

**PHOENIX SILICON INTERNATIONAL
CORPORATION
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND INDEPENDENT AUDITORS’
REPORT
DECEMBER 31, 2022 AND 2021**

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

PHOENIX SILICON INTERNATIONAL CORPORATION
DECEMBER 31, 2022 AND 2021 PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND INDEPENDENT AUDITORS' REPORT
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INDEPENDENT AUDITORS' REPORT

PWCR22000437

To the Board of Directors and Shareholders of Phoenix Silicon International Corporation

Opinion

We have audited the accompanying parent company only balance sheets of Phoenix Silicon International Corporation (the "Company") as at December 31, 2022 and 2021, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as at December 31, 2022 and 2021, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

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 *Auditor's responsibilities for the audit of the parent company only financial statements* section of our report. We are independent of the Company 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 Company's 2022 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's 2022 parent company only financial statements are stated as follows:

Accuracy of revenue recognition

Description

Please refer to Note 4(29) for accounting policies on revenue recognition and Note 6(19) for details of operating revenue account.

The Company is primarily engaged in the professional processing of semiconductor wafer, such as reclaiming, thinning and other services. Service revenue was derived from the transfer of services over time and satisfied performance obligation. The Company measured the completion degree of performance obligation based on the invested cost which is for satisfying the performance obligation relative to the expected total cost for satisfying the performance obligation as the basic determination. Considering that the estimates of expected total cost were uncertain and will affect the accuracy of revenue recognition based on the completion degree of performance obligation of unfinished orders, thus, we consider the accuracy of revenue recognition as a key audit matter.

How our audit addressed the matter

Our audit procedures in relation to the above key audit matter included :

Obtained an understanding and assessed the accounting policy of revenue recognition and tested the effectiveness of related internal control's design and execution. Checked the related evidence and calculation of the completion degree measurement of performance obligation.

Audit of capitalisation of property, plant and equipment

Description

Please refer to Note 4(14) for accounting policies on property, plant and equipment and Note 6(7) for details of property, plant and equipment.

The Company is primarily engaged in the professional processing of semiconductor wafer, such as reclaiming, thinning and other services. In order to continuously develop and build advanced technical capacity to satisfy customers' demand, the Company has to increase its capital expenditure. Considering the amount of capital expenditure of current year was material, thus, we consider the capitalisation of property, plant and equipment as a key audit matter.

How our audit addressed the matter

Our audit procedures in relation to the above key audit matter included :

Evaluated and tested the effectiveness of related internal control of the timing of additions and recognition of depreciation of property, plant and equipment. Sampled and verified related purchase orders, invoices and others to confirm that the transaction has been adequately approved and the accuracy of accounted amount is correct. Sampled the acceptance report to confirm that the assets have reached usable state and whether the timing of listing into general inventory and recognising depreciation were accurate.

Responsibilities of management and those charged with governance for the parent company only financial statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of the parent company only financial statements that are free from material

misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company'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 Company 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 Company's financial reporting process.

Auditors' responsibilities for the audit of the parent company only financial statements

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

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

1. Identify and assess the risks of material misstatement of the parent company only 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Liu, Chien-Yu

Hsieh, Chih-Cheng

For and on behalf of PricewaterhouseCoopers, Taiwan
February 23, 2023

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

PHOENIX SILICON INTERNATIONAL CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2022		December 31, 2021		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 1,070,340	13	\$ 1,081,999	17
1110	Current financial assets at fair value through profit or loss	6(2)	-	-	17,750	-
1140	Current contract assets	6(19)	266,439	3	77,591	1
1150	Notes receivable, net	6(4)	86	-	185	-
1170	Accounts receivable, net	6(4)	414,091	5	462,950	8
1180	Accounts receivable due from related parties, net	6(4) and 7	-	-	331	-
1200	Other receivables		26,034	-	2,733	-
1210	Other receivables due from related parties	7	16	-	-	-
130X	Inventories	6(5)	258,799	3	165,659	3
1410	Prepayments		14,201	-	16,510	-
1470	Other current assets		1,136	-	1,578	-
11XX	Current Assets		<u>2,051,142</u>	<u>24</u>	<u>1,827,286</u>	<u>29</u>
Non-current assets						
1535	Non-current financial assets at amortised cost	6(3) and 8	13,055	-	12,417	-
1550	Investments accounted for using equity method	6(6)	82,341	1	125,503	2
1600	Property, plant and equipment	6(7) and 8	5,611,342	65	3,635,757	57
1755	Right-of-use assets	6(8)	336,331	4	324,312	5
1780	Intangible assets		22,687	-	30,184	1
1840	Deferred income tax assets	6(26)	26,162	1	31,349	1
1900	Other non-current assets	6(10)	455,894	5	341,171	5
15XX	Non-current assets		<u>6,547,812</u>	<u>76</u>	<u>4,500,693</u>	<u>71</u>
1XXX	Total assets		<u>\$ 8,598,954</u>	<u>100</u>	<u>\$ 6,327,979</u>	<u>100</u>

(Continued)

PHOENIX SILICON INTERNATIONAL CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2022		December 31, 2021		
		AMOUNT	%	AMOUNT	%	
Current liabilities						
2130	Current contract liabilities	6(19)	\$ 140	-	\$ 157	-
2170	Accounts payable		234,513	3	153,441	3
2200	Other payables	6(11)	465,019	5	373,734	6
2220	Other payables to related parties	6(11) and 7	1,253	-	5	-
2230	Current income tax liabilities		34,307	-	12,440	-
2280	Current lease liabilities		14,881	-	11,462	-
2320	Long-term liabilities, current portion	6(12)(13) and 8	503,910	6	1,156,060	18
2399	Other current liabilities, others	7	367	-	1,861	-
21XX	Current Liabilities		<u>1,254,390</u>	<u>14</u>	<u>1,709,160</u>	<u>27</u>
Non-current liabilities						
2540	Long-term borrowings	6(13) and 8	3,985,557	47	1,734,296	27
2550	Provisions for liabilities - non-current	6(15)	17,417	-	16,600	-
2570	Deferred tax liabilities	6(26)	-	-	1,510	-
2580	Non-current lease liabilities		324,604	4	316,037	5
2600	Other non-current liabilities	6(14) and 7	25,678	-	33,320	1
25XX	Non-current liabilities		<u>4,353,256</u>	<u>51</u>	<u>2,101,763</u>	<u>33</u>
2XXX	Total Liabilities		<u>5,607,646</u>	<u>65</u>	<u>3,810,923</u>	<u>60</u>
Equity						
Share capital						
3110	Share capital - common stock	6(16)	1,526,280	18	1,403,525	22
Capital surplus						
3200	Capital surplus	6(17)	744,225	8	610,258	10
Retained earnings						
3310	Legal reserve	6(18)	164,774	2	141,374	2
3350	Unappropriated retained earnings		556,029	7	361,899	6
3XXX	Total equity		<u>2,991,308</u>	<u>35</u>	<u>2,517,056</u>	<u>40</u>
Significant Contingent Liabilities and Unrecognised Contract Commitments						
3X2X	Total liabilities and equity		<u>\$ 8,598,954</u>	<u>100</u>	<u>\$ 6,327,979</u>	<u>100</u>

The accompanying notes are an integral part of these parent company only financial statements.

PHOENIX SILICON INTERNATIONAL CORPORATION
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

	Items	Notes	Year ended December 31			
			2022		2021	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(19) and 7	\$ 3,138,053	100	\$ 2,656,741	100
5000	Operating costs	6(5)(24)(25) and 7	(2,306,263)	(73)	(1,990,099)	(75)
5950	Gross profit from operating		831,790	27	666,642	25
	Operating expenses	6(24)(25)				
6100	Selling expenses		(40,262)	(1)	(36,034)	(1)
6200	Administrative expenses		(340,213)	(11)	(265,894)	(10)
6300	Research and development expenses		(143,324)	(5)	(132,689)	(5)
6450	Expected credit impairment gain	12(2)	-	-	304	-
6000	Total operating expenses		(523,799)	(17)	(434,313)	(16)
6900	Operating profit		307,991	10	232,329	9
	Non-operating income and expenses					
7100	Interest income	6(20) and 7	2,939	-	1,145	-
7010	Other income	6(21) and 7	9,355	-	7,142	-
7020	Other gains and losses	6(22)	106,800	4	47,219	2
7050	Finance costs	6(23)	(30,626)	(1)	(20,922)	(1)
7070	Share of loss of subsidiaries, associates and joint ventures accounted for using equity method, net	6(6)	(23,800)	(1)	(24,064)	(1)
7000	Total non-operating income and expenses		64,668	2	10,520	-
7900	Profit before income tax		372,659	12	242,849	9
7950	Income tax expense	6(26)	(47,408)	(1)	(7,195)	-
8200	Profit for the year		\$ 325,251	11	\$ 235,654	9
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Gains (loss) on remeasurements of defined benefit plans	6(14)	\$ 5,701	-	(\$ 2,066)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(26)	(1,140)	-	413	-
8300	Total other comprehensive income (loss) for the year		\$ 4,561	-	(\$ 1,653)	-
8500	Total comprehensive income for the year		\$ 329,812	11	\$ 234,001	9
	Basic earnings per share	6(27)				
9750	Basic earnings per share		\$	2.17	\$	1.58
9850	Diluted earnings per share	6(27)	\$	2.06	\$	1.50

The accompanying notes are an integral part of these parent company only financial statements.

PHOENIX SILICON INTERNATIONAL CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Share capital - common stock	Capital surplus	Retained Earnings		Total equity
				Legal reserve	Unappropriated retained earnings	
<u>Year 2021</u>						
Balance at January 1, 2021		\$ 1,324,080	\$ 634,768	\$ 127,863	\$ 220,854	\$ 2,307,565
Profit for the year		-	-	-	235,654	235,654
Other comprehensive loss for the year		-	-	-	(1,653)	(1,653)
Total comprehensive income		-	-	-	234,001	234,001
Distribution of 2020 earnings:	6(18)					
Legal reserve		-	-	13,511	(13,511)	-
Cash dividends		-	-	-	(79,445)	(79,445)
Stock dividends from capital surplus	6(16)(17)	79,445	(79,445)	-	-	-
Changes in ownership interests in subsidiaries	6(17)	-	54,935	-	-	54,935
Balance at December 31, 2021		\$ 1,403,525	\$ 610,258	\$ 141,374	\$ 361,899	\$ 2,517,056
<u>Year 2022</u>						
Balance at January 1, 2022		\$ 1,403,525	\$ 610,258	\$ 141,374	\$ 361,899	\$ 2,517,056
Profit for the year		-	-	-	325,251	325,251
Other comprehensive income for the year		-	-	-	4,561	4,561
Total comprehensive income		-	-	-	329,812	329,812
Distribution of 2021 earnings:	6(18)					
Legal reserve		-	-	23,400	(23,400)	-
Cash dividends		-	-	-	(112,282)	(112,282)
Stock dividends from capital surplus	6(16)(17)	84,211	(84,211)	-	-	-
Conversion of convertible bonds	6(12)(16)(17)	38,544	208,709	-	-	247,253
Changes in equity of associates accounted for using equity method	6(17)	-	9,469	-	-	9,469
Balance at December 31, 2022		\$ 1,526,280	\$ 744,225	\$ 164,774	\$ 556,029	\$ 2,991,308

The accompanying notes are an integral part of these parent company only financial statements.

