 1,454,918</u>	<u>\$ 355,866</u>	<u>\$ 11,095</u>	<u>\$ 72,175</u>	<u>\$ 445,014</u>	<u>\$ 4,286,557</u>
<u>Cost</u>								
Balance at January 1, 2021	\$ 743,948	\$ 2,010,244	\$ 4,444,791	\$ 596,138	\$ 32,729	\$ 185,387	\$ 912,351	\$ 8,925,588
Additions	-	28,079	194,370	16,145	1,532	6,129	88,251	334,506
Disposals	-	(1,759)	(54,481)	(2,261)	(3,370)	(3,545)	(20,732)	(86,148)
Reclassification	-	24,828	290,656	1,629	-	5,825	15,366	338,304
Effects of foreign currency exchange differences	-	(5,237)	(11,866)	-	(62)	(790)	(3,654)	(21,609)
Balance at December 31, 2021	<u>\$ 743,948</u>	<u>\$ 2,056,155</u>	<u>\$ 4,863,470</u>	<u>\$ 611,651</u>	<u>\$ 30,829</u>	<u>\$ 193,006</u>	<u>\$ 991,582</u>	<u>\$ 9,490,641</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2021	\$ -	\$ 738,387	\$ 3,154,394	\$ 221,528	\$ 19,370	\$ 89,606	\$ 606,041	\$ 4,829,326
Depreciation expenses	-	74,387	225,870	41,577	3,421	22,755	64,482	432,492
Disposals	-	(1,408)	(48,751)	(2,261)	(2,909)	(3,191)	(18,327)	(76,847)
Effects of foreign currency exchange differences	-	(2,669)	(8,393)	-	(42)	(395)	(2,567)	(14,066)
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 808,697</u>	<u>\$ 3,323,120</u>	<u>\$ 260,844</u>	<u>\$ 19,840</u>	<u>\$ 108,775</u>	<u>\$ 649,629</u>	<u>\$ 5,170,905</u>
Carrying amounts at December 31, 2021	<u>\$ 743,948</u>	<u>\$ 1,247,458</u>	<u>\$ 1,540,350</u>	<u>\$ 350,807</u>	<u>\$ 10,989</u>	<u>\$ 84,231</u>	<u>\$ 341,953</u>	<u>\$ 4,319,736</u>

No impairment assessment was performed for the year ended December 31, 2022 as there was no indication of impairment.

The above items of property, plant and equipment used by the Group are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Industrial buildings	20-50 years
Engineering system	1-35 years
Major production equipment	0.5-15 years
Transportation equipment	3-10 years
Office equipment	1-5 years

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2022	2021
<u>Carrying amounts</u>		
Land use rights	\$ <u>94,743</u>	\$ <u>95,910</u>
	For the Year Ended December 31	
	2022	2021
Depreciation charge for right-of-use assets		
Land use rights	\$ <u>2,723</u>	\$ <u>2,666</u>

b. Material lease-in activities and terms

The Group also leases land for the use of product manufacturing with lease terms of 30 to 50 years. The rent is paid at the time of contract, the Group does not have purchase options to acquire the leasehold land at the end of the lease terms.

c. Other lease information

	For the Year Ended December 31	
	2022	2021
Expenses relating to short-term leases	\$ <u>11,453</u>	\$ <u>12,984</u>
Total cash outflow for leases	\$ <u>(11,453)</u>	\$ <u>(12,984)</u>

15. OTHER INTANGIBLE ASSETS

	Software
<u>Cost</u>	
Balance at January 1, 2022	\$ 50,496
Additions	4,290
Reclassification	<u>269</u>
Balance at December 31, 2022	\$ <u>55,055</u>
<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2022	\$ 35,998
Amortization expenses	4,584
Effect of foreign currency exchange differences	<u>38</u>
Balance at December 31, 2022	\$ <u>40,620</u>
Carrying amounts at December 31, 2022	\$ <u>14,435</u>

(Continued)

	Software
<u>Cost</u>	
Balance at January 1, 2021	\$ 38,264
Additions	7,639
Reclassification	<u>4,593</u>
Balance at December 31, 2021	<u>\$ 50,496</u>
<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2021	\$ 31,831
Amortization expenses	4,166
Effect of foreign currency exchange differences	<u>1</u>
Balance at December 31, 2021	<u>\$ 35,998</u>
Carrying amounts at December 31, 2021	<u>\$ 14,498</u> (Concluded)
Other intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:	
Software	1-5 years

16. BORROWINGS

a. Short-term borrowings

	<u>December 31</u>	
	2022	2021
Line of credit borrowings	<u>\$ 61,420</u>	<u>\$ 446,904</u>

The interest rate range on the credit line of short-term borrowings was 4.65% and 0.44%-3.8% per annum as of December 31, 2022 and 2021, respectively.

b. Long-term borrowings

	<u>December 31</u>	
	2022	2021
<u>Credit borrowings</u>		
Bank loans	\$ 1,564,883	\$ 1,782,580
Less: Current portion	<u>(418,715)</u>	<u>-</u>
Long-term borrowings	<u>\$ 1,146,168</u>	<u>\$ 1,782,580</u>

The Group's borrowings were as follows:

		December 31	
		2022	2021
Loans for returning overseas Taiwanese business	Amount: NT\$2,120,000 thousand Maturity: 7-10 years after initial drawdown date Interest rate: 0.425%-0.47% Repayment method: After borrowing, according to the floating interest rates on two-year postal time deposits of the post office plus the annual interest rate	\$ 1,564,883	\$ 1,782,580
Less: Current portion of long-term borrowings		<u>(418,715)</u>	<u>-</u>
		<u>\$ 1,146,168</u>	<u>\$ 1,782,580</u>

Taiwan Union Corporation has obtained a project loan for returning overseas Taiwanese business, signed a medium and long-term loan contract of NT\$2,120 million with E.SUN Commercial Bank, Shanghai Commercial & Savings Bank, Ltd. and Bank of Taiwan in April 2019. The loan's credit period is 7-10 years.

17. BONDS PAYABLE

		December 31	
		2022	2021
Unsecured domestic bonds		\$ 1,756,862	\$ 1,738,826
Less: Current portion		<u>(1,756,862)</u>	<u>-</u>
		<u>\$ -</u>	<u>\$ 1,738,826</u>

Unsecured Domestic Convertible Bonds

As of May 22, 2020, the Company issued 18 thousand units of, 0% NTD-denominated unsecured convertible bonds in Taiwan, with an aggregate principal amount of NT\$1,800,000 thousand.

