English Translation of Financial Statements and a Report Originally Issued in Chinese

Ticker: 4566

GLOBAL TEK FABRICATION CO., LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH A REPORT OF INDEPENDENT AUDITORS
AS OF DECEMBER 31, 2022 AND 2021
AND FOR THE YEARS THEN ENDED

Address: 15th floor, No. 94, Section 1, Xintai 5th Road, Xizhi District, New Taipei City, Taiwan 22102
Telephone: (02)2696-3988

The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

English Translation of Financial Statements and a Report Originally Issued in Chinese

Consolidated Financial Statements
Index

English Translation of Financial Statements and a Report Originally Issued in Chinese

MANAGEMENT REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of Global Tek Fabrication Co., Ltd. as of December 31, 2022 and for the year then ended under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard No. 10, "Consolidated Financial Statement." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Global Tek Fabrication Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

Global Tek Fabrication Co., Ltd.

By

Huang, Ya-Hsing

Chairman

March 23, 2023

安永聯合會計師事務所
33045桃園市桃園區中正路1088號27樓
27F, No. 1088, Zhongzheng Road, Taoyuan District,
Taoyuan City, Taiwan, R.O.C.
Tel: 886 3 319 8888
Fax: 886 3 319 8866
www.ey.com/tw

English Translation of Financial Statements and a Report Originally Issued in Chinese

INDEPENDENT AUDITOR'S REPORT

To: The Board of Directors and Shareholders of
Global Tek Fabrication Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of Global Tek Fabrication Co., Ltd. (the "Company") and its subsidiaries as of December 31, 2022, the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including the summary of significant accounting policies (together "the consolidated financial statements").

In our opinion, based on our audits and the reports of other auditors (please refer to the Other Matter – Making Reference to the Audit of a Component Auditor section of our report), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2022, and its consolidated financial performance and cash flows for the year then ended, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditors, 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 2022 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

We determine that revenue recognition is one of the key audit matters. The Company's consolidated revenue amounted to NT$4,986,366 thousand for the year ended December 31, 2022, which was a significant account to the Company's consolidated financial statements. The Company and its subsidiaries set up shipping warehouse at the customer's place. The inventory transfer involves the timing of fulfilling performance obligation and needs to be determined based on conditions enacted in the main sales contracts or sales orders. We therefore concluded that there are significant risks with respect to revenue recognition. Our audit procedures therefore include, but not limit to, evaluating the appropriateness of accounting policy regarding revenue recognition, assessing and testing the effectiveness of relevant internal controls related to the determination of revenue amount in the sales cycle, selecting samples from sales breakdown to perform test of details, including checking the consistency of the timing of revenue recognition and performance obligation satisfaction stated in the sale orders or agreements, selecting samples to execute sale cut-off tests for a period before and after the balance sheet date and verify the related certificates to confirm the reasonableness of the timing of transaction. We have also evaluated the appropriateness of the related operating revenue disclosures in Notes 4 and 6 to the consolidated financial statements.

Other Matter

The consolidated financial report of the Company and its subsidiaries for the year then ended December 31, 2021 was audited by other auditors and expressed unqualified opinion on March 25, 2022.

EY 安永
Building a better working world

Other Matter – Making Reference to the Audit of a Component Auditor

We did not audit the financial statements of AvioCast Inc. an invested associate accounted for under the equity method. The financial statements of AvioCast Inc. as of December 31, 2022 and for the years then ended were audited by other auditors, whose reports thereon have been furnished to us. Our audit, insofar as it related to the investment in the associate accounted for under the equity method amounting to NT$95,171 thousand as of December 31, 2022 representing 1.19% of the Company's consolidated total assets, the related shares of income before tax from the associate under the equity method for the year then ended amounting to NT$(76) thousand representing (0.01)% of the Company's consolidated income before tax, and the related shares of other comprehensive income from the associate under the equity method for the year then ended amounting to NT$0 representing 0% of the consolidated other comprehensive income, are based solely on the audit reports of other auditors.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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 ability to continue as a going concern of the Company and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

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

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

We have audited and expressed an unqualified opinion including an other matter paragraph on the parent-company-only financial statements of the Company as of and for the year then ended December 31, 2022.

Hong, Mao-Yi Hong, Mao-Yi

Cheng, Ching-Piao Cheng, Ching-Piao.

Ernst & Young
March 23, 2023
Taipei, Taiwan,
Republic of China

Notices to Readers

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

Accordingly, the accompanying consolidated financial statements and report of independent accountants 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, Ernst & Young 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.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Global Tek Fabrication Co., Ltd. and Subsidiaries

Consolidated Balance Sheets

As of December 31, 2022 and 2021

(Amounts Expressed in Thousands of New Taiwan Dollars)

	Assets		2022		2021	
Code	Accounts	Notes	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	4, 6(1)	$1,125,729	14	$1,364,074	20
1110	Financial assets at fair value through profit or loss	4, 6(2)	716	-	1,432	-
1136	Financial assets measured at amortized cost	4, 6(4), 8	830	-	110,720	2
1150	Notes receivables, net	4, 6(5)	120,192	1	65,462	1
1170	Accounts receivables, net	4, 6(6)	1,535,145	19	1,147,813	17
1180	Accounts receivables - related parties, net	7	-	-	35	-
1197	Financing lease payments receivable, net	4, 6(7)	48,646	1	56,462	1
1200	Other receivables		104,356	1	89,048	1
1210	Other receivables - related parties	7	18,715	-	26,076	-
1220	Income tax assets		338	-	627	-
1310	Inventories, net	4, 6(8)	1,290,902	16	1,145,848	17
1410	Prepayments		122,795	2	108,697	1
1470	Other current assets		161	-	198	-
11xx	Total current assets		4,368,525	54	4,116,492	60
	Non-current assets					
1510	Financial assets at fair value through profit or loss	4, 6(2)	323	-	-	-
1517	Financial assets at fair value through other comprehensive income	4, 6(3)	88,224	1	91,449	2
1535	Financial assets measured at amortized cost	4, 6(4), 8	1,811	-	1,146	-
1550	Investment accounted for under equity method	4, 6(9)	173,853	2	105,803	2
1600	Property, plant and equipment	4, 6(10), 8, 9	2,923,847	37	1,452,052	21
1755	Right-of-use asset	4, 6(24)	212,183	3	137,858	2
1780	Intangible assets	4, 6(11)	7,870	-	7,635	-
1840	Deferred tax assets	4, 6(28)	79,831	1	85,756	1
1915	Prepayment for equipment		47,402	1	715,645	11
194D	Long-term financing lease payments receivable	4, 6(7)	107,969	1	87,681	1
1990	Other non-current assets	4, 6(12), 6(18)	18,012	-	15,288	-
15xx	Total non-current assets		3,661,325	46	2,700,313	40
1xxx	Total Assets		$8,029,850	100	$6,816,805	100

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Global Tek Fabrication Co., Ltd. and Subsidiaries

Consolidated Balance Sheets-(Continued)

As of December 31, 2022 and 2021

(Amounts Expressed in Thousands of New Taiwan Dollars)

	Liabilities and Equity		2022		2021	
Code	Accounts	Notes	Amount	%	Amount	%
	Current liabilities					
2100	Short-term loans	4, 6(13), 8	$582,345	7	$730,008	11
2130	Contract liabilities	4, 6(22)	11,597	-	21,158	-
2150	Notes payables		45,411	1	40,023	1
2170	Accounts payables		985,283	12	947,075	14
2200	Other payables	6(14)	671,753	8	624,051	9
2230	Current income tax liabilities	4	68,087	1	14,325	-
2250	Provisions	4, 6(15)	-	-	9,235	-
2280	Lease liabilities	4, 6(24)	32,502	1	23,896	1
2311	Current portion of bonds payable	4, 6(16)	279,367	3	390,051	6
2322	Current portion of long-term loans	4, 6(17), 8	143,100	2	101,100	1
2399	Other current liabilities		2,662	-	2,503	-
21xx	Total current liabilities		2,822,107	35	2,903,425	43
	Non-current liabilities					
2530	Corporate bonds payable	4, 6(16)	314,465	4	-	-
2540	Long-term loans	4, 6(17), 8	1,151,550	14	426,649	6
2570	Deferred income tax liabilities	4, 6(28)	245,712	3	217,283	3
2580	Lease liabilities	4, 6(24)	116,596	1	50,477	1
2600	Other non-current liabilities	4, 6(18), 6(19)	32,130	1	737,065	11
25xx	Total non-current liabilities		1,860,453	23	1,431,474	21
2xxx	Total liabilities		4,682,560	58	4,334,899	64
31xx	Equity attributable to shareholders of the parent	6(20)				
3100	Capital					
3110	Common stock		810,063	10	718,953	10
3200	Capital surplus	6(20)	1,683,612	21	1,272,704	19
3300	Retained earnings	6(20)				
3310	Legal reserve		113,931	2	97,260	1
3320	Special reserve		89,286	1	104,819	1
3350	Unappropriated earnings		722,425	9	388,006	6
3400	Other components of equity		(72,027)	(1)	(89,285)	(1)
3500	Treasury Stock	4,6(20)	-	-	(10,551)	-
3xxx	Total equity		3,347,290	42	2,481,906	36
3x2x	Total liabilities and equity		$8,029,850	100	$6,816,805	100