PHOENIX SILICON INTERNATIONAL CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 372,659	\$ 242,849
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(7)(8)(24)	587,136	517,204
Amortization	6(24)	15,880	16,813
Gain on expected credit impairment	12(2)	-	(304)
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	6(2)(22)	3,127	(12,707)
Interest expense	6(23)	30,626	20,922
Interest income	6(20)	(2,939)	(1,145)
Share of loss of subsidiaries and associates accounted for using the equity method	6(6)	23,800	24,064
Gain on disposals of property, plant and equipment	6(22)	(5,740)	(1,358)
Gain on disposal of investments	6(22)	(61,467)	(53,524)
Loss of financial assets at amortized cost	6(22)	-	73
Changes in operating assets and liabilities			
Changes in operating assets			
Increase (decrease) financial asset at fair value through profit or loss, mandatorily measured at fair value		(1,061)	4,694
Contract assets		(188,848)	51,293
Notes receivable		99	(85)
Accounts receivable		48,859	(130,316)
Accounts receivable due from related parties		331	331
Other receivables		(23,242)	(791)
Other receivables due from related parties		(16)	252
Inventories		(93,140)	(22,658)
Prepayments		2,309	(5,944)
Other current assets		1,578	221
Other non-current assets		(271)	-
Changes in operating liabilities			
Contract liabilities		(17)	(883)
Accounts payable		81,072	24,156
Other payables		53,627	67,239
Other payables to related parties		(5)	5
Other current liabilities		(1,494)	827
Net defined benefit liability		(1,225)	(1,016)
Long-term payables		(774)	925
Cash inflow generated from operations		840,864	741,137
Interest received		2,880	1,223
Interest paid		(45,685)	(12,369)
Income taxes paid		(23,003)	(1,678)
Net cash flows from operating activities		<u>775,056</u>	<u>728,313</u>

(Continued)

PHOENIX SILICON INTERNATIONAL CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortized cost		(\$ 9,432)	\$ -
Proceeds from disposal of financial assets at amortized cost		8,794	500
Acquisition of financial assets at fair value through profit or loss	6(2)	-	(10,400)
Proceeds from disposal of financial assets at fair value through profit or loss		15,683	-
Acquisition of investments accounted for using equity method	6(6)	-	(3)
Proceeds from disposal of investments accounted for using equity method	6(6)	90,298	-
Acquisition of property, plant and equipment	6(28)	(2,601,324)	(1,627,064)
Proceeds from disposal of property, plant and equipment		8,839	10,134
Acquisition of intangible assets	6(28)	(11,878)	(21,616)
Increase in refundable deposits		(43,487)	(2,668)
Decrease in refundable deposits		42,279	-
Net cash flows used in investing activities		(2,500,228)	(1,651,117)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings		-	670,000
Decrease in short-term borrowings		-	(670,000)
Redemption of convertible bonds	6(29)	(753,926)	(5,426)
Increase in long-term borrowings	6(29)	3,068,910	1,186,690
Repayment of long-term borrowings	6(29)	(475,622)	(212,719)
Increase in guarantee deposits received	6(29)	396	78
Decrease in guarantee deposits received	6(29)	(338)	(100)
Repayment of principal portion of lease liabilities	6(29)	(13,625)	(8,854)
Cash dividends paid	6(18)	(112,282)	(79,445)
Net cash flows from financing activities		1,713,513	880,224
Net decrease in cash and cash equivalents		(11,659)	(42,580)
Cash and cash equivalents at beginning of year	6(1)	1,081,999	1,124,579
Cash and cash equivalents at end of year	6(1)	\$ 1,070,340	\$ 1,081,999

The accompanying notes are an integral part of these parent company only financial statements.

PHOENIX SILICON INTERNATIONAL CORPORATION
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. History and Organisation

Phoenix Silicon International Corporation (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C) in March 1997 and has begun operations in June 1998. The Company is primarily engaged in the research, development, manufacture and sale of regenerative wafers, test wafers, product wafers, solar cells, energy storage lithium batteries and the import and export trade related to the Company's business.

2. The Date of Authorisation for Issuance of the Financial Statements and Procedures for Authorisation

These parent company only financial statements were authorised for issuance by the Board of Directors on February 23, 2023.

3. Application of New Standards, Amendments and Interpretations

(1) Effect of adoption of or amendments to International Financial Reporting Standards (“IFRS”) that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC and became effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, ‘Reference to the conceptual framework’	January 1, 2022
Amendments to IAS 16, ‘Property, plant and equipment: proceeds before intended use’	January 1, 2022
Amendments to IAS 37, ‘Onerous contracts — cost of fulfilling a contract’	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

(2) Effect of new issuances of or amendments to IFRSs endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

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

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – 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

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

4. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The parent company only financial statements of the Company have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of preparation

A. Except for the following items, the parent company only financial statements have been prepared under the historical cost convention:

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

The parent company only financial statements are presented in New Taiwan Dollar, which is the Company’s functional currency.

Foreign currency transactions and balances

- A. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- B. Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon retranslation at the balance sheet date are recognised in profit or loss.
- C. All foreign exchange gains and losses are presented in the statement of comprehensive income within ‘other gains and losses.

(4) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets arising mainly for trading purposes;
- (c) Assets that are expected to be realised within twelve months from the balance sheet date;

- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly for trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

(7) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
 - (a) The objective of the Company's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.
- D. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(8) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Impairment of financial assets

For debt instruments measured at fair value through financial assets at amortised cost including accounts receivable or contract assets that have a significant financing component, at each reporting date, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

The Company derecognises a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Company has not retained control of the financial asset.

(11) Leasing arrangements (lessor) — operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(12) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(13) Investments accounted for using equity method / subsidiaries and associates

- A. Subsidiaries are all entities controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

- B. Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Company are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise the losses in proportion to the ownership.
- D. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Difference of adjustment of non-controlling interest and fair value of consideration paid or received is recognised in equity.
- E. When the Company loses control of a subsidiary, the Company remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Company loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.
- F. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- G. The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- H. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.

- I. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- J. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- K. Pursuant to the Rules Governing the Preparation of Financial Statements by Securities Issuers, profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the financial statements prepared on a consolidation basis. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the financial statements prepared on a consolidation basis.

(14) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	3 ~ 51 years
Machinery and equipment	2 ~ 10 years
Transportation equipment	5 ~ 6 years
Office equipment	3 ~ 6 years
Leased assets	6 years
Other equipment	3 ~ 6 years

(15) Leasing arrangements (lessee) – right-of-use assets/ lease liabilities

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments consists of fixed payments, less any lease incentives receivable.

The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability ;
- (b) Any initial direct costs incurred by the lessee ; and
- (c) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset’s useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset and remeasure the lease liability to reflect the partial or full termination of the lease, and recognise the difference in profit or loss.

(16) Intangible assets

A. Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 2 to 10 years.

B. Other intangible assets are line subsidies and other expenses are amortised using the straight-line method over 3 years.

(17) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(18) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(19) Accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services.

B. The short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) Financial liabilities at fair value through profit or loss

A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges, or financial liabilities at fair value through profit or loss. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss at initial recognition:

(a) Hybrid (combined) contracts; or

(b) They eliminate or significantly reduce a measurement or recognition inconsistency; or

(c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

B. At initial recognition, the Company measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Company subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(21) Convertible bonds payable

Convertible bonds issued by the Company contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Company classifies the bonds payable upon issuance as a financial asset, a financial liability or an equity instrument in accordance with the contract terms. They are accounted for as follows:

- A. The embedded call options and put options are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.
- B. The host contracts of bonds are initially recognised at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortised in profit or loss as an adjustment to 'finance costs' over the period of circulation using the effective interest method.
- C. The embedded conversion options which meet the definition of an equity instrument are initially recognised in 'capital surplus—share options' at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.
- D. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.
- E. When bondholders exercise conversion options, the liability component of the bonds (including 'bonds payable' and 'financial assets or liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the abovementioned liability component plus the book value of 'capital surplus - share options'.

(22) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(23) Non-hedging and embedded derivatives

- A. Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.
- B. Under the financial assets, the hybrid contracts embedded with derivatives are initially recognised as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost based on the contract terms.

C. Under the non-financial assets, whether the hybrid contracts embedded with derivatives are accounted for separately at initial recognition is based on whether the economic characteristics and risks of an embedded derivative are closely related in the host contract. When they are closely related, the entire hybrid instrument is accounted for by its nature in accordance with the applicable standard. When they are not closely related, the derivative is accounted for differently from the host contract as derivative while the host contract is accounted for by its nature in accordance with the applicable standard. Alternatively, the entire hybrid instrument is designated as financial liabilities at fair value through profit or loss upon initial recognition.

(24) Provisions

Provisions — decommissioning are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(25) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds of a currency and term consistent with the currency and term of the employment benefit obligations.

ii. Remeasurements arising on defined benefit plan are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Past service costs are recognised immediately in profit or loss.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(26) Income taxes

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

E. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(27) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(28) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities, stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(29) Revenue recognition

A. Sales revenue

- (a) The Company provides manufacturing and sales of semiconductor wafer and energy storage lithium batteries. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.
- (b) The Company's obligation to provide a repair for faulty products under the standard warranty terms is recognised as a provision.
- (c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Sales of services

The Company provides semiconductor subcontracting services and other related businesses. In the process of providing subcontracting services, the Company considers that:

- (a) Customers control the raw materials they provided and the Company accepts instructions from customers for subcontracting services for the formerly disclosed assets.
- (b) The Company may only use assets provided by customers and controlled by customers for subcontracting services to create or enhance such assets and may not convert such assets to other uses.