Each bond entitles the bondholder to convert it into ordinary shares of the Company at a conversion price of \$138.3 (original price was \$153.4, because ex-dividend ordinary shares of the Company were adjusted to \$147.1 and \$138.3, respectively, on April 22, 2021 and April 14, 2022). Conversion may occur at any time between August 23, 2020 and May 22, 2025. If the convertible bonds meet the specified conditions at that time, bondholders can convert the bonds at a conversion price of \$138.3 per share from August 23, 2020 to May 22, 2025.

The conversion period of the bonds is from August 23, 2020 to April 12, 2025. If the closing price of the Company's ordinary shares is at least 130% of the original conversion price for 30 consecutive trading days or the aggregate outstanding balance of bonds payable is less than 10% of the original issuance amount, the Company has the right to redeem the outstanding bonds payable at par value in cash.

The convertible bonds will be sold back to the bondholder in advance on May 22, 2023, and the bond holder may request the Company to redeem the bonds in cash at face value plus interest compensation.

The convertible corporate bonds comprise the liability and equity components, and the equity component is presented in capital surplus - share warrants. The effective interest rate originally recognized in the liability component is 1.2276%.

Proceeds from issuance (less transaction costs of \$5,602 thousand)	\$ 1,812,408
Equity component (less transaction costs allocated to the equity component of \$307 thousand)	(99,319)
Liability component (less transaction costs allocated to the liability component of \$5,295 thousand)	<u>(3,272)</u>
Liability component at the date of issue	1,709,817
Interest charged at an effective interest rate	<u>10,972</u>
Liability component at December 31, 2020	1,720,789
Interest charged at an effective interest rate	<u>18,037</u>
Liability component at December 31, 2021	1,738,826
Interest charged at an effective interest rate	<u>18,036</u>
Liability component at December 31, 2022	<u>\$ 1,756,862</u>

18. OTHER LIABILITIES

	December 31	
	2022	2021
Other payables		
Payables for bonuses	\$ 131,510	\$ 148,424
Payables for compensation of employees and remuneration of directors	111,285	165,643
Payables for salaries	108,597	121,381
Payables for purchases of equipment	102,637	134,952
Payables for freight	91,093	118,931
Payables for business tax	65,471	88,120
Payables for repairs and maintenance	43,731	68,158
Payables for utilities	38,254	41,207
Payables for commission	35,469	53,673
Payables for duty	35,214	70,324
Payables for insurance	14,947	17,033
Payables for waste treatment	12,878	12,677
Others	<u>83,177</u>	<u>98,142</u>
	<u>\$ 874,263</u>	<u>\$ 1,138,665</u>
Other current liabilities		
Contract liabilities	\$ 1,359	\$ 10,192
Temporary credits and receipts under custody	<u>24,091</u>	<u>18,428</u>
	<u>\$ 25,450</u>	<u>\$ 28,620</u>

19. PROVISIONS

	December 31	
	2022	2021
<u>Current</u>		
Provisions	\$ 14,901	\$ 35,172

Provisions are measured at the best estimate of the discounted cash flows 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.

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company of the Group adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group's subsidiaries in China are members of a state-managed retirement benefit plan operated by the government of China. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contribute amounts equal to 6% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

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

	December 31	
	2022	2021
Present value of defined benefit obligation	\$ 133,318	\$ 171,231
Fair value of plan assets	<u>(42,538)</u>	<u>(43,269)</u>
Net defined benefit liabilities	<u>\$ 90,780</u>	<u>\$ 127,962</u>

Movements in net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2021	\$ 159,431	\$ (41,972)	\$ 117,459
Service cost			
Current service cost	683	-	683
Past service cost	2,406	-	2,406
Net interest expense (income)	<u>797</u>	<u>(218)</u>	<u>579</u>
Recognized in profit or loss	<u>3,886</u>	<u>(218)</u>	<u>3,668</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(553)	(553)
Actuarial loss - changes in demographic assumptions	5,165	-	5,165
Actuarial gain - changes in financial assumptions	(2,562)	-	(2,562)
Actuarial loss - experience adjustments	<u>7,939</u>	<u>-</u>	<u>7,939</u>
Recognized in other comprehensive income	<u>10,542</u>	<u>(553)</u>	<u>9,989</u>
Contributions from the employer	-	(3,154)	(3,154)
Benefits paid	<u>(2,628)</u>	<u>2,628</u>	<u>-</u>
Balance at December 31, 2021	171,231	(43,269)	127,962
Service cost			
Current service cost	780	-	780
Net interest expense (income)	<u>1,070</u>	<u>(278)</u>	<u>792</u>
Recognized in profit or loss	<u>1,850</u>	<u>(278)</u>	<u>1,572</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,287)	(3,287)
Actuarial gain - changes in financial assumptions	(13,507)	-	(13,507)
Actuarial loss - experience adjustments	<u>(18,987)</u>	<u>-</u>	<u>(18,987)</u>
Recognized in other comprehensive income	<u>(32,494)</u>	<u>(3,287)</u>	<u>(35,781)</u>
Contributions from the employer	-	(2,973)	(2,973)
Benefits paid	<u>(7,269)</u>	<u>7,269</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 133,318</u>	<u>\$ (42,538)</u>	<u>\$ 90,780</u>

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government and corporate bond interest rates will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants 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 significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2022	2021
Discount rate(s)	1.5%	0.625%
Expected rate(s) of salary increase	2.5%	2.50%

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation will decrease and increase as follows:

	December 31	
	2022	2021
Discount rate(s)		
0.25% increase	\$ (3,530)	\$ (5,100)
0.25% decrease	\$ 3,671	\$ 5,318
Expected rate(s) of salary increase		
0.25% increase	\$ 3,568	\$ 5,132
0.25% decrease	\$ (3,449)	\$ (4,950)

The sensitivity analysis presented above may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2022	2021
Expected contributions to the plans for the next year	\$ 3,000	\$ 3,180
Average duration of the defined benefit obligation	10.6 years	12 years

21. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2022	2021
Numbers of shares authorized (in thousands)	500,000	500,000
Shares authorized	\$ 5,000,000	\$ 5,000,000
Number of shares issued and fully paid (in thousands)	269,152	268,938
Shares issued	\$ 2,691,518	\$ 2,689,387
Capital collected in advance	\$ -	\$ 768

The change in the Company's share capital is mainly due to the execution of stock options by employees.

b. Capital surplus

	December 31	
	2022	2021
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*		
Issuance of ordinary shares	\$ 338,002	\$ 327,219
Conversion of bonds	1,360,566	1,360,566
Treasury share transactions	4,386	4,386
<u>May not be used for any purpose</u>		
Employee share options	283,553	255,136
Share warrants	<u>99,319</u>	<u>99,319</u>
	<u>\$ 2,085,826</u>	<u>\$ 2,046,626</u>

* Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of compensation of employees and remuneration of directors after the amendment, refer to compensation of employees and remuneration of directors in Note 23-f.