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Global Tek Fabrication Co., Ltd. and Subsidiaries

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2022 and 2021

(Amounts Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

			2022		2021	
Code	Accounts	Notes	Amount	%	Amount	%
4000	Operating revenues	4, 6(22),7	$4,986,366	100	$4,305,940	100
5000	Operating costs	7	(3,853,854)	(77)	(3,421,164)	(79)
5900	Gross profit		1,132,512	23	884,776	21
	Operating expenses	4, 6(24),7				
6100	Sales and marketing		(300,800)	(6)	(267,617)	(6)
6200	General and administrative		(279,142)	(6)	(232,864)	(6)
6300	Research and development		(142,858)	(3)	(142,297)	(3)
6450	Expected credit gains (losses)	6(23)	(1,974)	-	(4,380)	-
6900	Total operating expenses		(724,774)	(15)	(647,158)	(15)
6900	Operating income		407,738	8	237,618	6
	Non-operating incomes and expenses	4, 6(26)				
7100	Interest incomes		15,135	1	6,975	-
7010	Other incomes		61,118	1	68,166	1
7020	Other gains and losses		102,259	2	(57,413)	(1)
7050	Finance costs		(39,859)	(1)	(15,650)	-
7060	Share of profit or loss of associates and joint ventures accounted for under the equity method		(6,734)	-	(25,372)	(1)
7000	Total non-operating income and expenses		131,919	3	(23,294)	(1)
7900	Income before income tax		539,657	11	214,324	5
7950	Income tax expense	4, 6(28)	(116,807)	(2)	(47,558)	(1)
8200	Net income		422,850	9	166,766	4
8300	Other comprehensive income (loss)	6(27)				
8310	Items that not be reclassified to profit or loss					
8311	Remeasurements of defined benefit plans		1,497	-	(51)	-
8316	Unrealized gain (loss) on equity instrument investment measured at fair value through other comprehensive income		(3,679)	-	3,536	-
8360	Items that may be reclassified subsequently to profit or loss					
8361	Exchange differences on translation of foreign operations		20,937	-	7,398	-
	Total other comprehensive income (loss), net of tax		18,755	-	10,883	-
8500	Total comprehensive income		$441,605	9	$177,649	4
8600	Net income attributable to:					
8610	Shareholders of the parent		$422,850	9	$166,766	4
8620	Non-controlling interests		-	-	-	-
			$422,850	9	$166,766	4
8700	Comprehensive income attributable to:					
8710	Shareholders of the parent		$441,605	9	$177,649	4
8720	Non-controlling interests		-	-	-	-
			$441,605	9	$177,649	4
9750	Earnings per share - basic (in NT$)	6(29)	$5.74		$2.35	
9850	Earnings per share - diluted (in NT$)	6(29)	$4.58		$2.11	

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Global Tek Fabrication Co., Ltd. and Subsidiaries

Consolidated Statements of Changes in Equity

For the Years Ended December 31, 2022 and 2021

(Amounts Expressed in Thousands of New Taiwan Dollars)

		Equity Attributable to Shareholders of the Parent								
				Retained Earnings			Other Components of equity			
		Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange differences on translation of foreign operations	Unrealized gain (loss) on financial assets at fair value through other comprehensive income (loss)	Treasury Stock	Total Equity
Code	Item	3100	3200	3310	3320	3350	3410	3420	3500	3XXX
A1	Balance as of January 1, 2021	$675,330	$1,118,900	$87,235	$109,023	$312,112	$(104,819)	$4,600	$(10,551)	$2,191,830
	Appropriation and distribution of 2020 earnings:									
B1	Legal reserve			10,025		(10,025)				-
B3	Special reserve				(4,204)	4,204				-
B5	Cash dividends - common shares					(85,000)				(85,000)
D1	Net income for 2021					166,766				166,766
D3	Other comprehensive income (loss) for 2021					(51)	7,398	3,536		10,883
D5	Total comprehensive income (loss)	-	-	-	-	166,715	7,398	3,536	-	177,649
N1	Share-bssed payments	1,870	2,059							3,929
I1	Conversion of convertible bonds	41,753	151,745							193,498
Z1	Balance as of December 31, 2021	718,953	1,272,704	97,260	104,819	388,006	(97,421)	8,136	(10,551)	2,481,906
	Appropriation and distribution of 2021 earnings									
B1	Legal reserve			16,671		(16,671)				-
B3	Special reserve				(15,533)	15,533				-
B5	Cash dividends - common shares					(85,000)				(85,000)
C5	Equity component of convertible bonds issued by the Company		93,430							93,430
D1	Net income for 2022					422,850				422,850
D3	Other comprehensive income (loss) for 2022					1,497	20,937	(3,679)		18,755
D5	Total comprehensive income (loss)	-	-	-	-	424,347	20,937	(3,679)	-	441,605
L3	Treasury stock cancellation	(2,470)	(4,291)			(3,790)			10,551	-
N1	Share-bssed payments	960	1,027							1,987
I1	Conversion of convertible bonds	92,620	320,742							413,362
Z1	Balance as of December 31, 2022	$810,063	$1,683,612	$113,931	$89,286	$722,425	$(76,484)	$4,457	$-	$3,347,290

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Global Tek Fabrication Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021
(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Item	2022	2021
AAAA	Cash flows from operating activities:		
A10000	Net income before tax	$539,657	$214,324
A20000	Adjustments:		
A20010	Income and expense adjustments:		
A20100	Depreciation (including right-of-use assets)	194,084	174,209
A20200	Amortization	3,710	5,533
A20300	Expected credit losses (gain)	1,974	4,380
A20400	Net loss (gain) of financial assets at fair value through profit or loss	2,031	3,509
A20900	Interest expense	39,859	15,650
A21200	Interest income	(15,135)	(6,975)
A21300	Dividend income	(1,103)	-
A22300	Share of profit or loss of associates and joint ventures accounted for under the equity method	6,734	25,372
A22500	Loss (gain) on disposal of property, plant and equipment	495	2,921
A23700	Loss on inventory valuation	17,659	41,873
A23700	Impairment loss (gain) on non-financial assets	15,766	2,674
A29900	Loss (gain) on lease modification	(1,311)	(31)
A29900	Gain on government grants	(1,245)	607
A30000	Changes in operating assets and liabilities:		
A31130	Notes receivables	(54,730)	(13,179)
A31150	Accounts receivables	(389,347)	(141,733)
A31160	Accounts receivables - related parties	35	(35)
A31180	Other receivables	(13,955)	6,736
A31200	Inventories	(163,045)	(398,551)
A31230	Prepayments	(14,313)	(27,229)
A31240	Other current assets	37	61
A32125	Contract liabilities	(9,562)	4,895
A32130	Notes payables	5,388	(23,044)
A32140	Notes payables - related parties	-	12,368
A32150	Accounts payables	38,208	189,321
A32160	Accounts payables - related parties	-	10,982
A32180	Other payables	19,868	116,764
A32200	Provisions	(9,235)	(9,967)
A32230	Other current liabilities	159	553
A32240	Net defined benefit liabilities	(522)	(522)
A32250	Deferred revenue	-	(249)
A33000	Cash generated from (used in) operations	212,161	211,217
A33100	Interest received	10,339	6,972
A33200	Dividend received	1,103	-
A33300	Interest paid	(28,166)	(10,280)
A33500	Income tax paid	(34,346)	(5,500)
AAAA	Net cash provided by (used in) operating activities	161,091	202,409

Code	Item	2022	2021
BBBB	Cash flows from investing activities:		
B00010	Acquisition of financial assets at fair value through other comprehensive income	-	(16,960)
B00040	Acquisition of financial assets measured at amortized cost	-	(110,722)
B00050	Proceeds from disposal of financial assets measured at amortized cost	109,225	-
B01800	Acquisition of investment accounted for under equity method	(74,610)	(119,088)
B02700	Acquisition of property, plant and equipment	(126,075)	(318,970)
B02800	Proceeds from disposal of property, plant and equipment	9,910	2,996
B03700	Decrease (increase) in refundable deposits	(1,136)	(5,896)
B04300	Decrease (increase) in other receivables - related parties	7,935	(26,052)
B04500	Acquisition of intangible assets	(2,913)	(3,955)
B06000	Decrease (increase) in financing lease payments receivable	47,373	2,145
B07100	Increase in prepayments for equipment	(874,910)	(126,470)
B09900	Increase in advance land payment	-	(641,116)
BBBB	Net cash provided by (used in) investing activities	(905,201)	(1,364,088)
CCCC	Cash flows from financing activities:		
C00100	Increase in (repayment of) short-term loans	(147,663)	501,751
C01600	Increase in long-term loans	1,170,000	400,000
C01700	Repayment of long-term loans	(403,099)	(452,433)
C03000	Increase (decrease) in guarantee deposits	1,030	289
C04020	Cash payments for the principal portion of the lease liabilities	(36,991)	(29,758)
C04300	Increase in other non-current liabilities	-	704,314
C04500	Cash dividends paid	(85,000)	(85,000)
C04800	Exercise of employee share options	1,987	3,929
CCCC	Net cash provided by (used in) financing activities	500,264	1,043,092
DDDD	Effect of exchange rate changes	5,501	4,160
EEEE	Increase (decrease) in cash and cash equivalents	(238,345)	(114,427)
E00100	Cash and cash equivalents at beginning of period	1,364,074	1,478,501
E00200	Cash and cash equivalents at end of period	$1,125,729	$1,364,074