Since the customer owns the asset, assumes the significant risks and rewards of ownership and has the right to decide the disposal of the asset, the Company recognises revenue for subcontracting services based on the degree of completion of performance obligations during the service period. The degree of completion of the Company's subcontracting services is determined based on the service costs actually incurred as a percentage of the estimated total service costs. The Company provides subcontracting services according to the specifications required by the customers and therefore the service costs incurred are not averaged over the period of service provision. The Company believes that the aforementioned approach is appropriate to measure the degree of completion of performance obligations to customers. The customer pays the price of the subcontracting service according to the agreed payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

C. Financing components

As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Company does not adjust the transaction price to reflect the time value of money.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The related information is addressed below:

(1) Critical judgements in applying the Company's accounting policies

None.

(2) Critical accounting estimates and assumptions

Measurement of the completion degree of performance obligation

The Company is primarily engaged in the professional processing of semiconductor wafer, such as reclaiming, thinning and other services and recognises revenue by measuring the completion degree of performance obligation in the period in which the services are rendered. For the completion degree of semiconductor wafers professional processing services, the management recognises revenue on the basis of the invested cost which is for satisfying the performance obligation relative to the expected total cost for satisfying the performance obligation. As the estimates of total expected cost were uncertain and require the management to apply critical estimates in making the determination, there might be material changes to the estimates.

As of December 31, 2022, the contract assets recognised for the Company's unfinished orders according to the completion degree of performance obligation amounted to \$266,439.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and petty cash	\$ 310	\$ 322
Demand deposits	830,030	1,081,677
Time deposits	<u>240,000</u>	<u>-</u>
	<u>\$ 1,070,340</u>	<u>\$ 1,081,999</u>

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Company has no cash and cash equivalents pledged to others. For pledged time deposits that were accounted as financial assets at amortised cost, please refer to Note 8.

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

<u>items</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ -	\$ 10,400
Derivative	-	550
Convertible bonds - Call / put options	-	(199)
Value adjustment - Listed stocks	-	6,700
Value adjustment - Convertible bonds - Call / put options	<u>-</u>	<u>299</u>
	<u>\$ -</u>	<u>\$ 17,750</u>

A. Amounts recognised in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	(\$ 1,417)	\$ 6,700
Derivative	107	7,581
Convertible bonds - Call / put options	<u>-</u>	<u>300</u>
	<u>(\$ 1,310)</u>	<u>\$ 14,581</u>

B. The Company entered into contracts relating to derivative financial assets which were not accounted for under hedge accounting. The information is listed below:

There were no such transactions as of December 31, 2022.

(Unit: in thousands of dollars)

Derivative financial assets for non-hedging	December 31, 2021	
	Contract amount (notional principal)	Contract period
Current items:		2021.11.24~
Forward exchange contracts	USD 5,900	2022.02.11

The Company entered into forward foreign exchange contracts to sell to hedge exchange rate risk of export proceeds. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

(3) Financial assets at amortised cost

Items	December 31, 2022	December 31, 2021
Non-current items :		
Pledged time deposits	\$ 13,055	\$ 12,417

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	Year ended December 31,	
	2022	2021
Interest income	\$ 124	\$ 97

B. Details of the Company's financial assets at amortised cost pledged to others as collateral are provided in Note 8.

C. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

The counterparties of the Company's investments in certificates of deposit are financial institutions with high credit quality, so the Company expects that the probability of counterparty default is remote.

(4) Notes and accounts receivable

	December 31, 2022	December 31, 2021
Notes receivable	\$ 86	\$ 185
Accounts receivable	\$ 414,091	\$ 462,950
Less: Allowance for uncollectible accounts	-	-
	414,091	462,950
Accounts receivable due from related parties	-	331
	\$ 414,091	\$ 463,281

A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

	December 31, 2022		December 31, 2021	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 409,898	\$ 86	\$ 462,366	\$ 185
Up to 30 days	3,767	-	915	-
31 to 90 days	426	-	-	-
91 to 180 days	-	-	-	-
Over 180 days	-	-	-	-
	\$ 414,091	\$ 86	\$ 463,281	\$ 185

The above ageing analysis was based on past due date.

- B. As of December 31, 2022 and 2021, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2021, the balance of receivables from contracts with customers amounted to \$333,092.
- C. The Company has no notes and accounts receivable pledged to others as collateral.
- D. As of December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes and accounts receivable was \$86 and \$185, \$414,091 and \$463,281, respectively.
- E. As of December 31, 2022 and 2021, the Company held commercial papers provided by customers as collaterals for accounts receivable credit limits amounting to \$0 and \$11,000, respectively.
- F. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(5) Inventories

	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 299,044	(\$ 58,553)	\$ 240,491
Work in progress	4,218	(37)	4,181
Finished goods	14,363	(236)	14,127
Total	<u>\$ 317,625</u>	<u>(\$ 58,826)</u>	<u>\$ 258,799</u>

	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 191,551	(\$ 44,582)	\$ 146,969
Work in progress	2,717	(4)	2,713
Finished goods	16,184	(207)	15,977
Total	<u>\$ 210,452</u>	<u>(\$ 44,793)</u>	<u>\$ 165,659</u>

The cost of inventories recognised as expense for the year:

	Year ended December 31,	
	2022	2021
Cost of goods sold	\$ 2,305,338	\$ 1,996,183
Loss on decline in market value	14,033	7,407
Revenue from sales of scraps	(87)	(131)
Others	(13,021)	(13,360)
	<u>\$ 2,306,263</u>	<u>\$ 1,990,099</u>

(6) Investments accounted for using equity method

	2022	2021
At January 1	\$ 125,503	\$ 41,105
Addition of investments accounted for using equity method	-	53,527
Disposal of investments accounted for using equity method	(28,831)	-
Share of profit or loss of investments accounted for using the equity method	(23,800)	(24,064)
Changes in equity of associates accounted for using method	9,469	54,935
At December 31	<u>\$ 82,341</u>	<u>\$ 125,503</u>

- A. Phoenix Battery Corporation increased its capital by issuing new shares on November 15, 2021. The Company did not acquire shares proportionally to its interest. As a result, the Company decreased its share interest from 71.51% to 33.42%. The company re-elected the directors and supervisors as resolved at the first shareholders' special meeting on December 29, 2021. The Company is the single largest shareholder of the company. However, the new directors and supervisors have not been appointed by the Company and the combined ownership of other substantial shareholders exceeds that of the Company, which indicates that the Company has no current ability to direct the relevant activities. Therefore, the Company lost control over the company from that date but has significant influence over the company, and the relationship with the Company was changed from a subsidiary to an associate. The Company recognised the retained 33.42% share of the investment as investment accounted for using equity method – associate at fair value on November 15, 2021, and recognised gain on disposal of investments of \$53,524.
- B. The Company sold some of the shares during the year ended December 31, 2022. The disposal proceeds amounted to \$90,298, the gains on disposal amounted to \$61,467 and the shareholding ratio decreased to 25.28%.
- C. The carrying amount of the Company's interests in all individually immaterial associates and the Company's share of the operating results are summarised below:
As of December 31, 2022 and 2021, the carrying amount of the Company's individually immaterial associates amounted to \$82,341 and \$125,503, respectively.

	Year ended December 31,	
	2022	2021
Loss from continuing operations	(\$ 86,843)	(\$ 42,234)
Total comprehensive loss	(\$ 86,843)	(\$ 42,234)

(7) Property, plant and equipment

2022

	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Leased assets	Other equipment	Unfinished construction and equipment pending acceptance	Total
At January 1								
Cost	\$ 2,012,590	\$ 3,371,258	\$ 9,172	\$ 21,760	\$ 110	\$ 72,997	\$ 694,787	\$ 6,182,674
Accumulated depreciation	(488,061)	(1,996,675)	(6,800)	(15,373)	(110)	(39,898)	-	(2,546,917)
	<u>\$ 1,524,529</u>	<u>\$ 1,374,583</u>	<u>\$ 2,372</u>	<u>\$ 6,387</u>	<u>\$ -</u>	<u>\$ 33,099</u>	<u>\$ 694,787</u>	<u>\$ 3,635,757</u>
At January 1	\$ 1,524,529	\$ 1,374,583	\$ 2,372	\$ 6,387	\$ -	\$ 33,099	\$ 694,787	\$ 3,635,757
Additions	151,916	450,538	2,208	3,633	-	14,382	1,930,187	2,552,864
Disposals	-	(3,099)	-	-	-	-	-	(3,099)
Reclassifications (transfers)(Note)	128,161	480,353	-	-	-	-	(609,150)	(636)
Depreciation charge	(163,267)	(393,174)	(1,045)	(3,314)	-	(12,744)	-	(573,544)
At December 31	<u>\$ 1,641,339</u>	<u>\$ 1,909,201</u>	<u>\$ 3,535</u>	<u>\$ 6,706</u>	<u>\$ -</u>	<u>\$ 34,737</u>	<u>\$ 2,015,824</u>	<u>\$ 5,611,342</u>
Cost	\$ 2,292,667	\$ 4,280,007	\$ 11,380	\$ 25,393	\$ -	\$ 87,149	\$ 2,015,824	\$ 8,712,420
Accumulated depreciation	(651,328)	(2,370,806)	(7,845)	(18,687)	-	(52,412)	-	(3,101,078)
	<u>\$ 1,641,339</u>	<u>\$ 1,909,201</u>	<u>\$ 3,535</u>	<u>\$ 6,706</u>	<u>\$ -</u>	<u>\$ 34,737</u>	<u>\$ 2,015,824</u>	<u>\$ 5,611,342</u>

Note: Refers to the transfer to intangible assets amounting to \$636.