The Company's Articles also stipulate a dividends policy whereby the issuance of stock dividends and cash dividends, and include employees of the Company that meet certain conditions.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The shareholders of the Company held their regular meeting on July 1, 2021 and in that meeting, resolved the amendments to the Company's Articles of Incorporation (the "Articles"). The amendments explicitly stipulate that when a special reserve is appropriated for cumulative net debit balance reserves from prior period, the sum of net profit for current period and items other than net profit that are included directly in the unappropriated earnings for current period is used if the prior unappropriated earnings is not sufficient. Before the Articles is amended, the special reserve is appropriated from the prior unappropriated earnings.

The appropriations of earnings for 2021 and 2020 were as follows:

	For the Year Ended December 31	
	2021	2020
Legal reserve	\$ 187,325	\$ 177,806
Special reserve	42,925	(100,911)
Cash dividends	1,347,000	1,287,000
Cash dividends per share (NT\$)	5.0	4.8

The above appropriations for cash dividends were resolved by the Company's board of directors on March 10, 2022 and March 17, 2021, respectively; the other proposed appropriations were resolved by the shareholders in their meeting on June 15, 2022 and July 1, 2021, respectively.

The appropriations of earnings for 2022 had been proposed by the Company's board of directors on March 8, 2023 were as follows:

	For the Year Ended December 31, 2022
Legal reserve	\$ 129,005
Special reserve	(134,892)
Cash dividends	1,076,608
Cash dividends per share (NT\$)	4.0

The above appropriation for cash dividends had been resolved by the Company's board of directors; the other proposed appropriations will be resolved by the shareholders in their meeting to be held on June 15, 2023.

22. REVENUE

	For the Year Ended December 31	
	2022	2021
Revenue from contracts with customers		
Revenue from the sale of goods	<u>\$ 18,472,128</u>	<u>\$ 21,132,040</u>
<u>Contract balances</u>		
	December 31	
	2022	2021
Trade receivables (Note 10)	<u>\$ 5,608,825</u>	<u>\$ 6,687,953</u>
Contract liabilities - current (Note 18)		
Sale of goods	<u>\$ 1,359</u>	<u>\$ 10,192</u>

Refer to Note 34 for the details of revenue.

23. NET PROFIT FROM CONTINUING OPERATIONS

Net profit from continuing operations was attributable to:

a. Interest income

	For the Year Ended December 31	
	2022	2021
Cash in banks	<u>\$ 74,740</u>	<u>\$ 47,728</u>

b. Other gains and losses

	For the Year Ended December 31	
	2022	2021
Loss on disposal of property, plant and equipment	\$ (2,363)	\$ (8,485)
Net foreign exchange gain (loss)	86,386	(1,940)
(Loss) gain on financial instruments at FVTPL	(30,617)	16,550
Others	<u>23,806</u>	<u>9,643</u>
	<u>\$ 77,212</u>	<u>\$ 15,768</u>

c. Finance costs

	For the Year Ended December 31	
	2022	2021
Interest on factored receivables	\$ 22	\$ 30
Interest on convertible bonds	18,036	18,037
Interest on bank loans	10,525	12,114
Others	<u>6</u>	<u>22</u>
	<u>\$ 28,589</u>	<u>\$ 30,203</u>

d. Depreciation and amortization

	For the Year Ended December 31	
	2022	2021
An analysis of depreciation by function		
Operating costs	\$ 379,434	\$ 360,143
Operating expenses	<u>78,264</u>	<u>75,015</u>
	<u>\$ 457,698</u>	<u>\$ 435,158</u>
An analysis of amortization by function		
Operating costs	\$ 586	\$ 1,133
Operating expenses	<u>3,998</u>	<u>3,033</u>
	<u>\$ 4,584</u>	<u>\$ 4,166</u>

e. Employee benefits expense

	For the Year Ended December 31	
	2022	2021
Post-employment benefits		
Defined contribution plans	\$ 89,074	\$ 86,271
Defined benefit plans (Note 20)	1,572	3,668
Share-based payments	30,553	43,267
Other employee benefits	<u>1,634,995</u>	<u>1,821,059</u>
	<u>\$ 1,756,194</u>	<u>\$ 1,954,265</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 1,091,145	\$ 1,192,083
Operating expenses	<u>665,049</u>	<u>762,182</u>
	<u>\$ 1,756,194</u>	<u>\$ 1,954,265</u>

f. Compensation of employees and remuneration of directors

According to the Company's Articles, the Company accrues compensation of employees and remuneration of directors at rates of no less than 4% and no higher than 8%, and remuneration of directors at rates of no higher than 0.8%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and the remuneration of directors for the years ended December 31, 2022 and 2021, which were approved by the Company's board of directors on March 8, 2023 and March 10, 2022, respectively, are as follows:

Accrual rate

	For the Year Ended December 31	
	2022	2021
Compensation of employees	6.81%	6.69%
Remuneration of directors	0.77%	0.76%

Amount

	For Fiscal Year 2022	For Fiscal Year 2021
	In Cash	In Cash
Compensation of employees	\$ 99,932	\$ 148,711
Remuneration of directors	11,353	16,932

If there is a change in the amounts after the actual consolidated financial statements are authorized for issue, the difference is recorded as a change in the accounting estimate.

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2021 and 2020.