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

1. HISTORY AND ORGANIZATION

Global Tek Fabrication Co., Ltd. (the “Company”) was incorporated on November 7, 2008. Its main business activities include the manufacture of precision machining, and the main products are industrial automatic control parts, communication parts, aviation equipment parts, etc. The Company's stocks were publicly listed on the Taiwan Stock Exchange (TWSE) on February 5, 2018. The Company’s registered office is at 15th floor, No. 94, Section 1, Xintai 5th Road, Xizhi District, New Taipei City, Taiwan 22102.

2. DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS FOR ISSUE

The consolidated financial statements of the Company and subsidiaries (“the Group”) for the years ended December 31, 2022 and 2021 were authorized for issue by the Board of Directors on March 23, 2023.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

(1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2022. The new standards and amendments had no material impact on the Group.

(2)Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, but not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Disclosure Initiative – Accounting Policies – Amendments to IAS 1	January 1, 2023
b	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023
c	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	January 1, 2023

(a) Disclosure Initiative – Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

(b) Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and included other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

(c) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual period beginning on or after January 1, 2023. The Group assesses all standards and interpretations have no material impact on the Group.

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

(3)Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 "Insurance Contracts"	January 1, 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2024
d	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	January 1, 2024
e	Non-current Liabilities with Covenants – Amendments to IAS 1	January 1, 2024

(a) IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

(b) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after January 1, 2023 (from the original effective date of January 1, 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after January 1, 2023.

(c) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

(d) Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

(e) Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The Group assesses all standards and interpretations have no material impact on the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1)Statement of compliance

The consolidated financial statements of the Group for the years ended December 31, 2022 and 2021 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by the FSC.

(2)Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are presented in thousands of New Taiwan Dollars ("NT$") unless otherwise specified.

(3)Basis of consolidation

Preparation principle of consolidated financial statements

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

(a)power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
(b)exposure, or rights, to variable returns from its involvement with the investee, and
(c)the ability to use its power over the investee to affect its returns

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a)the contractual arrangement with the other vote holders of the investee
(b)rights arising from other contractual arrangements
(c)the Company's voting rights and potential voting rights

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling-interests having a deficit balance.

If the Company loses control of a subsidiary, it:

(a)derecognizes the assets (including goodwill) and liabilities of the subsidiary;
(b)derecognizes the carrying amount of any non-controlling interest;
(c)recognizes the fair value of the consideration received;
(d)recognizes the fair value of any investment retained;
(e)recognizes any surplus or deficit in profit or loss; and
(f)reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are listed as follows:

			Percentage of ownership (%)	
			As of December 31,	
Investor	Subsidiary	Main businesses	2022	2021
The Company	Global Tek Co., Ltd.	Precision machining	100.00%	100.00%
The Company	Global Tek Fabrication Co., Ltd. (Samoa)	Investing activities	100.00%	100.00%
The Company	Global Tek GmbH	Trading activities	100.00%	100.00%
Global Tek Co., Ltd.	GP Tech Inc. (US)	Trading activities	100.00%	100.00%
Global Tek Fabrication Co., Ltd. (Samoa)	Global Tek Co., Ltd. (Samoa) (Note 2)	Investing activities	100.00%	100.00%
Global Tek Fabrication Co., Ltd. (Samoa)	Global Tek Fabrication Co., Ltd. (HK)	Investing activities	92.76%	92.76%

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

			Percentage of ownership (%)	
			As of December 31,	
Global Tek Co., Ltd.	Global Tek Fabrication Co., Ltd. (HK)	Investing activities	7.24%	7.24%
Global Tek Co., Ltd.	Global Tek (Xi'An) Co., Ltd.	Precision machining	100.00%	100.00%
Global Tek Co., Ltd.	Global Tek (Wuxi) Co., Ltd.	Precision machining	47.02%	47.02%
Global Tek Fabrication Co., Ltd. (HK)	Global Tek (Wuxi) Co., Ltd.	Precision machining	52.98%	52.98%
Global Tek (Xi'An) Co., Ltd.	Globaltek Xi'An Machinery Manufacturing Co., Ltd.	Trading activities	100.00%	100.00%
Global Tek (Xi'An) Co., Ltd.	Global Tek Metal Manufacturing (Shaanxi) Co., Ltd.	Trading activities	100.00% (Note 1)	-%

Note 1：Global Tek Metal Manufacturing (Shaanxi) Co., Ltd. which is held by Global Tek (Xi'An) Co., Ltd. was registered in October, 2022.

Note 2：The Global Tek Co., Ltd. and Global Tek Co., Ltd. (Samoa) have the same English name, so add the region to distinguish.

(4)Foreign currency transactions

The Group's consolidated financial statements are presented in NT$, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

(a)Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

(b)Foreign currency items within the scope of IFRS 9 *Financial Instruments* are accounted for based on the accounting policy for financial instruments.

(c)Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(5)Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interest in that foreign operation, instead of recognized in profit or loss. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(6)Current and non-current distinction for assets and liabilities

An asset is classified as current when:

(a) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
(b) The Group holds the asset primarily for the purpose of trading.
(c) The Group expects to realize the asset within twelve months after the reporting period.
(d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

(a) The Group expects to settle the liability in its normal operating cycle.
(b) The Group holds the liability primarily for the purpose of trading.
(c) The liability is due to be settled within twelve months after the reporting period.
(d) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(7)Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 3 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8)Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 *Financial Instruments* are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial instruments: Recognition and Measurement

The Group accounts for regular way purchase or sales of financial assets on the trade date.

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

(a) The Group's business model for managing the financial assets and;
(b) The contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

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

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

(a) Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

(b) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

(a) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and;
(b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

(a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.

(b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

(c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

(i) Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

(ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Company made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

B. Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the balance sheet.

The Group measures expected credit losses of a financial instrument in a way that reflects:

(a) An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
(b) The time value of money; and
(c) The reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follows:

(a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.

(b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.

(c) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

(d) For lease receivables arising from transactions within the scope of IFRS 16, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has been increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

C. Derecognition of financial assets

Financial asset is derecognized when:

(a) The rights to receive cash flows from the asset have expired.
(b) The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
(c) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

D. Financial liabilities and equity

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Compound instruments

The Group evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Group assesses if the economic characteristics and risks of the put and call options contained in the convertible bonds are closely related to the economic characteristics and risk of the host contract before separating the equity element.

For the liability component excluding the derivatives, its fair value is determined based on the rate of interest applied at that time by the market to instruments of comparable credit status. The liability component is classified as a financial liability measured at amortized cost before the instrument is converted or settled.

For the embedded derivative that is not closely related to the host contract (for example, if the exercise price of the embedded call or put option is not approximately equal on each exercise date to the amortized cost of the host debt instrument), it is classified as a liability component and subsequently measured at fair value through profit or loss unless it qualifies for an equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Its carrying amount is not remeasured in the subsequent accounting periods. If the convertible bond issued does not have an equity component, it is accounted for as a hybrid instrument in accordance with the requirements under IFRS 9 Financial Instruments.

Transaction costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

On conversion of a convertible bond before maturity, the carrying amount of the liability component being the amortized cost at the date of conversion is transferred to equity.

Financial liabilities

Financial liabilities within the scope of IFRS 9 *Financial Instruments* are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss. A financial liability is classified as held for trading if:

(a) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
(b) On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
(c) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

(a) It eliminates or significantly reduces a measurement or recognition inconsistency; or
(b) A group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

E. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

(9)Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(a) In the principal market for the asset or liability, or
(b) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(10) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials –By actual purchase cost with weighted average method.
Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

(11)Investments accounted for using the equity method

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the Group's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affects the Group's percentage of ownership interests in the associate or joint venture, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a prorate basis.

When the associate or joint venture issues new stock, and the Group's interest in an associate or a joint venture is reduced or increased as the Group fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Group disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 *Investments in Associates and Joint Ventures*. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 *Impairment of Assets*. In determining the value in use of the investment, the Group estimates:

(a) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
(b) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 *Impairment of Assets*.