2021

	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Leased assets	Other equipment	Unfinished construction and equipment pending acceptance	Total
At January 1								
Cost	\$ 1,480,677	\$ 3,311,360	\$ 10,401	\$ 21,271	\$ 538	\$ 71,222	\$ 348,180	\$ 5,243,649
Accumulated depreciation	(526,454)	(1,949,705)	(7,000)	(11,655)	(538)	(30,274)	-	(2,525,626)
	<u>\$ 954,223</u>	<u>\$ 1,361,655</u>	<u>\$ 3,401</u>	<u>\$ 9,616</u>	<u>\$ -</u>	<u>\$ 40,948</u>	<u>\$ 348,180</u>	<u>\$ 2,718,023</u>
At January 1	\$ 954,223	\$ 1,361,655	\$ 3,401	\$ 9,616	\$ -	\$ 40,948	\$ 348,180	\$ 2,718,023
Additions	637,758	218,672	-	489	-	4,569	572,181	1,433,669
Disposals	-	(8,776)	-	-	-	-	-	(8,776)
Reclassifications (transfers)	54,287	171,067	-	-	-	220	(225,574)	-
Depreciation charge	(121,739)	(368,035)	(1,029)	(3,718)	-	(12,638)	-	(507,159)
At December 31	<u>\$ 1,524,529</u>	<u>\$ 1,374,583</u>	<u>\$ 2,372</u>	<u>\$ 6,387</u>	<u>\$ -</u>	<u>\$ 33,099</u>	<u>\$ 694,787</u>	<u>\$ 3,635,757</u>
Cost	\$ 2,012,590	\$ 3,371,258	\$ 9,172	\$ 21,760	\$ 110	\$ 72,997	\$ 694,787	\$ 6,182,674
Accumulated depreciation	(488,061)	(1,996,675)	(6,800)	(15,373)	(110)	(39,898)	-	(2,546,917)
	<u>\$ 1,524,529</u>	<u>\$ 1,374,583</u>	<u>\$ 2,372</u>	<u>\$ 6,387</u>	<u>\$ -</u>	<u>\$ 33,099</u>	<u>\$ 694,787</u>	<u>\$ 3,635,757</u>

A. Amount of borrowing costs capitalised as part of property, plant and equipment and the range of the interest rates for such capitalisation are as follows:

	Year ended December 31,	
	2022	2021
Amount capitalised	\$ 25,162	\$ 7,629
Range of the interest rates for capitalisation	1.04%~1.84%	1.12%~1.28%

B. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

(8) Leasing arrangements – lessee

- A. The Company leases various assets including land, buildings and business vehicles. Rental contracts are typically made for periods of 2 to 19 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. Short-term leases with a lease term of 12 months or less comprise employees' dorms, parking lots and warehouse. Low-value assets comprise furniture and fixtures and other equipment.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 324,422	\$ 322,927
Buildings	10,155	-
Transportation equipment (Business vehicles)	1,754	1,385
	<u>\$ 336,331</u>	<u>\$ 324,312</u>

	<u>Year ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 11,286	\$ 9,066
Buildings	1,328	-
Transportation equipment (Business vehicles)	978	979
	<u>\$ 13,592</u>	<u>\$ 10,045</u>

- D. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets were \$25,611 and \$102,701, respectively.
- E. The information on profit and loss accounts relating to lease contracts is as follows:

	<u>Year ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 4,522	\$ 3,973
Expense on short-term lease contracts	9,041	3,130
Expense on leases of low-value assets	836	552

- F. For the years ended December 31, 2022 and 2021, the Company's total cash outflow for leases were \$28,024 and \$16,509, respectively.

G. Extension and termination options

In determining the lease term, the Company takes into consideration all facts and circumstances that create an economic incentive to exercise an extension option. The assessment of lease period is reviewed if a significant event occurs which affects the assessment.

(9) Leasing arrangements – lessor

- A. The Company leases various assets including buildings. Rental contracts are typically made for periods of 3 and 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. To protect the lessor's ownership rights on the leased assets, leased assets may not be used as security for borrowing purposes.
- B. For the years ended December 31, 2022 and 2021, the Company recognised rent income in the amounts of \$3,339 and \$5,130, respectively, based on the operating lease agreement, which does not include variable lease payments.
- C. The maturity analysis of the lease payments under the operating leases is as follows:

	<u>December 31, 2022</u>		<u>December 31, 2021</u>
2023	\$ 1,547	2022	\$ 5,130
2024	1,547	2023	1,543
2025	597	2024	1,217
2026	150	2025	357
After 2027	150	After 2026	-
Total	<u>\$ 3,991</u>	Total	<u>\$ 8,247</u>

(10) Other non-current assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Prepayments for business facilities	\$ 444,506	\$ 334,257
Prepayments for intangible assets	8,077	3,946
Guarantee deposits paid	3,040	2,968
Others	271	-
Total	<u>\$ 455,894</u>	<u>\$ 341,171</u>

(11) Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Wages and salaries payable	\$ 139,912	\$ 132,236
Employees' compensation and directors' remuneration payable	88,053	58,310
Payable on machinery and equipment	129,545	92,918
Payable on repair expenses	28,075	24,810
Other accrued expenses	80,687	65,465
Total	<u>\$ 466,272</u>	<u>\$ 373,739</u>

(12) Bonds payable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Bonds payable	\$ -	\$ 1,002,078
Less: Discount on bonds payable	-	(13,452)
	-	988,626
Less: Current portion or exercise of put options	-	(988,626)
	<u>\$ -</u>	<u>\$ -</u>

A. The issuance of domestics convertible bonds by the Company

(a) The terms of the first domestics unsecured convertible bonds issued by the Company are as follows:

The Company issued \$1,000,000, 0% first domestic unsecured convertible bonds, as approved by the regulatory authority. The bonds mature 3 years from the issued date (November 13, 2019 ~ November 13, 2022) and will be redeemed in cash value at the maturity date. The bonds were listed on the Taipei Exchange on November 13, 2019.

- i. The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after three months of the bonds issue to the maturity date, except the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
- ii. The conversion price of the bonds is set up based on the pricing model specified in the terms of the bonds, and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. The conversion price will be reset based on the pricing model specified in the terms of the bonds on each effective date regulated by the terms. As of November 13, 2022, the last conversion application date, the conversion price was adjusted to NT\$63.90 (in dollars) per share.
- iii. The convertible bonds will be redeemed in cash at 100.7519% of face value at the maturity date.
- iv. The Company may repurchase all the bonds outstanding in cash at the bonds' face value within 30 trading days after the issuance at any time after the following event occurs: the closing price of the Company's common shares is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after three month of the bonds issue to 30 days before the maturity date.
- v. The Company may repurchase all the bonds outstanding in cash at the bonds' face value within 30 trading days after the issuance at any time after the following event occurs: the closing price of the Company's common shares is less than the conversion price by 10% for 30 consecutive trading days during the period from the date after three month of the bonds issue to 30 days before the maturity date.

- vi. Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.
 - (b) As of November 13, 2022, the last conversion application date, the bonds totaling \$246,300 (face value) had been converted into 3,854,404 shares of common stock. The remaining unconverted bonds amounting to \$748,300 (face value) had been redeemed in cash at 100.7519% of face value at the maturity date according to Article 6 of the regulations governing the issuance and conversion of the Company's first domestic unsecured convertible bonds.
- B. Regarding the issuance of convertible bonds, the equity conversion options amounting to \$132,294 were separated from the liability component and were recognised in 'capital surplus—share options' in accordance with IAS 32. The call options and put options embedded in bonds payable were separated from their host contracts and were recognised in 'financial assets or liabilities at fair value through profit or loss' in net amount in accordance with IFRS 9 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The effective annual interest rate of the bonds after separation was 1.56%.

(13) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2022
Plant syndicated loan (Note 1)	2022.04.15~2029.04.15 Repayment by installments and installments over the agreed period	Floating rate	Buildings and structures	\$ 385,600
Plant loan	2017.12.08~2035.07.24 Repayment by installments and installments over the agreed period	Floating rate	Buildings and structures	193,918
Mid-term secured syndicated loan (Note 1)	2022.06.15~2029.06.15 Repayment by installments and installments over the agreed period	Floating rate	Machinery and equipment	1,587,400
Mid-term secured borrowings (Note 2)	2019.04.15~2024.08.14 Repayment by installments and installments over the agreed period	Floating rate	Machinery and equipment	17,500
Mid-term secured borrowings	2020.07.15~2027.12.15 Repayment by installments and installments over the agreed period	Floating rate	Machinery and equipment	1,485,600
Unsecured borrowings	2021.12.28~2024.12.08 Repayment by installments and installments over the agreed period	Floating rate	None	625,000
Unsecured borrowings	2022.09.26~2023.12.26 Repayment by installments and installments over the agreed period	Floating rate	None	200,000
				<hr/>
				4,495,018
Less: Current portion				(503,910)
Less: Arrangement fee for the syndicated loan				(5,551)
				<hr/>
				\$ 3,985,557
				<hr/>
Annual interest rate range				<u>1.175%~1.986%</u>

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2021
Plant loan (Note 2)	2019.04.25~2022.04.25 Repayment by installments and installments over the agreed period	Floating rate	Buildings and structures	\$ 37,600
Plant loan	2017.12.08~2035.07.24 Repayment by installments and installments over the agreed period	Floating rate	Buildings and structures	219,190
Mid-term secured loan (Note 2)	2019.04.15~2024.08.14 Repayment by installments and installments over the agreed period	Floating rate	Machinery and equipment	35,250
Mid-term secured borrowings	2020.07.15~2027.12.15 Repayment by installments and installments over the agreed period	Floating rate	Machinery and equipment	1,089,690
Unsecured borrowings	2019.6.27~2024.12.08 Repayment by installments and installments over the agreed period	Floating rate	None	520,000
				1,901,730
Less: Current portion				(167,434)
				\$ 1,734,296
Annual interest rate range				0.55%~1.20%

A. As of December 31, 2022, the Company's unamortised arrangement fee for the syndicated loan amounting to \$5,551 was recorded as a deduction amount of initial measurement of long-term secured borrowings and amortised as interest expense over the borrowing period.

B. Information about collateral for long-term borrowing is provided in Note 8.

Note 1: According to the agreement, the Company should maintain a specific current ratio, debt ratio, interest coverage ratio and shareholders' equity amount every year during the loan period.

Note 2: According to the agreement, the Company should maintain a specific net liabilities ratio and ability of interest repayment every six months during the loan period.