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors in 2022 and 2021 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

24. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Year Ended December 31	
	2022	2021
Current tax		
In respect of the current year	\$ 378,796	\$ 549,086
Income tax of unappropriated earnings	14,800	20,708
Adjustments for prior year	(29,983)	(39,815)
Deferred tax		
In respect of the current year	<u>(4,074)</u>	<u>2,111</u>
Income tax expense recognized in profit or loss	<u>\$ 359,539</u>	<u>\$ 532,090</u>

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2022	2021
Profit before tax	<u>\$ 1,620,963</u>	<u>\$ 2,413,332</u>
Income tax expense at the statutory rate (20%)	\$ 324,193	\$ 482,666
Non-deductible expenses	447	506
Deferred tax effect of earnings of subsidiaries	(823)	(3,029)
Tax-exempt income	(139,683)	(209,641)
Unrecognised investment tax credits	(12,331)	-
Income tax on unappropriated earnings	14,800	20,708
Unrecognized deductible temporary differences	152,122	210,434
Effect of different tax rate of entities in the Group operating in other jurisdictions	50,797	70,261
Adjustments for prior year's tax	<u>(29,983)</u>	<u>(39,815)</u>
Income tax expense recognized in profit or loss	<u>\$ 359,539</u>	<u>\$ 532,090</u>

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2022	2021
<u>Deferred tax</u>		
In respect of the current year		
Remeasurement of defined benefit plans	<u>\$ (7,156)</u>	<u>\$ 1,998</u>
Total income tax recognized in other comprehensive income	<u>\$ (7,156)</u>	<u>\$ 1,998</u>

c. Current tax assets and liabilities

	December 31	
	2022	2021
Current tax assets		
Tax refund receivable	\$ 2,402	\$ 25,834
Current tax liabilities		
Income tax payable	\$ 91,417	\$ 188,638

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities are as follows:

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for written down inventories	\$ 22,628	\$ 4,283	\$ -	\$ 26,911
Unrealized profit of associates	2,404	711	-	3,115
Allowance for sale discount	1,668	(181)	-	1,487
Unrealized retirement expenses	13,439	(280)	(5,551)	7,608
Others	<u>4,514</u>	<u>(459)</u>	<u>-</u>	<u>4,055</u>
	<u>\$ 44,653</u>	<u>\$ 4,074</u>	<u>\$ (5,551)</u>	<u>\$ 43,176</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Land value increment tax	\$ 94,234	\$ -	\$ -	\$ 94,234
Unrealized retirement expenses	<u>-</u>	<u>-</u>	<u>1,605</u>	<u>1,605</u>
	<u>\$ 94,234</u>	<u>\$ -</u>	<u>\$ 1,605</u>	<u>\$ 95,839</u>

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for written down inventories	\$ 17,765	\$ 4,863	\$ -	\$ 22,628
Unrealized profit of associates	6,161	(3,757)	-	2,404
Allowance for sale discount	2,727	(1,059)	-	1,668
Unrealized retirement expenses	11,338	103	1,998	13,439
Others	<u>6,775</u>	<u>(2,261)</u>	<u>-</u>	<u>4,514</u>
	<u>\$ 44,766</u>	<u>\$ (2,111)</u>	<u>\$ 1,998</u>	<u>\$ 44,653</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Land value increment tax	<u>\$ 94,234</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,234</u>

e. Income tax assessments

The Company's income tax returns through 2020 have been examined by the tax authorities. TUCH, TUCS and TUCI are registered in Samoa and the British Virgin Islands, and they are not required to pay tax on their income. As of December 31, 2022, Taiwan Union Technology (Zhongshan) Corporation and Taiwan Union Technology (Changshu) Corporation calculate income tax expense according to local regulations.

25. EARNINGS PER SHARE

	<u>For the Year Ended December 31</u>	
	2022	2021
Basic earnings per share	<u>\$ 4.69</u>	<u>\$ 7.01</u>
Diluted earnings per share	<u>\$ 4.49</u>	<u>\$ 6.68</u>

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share from continuing operations were as follows:

Net Profit for the Year

	For the Year Ended December 31	
	2022	2021
Earnings used in the computation of basic earnings per share	\$ 1,261,424	\$ 1,881,242
Effect of potentially dilutive ordinary shares		
Interest on convertible bonds (after tax)	<u>14,429</u>	<u>14,429</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 1,275,853</u>	<u>\$ 1,895,671</u>

Weighted average number of ordinary shares outstanding (in thousands of shares):

	For the Year Ended December 31	
	2022	2021
Weighted average number of ordinary shares used in the computation of basic earnings per share	269,123	268,361
Effect of potentially dilutive ordinary shares:		
Employee share options	14	2,046
Compensation of employees or bonuses issued to employees	2,283	1,712
Convertible bonds	<u>13,015</u>	<u>11,734</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>284,435</u>	<u>283,853</u>

If the Group offered to settle the compensation or bonuses paid to employees in cash or shares, the Group assumed that the entire amount of the compensation or bonuses will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

26. SHARE-BASED PAYMENT ARRANGEMENTS

Employee Share Option Plan of the Company

Qualified employees of the Company and its subsidiaries were granted 2,000 units of options in March 2016, 6,000 units of options in March 2018 and 3,000 units of options in October 2020. Each option entitles the holder to subscribe for one thousand ordinary shares of the Company. The options granted are valid for 6 years and exercisable at certain percentages two years from the grant date. The options were granted at an exercise price equal to the closing price of the Company's ordinary shares listed on the Taipei Exchange on the grant date. For any subsequent changes in the Company's capital surplus, the exercise price is adjusted accordingly.

Information on employee share options is as follows:

	For the Year Ended December 31			
	2022		2021	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)
Balance at January 1	6,350.50	\$ 91.29	9,565.75	\$ 76.04
Options exercised	(190.35)	52.58	(1,766.00)	69.60
Options expired	(382.00)	19.30	(1,449.25)	17.10
Balance at December 31	<u>5,778.15</u>	97.32	<u>6,350.50</u>	91.29
Options exercisable, end of period	<u>4,278.15</u>	75.87	<u>1,850.50</u>	60.66

The weighted-average prices of the shares from the employee share options exercised for the years ended December 31, 2022 and 2021 were \$65.51 and \$109.36, respectively.

Information on outstanding options as of December 31, 2022 and 2021 is as follows:

	December 31			
	2022		2021	
	Range of Exercise Price (NT\$)	Weighted-average Remaining Contractual Life (In Years)	Range of Exercise Price (NT\$)	Weighted-average Remaining Contractual Life (In Years)
2016.03.29	-	-	\$19.3-\$20.1	0.24
2018.03.28	\$69.8-\$74.2	1.24	\$74.2-\$77.4	2.24
2020.10.28	\$87.1-\$92.6	3.82	\$92.6-\$96.5	4.82

Compensation costs recognized were \$30,553 thousand and \$43,267 thousand for the years ended December 31, 2022 and 2021, respectively.

Options granted in March 2016, March 2018 and October 2020 were priced using the Black-Scholes pricing model, and the inputs to the model are as follows:

	March 2016	March 2018	October 2020
Grant-date share price (NT\$)	\$24.15	\$86.00	\$96.50
Exercise price (NT\$)	\$24.15	\$86.00	\$96.50
Expected volatility	10.63%	35.90%	45.38%
Expected life (in years)	6	6	6
Expected dividend yield	16.10%	-	-
Risk-free interest rate	1.155%	0.7541%	0.1832%

Expected volatility was based on the historical share price volatility over the past 10 years.