Upon loss of significant influence over the associate or joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

(12) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. 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 is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *Property, plant and equipment*. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	3～51 years
Machinery and equipment	1～10 years
Transportation equipment	3～10 years
Office equipment	2～10 years
Other equipment	1～10 years
Lease improvements	3～15 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year. If the expected values differ from the estimates, the differences are recorded as a change in accounting estimate.

(13) Leases

The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, has both of the following:

A. the right to obtain substantially all of the economic benefits from use of the identified asset; and
B. the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

<u>Group as a lessee</u>

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group recognizes right-of-use asset and lease liability for all leases which the Group is the lessee of those lease contracts.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

A. fixed payments (including in-substance fixed payments), less any lease incentives receivable;
B. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
C. amounts expected to be payable by the lessee under residual value guarantees;
D. the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
E. payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

A. the amount of the initial measurement of the lease liability;
B. any lease payments made at or before the commencement date, less any lease incentives received;
C. any initial direct costs incurred by the lessee; and
D. 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.

For subsequent measurement of the right-of-use asset, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Group accounted for as short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

Group as a lessor

At inception of a contract, the Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Group recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Group allocates the consideration in the contract applying IFRS 15.

The Group recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

(14) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

A summary of the policies applied to the Group’s intangible assets is as follows:

	Computer Software
Useful life	3 to 5 years
Amortization method used	Straight-line method during the contract term
Internally generated or acquired externally	Acquired externally

(15) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(16)Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. Any difference between the carrying amount and the consideration is recognized in equity.

(17)Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

(18)Revenue recognition

The Group's revenue arising from contracts with customers mainly sale of goods. The accounting policies for the Group's type of revenue are explained as follow:

Sale of goods

The Group mainly manufactures and sells of its products. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Group is cars, industry and aviation parts and revenue is recognized based on the consideration stated in the contract. For certain sales of goods transactions, they are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. The Group estimates the discounts using the expected value method based on historical experiences. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the expected volume discounts.

The credit period of the Group's sale of goods is from 60 to 120 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Group usually collects the payments shortly after transfer of goods to customers therefore there is no significant financing component to the contract. For some of the contracts, the Group has transferred the goods to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Group measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

(19) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(20) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the statement of comprehensive income over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as additional government grant.

(21) Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee’s name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore fund assets are not included in the Group’s consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

(a)the date of the plan amendment or curtailment, and
(b)the date that the Group recognizes restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(22)Share-based payment transactions

The cost of equity-settled transactions between the Group and its subsidiaries is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

The cost of restricted stocks issued is recognized as salary expense based on the fair value of the equity instruments on the grant date, together with a corresponding increase in other capital reserves in equity, over the vesting period. The Group recognized unearned employee salary which is a transitional contra equity account; the balance in the account will be recognized as salary expense over the passage of vesting period.

(23) Income taxes

Income tax expense (benefit) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings of the Group and its subsidiaries is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred income tax

Deferred income tax is a temporary difference between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

i. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

ii. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group’s consolidated financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a)Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including income approach (for example, the discounted cash flows model) or the market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

(b)Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less incremental costs that would be directly attributable to the disposal of the asset or cash generating unit. The value in use calculation is based on a discounted cash flow model. The cash flows projections are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units, including a sensitivity analysis, are further explained in Note 6.

(c)Accounts receivables–estimation of impairment loss

The Group estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

(d)Inventory

Estimates of net realizable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 for more details.

(e)Post-employment benefits

The cost of post-employment benefit pension plan and the present value of the defined benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions, including the change in the discount rate and expected salary level. The assumptions used for measuring pension cost and defined benefit obligation are disclosed in Note 6.

(f)Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 6.

(g)Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

Deferred tax assets are recognized for all carry forward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1)Cash and cash equivalents

	As of December 31,	
	2022	2021
Cash and patty cash	$938	$1,481
Checkings and savings	679,279	1,251,873
Time deposit	445,512	110,720
Total	$1,125,729	$1,364,074

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

	As of December 31,	
	2022	2021
Mandatorily measured at fair value through profit or loss:		
Convertible corporate bond redemption rights	$493	$775
Non-derivative financial assets		
- Certificate of benefit of the fund	546	657
Total	$1,039	$1,432
Current	$716	$1,432
Non-current	$323	$-

No financial assets at fair value through profit or loss was pledged as collateral.

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

The Group entered into an agreement to acquire 70% equity interest in Malaysia-based Allied Advantage Sdn Bhd in January 2019. On January 31, 2019, the Group paid a price of MYR 6,080 thousand to acquire 19% ownership and the remaining 51% shares is a forward contract to obtain control of the company and is therefore measured at fair value through profit or loss.

The Group announced in January 2022 that due to the impact of Covid-19, the Group and the Malaysia-based Allied Advantage Sdn Bhd intended not to execute the second phase of the share transaction of the 70% equity agreement, but still retain the 19% stake of the first phase. The 51% interest forward contract of the second phase could not be realized, so the forward contract was derecognized and a loss of NT$2,628 thousand was recognized in 2021.

(3)Financial assets at fair value through other comprehensive income

	As of December 31,	
	2022	2021
Equity instruments investments measured at fair value through other comprehensive income –		
Non-current:		
Unlisted companies stocks		
Techplasma Technology Co., Ltd.	$41,223	$43,912
Allied Advantage Sdn Bhd	30,641	31,877
Formtechnology GmbH	16,360	15,660
Total	$88,224	$91,449

No financial assets at fair value through other comprehensive income was pledged as collateral.

On January 9, 2020, the board of directors resolved to invest in Techplasma Technology Co., Ltd. according to the medium and long-term strategy, and expected to make profits through long-term investment.

The Group's 19% equity investment in Malaysia-based Allied Advantage Sdn Bhd in July 2020 lost material influence following the resignation of the director from the Group. Because it is a medium-to-long-term strategic investment, the Group chose to designate the investment as measured at fair value through other comprehensive income.

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

On December 24, 2020, the board of directors resolved to invest in Formtechnology GmbH according to the medium- and long-term strategy, and it is expected to make profits through long-term investment. The investment was completed in April 2021.

The Group's dividend income related to equity instrument investments measured at fair value through other comprehensive income amount to NT$1,103 thousand for the year ended December 31, 2022.

(4)Financial assets measured at amortized cost

	As of December 31,	
	2022	2021
Restricted of deposits	$1,811	$111,866
Time deposits of more than three months	830	-
Total	$2,641	$111,866
Current	$830	$110,720
Non-current	$1,811	$1,146

The Group transacts with financial institutions with good credit rating. Consequently, there is no significant credit risk.

The Group classified certain financial assets as financial assets measured at amortized cost. Please refer to Note 8 for more details on financial assets measured at amortized cost under pledge.

(5)Notes receivable

	As of December 31,	
	2022	2021
Notes receivables arising from operating activities	$120,192	$65,462
Less: loss allowance	-	-
Total	$120,192	$65,462

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

Notes receivable were not pledge.

The Group follows the requirement of IFRS 9 to assess the impairment. Please refer to Note 6(23) for more details on loss allowance and Note 12 for more details on credit risk.

(6)Accounts receivables and accounts receivables - related parties, net

(a) Accounts receivables, net

	As of December 31,	
	2022	2021
Accounts receivables, gross	$1,546,930	$1,157,583
Less: loss allowance	(11,785)	(9,770)
Subtotal	1,535,145	1,147,813
Accounts receivables - related parties, gross	-	35
Less: loss allowance	-	-
Subtotal	-	35
Total	$1,535,145	$1,147,848

(b)Accounts receivables were not pledged.

(c)Accounts receivables are generally on 60 to 120 day terms. The total carrying amount for the years ended December 31, 2022 and 2021, were NT$1,546,930 thousand and NT$1,157,618 thousand, respectively. Please refer to Note 6(23) for more details on loss allowance of accounts receivables for the years ended December 31, 2022 and 2021, respectively. Please refer to Note 12 for more details on credit risk.

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

(7) Financial lease payments receivable

	As of December 31,			
	2022		2021	
	Net investment in leases	Present value of receivables on minimum lease payments	Net investment in leases	Present value of receivables on minimum lease payments
Not more than one year	$54,222	$48,646	$59,450	$56,462
More than one year but less than five years	113,127	107,969	90,156	87,681
Total non-discounted lease payments	167,349	$156,615	149,606	$144,143
Less: Unearned finance income	(10,734)		(5,463)	
Gross investment in the lease (Financing lease payments receivable)	$156,615		$144,143	
Current	$48,646		$56,462	
Non-current	107,969		87,681	
Total	$156,615		$144,143	

(a)Financial lease payments receivable were not pledged.