(14) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method; to the employees expected to be qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligations	\$ 36,773	\$ 42,165
Fair value of plan assets	(23,834)	(22,300)
Net defined benefit liability	<u>\$ 12,939</u>	<u>\$ 19,865</u>

(c) Movements in net defined benefit liabilities are as follows:

	2022		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	\$ 42,165	(\$ 22,300)	\$ 19,865
Current service cost	86	-	86
Interest expense (income)	211	(118)	93
	<u>42,462</u>	<u>(22,418)</u>	<u>20,044</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(1,658)	(1,658)
Change in demographic assumptions	-	-	-
Change in financial assumptions	(4,758)	-	(4,758)
Experience adjustments	715	-	715
	<u>(4,043)</u>	<u>(1,658)</u>	<u>(5,701)</u>
Pension fund contribution	-	(1,404)	(1,404)
Paid pension	(2,446)	2,446	-
At December 31	<u>\$ 35,973</u>	<u>(\$ 23,034)</u>	<u>\$ 12,939</u>
	2021		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	\$ 39,555	(\$ 20,740)	\$ 18,815
Current service cost	84	-	84
Interest expense (income)	198	(106)	92
	<u>39,837</u>	<u>(20,846)</u>	<u>18,991</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(262)	(262)
Change in demographic assumptions	1,147	-	1,147
Change in financial assumptions	-	-	-
Experience adjustments	1,181	-	1,181
	<u>2,328</u>	<u>(262)</u>	<u>2,066</u>
Pension fund contribution	-	(1,192)	(1,192)
At December 31	<u>\$ 42,165</u>	<u>(\$ 22,300)</u>	<u>\$ 19,865</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement

Fund” (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence, the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	Year ended December 31,	
	2022	2021
Discount rate	1.500%	0.500%
Future salary increases	3.500%	3.500%

Assumptions regarding future mortality experience are set based on the 6th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
December 31, 2022				
Effect on present value of defined benefit obligation	(\$ 1,066)	\$ 1,113	\$ 1,072	(\$ 1,032)
December 31, 2021				
Effect on present value of defined benefit obligation	(\$ 1,344)	\$ 1,406	\$ 1,343	(\$ 1,292)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysis sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2023 amount to \$1,362.

(g) As of December 31, 2022, the weighted average duration of the retirement plan is 11.8 years. The analysis of timing of the future pension payment over the next 10 years was as follows:

Within 1 year	\$	1,390
1-2 year(s)		5,293
2-5 years		2,804
5-10 years		5,453
	<u>\$</u>	<u>14,940</u>

B. (a) Effective July 1, 2005, the Company have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs under defined contribution pension plan of the Company for the years ended December 31, 2022 and 2021, were \$29,678 and \$26,416, respectively.

(15) Provisions

	<u>Decommissioning liabilities</u>
2022	
At January 1	\$ 16,600
Unwinding of discount	817
At December 31	<u>\$ 17,417</u>

Analysis of total provisions:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Non-current	<u>\$ 17,417</u>	<u>\$ 16,600</u>

Decommissioning liabilities

According to the policy published, applicable agreement or the law/regulation requirement, the Company bears dismantling, removing the asset and restoring the site obligations for certain property, plant and equipment and right-of-use assets in the future. A provision is recognised for the present value of costs to be incurred for dismantling, removing the asset and restoring the site. It is expected that the provision will start to be used within the next 5 to 40 years.

(16) Share capital

A. As of December 31, 2022, the Company’s authorised capital was \$4,000,000, consisting of 400,000 thousand shares of ordinary stock (including 40,000 thousand shares reserved for employee stock options), and the paid-in capital was \$1,526,280 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	2022	Unit: share 2021
At January 1	140,352,480	132,408,000
Stock dividends from capital surplus	8,421,149	7,944,480
Conversion of convertible bonds	3,854,404	-
At December 31	<u>152,628,033</u>	<u>140,352,480</u>

- B. The stock dividends from capital surplus amounting to \$79,445 was proposed by the Board of Directors on April 13, 2021, resolved by the shareholders on July 5, 2021 and approved by the regulatory authority on July 29, 2021. Its effective date was set on September 8, 2021 as resolved by the Board of Directors on August 6, 2021.
- C. The stock dividends from of capital surplus amounting to \$84,211 was proposed by the Board of Directors on April 14, 2022, resolved by the shareholders on May 27, 2022 and approved by the regulatory authority on June 16, 2022. Its effective date was set on July 29, 2022 as resolved by the Board of Directors on June 24, 2022.

(17) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	2022			
	Share premium	Changes in ownership interests in subsidiaries	Changes in equity of associates	Options
At January 1	\$ 407,885	\$ 70,793	\$ -	\$ 131,580
Stock dividends from of capital surplus	(84,211)	-	-	-
Conversion of convertible bonds	241,293	-	-	(32,584)
Redemption of convertible bonds at the maturity date	98,996	-	-	(98,996)
Changes in equity of associates	-	-	9,469	-
At December 31	<u>\$ 663,963</u>	<u>\$ 70,793</u>	<u>\$ 9,469</u>	<u>\$ -</u>

	2021		
	Share premium	Changes in ownership interests in subsidiaries	Options
At January 1	\$ 486,616	\$ 15,858	\$ 132,294
Stock dividends from of capital surplus	(79,445)	-	-
Changes in ownership interests in subsidiaries	-	54,935	-
Reversal of repurchased convertible bonds	714	-	(714)
At December 31	<u>\$ 407,885</u>	<u>\$ 70,793</u>	<u>\$ 131,580</u>

(18) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's profit after tax, if any, shall first be used to offset accumulated operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the authorised capital. In addition, after setting aside or reversing special reserve, the remainder along with the beginning unappropriated earnings shall be proposed by the Board of Directors as dividends and submitted to the shareholders for resolution.

Dividends and bonuses or legal reserve and capital surplus distributed in the form of cash shall be authorised to be resolved by the Board of Directors with a majority vote at its meeting attended by two-thirds of the total number of directors and reported to the shareholders' meeting and are not subject to the aforementioned regulations of resolutions from the shareholders.

B. The Company's dividend distribution policy aligns with the current and future development plan by taking into account of factors such as investment environment, capital needs, domestic and overseas competition, along with the consideration of shareholders' interest. Each year, at least 10% of the Company's distributable earnings shall be appropriated as dividends and bonuses, and cash dividends and bonuses shall account for at least 50% of the total dividends and bonuses distributed.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

E. The appropriations of 2021 and 2020 earnings as resolved by the shareholders at their meetings on May 27, 2022 and July 5, 2021 are as follows:

	2021		2020	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 23,400		\$ 13,511	
Cash dividends	112,282	\$ 0.80	79,445	\$ 0.60
Total	<u>\$ 135,682</u>		<u>\$ 92,956</u>	

(19) Operating revenue

	Year ended December 31,	
	2022	2021
Revenue from contracts with customers	<u>\$ 3,138,053</u>	<u>\$ 2,656,741</u>

A. Disaggregation of revenue from contracts with customers

Revenue of the Company can be disaggregated by major product lines as follows:

Year ended December 31, 2022	Semiconductor		Total
	business	Power business	
Revenue from external customer contracts	<u>\$ 3,138,053</u>	<u>\$ -</u>	<u>\$ 3,138,053</u>
Timing of revenue recognition			
At a point in time	\$ 106,868	\$ -	\$ 106,868
Over time	3,031,185	-	3,031,185
	<u>\$ 3,138,053</u>	<u>\$ -</u>	<u>\$ 3,138,053</u>

Year ended December 31, 2021	Semiconductor		Total
	business	Power business	
Revenue from external customer contracts	<u>\$ 2,651,386</u>	<u>\$ 5,355</u>	<u>\$ 2,656,741</u>
Timing of revenue recognition			
At a point in time	\$ 126,187	\$ 5,355	\$ 131,542
Over time	2,525,199	-	2,525,199
	<u>\$ 2,651,386</u>	<u>\$ 5,355</u>	<u>\$ 2,656,741</u>

B. Contract assets and liabilities

The Company has recognised the following revenue-related contract assets and liabilities:

	December 31, 2022	December 31, 2021	January 1, 2021
Contract assets	<u>\$ 266,439</u>	<u>\$ 77,591</u>	<u>\$ 128,884</u>
Contract liabilities			
- advance sales receipts	<u>\$ 140</u>	<u>\$ 157</u>	<u>\$ 1,040</u>

	Year ended December 31,	
	2022	2021
Revenue recognised that was included in the contract liability balance at the beginning of the year	\$ 17	\$ 1,040

(20) Interest income

	Year ended December 31,	
	2022	2021
Interest income from bank deposits	\$ 2,815	\$ 1,032
Interest income from financial assets measured at amortised cost	124	97
Other interest income	-	16
	<u>\$ 2,939</u>	<u>\$ 1,145</u>

(21) Other income

	Year ended December 31,	
	2022	2021
Rent income	\$ 3,339	\$ 5,130
Other income, others	6,016	2,012
	<u>\$ 9,355</u>	<u>\$ 7,142</u>

(22) Other gains and losses

	Year ended December 31,	
	2022	2021
Gains on disposals of property, plant and equipment	\$ 5,740	\$ 1,358
Gains on disposals of investments (Note 6(6))	61,467	53,524
Net foreign exchange gains (losses)	42,720	(17,935)
Gains (losses) on financial assets (liabilities) at fair value through profit or loss	(3,127)	12,707
Losses on financial liabilities at amortised cost	-	(73)
Other gains and losses	-	(2,362)
	<u>\$ 106,800</u>	<u>\$ 47,219</u>

(23) Finance costs

	Year ended December 31,	
	2022	2021
Borrowings from financial institutions	\$ 12,734	\$ 889
Bonds payable	12,553	15,335
Lease liabilities	4,522	3,973
Provisions - unwinding of discount	817	725
	<u>\$ 30,626</u>	<u>\$ 20,922</u>

(24) Expenses by nature

	Year ended December 31,	
	2022	2021
Employee benefit expense	\$ 930,486	\$ 793,810
Depreciation charges	587,136	517,204
Amortisation charges on intangible assets	15,880	16,813

(25) Employee benefit expense

	Year ended December 31,	
	2022	2021
Wages and salaries	\$ 780,765	\$ 664,056
Labour and health insurance fees	68,773	59,956
Pension costs	29,857	26,592
Other personnel expenses	51,091	43,206
	<u>\$ 930,486</u>	<u>\$ 793,810</u>

- A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall be 10%~15% for employees' compensation and shall not be higher than 2% for directors' remuneration.
- B. For the years ended December 31, 2022 and 2021, employees' compensation was accrued at \$67,348 and \$43,888, respectively; while directors' remuneration was accrued at \$8,980 and \$5,852, respectively. The aforementioned amounts were recognised in salary expenses. For the year ended December 31, 2022, the employees' compensation and directors' remuneration were estimated and accrued based on 15% and 2% of distributable profit of current year as of the end of reporting period.

Employees' compensation and directors' remuneration of 2021 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2021 financial statements.

Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(26) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Year ended December 31,	
	2022	2021
Current tax:		
Current tax on profits for the year	\$ 42,312	\$ 12,450
Prior year income tax underestimation	2,559	3,942
Total current tax	44,871	16,392
Deferred tax:		
Origination and reversal of temporary differences	2,537	(9,197)
Total deferred tax	2,537	(9,197)
Income tax expense	\$ 47,408	\$ 7,195

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Year ended December 31,	
	2022	2021
Remeasurement of defined benefit obligations	\$ 1,140	(\$ 413)

(c) The income tax charged/(credited) to equity during the period is as follows: None.