27. CASH FLOW INFORMATION

Non-cash transactions

Except as disclosed in other notes, for the years ended December 31, 2022 and 2021, the Group entered into the non-cash investment activities as follows:

The Group transferred \$145,084 thousand and \$338,304 thousand of prepayment for equipment investments into equipment - property, plant and equipment for the years ended December 31, 2022 and 2021.

The Group transferred \$269 thousand and \$4,593 thousand of prepayment for equipment investments into intangible assets reclassification for the years ended December 31, 2022 and 2021.

28. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Company (comprising issued capital, reserves, retained earnings and other equity).

29. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments measured at fair value on a recurring basis:

1) Fair value hierarchy

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivatives	\$ -	\$ 2,903	\$ -	\$ 2,903
Non-derivative financial assets	<u>6,892</u>	<u>-</u>	<u>-</u>	<u>6,892</u>
	<u>\$ 6,892</u>	<u>\$ 2,903</u>	<u>\$ -</u>	<u>\$ 9,795</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Unlisted shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,171</u>	<u>\$ 8,171</u>
Financial liabilities at FVTPL				
Convertible bonds of options	<u>\$ -</u>	<u>\$ 41,760</u>	<u>\$ -</u>	<u>\$ 41,760</u>

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivatives	\$ -	\$ 3,342	\$ -	\$ 3,342
Non-derivative financial assets	<u>7,782</u>	<u>-</u>	<u>-</u>	<u>7,782</u>
	<u>\$ 7,782</u>	<u>\$ 3,342</u>	<u>\$ -</u>	<u>\$ 11,124</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Unlisted shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,104</u>	<u>\$ 5,104</u>
Financial liabilities at FVTPL				
Convertible bonds of options	<u>\$ -</u>	<u>\$ 8,460</u>	<u>\$ -</u>	<u>\$ 8,460</u>

There were no transfers between Level 1 and Level 2 in the current and prior year.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2022

Financial Assets	Financial Assets at FVTPL Derivatives	Financial Assets at FVTOCI Equity Instruments	Total
Balance at January 1, 2022	\$ -	\$ 5,104	\$ 5,104
Unrealized gain on financial assets at FVTOCI	<u>-</u>	<u>3,067</u>	<u>3,067</u>
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 8,171</u>	<u>\$ 8,171</u>

For the year ended December 31, 2021

Financial Assets	Financial Assets at FVTPL Derivatives	Financial Assets at FVTOCI Equity Instruments	Total
Balance at January 1, 2021	\$ -	\$ 5,104	\$ 5,104
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 5,104</u>	<u>\$ 5,104</u>

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

Financial Instruments	Valuation Techniques and Inputs
Derivatives - foreign exchange forward contracts	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Call and put options	Call and put options of convertible bonds are valued using the binomial tree valuation model, based on observable inputs at the end of the period such as the closing price of the stock, volatility, risk-free interest rate, risk discount rate, and liquidity risk at the balance sheet date.

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

Financial Instruments	Valuation Techniques and Inputs
Unlisted debt securities - ROC	Price to book ratio comparison method. The net book value of each share is calculated based on the Company's financial data, and this is compared to the share price of shares of listed companies in similar industries or the average share price of companies in similar business, in order to calculate the present value of the expected profit or loss from holding these investments. The comparison method is comparing it to financial results of similar companies obtained in the open market.

b. Categories of financial instruments

	December 31	
	2022	2021
<u>Financial assets</u>		
Financial assets at FVTPL		
Derivative financial assets	\$ 2,903	\$ 3,342
Non-derivative financial assets	6,892	7,782
Financial assets at amortized cost (1)	12,375,362	13,687,059
Financial assets at FVTOCI		
Equity instruments	8,171	5,104
Trade receivables	658,068	547,848
<u>Financial liabilities</u>		
Financial liabilities at FVTPL		
Convertible bonds of options	41,760	8,460
Financial liabilities at amortized cost (2)	7,544,098	9,730,804

- 1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, financial assets at amortized cost, notes receivable, trade receivables, other receivables, and refundable deposits.

- 2) The balances include financial liabilities at amortized cost, which comprise short-term borrowings, trade payables, other payables, bonds payable, one year or a business period of puttable bonds and long-term borrowings, long-term borrowings and guarantee amount.

c. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, trade receivables, trade payables, borrowings and convertible bonds. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks related to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provided written principles on foreign currency risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below). The Group entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk, including foreign exchange forward contracts to hedge the exchange rate risk arising on the sales with foreign currency.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

Several subsidiaries of the Company have foreign currency denominated sales and purchases, which expose the Group to foreign currency risk. Approximately 60%-80% of the Group's sales and costs are denominated in currencies other than the functional currency of the entity in the Group. Exchange rate exposures are managed within approved policy parameters utilizing foreign exchange forward contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the year are set out in Note 32.

Sensitivity analysis

The Group was mainly exposed to the USD.

The following table details the Group's sensitivity to a 1% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies. A 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign currency forward contracts designated as cash flow hedges, and it adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit associated with the New Taiwan dollar weakening 1% against the relevant currency. For a 1% strengthening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit, and the balances below would be negative.

	USD Impact	
	For the Year Ended December 31	
	2022	2021
Profit or loss	\$ 13,170	\$ 7,648

* This was mainly attributable to the exposure on outstanding receivables and payables in USD, which were not hedged at the end of the year.

b) Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings and using interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite ensuring the most cost-effective hedging strategies are applied.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the year were as follows:

	December 31	
	2022	2021
Fair value interest rate risk		
Financial assets		
Cash equivalents	\$ 3,556,535	\$ 3,518,365
Financial assets at amortized cost	<u>913,967</u>	<u>1,853,349</u>
	<u>\$ 4,470,502</u>	<u>\$ 5,371,714</u>
Financial liabilities		
Short-term borrowings	\$ 61,420	\$ 446,904
Current portion of puttable bonds	1,756,862	-
Current portion of long-term borrowings	418,715	-
Long-term borrowings	1,146,168	1,782,580
Bond payables	<u>-</u>	<u>1,738,826</u>
	<u>\$ 3,383,165</u>	<u>\$ 3,968,310</u>
Cash flow interest rate risk		
Financial assets		
Bank demand deposits	<u>\$ 2,333,029</u>	<u>\$ 1,198,328</u>

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings. The Group's cash flow interest rate risk is mainly due to interest rate fluctuations of variable-rate borrowings.