(b)The Group has signed financial lease agreements for some machines and equipment. All leases are presented in New Taiwan Dollars, and the average financial lease period is 1 to 5 years. In October 2018 and June 2021, the Group also sub-leased part of the factory buildings located at No. 115, High-tech Zone, Wuxi, and part of the factory buildings on Gaoshi Road, Taoyuan, and received a fixed lease payment of NT$3,116 thousand per year. The remaining lease term of the master lease is fully sub-leased, it is classified as a financial lease.

The implied interest rate of the lease during the lease period will not change after the contract date is determined. As of December 31, 2022 and 2021, the implied interest rate of the financial lease is 2.0% to 2.4% per annum.

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

Finance lease receivables are secured by leased equipment. The Group shall not sell or re-pledge the collateral unless the lessee defaults.

(c)The Group adopts the simplified approach of IFRS 9 to measure the allowance loss of lease receivables based on expected credit losses during the duration. Lease receivables are secured by leased equipment. As of December 31, 2022 and 2021, there were no overdue lease receivables, and at the same time, the counterparty's past record of default, the future development of the relevant properties of the leased object and collateral, the Group believes that the above-mentioned lease receivables have no impairment.

(8)Inventories

(a)Detail of inventories are listed below:

	As of December 31,	
	2022	2021
Raw materials	$200,316	$159,246
Work in progress	377,433	332,564
Finished goods	587,042	485,719
Merchandises	126,111	168,319
Total	$1,290,902	$1,145,848

(b)The cost of inventories recognized in expenses amounted to NT$3,853,854 thousand and NT$3,421,164 thousand for the years ended December 31, 2022 and 2021, respectively. The following losses were included in cost of sales :

	For the year ended December 31,	
Item	2022	2021
Loss from inventory market decline	$17,659	$41,873
Unallocated manufacturing overhead	14,279	13,293
Loss from inventory physical count	5,407	3,181
Loss from inventory write-off obsolescence	14,606	16,179
Total	$51,951	$74,526

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

(c)The inventories were not pledged.

(9)Investments accounted for under the equity method

	As of December 31,			
	2022		2021	
Investee	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
Investment in associates:				
AvioCast Inc.	$95,171	36.72%	$95,247	36.72%
Top Yes (Suzhou) Precision Industry Co., Ltd.	78,682	4.11%	10,556	4.11%
Total	$173,853		$105,803	

(a) The Group signed a Share Purchase Agreement with Sumitomo Precision Products Co., Ltd. on March 8, 2021. The Company intends to purchase 9,842 thousand ordinary shares of AvioCast Inc. at NT$12.1 per share (totaling NT$119,088 thousand), with an ownership percentage of 36.72%, acquiring significant influence of the AvioCast Inc. The transaction has been completed on April 21, 2021.

(b)On August 8, 2019, the Group acquired partial equity of Top Yes (Suzhou) Precision Industry Co., Ltd. for RMB 3,000 thousand upon board resolution, considering the scale of operation, long-term development and enhancing competitiveness. The Group obtained two of the five directorship seats which has a significant impact on the company.

On March 25, 2022, considering the operational development plan and to strengthen the strategic partnership, the Group’s board of directors resolved to invest RMB 30,000 thousand (approximately US$ 4,725 thousand) through Global Tek Fabrication Co., Ltd. (Samoa) to acquire partial ownership of Top Yes (Suzhou) Precision Industry Co., Ltd., which has been approved by the Investment Committee of the Ministry of Economic Affairs with Letter Jing-Shen-Er-Zi No.11100053870. As of December 31, 2022, the investment amount of US$ 1,575 had been remitted.

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

On December 27, 2022, the Group's board of directors resolved to increase its investment in Top Yes (Suzhou) Precision Industry Co., Ltd. through sub-subsidiary Global Tek (Wuxi) Co., Ltd. As of December 31, 2022, the Group has remitted the investment amount to RMB6,000 thousand (approximately US$945 thousand).

(c)Investments in associates

As of December 31, 2022 and 2021, the aggregate carrying amount of the Group's interests in AvioCast Inc. and Top Yes (Suzhou) Precision Industry Co., Ltd. were NT$173,853 thousand and NT$105,803 thousand. The aggregate financial information based on Group's share as follows:

	For the year ended December 31,	
	2022	2021
Profit or loss from continuing operations	$(6,734)	$(25,372)
Other comprehensive income (post-tax)	-	-
Total comprehensive income(loss)	$(6,734)	$(25,372)

There aforementioned associates had no contingent liabilities or capital commitments and were not under pledge as of December 31, 2022 and 2021.

(d)The Group's investment accounted for under equity method as of December 31, 2022 and 2021 were NT$173,853 thousand and NT$105,803 thousand, respectively. For the year ended December 31, 2022 and 2021 share of investment loss from these associates and joint venture amount to NT$(6,734) thousand and NT$(25,372) thousand, respectively. They were measured based on the audited financial statements of the investee for the same correspondent periods.

(e)Investment accounted for under equity method were no pledged.

(10)Property, plant and equipment

	As of December 31,	
	2022	2021
Owner occupied property, plant and equipment	$2,923,847	$1,452,052

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

(a)Owner occupied property, plant and equipment

	Land	Buildings	Machinery and equipment	Office equipment	Transportation equipment	Other equipment	Lease Improvements	Construction in progress and equipment awaiting examination	Total
Cost:									
As of January 1, 2022	$107,810	$278,146	$1,194,085	$22,427	$19,665	$265,651	$76,505	$476,007	$2,440,296
Additions	22,864	4,617	20,517	2,176	1,427	19,525	12,144	65,385	148,655
Disposals	-	-	(125,576)	(12,221)	(599)	(7,577)	(1,258)	-	(147,231)
Exchange differences	-	1,463	15,010	1,111	950	2,088	777	6,873	28,272
Reclassification	1,289,081	447,932	115,737	5,072	445	24,671	39,442	(379,777)	1,542,603
As of December 31, 2022	$1,419,755	$732,158	$1,219,773	$18,565	$21,888	$304,358	$127,610	$168,488	$4,012,595
As of January 1, 2021	$107,810	$276,656	$1,137,820	$19,405	$18,696	$242,435	$76,664	$177,356	$2,056,842
Additions	-	353	17,325	3,106	1,078	14,956	205	296,403	333,426
Disposals	-	-	(12,840)	(211)	(180)	(2,110)	(760)	-	(16,101)
Exchange differences	-	650	5,205	53	71	740	346	2,248	9,313
Reclassification	-	487	46,575	74	-	9,630	50	-	56,816
As of December 31, 2021	$107,810	$278,146	$1,194,085	$22,427	$19,665	$265,651	$76,505	$476,007	$2,440,296
Depreciation and impairment:									
As of January 1, 2022	$3,119	$129,263	$598,660	$19,270	$14,588	$166,796	$56,548	$-	$988,244
Depreciation	-	8,450	99,521	1,002	2,173	31,009	13,961	-	156,116
Impairment losses	-	10,150	-	-	-	-	5,616	-	15,766
Disposals	-	-	(59,959)	(12,146)	(598)	(6,155)	(1,023)	-	(79,881)
Exchange differences	-	969	4,987	301	134	1,518	594	-	8,503
As of December 31, 2022	$3,119	$148,832	$643,209	$8,427	$16,297	$193,168	$75,696	$-	$1,088,748

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

	Land	Buildings	Machinery and equipment	Office equipment	Transportation equipment	Other equipment	Lease Improvements	Construction in progress and equipment awaiting examination	Total
As of January 1, 2021	$3,119	$120,062	$511,160	$17,831	$12,545	$139,252	$46,055	$-	$850,024
Depreciation	-	8,761	92,155	1,549	2,165	29,128	10,698	-	144,456
Impairment losses	-	-	442	-	-	-	-	-	442
Disposals	-	-	(7,186)	(152)	(180)	(2,083)	(469)	-	(10,070)
Exchange differences	-	440	2,089	42	58	499	264	-	3,392
As of December 31, 2021	$3,119	$129,263	$598,660	$19,270	$14,588	$166,796	$56,548	$-	$988,244
Net carrying amount as of:									
December 31, 2022	$1,416,636	$583,326	$576,564	$10,138	$5,591	$111,190	$51,914	$168,488	$2,923,847
December 31, 2021	$104,691	$148,883	$595,425	$3,157	$5,077	$98,855	$19,957	$476,007	$1,452,052

(b)Significant components of buildings primarily comprised the main buildings and the facilities, which are depreciated based on their respective useful economic life of 20 to 51 years and 3 to 20 years.

(c)The Group recognized an impairment loss amounting to NT$15,766 thousand on certain real estate to an extent of the recoverable value in 2022. The impairment loss has been recorded in the statement of comprehensive income. The recoverable value is measured at usage values by identified individual asset.

The Group recognized an impairment loss in the amount of NT$442 thousand on certain property, plant and equipment to the extent of the recoverable value in 2021. In addition, the impairment loss of prepaid related equipment was recognized at NT$2,232 thousand, totaling NT$2,674 thousand. The impairment loss has been recorded in the statement of comprehensive income. The recoverable value is measured at value in use by identified individual asset.