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31,	
	2022	2021
Tax calculated based on profit before tax and statutory tax rate	\$ 74,532	\$ 48,570
Expenses disallowed by tax regulation	4,760	4,812
Tax exempt income by tax regulation	(13,645)	(36,152)
Prior year income tax underestimation	2,559	3,942
Effect from investment tax credits	(31,316)	(16,002)
Effect from Alternative Minimum Tax	10,518	2,025
Income tax expense	\$ 47,408	\$ 7,195

C. Amounts of deferred tax assets or liabilities as a result of temporary differences and investment tax credits are as follows:

	2022			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
- Temporary differences:				
Loss on slow-moving inventories and valuation loss	\$ 8,958	\$ 2,807	\$ -	\$ 11,765
Discount on bonds payable	6,492	(6,492)	-	-
Seniority bonus	2,489	(155)	-	2,334
Decommissioning liabilities	3,320	163	-	3,483
Pensions	3,974	(246)	(1,140)	2,588
Others	539	353	-	892
Investment tax credits	5,577	(477)	-	5,100
Subtotal	<u>\$ 31,349</u>	<u>(\$ 4,047)</u>	<u>(\$ 1,140)</u>	<u>\$ 26,162</u>
Deferred tax liabilities:				
- Temporary differences:				
Unrealised gain on valuation of financial liabilities	(\$ 1,510)	\$ 1,510	\$ -	\$ -
Total	<u>\$ 29,839</u>	<u>(\$ 2,537)</u>	<u>(\$ 1,140)</u>	<u>\$ 26,162</u>
	2021			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
- Temporary differences:				
Loss on slow-moving inventories and valuation loss	\$ 7,477	\$ 1,481	\$ -	\$ 8,958
Discount on bonds payable	3,425	3,067	-	6,492
Seniority bonus	2,304	185	-	2,489
Decommissioning liabilities	2,978	342	-	3,320
Pensions	3,764	(203)	413	3,974
Others	281	258	-	539
Investment tax credits	-	5,577	-	5,577
Subtotal	<u>\$ 20,229</u>	<u>\$ 10,707</u>	<u>\$ 413</u>	<u>\$ 31,349</u>
Deferred tax liabilities:				
- Temporary differences:				
Unrealised gain on valuation of financial liabilities	\$ -	(\$ 1,510)	\$ -	(\$ 1,510)
Total	<u>\$ 20,229</u>	<u>\$ 9,197</u>	<u>\$ 413</u>	<u>\$ 29,839</u>

(28) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Year ended December 31,	
	2022	2021
Purchase of property, plant and equipment	\$ 2,552,864	\$ 1,433,669
Add: Opening balance of payable on machinery and equipment	92,918	46,677
Add: Ending balance of prepayments for business facilities	444,506	334,257
Less: Ending balance of payable on machinery and equipment	(129,545)	(92,918)
Less: Opening balance of prepayments for business facilities	(334,257)	(86,992)
Less: Capitalisation of interest	(25,162)	(7,629)
Cash paid during the year	<u>\$ 2,601,324</u>	<u>\$ 1,627,064</u>

	Year ended December 31,	
	2022	2021
Purchase of intangible assets	\$ 7,747	\$ 17,670
Add: Ending balance of prepayments	8,077	3,946
Less: Opening balance of prepayments	(3,946)	-
Cash paid during the year	<u>\$ 11,878</u>	<u>\$ 21,616</u>

B. Financing activities with no cash flow effects:

	Year ended December 31,	
	2022	2021
Convertible bonds being converted to capital stocks	<u>\$ 247,253</u>	<u>\$ -</u>

(29) Changes in liabilities from financing activities

	2022				
	Bonds payable	Long-term borrowings	Lease liabilities	Guarantee deposits received	Liabilities from financing activities-gross
	At January 1	\$ 988,626	\$ 1,901,730	\$ 327,499	\$ 1,010
Changes in cash flow from financing activities	-	2,593,288	(13,625)	58	2,579,721
Interest paid on lease liabilities	-	-	(4,522)	-	(4,522)
Amortisation of interest expense on lease liabilities	-	-	4,522	-	4,522
Increase in lease liabilities	-	-	25,611	-	25,611
Amortisation of interest expense on bonds payable	12,553	-	-	-	12,553
Stock dividends from convertible bonds	(247,253)	-	-	-	(247,253)
Redemption of convertible bonds at the maturity date	(753,926)	-	-	-	(753,926)
Payment of arrangement fee for the syndicated loan	-	(6,779)	-	-	(6,779)
Amortisation of arrangement fee for the syndicated loan	-	1,228	-	-	1,228
At December 31	<u>\$ -</u>	<u>\$ 4,489,467</u>	<u>\$ 339,485</u>	<u>\$ 1,068</u>	<u>\$ 4,830,020</u>
	2021				
	Bonds payable	Long-term borrowings	Lease liabilities	Guarantee deposits received	Liabilities from financing activities-gross
At January 1	\$ 978,644	\$ 927,759	\$ 234,673	\$ 1,032	\$ 2,142,108
Changes in cash flow from financing activities	(5,426)	973,971	(8,854)	(22)	959,669
Interest paid on lease liabilities	-	-	(3,973)	-	(3,973)
Amortisation of interest expense on lease liabilities	-	-	3,973	-	3,973
Increase in lease liabilities	-	-	101,718	-	101,718
Decrease in lease modification	-	-	(38)	-	(38)
Amortisation of interest expense on bonds payable	15,335	-	-	-	15,335
Adjustment for exercise of put options	73	-	-	-	73
At December 31	<u>\$ 988,626</u>	<u>\$ 1,901,730</u>	<u>\$ 327,499</u>	<u>\$ 1,010</u>	<u>\$ 3,218,865</u>

7. Related Party Transactions

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
All directors, president, vice presidents	Key management compensation
Phoenix Battery Corporation (Note)	Associate

Note: Phoenix Battery Corporation increased its capital by issuing new shares on November 15, 2021.

The Company did not acquire shares proportionally to its interest. As a result, the Company decreased its share interest from 71.51% to 33.42%. In addition, the investee re-elected its directors and supervisors at its first shareholders' special meeting on December 29, 2021. Although the Company is the single largest shareholder of the investee, its new directors and supervisors were not appointed by the Company and other major shareholders hold more shares than the Company, which indicates that the Company has no current ability to direct the relevant activities of the investee, the Company has no control over the investee and the relationship of the investee with the Company is changed from a subsidiary to an associate.

(2) Significant related party transactions

A. Operating revenue:

	<u>Year ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Sales of goods:		
Phoenix Battery Corporation	\$ -	\$ 5,355

Goods are sold based on the price lists in force and terms that would be available to third parties.

B. Purchases:

	<u>Year ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Purchases of goods:		
Phoenix Battery Corporation	\$ -	\$ 225

Goods sold to subsidiaries are based on normal commercial terms and conditions.

C. Receivables from related parties:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable:		
Phoenix Battery Corporation	\$ -	\$ 331
Other receivables:		
Phoenix Battery Corporation	\$ 16	\$ -

The receivables from related parties arise mainly from sales of supplies. The receivables are unsecured in nature and bear no interest. There are no allowances for uncollectible accounts held against receivables from related parties.

D. Payables to related parties:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other payables :		
Phoenix Battery Corporation	\$ -	\$ 5
Other payables -acquisition of property, plant and equipment:		
Phoenix Battery Corporation	1,253	-
	<u>\$ 1,253</u>	<u>\$ 5</u>

E. Property transactions - acquisition of property, plant and equipment:

	<u>Year ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Phoenix Battery Corporation	\$ 11,930	\$ -

F. Loans to related parties - interest income:

	Year ended December 31,	
	2022	2021
Other payables - interest income:		
Phoenix Battery Corporation	\$ -	\$ 16

The loans to associates are repayable from the date of loan on October 21, 2021 to the date of completing capital increase in associates in cash and carry interest at 2.366% per annum. The loan has been collected in full amount on November 23, 2021.

G. Revenues and expenses

		Year ended December 31,	
	Item	2022	2021
Phoenix Battery Corporation	Rental income	\$ 2,046	\$ 3,912
Phoenix Battery Corporation	Other income	280	420
Phoenix Battery Corporation	Other expenses	287	-

H. Other transactions

	Item	December 31, 2022	December 31, 2021
Phoenix Battery Corporation	Advance rent receipts	\$ 15	\$ -
Phoenix Battery Corporation	Guarantee deposits received	30	-

(3) Key management compensation

	Year ended December 31,	
	2022	2021
Short-term employee benefits	\$ 50,153	\$ 33,191
Post-employment benefits	589	745
Total	\$ 50,742	\$ 33,936

8. Pledged Assets

The Company's assets pledged as collateral are as follows:

<u>Pledged asset</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>	
Time deposits (shown as 'non-current financial assets at amortised cost')	\$ 2,500	\$ 2,000	Guarantee for duty paid after customs release
Time deposits (shown as 'non-current financial assets at amortised cost')	10,555	10,417	Guarantee for land lease in science park
Buildings and structures	1,074,712	1,038,803	Long-term borrowings
Machinery and equipment (including 'equipment pending acceptance')	438,190	246,847	Long-term borrowings
	<u>\$ 1,525,957</u>	<u>\$ 1,298,067</u>	

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) Contingencies

None.

(2) Commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Property, plant and equipment	<u>\$ 1,809,163</u>	<u>\$ 2,386,646</u>

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

None.

12. Others

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

During the year ended December 31, 2022, the Company's strategy, which was unchanged from 2021, was to maintain the gearing ratio at a reasonable level of risks and to adjust according to the future operating strategy. The gearing ratios at December 31, 2022 and 2021 were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Total borrowings	\$ 4,489,467	\$ 2,890,356
Less: Cash and cash equivalents	(1,070,340)	(1,081,999)
Net debt	3,419,127	1,808,357
Total equity	<u>2,991,308</u>	<u>2,517,056</u>
Total capital	<u>\$ 6,410,435</u>	<u>\$ 4,325,413</u>
Gearing ratio	53.33%	41.81%

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ -	\$ 17,750
Financial assets at amortised cost		
Cash and cash equivalents	\$ 1,070,340	\$ 1,081,999
Financial assets at amortised cost	13,055	12,417
Notes receivable	86	185
Accounts receivable (including related parties)	414,091	463,281
Other receivables (including related parties)	26,050	2,733
Guarantee deposits paid (including current portion)	4,176	2,968
	<u>\$ 1,527,798</u>	<u>\$ 1,563,583</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Accounts payable	\$ 234,513	\$ 153,441
Other payables (including related parties)	466,272	373,739
Bonds payable (including current portion)	-	988,626
Long-term borrowings (including current portion)	4,489,467	1,901,730
Guarantee deposits received	1,068	1,010
	<u>\$ 5,191,320</u>	<u>\$ 3,418,546</u>
Lease liabilities (including current portion)	<u>\$ 339,485</u>	<u>\$ 327,499</u>

B. Financial risk management policies

- (a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Company, derivative financial instruments, such as foreign exchange forward contracts are used to hedge certain exchange rate risk. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.