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for both derivative and non-derivative instruments at the end of the year. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the year was outstanding for the whole year. A 25-basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2022 and 2021 would have increased by \$5,833 thousand and \$2,996 thousand, respectively, which would have been mainly attributable to the Group's exposure to interest rates on its variable-rate bank deposits.

c) Other price risk

The Group was exposed to equity price risk through for investments in unlisted equity securities. Equity investments are held for strategic rather than trading purposes, the Group does not actively trade these investments. The Group's equity price risk is mainly concentrated in equity instruments operating in the Taiwan Stock Exchange.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. At the end of the year, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Group, arises from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, and continuously monitoring forecasted and actual cash flows as well as matching the maturity profiles of financial assets and liabilities.

a) Liquidity and interest rate risk table for non-derivative financial liabilities

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table was drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

December 31, 2022

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Month	1-3 Months	3 Months - 1 Year	1+ Years
<u>Non-derivative financial liabilities</u>					
Notes payable and trade payables		\$ 915,181	\$ 1,509,713	\$ 843,637	\$ -
Fixed interest rate liabilities	0.3-4.65	96,988	70,660	2,074,830	1,103,364

December 31, 2021

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Month	1-3 Months	3 Months - 1 Year	1+ Years
<u>Non-derivative financial liabilities</u>					
Notes payable and trade payables		\$ 1,443,751	\$ 2,085,440	\$ 1,073,045	\$ -
Fixed interest rate liabilities	0.05-3.80	360,325	43,980	45,294	3,526,342

The amount included above for variable interest rate instruments for non-derivative financial assets and liabilities may be subject to change if variable interest rates differ from those estimates of interest rates determined at the end of the year.

b) Liquidity and interest rate risk table for derivative financial liabilities

The following table details the Group's liquidity analysis of its derivative financial instruments. The table is based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed is determined by reference to the projected interest rates as illustrated by the yield curves at the end of the year.

December 31, 2022

	Less than 3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Net settled</u>				
Interest rate swap contracts	\$ 1,594	\$ -	\$ -	\$ -
<u>Gross settled</u>				
Foreign exchange forward contracts				
Inflows	\$ 184,731	\$ -	\$ -	\$ -
Outflows	(183,422)	-	-	-
	\$ 1,309	\$ -	\$ -	\$ -

December 31, 2021

	Less than 3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Net settled</u>				
Interest rate swap contracts	\$ 3,017	\$ -	\$ -	\$ -
<u>Gross settled</u>				
Foreign exchange forward contracts				
Inflows	\$ 55,708	\$ -	\$ -	\$ -
Outflows	(55,383)	-	-	-
	\$ 325	\$ -	\$ -	\$ -

c) Financing facilities

	December 31	
	2022	2021
Bank loan facilities:		
Amount utilized	\$ 1,643,222	\$ 2,240,537
Amount unutilized	5,620,785	4,510,748
	\$ 7,264,007	\$ 6,751,285

30. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

Compensation of Key Management Personnel

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ 85,331	\$ 92,995
Post-employment benefits	827	809
Share-based payments	<u>2,727</u>	<u>18,544</u>
	<u>\$ 88,885</u>	<u>\$ 112,348</u>

The remuneration of directors and key executives, as determined by the remuneration committee, was based on the performance of individuals and market trends.

31. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for fuel deposit and customs guarantee of imported equipment:

	December 31	
	2022	2021
Pledged deposits		
Fuel deposits	\$ 10,500	\$ 10,500
Others	<u>3,846</u>	<u>2,978</u>
	<u>\$ 14,346</u>	<u>\$ 13,478</u>

32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Group and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2022

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Financial assets</u>			
Monetary items			
USD	\$ 90,233	30.710 (USD:NTD)	\$ 2,771,070
USD	38,115	6.965 (USD:RMB)	1,170,500
EUR	191	32.720 (EUR:NTD)	6,243
JPY	7,662	0.232 (JPY:NTD)	<u>1,781</u>
			<u>\$ 3,949,594</u>
<u>Financial liabilities</u>			
Monetary items			
USD	36,986	30.710 (USD:NTD)	\$ 1,135,837
USD	37,757	6.965 (USD:RMB)	1,159,530
JPY	5,304	0.232 (JPY:NTD)	<u>1,233</u>
			<u>\$ 2,296,600</u>

December 31, 2021

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Financial assets</u>			
Monetary items			
USD	\$ 62,984	27.680 (USD:NTD)	\$ 1,743,408
USD	39,687	6.376 (USD:RMB)	1,098,536
JPY	32,742	0.241 (JPY:NTD)	<u>7,875</u>
			<u>\$ 2,849,819</u>
<u>Financial liabilities</u>			
Monetary items			
USD	39,728	27.680 (USD:NTD)	\$ 1,099,659
USD	28,407	6.376 (USD:RMB)	786,297
JPY	30,573	0.241 (JPY:NTD)	<u>7,353</u>
			<u>\$ 1,893,309</u>

For the years ended December 31, 2022 and 2021, realized and unrealized net foreign exchange gains (losses) were \$86,386 thousand and \$(1,940) thousand, respectively. Due to the variety of foreign currency transactions, it is not possible to disclose exchange gains and losses separately for each materially affected foreign currency.

33. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and information on investees

- 1) Financing provided. (None)
- 2) Endorsements/guarantees provided. (None)
- 3) Marketable securities held. (Table 1)
- 4) Marketable securities acquired or disposed of at cost or prices of at least NT\$300 million or 20% of paid-in capital. (None)
- 5) Acquisitions of real estate at prices of at least NT\$300 million or 20% of paid-in capital. (None)
- 6) Disposals of real estate properties at prices of at least NT\$300 million or 20% of paid-in capital. (None)
- 7) Total purchases from or sales to related parties of at least NT\$100 million or 20% of paid-in capital. (Table 2)
- 8) Receivables from related parties of at least NT\$100 million or 20% of paid-in capital. (Table 3)
- 9) Trading in about derivative instrument. (Note 7)
- 10) Intercompany relationships and significant intercompany transactions (Table 7)

b. Information on investments (Table 4)

c. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds inflow and outflow of capital, percentage of ownership, investment gain or loss, carrying amount of the investment at the end of the period ending balance, repatriations of investment income, and limit on the amount of investment in the mainland China area amount received as dividends from the investee and limitation on investee. (Table 5)
- 2) Significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses: (Table 6)
 - a) The purchase amounts and percentage of total purchases and the payables' balances and percentage of the total payables at the end of the period.
 - b) The sales amounts and percentage of total sales and the receivables' balances and percentage of the total receivables at the end of the period.
 - c) The amount of property transactions and the amount of the related gains or losses.