(d)Please refer to Note 8 for more details on property, plant and equipment under pledge.

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

(11)Intangible assets

	Computer software
Cost:	
As of January 1, 2022	$40,715
Additions-acquired separately	2,913
Reclassification	1,032
Deduction	(321)
Exchange differences	22
As of December 31, 2022	$44,361
As of January 1, 2021	$36,751
Additions-acquired separately	3,955
Deduction	-
Exchange differences	9
As of December 31, 2021	$40,715
Amortization:	
As of January 1, 2022	$33,080
Amortization and Impairment	3,710
Deduction	(321)
Exchange differences	22
As of December 31, 2022	$36,491
As of January 1, 2021	$27,538
Amortization and Impairment	5,533
Deduction	-
Exchange differences	9
As of December 31, 2021	$33,080
Net carrying amount as of:	
December 31, 2022	$7,870
December 31, 2021	$7,635

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

Amortization of intangible assets is as follows:

	For the year ended December 31,	
	2022	2021
Operating costs	$116	$23
Sales and marketing	337	173
General and administrative	2,363	3,187
Research and development	894	2,150
Total	$3,710	$5,533

(12)Other non-current assets

	As of December 31,	
	2022	2021
Refundable deposits	$14,353	$13,217
Net defined benefit assets	3,659	2,071
Total	$18,012	$15,288

(13)Short-term loans

	As of December 31,	
	2022	2021
Secured financial structure loans	$127,556	$96,077
Unsecured financial structure loans	454,789	633,931
Total	$582,345	$730,008
Interest Rates (%)	0.82%～3.90%	0.78%～4.36%

The Group’s unused short-term lines of credits amounted to NT$1,016,175 thousand and NT$951,292 thousand as of December 31, 2022 and 2021, respectively.

Please refer to Note 8 for more details of assets pledged as collaterals.

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

(14)Other payables

	As of December 31,	
	2022	2021
Payable of salary and bonuses	$135,809	$75,228
Accrued interest	839	585
Accrued compensation to employees and directors	18,612	5,639
Payable on equipment	61,517	38,937
Payable of processing fees	294,888	321,665
Other	160,088	181,997
Total	$671,753	$624,051

(15) Provisions

	As of December 31,	
	2022	2021
Long-term employee benefits expiring within one year	$-	$9,235

The long-term employee benefit liability is the provision of the long-term bonus paid by the Group in January 2019, which is part of other long-term employee benefit plans. The long-term bonus plan is a modification of other long-term employee benefit plans by the Group to replace the stock options paid by some employees, please refer to Note 6(21) for more details.

The welfare plan is calculated based on the fixed remuneration of RMB 5,000 for each employee originally held by each employee, and is paid in 4 equal installments for those who are still in service in 2019, 2020, 2021 and January 2022.

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

(16)Bonds payable

A. The details of the bonds payable as of December 31, 2022 and 2021 is as follows:

	As of December 31,	
	2022	2021
Liability component:		
Unsecured domestic convertible bonds.	$606,300	$400,000
Less: discounts on bonds payable	(12,468)	(9,949)
Subtotal	593,832	390,051
Less: current portion	(279,367)	(390,051)
Net	$314,465	$-
Embedded derivative - redemption, put options	$493	$775
Equity component - conversion right	$60,914	$18,792

For the details of the gain and loss from valuation through profit and loss on embedded derivative, redemption, put options, and the interest expense on the convertible bonds payable, please refer to Notes 6(24).

B. On August 27, 2019, the Group issued the 1st unsecured domestic convertible bonds. The terms of the bonds are as follows:

(A)Issue amount: NT$600,000 thousand

(B)Issue date: August 27, 2019

(C)Issue price: Issued at 101% of the par value

(D)Coupon rate: 0%

(E)Period: August 27, 2019 to August 27, 2024

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

(F)Settlement or Conversion period:	(a)From the day following the issuance of corporate bonds for three months (November 28, 2019) to 40 days before the expiration of the issuance period (July 18, 2024), when the agreed conditions are met, Request the redemption of corporate bonds from corporate bond holders according to the par value of the bonds.
	(b)For the holders of corporate bonds, from the day following the 3 months after the issuance date of the corporate bonds (November 28, 2019) to the maturity date (August 27, 2024), except for the period stipulated in the conversion method. In addition, the company may at any time request to be converted into the company's common stock at the conversion price at that time. If it is not converted at that time, it will be redeemed at the par amount plus interest compensation when it expires.
	(c)Corporate bond holders may request the company to redeem the principal in cash at an interest rate of 101.5075% of the par value of the bond (0.5% annual return yield) within 40 days before the issuance of the corporate bond meets the agreed conditions.
	(d)Holders of corporate bonds may request the company to redeem the principal in cash at 102.015% of the par value of the bonds (0.5% annual return rate) within 40 days before the issuance of the corporate bonds meets the agreed conditions.
	(e)The price of the conversion corporate bonds is determined based on August 19, 2019 as the conversion price determination base date, and the simple arithmetic average of the company's common stock closing prices on the five business days prior to the base date (excluding). The base price is NT$46.55, and then the base price is multiplied by the conversion premium rate of 107.42%, which is the conversion price of the converted corporate bonds (calculated to NT dollars, rounded up to the following points). According to the above method, the conversion price is NT$50 per share.

The conversion price of the Group's first domestic unsecured conversion corporate bonds is adjusted according to the relevant anti-dilution provisions of the conversion method. The company has adjusted the conversion price from NT$47.90 to NT$46.80 since August 5, 2021 (the ex-dividend base date). Since August 5, 2022 (the ex-dividend base date), the conversion price has been adjusted from NT$46.80 to NT$45.60.

C. On January 3, 2022, the Group issued the 2nd unsecured domestic convertible bonds. The terms of the bonds are as follows:

(A)Issue amount: NT$630,000 thousand

(B)Issue date: January 3, 2022

(C)Issue price: Issued at 111.8% of the par value

(D)Coupon rate: 0%

(E)Period: January 3, 2022 to January 3, 2025

(F)Settlement or Conversion period:

(a)The company may, from the day following the issuance of corporate bonds for three months (April 4, 2022) to 40 days before the expiration of the issuance period (November 24, 2024), when the agreed conditions are met, request the redemption of corporate bonds from corporate bond holders according to the par value of the bonds.

(b)For corporate bond holders, from the day following the first three months of the corporate bond issuance date (April 4, 2022) to the maturity date (January 3, 2025), except for the period stipulated in the conversion method. In addition, the company may request to be converted into the company's ordinary shares at any time at the conversion price at that time. If it is not converted at that time, it shall be repaid in cash according to the par value of the bond within five business days after the maturity date.

(c)The price of the conversion corporate bond is determined based on December 13, 2021 as the base date for the determination of the conversion price, which is calculated on the basis of one, three, or five business days before the base date (excluding). The simple arithmetic average of the closing prices of the company's common shares is used as the benchmark price, and then the benchmark price is multiplied by the conversion premium rate of 104.31%, which is the conversion price of the converted corporate bonds (calculated to NT$, rounded up below). According to the above method, the conversion price is set at NT$47 per share.

The conversion price of the second domestic unsecured conversion corporate bond of the group is adjusted according to the relevant anti-dilution provisions of the conversion method. The company adjusted the conversion price from NT$47.00 to NT$45.80 starting from August 5, 2022 (the ex-dividend base date).

D. The unsecured convertible bonds in the amount of NT$623,700 thousand have been converted to 13,437 thousand common shares as of December 31, 2022. The conversion net amount exceeds the par value of converted ordinary shares and is transferred to capital reserve - convertible corporate bonds, with a conversion premium of NT$532,554 thousand; in addition, due to the exercise of corporate bond conversion rights, the capital reserve recognized in the original issue - convertible corporate bond warrants a decrease of NT$60,067 thousand and a decrease of NT$16,840 thousand in the discount of corporate bonds payable.

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

(17)Long-term loans

Details of long-term loan as of December 31, 2022 and 2021 are as follows:

Debtor	Type of Loan	Maturity	As of December 31,2022	Repayment
Bank of Taiwan	Secured loan	2016.06.27-2024.06.27	$28,650	The principal and interest will be amortized monthly.
Bank of Taiwan	Secured loan	2021.10.20-2026.10.20	296,000	The principal and interest will be amortized monthly.
Land Bank of Taiwan	Secured loan	2022.03.28-2027.03.28	870,000	Interest is paid monthly, and the principal is paid at maturity.
Bank Sinopac	Credit loan	2022.11.24-2023.02.23	100,000	Interest is paid monthly, and the principal is paid at maturity.
Total			1,294,650	
Less: current portion			(143,100)	
Non-current portion			$1,151,550	

Debtor	Type of Loan	Maturity	As of December 31,2021	Repayment
Bank of Taiwan	Secured loan	2016.06.27-2024.06.27	$47,749	The principal and interest will be amortized monthly.
Bank of Taiwan	Secured loan	2021.10.20-2026.10.20	300,000	The principal and interest will be amortized monthly.
Shanghai Commercial & Savings Bank, Ltd.	Credit loan	2019.06.24-2022.06.24	80,000	Interest is paid monthly, and the principal has a grace period of 2 years, after which it will be repaid quarterly.
Land Bank of Taiwan	Credit loan	2020.08.19-2023.08.19	100,000	The principal is paid at maturity, three-year revolving loan.
Total			527,749	
Less: current portion			(101,100)	
Non-current portion			$426,649	

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

(a)Please refer to Note 8 for more detail of assets pledged as collaterals.