- (b) Risk management is carried out by a central treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Board provides policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. Management has set up a policy to require companies to manage their foreign exchange risk of their functional currency. The Company is required to hedge its entire foreign exchange risk exposure with the Company treasury. Exchange rate risk is measured through a forecast of highly probable USD expenditures. Forward foreign exchange contracts are adopted to minimise the volatility of the exchange rate affecting cost of forecast inventory purchases.
- ii. The Company hedges foreign exchange rate by using forward exchange contracts. However, the Company does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2).
- iii. The Company's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	<u>December 31, 2022</u>		
	<u>Foreign currency</u>		
	amount		Book value
	<u>(In thousands)</u>	<u>Exchange rate</u>	<u>(NTD)</u>
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 18,031	30.70	\$ 553,557
<u>Non-monetary items: None</u>			
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 2,642	30.70	\$ 81,107
JPY:NTD	11,002	0.2326	2,559
<u>Non-monetary items: None</u>			

	December 31, 2021		
	Foreign currency		Book value (NTD)
	amount (In thousands)	Exchange rate	
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 20,158	27.67	\$ 557,772
<u>Non-monetary items: None</u>			
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 1,697	27.67	\$ 46,956
JPY:NTD	117,384	0.2406	28,243
<u>Non-monetary items: None</u>			

- iv. The total exchange gain (loss), including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2022 and 2021, amounted to \$42,720 and (\$17,935), respectively.
- v. Analysis of foreign currency market risk arising from significant foreign exchange variation:

	Year ended December 31, 2022		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 5,536	\$ -
<u>Non-monetary items: None</u>			
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	(\$ 811)	\$ -
JPY:NTD	1%	(26)	-
<u>Non-monetary items: None</u>			

	Year ended December 31, 2021		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 5,578	\$ -
<u>Non-monetary items</u> : None			
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	(\$ 470)	\$ -
JPY:NTD	1%	(282)	-
<u>Non-monetary items</u> : None			

Cash flow and fair value interest rate risk

- i. The Group's main interest rate risk arises from long-term and short-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. During 2022 and 2021, the Company's borrowings at variable rate were mainly denominated in New Taiwan dollars. Borrowings issued at fixed rates expose the Company to fair value interest rate risk.
 - ii. The Company's borrowings are measured at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.
 - iii. If the borrowing interest rate of New Taiwan dollars had increased/decreased by 0.25% with all other variables held constant, profit, net of tax for the years ended December 31, 2022 and 2021 would have increased/decreased by \$11,238 and \$4,754, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.
- (b) Credit risk
- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients and other counterparties on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost and at fair value through profit or loss.
 - ii. The Company regularly monitors and reviews its credit limits based on market conditions and the credit status of its counterparties and makes timely adjustments to manage credit risk. The Company only transacts with banks and financial institutions with high credit quality, so it does not expect to be exposed to credit risk.

- iii. The Company manages their credit risk taking into consideration the entire Company's concern. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iv. The Company considers that a default has occurred when the contract payments are not expected to be recovered and are transferred to overdue receivables.
- v. The Company adopts the following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition: if the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- vi. The Company classifies customer's accounts receivable, contract assets and rents receivable in accordance with credit risk on trade. The Company applies the modified approach using loss rate methodology to estimate the expected credit loss.
- vii. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments.
- viii. The Company used the consideration of forecastability to adjust historical and timely information to assess the default possibility of notes receivable, accounts receivable, accounts receivable due from related parties, contract assets, other receivables and loss allowance for other receivables due from related parties. On December 31, 2022 and 2021, the loss rate methodology is as follows:

	Not past due and up to 90 days past due	91~180 days past due	181~270 days past due	271~360 days past due	Over 360 days past due	Total
<u>December 31, 2022</u>						
Expected loss rate	0~1%	25%	50%	75%	100%	
Total book value	\$ 680,616	\$ -	\$ -	\$ -	\$ -	\$ 680,616
Loss allowance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Not past due and up to 90 days past due	91~180 days past due	181~270 days past due	271~360 days past due	Over 360 days past due	Total
<u>December 31, 2021</u>						
Expected loss rate	0~1%	25%	50%	75%	100%	
Total book value	\$ 541,057	\$ -	\$ -	\$ -	\$ -	\$ 541,057
Loss allowance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

- ix. Movements in relation to the Company applying the modified approach to provide loss allowance for notes receivable, accounts receivable, accounts receivable due from related parties, contract assets are as follows:

	<u>2022</u>
	Accounts receivable
At January 1 / December 31	\$ -
	<u>2021</u>
	Accounts receivable
At January 1	\$ 304
Provision for impairment	101
Reversal of impairment loss	(405)
At December 31	\$ -

- x. For investments in debt instruments at amortised cost, the credit rating levels are presented below:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	12 months	12 months
Financial assets at amortised cost	\$ 13,055	\$ 12,417

(c) Liquidity risk

- i. Cash flow forecasting is performed by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance and compliance with internal balance sheet ratio targets.
- ii. Company treasury invests surplus cash held by the Company over and above balance required for working capital management in interest bearing current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As at December 31, 2022 and 2021, the Company held money market position of \$1,070,030 and \$1,081,677, respectively, that are expected to readily generate cash inflows for managing liquidity risk.

iii. The Company has the following undrawn borrowing facilities:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Floating rate:		
Expiring within one year	\$ 700,000	\$ 780,635
Expiring beyond one year	1,362,600	618,110
Fixed rate:		
Expiring within one year	-	-
Expiring beyond one year	-	-
	<u>\$ 2,062,600</u>	<u>\$ 1,398,745</u>

iv. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2022	<u>Less than 6 months</u>	<u>Between 6 months and 1 year</u>	<u>Between 1 and 2 years</u>	<u>Over 2 years</u>
<u>Non-derivative financial liabilities:</u>				
Accounts payable	\$ 234,513	\$ -	\$ -	\$ -
Other payables	236,408	1,899	-	-
Lease liability	9,569	9,569	18,820	363,124
Long-term borrowings (including current portion)	124,353	446,471	842,745	3,297,527
Guarantee deposits received	-	-	788	290
<u>Derivative financial liabilities:</u> None				
December 31, 2021	<u>Less than 6 months</u>	<u>Between 6 months and 1 year</u>	<u>Between 1 and 2 years</u>	<u>Over 2 years</u>
<u>Non-derivative financial liabilities:</u>				
Accounts payable	\$ 153,441	\$ -	\$ -	\$ -
Other payables	182,031	1,162	-	-
Lease liability	8,189	8,189	16,258	372,115
Bonds payable	-	1,002,078	-	-
Long-term borrowings (including current portion)	127,818	52,755	477,239	1,287,578
Guarantee deposits received	-	-	874	136
<u>Derivative financial liabilities:</u> None				

(d) The impact of the Covid-19 pandemic on the Company's operation

The Covid-19 pandemic had no significant impact on the Company's ability to continue as a going concern, impairment of assets and financing risks based on the Company's assessment on relevant operational and financial information.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

B. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2022 and 2021 are as follows:

(a) The related information of natures of the assets and liabilities is as follows:

There were no such transactions on December 31, 2022.

December 31, 2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 17,100	\$ -	\$ -	\$ 17,100
Forward exchange contracts	-	550	-	550
Convertible bonds Call/put options	-	-	100	100
Total	<u>\$ 17,100</u>	<u>\$ 550</u>	<u>\$ 100</u>	<u>\$ 17,750</u>
Liabilities: None				

(b) The methods and assumptions the Company used to measure fair value are as follows:

i. The instruments the Company used market quoted prices as their fair values (that is, Level (1) are listed below by characteristics:

	<u>Listed shares</u>
Market quoted price	Closing price

ii. The fair value of financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the balance sheet date.

iii. Forward exchange contracts are usually valued based on the current forward exchange rate.

C. For the years ended December 31, 2022 and 2021, there was no transfer between Level 1 and Level 2.

D. The following chart is the movement of Level 3 for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
	<u>Convertible bonds</u>	<u>Convertible bonds</u>
At January 1	(\$ 100)	\$ 200
Gains and losses recognised in profit or loss Recorded as non-operating income and expenses	<u>100</u>	<u>(300)</u>
At December 31	<u>\$ -</u>	<u>(\$ 100)</u>
Movement of unrealised gain or loss in profit or loss of assets and liabilities held as at December 31, 2022 (Note)	<u>\$ 100</u>	<u>(\$ 300)</u>

Note: Recorded as non-operating income and expenses.

E. For the years ended December 31, 2022 and 2021, there was no transfer into or out from Level 3.

F. Company treasury is in charge of valuation procedures for fair value measurements being categorised within Level 3 by the external valuer, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

G. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

There were no such transactions on December 31, 2022.

	Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Convertible bonds Call/put options	(\$ 100)	Binary tree valuation model	Volatility	45.15%	The higher the stock price volatility, the higher the fair value

H. The Company has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

There were no such transactions on December 31, 2022.

		December 31, 2021				
		Recognised in profit or loss		Recognised in other comprehensive income		
		Unfavourable		Unfavourable		
	Input	Change	Favourable	change	Favourable	change
Financial assets						
Convertible bonds	Volatility	±5%	\$ 10	\$ -	\$ -	\$ -
Call/put options						

13. Supplementary Disclosures

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: The Company entered into a forward foreign exchange contract with financial institution for the year ended December 31, 2022 to buy NTD and sell USD. Hedging was the main purpose of the contract. Net loss arising from trading in forward foreign exchange contract for the year ended December 31, 2022 was approximately \$1,061.
- J. Significant inter-company transactions during the reporting periods: None.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 1.

(3) Information on investments in Mainland China

None.

(4) Major shareholders information

Major shareholders information: Please refer to Note 2.

14. Segment Information

None.