- d) The ending balance of negotiable instrument endorsements/guarantees or pledges of collateral and the related purposes.
 - e) The highest balance during the period, the ending balance, the interest rate range, and total interest for the period with respect to financing of funds.
 - f) Other transactions that have a significant effect on the profit or loss or the financial position, such as the rendering or receipt of services.
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (None)

34. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments were as follows:

- Taiwan Union Technology Corporation
- Mainland China and other subsidiaries

The copper clad laminate (direct sales) segment includes a number of direct sales operations in various cities within China each of which is considered a separate operating segment by the chief operating decision maker (CODM). For financial statement presentation purposes, these individual operating segments have been aggregated into a single operating segment taking into account the following factors:

- The nature of the products and production processes are similar;
- The methods used to distribute the products to the customers are the same.

a. Segment revenue and results

The following was an analysis of the Group's revenue and results by reportable segments:

	Segment Revenue		Segment Profit	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2022	2021	2022	2021
Domestic sales and manufacturing department	\$ 6,961,822	\$ 8,799,456	\$ 178,409	\$ 593,475
Overseas sales and manufacturing department	<u>11,510,306</u>	<u>12,332,584</u>	<u>1,319,191</u>	<u>1,786,564</u>
	<u>\$ 18,472,128</u>	<u>\$ 21,132,040</u>	<u>1,497,600</u>	<u>2,380,039</u>
Other income			74,740	47,728
Financial cost			(28,589)	(30,203)
Other gains and losses			<u>77,212</u>	<u>15,768</u>
Profit before tax			<u>\$ 1,620,963</u>	<u>\$ 2,413,332</u>

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the years ended December 31, 2022 and 2021.

Segment profit represented the profit before tax earned by each segment without allocation of central administration costs and directors' salaries, other income, other gains and losses, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment total assets and liabilities

	December 31	
	2022	2021
<u>Segment assets</u>		
Domestic sales and manufacturing department	\$ 9,019,989	\$ 10,371,762
Overseas sales and manufacturing department	9,765,025	9,638,773
Unallocated assets	<u>977,511</u>	<u>1,940,064</u>
Total segment assets	<u>\$ 19,762,525</u>	<u>\$ 21,950,599</u>
<u>Segment liabilities</u>		
Domestic sales and manufacturing department	\$ 2,604,863	\$ 3,231,914
Overseas sales and manufacturing department	1,687,201	2,722,334
Unallocated liabilities	<u>3,612,181</u>	<u>4,259,642</u>
Total segment liabilities	<u>\$ 7,904,245</u>	<u>\$ 10,213,890</u>

For the purpose of monitoring segment performance and allocating resources between segments:

- 1) All assets were allocated to reportable segments other than financial assets at FVTPL, financial assets at amortized cost, financial assets at FVTOCI, current tax assets and deferred tax assets. Assets used jointly by reportable segments were allocated on the basis of the revenue earned by individual reportable segments; and
- 2) All liabilities were allocated to reportable segments other than borrowings, financial liabilities at FVTPL, current tax liabilities and deferred tax liabilities. Liabilities for which reportable segments are jointly liable were allocated in proportion to segment assets.

c. Geographical information

The Group's operates in two principal geographical areas - Asia and others.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location are detailed below:

	Revenue from External Customers		Non-current Assets	
	December 31		December 31	
	2022	2021	2022	2021
Asia	\$ 18,213,604	\$ 20,813,118	\$ 4,627,523	\$ 4,698,683
Others	<u>258,524</u>	<u>318,922</u>	<u>-</u>	<u>-</u>
	<u>\$ 18,472,128</u>	<u>\$ 21,132,040</u>	<u>\$ 4,627,523</u>	<u>\$ 4,698,683</u>

Non-current assets excluded financial instruments and deferred tax assets.

TABLE 1

TAIWAN UNION TECHNOLOGY CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Taiwan Union Technology Corporation	Global Hi-tech Co., Ltd.	NA	Financial assets at FVTOCI - non-current	706,649	<u>\$ 8,171</u>	1.55	<u>\$ 8,171</u>	
	AcBel Polytech Inc.	NA	Financial assets at FVTPL - current	20,000	\$ 1,977	-	\$ 1,977	
	Convertible Bond (a)	NA	Financial assets at FVTPL - current	50,000	<u>4,915</u>	-	<u>4,915</u>	
	Weikeng Industrial Co., Ltd. Convertible Bond (f)				<u>\$ 6,892</u>		<u>\$ 6,892</u>	

TABLE 2

TAIWAN UNION TECHNOLOGY CORPORATION AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer	Related Party	Relationship	Transaction Details				Unusual Transactions		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Taiwan Union Technology Corporation	Taiwan Union (Changshu) Corporation	1	Sale	\$ 364,389	4	It is similar with those offered to third parties	\$ -	-	Trade receivables \$ 153,700	7	
	Taiwan Union (Zhongshan) Corporation	1	Sale	844,703	10	It is similar with those offered to third parties	-	-	Trade receivables 146,956	7	

There are three types of relationship categorized as follows:

- 1. The holding companies to subsidiaries.
- 2. Subsidiaries to the holding companies.
- 3. Subsidiaries to subsidiaries.

TABLE 3

TAIWAN UNION TECHNOLOGY CORPORATION AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2022**

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance (Note 1)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Taiwan Union Technology Corporation	Taiwan Union (Changshu) Corporation	Associate	Trade receivables	2.35	\$ -	-	\$ 100,973	\$ -
			\$ 153,700					
	Taiwan Union (Zhongshan) Corporation	Associate	Other receivables	(Note 2)	-	-	-	-
			198,694					
			Trade receivables	3.84	-	-	77,582	-
			146,956					
			Other receivables	(Note 2)	-	-	-	-
			132,122					

Note 1: The amount was eliminated in the consolidated financial statements.

Note 2: The other receivables of Taiwan Union Investment Corporation to Taiwan Union (Changshu) Corporation and Taiwan Union (Zhongshan) Corporation are all provided by labor and technology authorization, so there is no turnover rate.