(b)As of December 31, 2022 and 2021, the interest rate intervals for long-term loans were 0.98%～1.88 and 0.90%～1.28%, respectively.

(18)Other non-current liabilities

(a)Details of other non-current liabilities were as follows:

	As of December 31,	
	2022	2021
Advance receipt of convertible corporate bonds	$-	$704,314
Net defined benefit liability	851	1,656
Guarantee deposits	4,921	3,891
Deferred revenue	6,079	6,925
Other(Note)	20,279	20,279
Total	$32,130	$737,065

Note: The Group's Wuxi Shishuo Metal Company (which has been merged by Global Tek (Wuxi) Co., Ltd.) signed an investment agreement with the People's Government of Xishan District, Wuxi City on January 17, 2018. The government will provide land for the necessary infrastructure construction and there is a commitment item of "increasing the registered capital to US$20 million", for which the capital increase will reach US$8 million before the listing of the land, and the rest of the funding will gradually be in place after the listing. Therefore, on March 16, 2018, when the Group obtained the land use right of Anzhen Street in Wuxi City, it was temporarily exempted from the payment of RMB100,000 for infrastructure supporting construction costs totaling NT$20,279 thousand (RMB4,361 thousand). It is estimated that the government subsidy will be recognized after the output reaches the standard in the fifth year, and it will be amortized according to the remaining useful life of the new land use right. However, if the Group fails to meet the output standard in the fifth year after obtaining the new land use right, it will have to pay a total of NT$20,279 thousand (RMB4,361 thousand) for supporting infrastructure construction.

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

(b)The details of the deferred government grants income for the years ended December 31, 2022 and 2021 are as follows:

	For the year ended December 31,	
	2022	2021
Beginning balance	$27,204	$27,453
Received during the period	-	759
Released to the statement of comprehensive income	(1,245)	(1,179)
Exchange differences	399	171
Ending Balance	$26,358	$27,204

The Group received government grants for the purchase of property, plant and equipment for specific projects. The recognized government grants have no unfulfilled conditions and other contingencies.

(19) Post-employment benefits

Defined contribution plan

The Company and its domestic subsidiaries adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company and its domestic subsidiaries will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company and its domestic subsidiaries have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Subsidiaries located in the People's Republic of China will contribute social welfare benefits based on a certain percentage of employees' salaries or wages to the employees' individual pension accounts.

Pension benefits for employees of overseas subsidiaries are provided in accordance with the local regulations.

Expenses under the defined contribution plan for the years ended December 31, 2022 and 2021 were NT$34,766 thousand and NT$30,100 thousand, respectively.

Defined benefits plan

The Company and its domestic subsidiaries adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company and its domestic subsidiaries contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee.

Before the end of each year, the Company and its domestic subsidiaries assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company and its domestic subsidiaries will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company and its domestic subsidiaries do not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute NT$(37) thousand to its defined benefit plan during the 12 months beginning after December 31, 2022.

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

As of December 31, 2022 and 2021, the maturities of the Company's and its domestic subsidiaries' defined benefit plan were expected in 2033 and 2030, respectively.

Pension costs recognized in profit or loss for the years ended December 31, 2022 and 2021:

	For the year ended December 31,	
	2022	2021
Net interest of defined benefit	$(3)	$(1)

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	As of		
	Dec. 31, 2022	Dec. 31, 2021	Jan. 1, 2021
Defined benefit obligation	$14,211	$15,209	$15,092
Plan assets at fair value	(17,019)	(15,624)	(15,049)
Other non-current liabilities – net defined benefit liability(assets) on the consolidated balance sheets	$(2,808)	$(415)	$43

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
As of January 1, 2021	$15,092	$(15,049)	$43
Current period service costs	-	-	-
Net interest expense(revenue)	75	(76)	(1)
Past service cost, gains and losses arising from settlements	-	-	-
Subtotal	75	(76)	(1)
Remeasurement of net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	353	-	353
Actuarial gains and losses arising from changes in financial assumptions	(187)	-	(187)
Experience adjustments	140	-	140
Return on project assets (except the amount included in net interest)	-	(242)	(242)
Re-measurement on defined benefit assets	-	-	-
Subtotal	306	(242)	64
Payments from the plan	(264)	264	-
Contributions by employer	-	(521)	(521)
As of December 31, 2021	15,209	(15,624)	(415)
Current period service costs	-	-	-
Net interest expense(revenue)	95	(98)	(3)
Past service cost, gains and losses arising from settlements	-	-	-
Subtotal	95	(98)	(3)
Remeasurement of net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	-	-	-

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Actuarial gains and losses arising from changes in financial assumptions	(768)	-	(768)
Experience adjustments	105	-	105
Return on project assets (except the amount included in net interest)	-	(1,208)	(1,208)
Re-measurement on defined benefit assets	-	-	-
Subtotal	(663)	(1,208)	(1,871)
Payments from the plan	(430)	430	-
Contributions by employer	-	(519)	(519)
As of December 31, 2022	$14,211	$(17,019)	$(2,808)

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	As of December 31,	
	2022	2021
Discount rate	1.25%～1.375%	0.625%
Expected rate of salary increases	2.00%～2.25%	2.00%

A sensitivity analysis for significant assumption as shown below:

	Effect on the defined benefit obligation			
	2022		2021	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.25%	$-	$(313)	$-	$(371)
Discount rate decrease by 0.25%	324	-	386	-
Future salary increase by 0.25%	317	-	374	-
Future salary decrease by 0.25%	-	(308)	-	(363)

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(20)Equity

(a)Common stock

As of December 31, 2022 and 2021, the Company's authorized capital were both NT$1,500,000 thousand, each share at par value of NT$10. The Company's paid-in capital were NT$810,063 thousand and NT$718,953 thousand, respectively, divided into 81,006 thousand shares and 71,895 thousand shares, respectively. Each share has one voting right and a right to receive dividends. The 6,000 thousand shares are reserved for the issuance of employee stock option certificates in the total amount of shares mentioned above.

The Company passed the board resolution on November 9, 2018. In order to motivate employees and boost solidarity, the Company bought back a total of 247 thousand shares from November 15, 2018 to January 9, 2019 and planned to transfer them to employees within three years from the date of repurchase. As of January 17, 2022, the Company has not transferred the 247 thousand shares repurchased for more than three years, therefore the 247 thousand treasury shares were cancelled in accordance with applicable regulations, totaling NT$10,551 thousand, including NT$2,470 thousand of which was canceled share capital, NT$4,291 thousand was stock premium and NT$3,790 thousand was accumulated profit and loss. January 17, 2022 was set as the base date for capital reduction and cancellation of share capital.

For the year ended December 31,2021, the 1st unsecured convertible bonds in amount of NT$41,753 thousand and employees executed stock options in amount of NT$1,870 thousand, were converted into 4,362 thousand shares. The registration was completed on February 9, 2022.

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

Among the employee stock options issued by the Company, the amount of NT$ 1,987 thousand were converted into 96 thousand shares and approved by the board of directors' meeting on March 25, 2022. The base date for the capital increase was March 25, 2022.

For the year ended December 31, 2022, the 1st unsecured convertible bonds in amount of NT$25,481 thousand were converted into 2,548 thousand shares. The base date for the capital increase of 1,502 thousand shares was March 23, 2023.

For the year ended December 31, 2022, the 2nd unsecured convertible bonds in amount of NT$67,139 thousand were converted into 6,714 thousand shares. The base date for the capital increase of 2,989 thousand shares was March 23, 2023.

(b) Capital surplus

	As of December 31,	
	2022	2021
Additional paid-in capital	$1,621,376	$1,252,590
Employee stock option	1,322	1,322
Components of convertible corporate bonds	60,914	18,792
Total	$1,683,612	$1,272,704

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the Company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made either in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

(c)Treasury stock

Treasury stock amounted to NT$0 and NT$2,470 thousand, respectively, divided into 0 shares, and 247 thousand shares, respectively, as of December 31, 2022 and 2021.

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

The movement schedule of treasury stock for the years ended December 31, 2022 and 2021 was as below (in thousand shares).