PHOENIX SILICON INTERNATIONAL CORPORATION
 INFORMATION ON INVESTEES
 YEAR ENDED DECEMBER 31, 2022

Table 1

Expressed in thousands to NTD
 (Except as otherwise indicated)

Investor	Name of investor	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021			Net income of investee as of December 31, 2022	Investment income (loss) recognised by the Company for the year ended December 31, 2022	Note
				Balance as at December 31, 2022	Balance as at December 31, 2021	Shares	Ownership (%)	Book value			
PHOENIX SILICON INTERNATIONAL CORPORATION	Phoenix Battery Corporation	Taiwan	Battery manufacturing business	\$ 94,933	\$ 125,500	9,493,302	25.28	\$ 82,431	\$ (86,643)	\$ (23,800)	Associate

PHOENIX SILICON INTERNATIONAL CORPORATION
MAJOR SHAREHOLDERS INFORMATION
DECEMBER 31, 2022

Table 2

Name of major shareholders	Share	Percentage of ownership
	Name of shares held	
Applied Materials, Inc.	17,109,363	11.20%

PHOENIX SILICON INTERNATIONAL CORPORATION
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 1

Item	Description	Amount
Cash on hand and petty cash - NTD		\$ 70
- Foreign	USD 2,909 , Exchange Rate 30.70	89
Currency	JPY 300,000 , Exchange Rate 0.2326	70
	RMB 18,528 , Exchange Rate 4.345	<u>81</u>
		<u>310</u>
Cash in banks		
Demand deposits - NTD		664,847
- Foreign	USD 5,370,159 , Exchange Rate 30.70	164,864
Currency	JPY 1,370,669 , Exchange Rate 0.2326	319
Time deposits - NTD	Subsequently due before March 27, 2023, interest rate 0.285%~1.035%	<u>240,000</u>
		<u>1,070,030</u>
		<u>\$ 1,070,340</u>

PHOENIX SILICON INTERNATIONAL CORPORATION
STATEMENT OF TRADE RECEIVABLES
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 2

Customer name	Description	Amount	Note
General customers:			
A		\$ 206,406	
B		50,369	
D		25,861	
Others		<u>131,455</u>	Balance of each client has not exceeded 5% of total account balance.
		414,091	Amount of account overdue one year is zero.
Less: Allowance for uncollectible accounts		<u>-</u>	
		<u>\$ 414,091</u>	

PHOENIX SILICON INTERNATIONAL CORPORATION
STATEMENT OF INVENTORIES
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 3

Item	Description	Amount		Note
		Cost	Market value	
Raw materials		\$ 299,044	\$ 301,229	Use net realizable value as market price
Work in process		4,218	4,746	"
Finished goods		<u>14,363</u>	<u>17,536</u>	"
		317,625	<u>\$ 323,511</u>	
Less: Allowance for valuation loss		(<u>58,826</u>)		
		<u>\$ 258,799</u>		

PHOENIX SILICON INTERNATIONAL CORPORATION
STATEMENT OF INVESTMENT CHANGES THAT ADOPTS THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2022
 (Expressed in thousands of New Taiwan dollars)

Statement 4

Name	Beginning Balance		Additions		Decrease		Investment (loss) income	Ending Balance			Market value or net equity value		Collateral	Note
	Shares (in thousands)	Amount	Shares (in thousands)	Amount (Note)	Shares (in thousands)	Amount		Shares (in thousands)	Ownership	Amount	Unit	Total		
Phoenix Battery Corporation	12,550	<u>\$ 125,503</u>	-	<u>\$ 9,469</u>	3,057	<u>(\$ 28,831)</u>	<u>(\$ 23,800)</u>	9,493	25.28%	<u>\$ 82,341</u>	8.67	<u>\$ 82,341</u>	None	

Note: Refers to the changes in equity in associates.

PHOENIX SILICON INTERNATIONAL CORPORATION
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 5

Item	Balance at January 1, 2022	Additions	Disposals	Transfers	Balance at December 31, 2022	Collateral
Buildings and structures	\$ 2,012,590	\$ 151,916	\$ -	\$ 128,161	\$ 2,292,667	Collateral for long-term loan.
Machinery and equipment	3,371,258	450,538	(22,142)	480,353	4,280,007	"
Transportation equipment	9,172	2,208	-	-	11,380	None
Office equipment	21,760	3,633	-	-	25,393	"
Leased assets	110	-	(110)	-	-	"
Other equipment	72,997	14,382	(230)	-	87,149	"
Unfinished construction and equipment pending acceptance	694,787	1,930,187	-	(609,150)	2,015,824	Collateral for long-term loan.
	<u>\$ 6,182,674</u>	<u>\$ 2,552,864</u>	<u>(\$ 22,482)</u>	<u>(\$ 636)</u>	<u>\$ 8,712,420</u>	

PHOENIX SILICON INTERNATIONAL CORPORATION
STATEMENT OF CHANGES IN DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 6

Item	Balance at January 1, 2022	Additions	Disposals	Transfers	Balance at December 31, 2022	Note
Buildings and structures	\$ 488,061	\$ 163,267	\$ -	\$ -	\$ 651,328	
Machinery and equipment	1,996,675	393,174	(19,043)	-	2,370,806	
Transportation equipment	6,800	1,045	-	-	7,845	
Office equipment	15,373	3,314	-	-	18,687	
Leased assets	110	-	(110)	-	-	
Other equipment	39,898	12,744	(230)	-	52,412	
	<u>\$ 2,546,917</u>	<u>\$ 573,544</u>	<u>(\$ 19,383)</u>	<u>\$ -</u>	<u>\$ 3,101,078</u>	

PHOENIX SILICON INTERNATIONAL CORPORATION
STATEMENT OF TRADE PAYABLES
DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars)

Statement 7

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
General vendor:			
Company B		\$ 27,591	
Company H		24,933	
Company A		19,885	
Company E		16,167	
Other		<u>145,937</u>	None of balances of each remaining items is greater than 5% of this account.
		<u>\$ 234,513</u>	

PHOENIX SILICON INTERNATIONAL CORPORATION
STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2022
 (Expressed in thousands of New Taiwan dollars)

Statement 8

Item	Volume	Amount	Note
Net amount of sales revenue			
Silicon wafer	157(thousand pieces)	\$ 106,868	
Net amount of labor income			
Silicon wafer	6,220(thousand pieces)	<u>3,031,185</u>	
Net amount of operating revenue		<u>\$ 3,138,053</u>	

PHOENIX SILICON INTERNATIONAL CORPORATION
STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 9

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Beginning raw materials		\$ 191,551
Add: Materials purchased		920,887
Less: Ending raw materials		(299,044)
Transfers to expenses		(255,010)
Cost to sell raw materials		(811)
Cost of consumption raw materials		557,573
Direct labor		356,650
Manufacturing expense		1,390,686
Manufacturing cost		2,304,909
Add: Beginning work in progress		2,717
Less: Ending work in progress		(4,218)
Cost of finished goods		2,303,408
Add: Beginning finished goods		16,184
Less: Ending finished goods		(14,363)
Transfers to expenses		(702)
Total cost of goods manufactured		2,304,527
Cost to sell work in progress		811
Loss on decline in market value		14,033
Revenue from sales of scraps		(87)
Other		(13,021)
Total operating cost		<u>\$ 2,306,263</u>

PHOENIX SILICON INTERNATIONAL CORPORATION
STATEMENT OF MANUFACTURING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 10

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Depreciation expense		\$ 551,213	
Wages and salaries		227,543	
Repairs and maintenance expense		136,517	
Utility expenses		120,345	
Other expenditure		<u>355,068</u>	None of balances of each remaining items is greater than 5% of this account.
		<u>\$ 1,390,686</u>	

PHOENIX SILICON INTERNATIONAL CORPORATION
STATEMENT OF SELLING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
 (Expressed in thousands of New Taiwan dollars)

Statement 11

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Freight		\$ 19,598	
Wages and salaries		16,083	None of balances of each remaining items is greater than 5% of this account.
Other expenditure		<u>4,581</u>	
		<u>\$ 40,262</u>	

PHOENIX SILICON INTERNATIONAL CORPORATION
STATEMENT OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 12

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Wages and salaries		\$ 160,316	
Labor expense		29,527	
Depreciation expense		24,277	
Other expenditure		<u>126,093</u>	None of balances of each remaining items is greater than 5% of this account.
		<u>\$ 340,213</u>	

PHOENIX SILICON INTERNATIONAL CORPORATION
STATEMENT OF DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 13

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Wages and salaries		\$ 92,387	
Depreciation expense		11,645	
Research expenses		8,131	
Labour and health insurance fees		7,428	
Other expenditure		<u>23,733</u>	None of balances of each remaining items is greater than 5% of this account.
		<u>\$ 143,324</u>	

PHOENIX SILICON INTERNATIONAL CORPORATION
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES BY FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 14

By nature \ By function	Year ended December 31, 2022			Year ended December 31, 2021		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefit expense						
Wages and salaries	\$ 511,979	\$ 256,942	\$ 768,921	\$ 431,935	\$ 223,530	\$ 655,465
Labour and health insurance fees	48,768	20,005	68,773	42,343	17,613	59,956
Pension costs	19,782	10,075	29,857	17,299	9,293	26,592
Directors' remuneration	-	11,844	11,844	-	8,591	8,591
Other personnel expenses	41,811	9,280	51,091	33,916	9,290	43,206
Depreciation	551,213	35,923	587,136	481,302	35,902	517,204
Amortisation	1,177	14,703	15,880	619	16,194	16,813

Notes:

- 1: For the years ended December 31, 2022 and 2021, the Company had 921 and 826 employees, respectively, both including 8 non-employee directors.
- B.(a) The Company has average employee benefit expenses of \$1,006 and \$960 for the years ended December 31, 2022 and 2021, respectively.
- (b) The Group has average employee salary expenses of \$842 and \$801 for the years ended December 31, 2022 and 2021, respectively.
- (c) For the year ended December 31, 2022, adjustments of average employees salary expenses increased 5.12%.
- (d) The Company has no supervisors' emolument as it set up the audit committee.
- (e) The Company has set up the remuneration committee to support the Board of Directors to determine the remuneration of the Company's directors and managers and the Company's salary policies. According to the Company's Articles of Incorporation, operating of the remuneration committee and the Board of Directors, the Company examines the remuneration of directors and managers in adequate time based on their participation degree of operation and contribution value to the Company, and minimise the possibility and relativeness of risk in the future for the going concern and balance of risk management of the Company. Employees' salary and compensation are based on their education background, professional knowledge and skill, professional experience and individual performance, and will not differ from age, gender, race, religion, political affiliation and marital status. With reference to market of salary, price index and organisation structure to determine the salary payment standard and pays reward according to the profit situation of the Company's operation and employees' individual performance.