TABLE 4

TAIWAN UNION TECHNOLOGY CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2022			Net Income (Losses) of the Investee	Investment Gain (Loss) Recognized in the Current Period	Note
				December 31, 2022	December 31, 2021	Number of Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
Taiwan Union Technology Corporation	Taiwan Union Holding Corp. Taiwan Union Technology (Thailand) Co., Ltd.	British Virgin Islands Thailand	Holding and reinvestment Sales and manufacturing CCL and PP.	\$ 2,047,229 90,760	\$ 2,047,229 -	63,012,000 10,000,000	100 100	\$ 8,631,542 89,410	\$ 760,608 -	\$ 760,608 -	
Taiwan Union Holding Corp.	Taiwan Union (Samoa) Corporation Taiwan Union Investment Corporation	Samoa Samoa	Holding and reinvestment Holding and reinvestment	1,004,502 975,993	1,004,502 975,993	30,730,000 30,300,000	100 100	4,737,789 3,758,855	478,254 280,797	478,254 280,797	

Note: The amount was eliminated in the consolidated financial statements.

TAIWAN UNION TECHNOLOGY CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. Name of the investees in mainland China, main businesses and products, paid-in capital, method of investment, inward and outward remittance of funds, percentage of ownership, investment gain or loss, 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:

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022	Investee Company’s Current Net Income	Percentage of Ownership (%)	Investment Income (Loss) Recognized (Note 2 b.)	Carrying Amount as of December 31, 2022	Accumulated Inward Remittance of Earnings as of December 31, 2022	Note
					Outflow	Inflow							
Taiwan Union (Changshu) Corporation	Sales and manufacturing CCL and PP.	\$ 997,031	Investment in mainland China companies through a company established in a third region.	\$ 997,031	\$ -	\$ -	\$ 997,031	\$ 478,081	100.00	\$ 478,081	\$ 4,711,327	\$ -	Note
Taiwan Union (Zhongshan) Corporation	Sales and manufacturing CCL and PP.	966,580	Investment in mainland China companies through a company established in a third region.	966,580	-	-	966,580	280,657	100.00	280,657	3,746,452	-	Note

2. Limit on the investment amounts in mainland China:

	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by the Investment Commission, MOEA
Taiwan Union (Changshu) Corporation	\$ 997,031	\$ 997,031	\$ 7,114,968
Taiwan Union (Zhongshan) Corporation	966,580	966,580	7,114,968

The calculation method of the investment limit for investments in mainland China according to the regulations of the Ministry of Economic Affairs of the People’s Republic of China is as follows:

The Ministry of Economic Affairs of the People’s Republic of China announced in August 2008 that the investment limit for investments in mainland China is 60% of the net value or the combined net value, whichever is higher.

Note: Financial statements audited by the Company’s accountant.

TABLE 6

TAIWAN UNION TECHNOLOGY CORPORATION AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Significant direct or indirect transactions with the investees, prices and terms of payment, unrealized gain or loss:

Company Name	Related Party	Transaction Type	Transaction Details					Accounts/Notes Receivable/Payable		Unrealized Gain or Loss	Remark
			Amount	Percentage (%)	Price	Payment Terms	Compared with Terms of Third Parties	Balance	%		
Taiwan Union Technology Corporation	Taiwan Union (Changshu) Corporation	Sales	\$ 364,389	4	It is similar with those offered to third parties	It is similar with those offered to third parties	It is similar with those offered to third parties	Trade receivables \$ 153,700	7	\$ 7,274	
		Purchase	558	-	It is similar with those offered by third parties	It is similar with those offered by third parties	It is similar with those offered by third parties	Trade payables 335	-	-	
	Taiwan Union (Zhongshan) Corporation	Sales	844,703	10	It is similar with those offered to third parties	It is similar with those offered to third parties	It is similar with those offered to third parties	Trade receivables 146,956	7	5,184	
		Purchase	2,230	-	It is similar with those offered by third parties	It is similar with those offered by third parties	It is similar with those offered by third parties	Trade payables 1,605	-	-	

- Note 1: The amount was eliminated in the consolidated financial statements.
- Note 2: The amount of property transactions and profit and loss generated: None
- Note 3: Endorsement of the guarantee or provision of the collateral balance and its purpose: None
- Note 4: The highest balance, ending balance, interest rate range and current interest of the financial: None
- Note 5: Other transactions that have a significant impact on the current profit or loss or financial position, such as the provision or receipt of services: Taiwan Union Technology Corporation provided technical remuneration to Taiwan Union (Changshu) Corporation and Taiwan Union (Zhongshan) Corporation for a royalty income of \$212,584 thousand and \$140,819 thousand, respectively.

TABLE 7**TAIWAN UNION TECHNOLOGY CORPORATION AND SUBSIDIARIES****INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS****FOR THE YEAR ENDED DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

No.	Company Name	Counterparty	Nature of Relationship (Note 1)	Intercompany Transactions			
				Accounts	Amount	Transaction Terms (Note 2)	Percentage of Consolidated Total Gross Sales or Total Assets (%)
0	Taiwan Union Technology Corporation	TUCC	1	Sales of goods	\$ 364,389	It is similar with those offered to third parties.	2
				Purchases of goods	558	It is similar with those offered by third parties.	-
				Royalty income	212,584	Technical royalty that TUCC paid to Taiwan Union Technology Corporation	1
				Other receivables	198,694	Technical royalty that TUCC paid to Taiwan Union Technology Corporation	1
				Trade receivables	153,700	It is similar with those offered to third parties.	1
				Trade payables	335	It is similar with those offered by third parties.	-
		TUCZ	1	Other payables	139,631	It is similar with those offered by third parties.	1
				Sales of goods	844,703	It is similar with those offered to third parties.	5
				Purchases of goods	2,230	It is similar with those offered by third parties.	-
				Royalty income	140,819	Technical royalty that TUCZ paid to Taiwan Union Technology Corporation	1
				Other receivables	132,122	Technical royalty that TUCZ paid to Taiwan Union Technology Corporation	1
				Trade receivables	146,956	It is similar with those offered to third parties.	1
				Trade payables	1,605	It is similar with those offered by third parties.	-
				Other payables	331,959	It is similar with those offered by third parties.	2

Note 1: The parent company and its subsidiaries are numbered as follows:

- a. Parent company: 0.
- b. Subsidiaries: 1 onward.

Note 2: Nature of relationship is indicated as follows:

- a. Transactions from the parent company to a subsidiary: 1.
- b. Transactions from a subsidiary to the parent company: 2.
- c. Transactions between subsidiaries: 3.

Note 3: The percentage calculation is based on the consolidated total operating revenue or total assets. For balance sheet items, each item's period-end balance is shown as a percentage of the consolidated total assets as of December 31. For profit or loss items, cumulative amounts are shown as a percentage of the consolidated total operating revenue for the year ended December 31.

Note 4: The important transaction of this form may be determined by the company according to the principle of materiality.