Purpose of repurchase	Beginning balance	Addition	Decrease	Ending balance
For the years ended December 31, 2022				
Transfer of shares to employees	247	-	247	-
For the years ended December 31, 2021				
Transfer of shares to employees	247	-	-	247

According to the Securities and Exchange Act of the R.O.C., total treasury stock shall not exceed 10% of the Company's issued stock, and the total purchase amount shall not exceed the sum of the retained earnings, additional paid-in capital-premiums and realized additional paid-in capital.

(d)Retained earnings and dividend policies

(1)Retained earnings

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

i. Payment of all taxes and dues;
ii.Offset prior years' operation losses;
iii.Set aside 10% of the remaining amount as legal reserve. There is no requirement to further make such reserve when legal reserve reaches the capital amount.
iv.Set aside or reverse special reserve in accordance with law and regulations; and
v.The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

If the Company's dividends are distributed to shareholders, surplus reserve and capital reserve paid in cash, the Board of Directors have been authorized to approve by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, and report to the shareholders' meeting.

(2)Dividend policies

The Company's life cycle is currently at the growing stage. The Company's dividend policy shall be determined pursuant to the factors, such as financial structure, operating conditions, and capital budgets. The distribution of shareholders' dividend shall be not lower than 10% of the distributable current-year earnings. However, the shareholders may resolve not to distribute dividends if the accumulated earnings were lower than 1% of the paid-in capital. The dividend can be distributed by cash not be less than 10% of total dividends and be adjusted by the actual situation of the company.

(3)Legal reserve

According to Taiwan's Company Act, the Company needs to set aside an amount as legal reserve unless where such legal reserve amounts to the amount of total paid-in capital. The legal reserve can be used to make good the deficit. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash held by each of the shareholders.

(4)Special reserve

The FSC issued Order No. Jin-Guan-Cheng-Fa-Zi-1090150022 on March 31, 2021, which sets out the following provisions for compliance:

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the company can reverse the special reserve by proportion of the special reserve first appropriated and distribute it.

The Company did not incur any special reserve upon the first-time adoption of T-IFRS.

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

(e)The appropriations of earnings for 2022 and 2021 were approved through the board meetings and shareholders' meetings held on March 23, 2023 and June 23, 2022, respectively. The details of the distributions are as follows:

	Appropriation of earnings		Dividend per share (in NT$)	
	2022	2021	2022	2021
Legal reserve	$42,056	$16,671		
Special reserve	(17,259)	(15,533)		
Cash dividend (Note1)	173,000	85,000	$2.11	$1.18
Total	$197,797	$86,138		

Note1: The number of shares calculated for shareholder dividends amounted to 82,022 thousand shares and 71,744 thousand shares as of March 3, 2023 and March 11, 2022, respectively (after deducting treasury shares).

Please refer to Note 6(25) for details on employees' compensation and remuneration to directors and supervisors.

(21) Share-based payment plans

Certain employees of the Group are entitled to share-based payment as part of their remunerations; services are provided by the employees in return for the equity instruments granted. These plans are accounted for as equity-settled share-based payment transactions.

(1)In January 2017, the Company issued employee stock option of 4,000 units to qualified employees of the Company. One unit of stock option can be used to subscribe 1,000 shares of the Company's common shares. The options are valid for five years and exercisable at 50% of the granted stock options to the second anniversary of grant date; and can exercisable the other 50% of the granted stock options to the third anniversary of grant date The exercise price of stock options is obtained by referring to the company's current fair value per share in the enterprise value evaluation report issued by Specialized Enterprise Management Consulting Co., Ltd. on December 26, 2016, and discounting it by 30%. , the exercise price will be subject to the adjustments upon occurrence of certain events of changes in the company's common shares.

The following table contains further details on the aforementioned share-based payment plan:

	For the year ended December 31,			
	2022		2021	
	Number of share options outstanding (in thousands)	Weighted average exercise price of share options (in dollars)	Number of share options outstanding (in thousands)	Weighted average exercise price of share options (in dollars)
Outstanding at beginning of period	96	$20.7	286	$21.2
Granted	-	-	-	-
Exercised	(96)	20.7	(187)	21.2
Expired	-	-	-	-
Over due	-	-	(3)	-
Outstanding at end of period	-	$-	96	$20.7
Exercisable at end of period	-		-	
For share options granted during the period, weighted average fair value of those options at the measurement date (in dollars)		$-		$-

The information on the outstanding share options as of December 31 2021, are as follows:

	Exercise price	Weighted average remaining contractual life (Years)
As of December 31, 2021		
share options outstanding at the end of the period	$20.7	0.083 Years

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

The compensation cost was recognized under the fair value method and the Black-Scholes Option Pricing model was used to estimate the fair value of options granted. Assumptions used in calculating the fair value are disclosed as follows:

	2017.01
Stock market price	$35.89
Exercised price	$25
Expected volatility (%)	41.57%～41.74%
Expected life (Years)	3.5 years／4 years
Expected dividend yield (%)	0%
Risk free interest rate (%)	0.81%／0.85%

The Company assumes that the stock options with a vesting period of 2 years and 3 years will be exercised 3.5 years and 4 years after the grant date, so the expected volatility is based on the historical stock price volatility of the industry in the past 3.5 years and 4 years.

In January 2019, the Company revised the payment conditions of some outstanding employee stock option plans at that time and replaced them with a long-term bonus plan. In January 2019, the Company re-evaluated the fair value of employee stock options granted in January 2017. The Black-Scholes Option Pricing model was used in the evaluation. The input values used in the evaluation model are as follows:

	2019.01
Stock market price	$45
Exercised price	$23.2
Expected volatility (%)	24.22%
Expected life (Years)	1 day
Expected dividend yield (%)	0%
Risk free interest rate (%)	0.43%

Compared with the current value of the revised long-term bonus and welfare plan, the aforementioned measurement results have not increased.

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

(22) Operating revenue

	For the year ended December 31,	
	2022	2021
Revenue from contracts with customer		
Sales of goods	$4,911,164	$4,261,381
Other operating revenue	75,202	44,559
Total	$4,986,366	$4,305,940

Analysis of revenue from contracts with customers for the years ended December 31, 2022 and 2021 are as follows:

(a)Disaggregation of revenue

	For the year ended December 31,	
	2022	2021
Sale of goods	$4,911,164	$4,261,381
Other	75,202	44,559
Total	$4,986,366	$4,305,940
The timing for revenue recognition:		
At a point in time	$4,986,366	$4,305,940

For the analysis of each major product, please refer to Note 14 "Segment Information".

(b)Contract balances

A. Contract liabilities

	As of		
	Dec. 31, 2022	Dec. 31, 2021	Jan. 1, 2021
Sales of goods	$11,597	$21,158	$16,263

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

Analysis of contract liabilities for the year ended December 31, 2022 are as follows:

	Sales of goods
The opening balance transferred to revenue	$(18,394)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	8,833

Analysis of contract liabilities for the year ended December 31, 2021 are as follows:

	Sales of goods
The opening balance transferred to revenue	$(1,085)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	5,980

(23)Expected credit (losses) gains

	For the year ended December 31,	
	2022	2021
Operating expenses – Expected credit (losses) gains		
Account receivables	$(1,974)	$(4,380)

Please refer to Note 12 for more details on credit risk.

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

The Group measures the loss allowance of its accounts receivables (including notes receivables and accounts receivables) at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as of December 31, 2022 and 2021, respectively are as follows:

A. The Group considers the grouping of accounts receivables by counter-parties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix. The details are as follows:

2022.12.31

		Overdue				
	Not due (Note)	Less than 60 days	61-120 days	121-180 days	More than 181 days	Total
Gross carrying amount	$1,482,222	$162,258	$19,048	$3,476	$118	$1,667,122
Loss ratio	0.06%～1.44%	1.23%～16.15%	14.32%～31.91%	42.12%～66.98%	68.06%～100%	
Lifetime expected credit losses	(3,384)	(2,943)	(3,612)	(1,737)	(109)	(11,785)
Carrying amount of accounts receivables	$1,478,838	$159,315	$15,436	$1,739	$9	$1,655,337

2021.12.31

		Overdue				
	Not due (Note)	Less than 60 days	61-120 days	121-180 days	More than 181 days	Total
Gross carrying amount	$1,139,320	$71,922	$4,599	$3,039	$4,200	$1,223,080
Loss ratio	0.01%～0.42%	0.21%～20.99%	10.20%～54.85%	30.86%～67%	91.74%～100%	
Lifetime expected credit losses	(1,385)	(1,660)	(1,641)	(1,114)	(3,970)	(9,770)
Carrying amount of accounts receivables	$1,137,935	$70,262	$2,958	$1,925	$230	$1,213,310

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

Note: The Group's note receivables were not overdue.

B. The movement in the provision for impairment of notes receivables and accounts receivables for the years ended December 31, 2022 and 2021 are as follows:

	Notes receivables	Accounts receivables
As of January 1, 2022	$-	$9,770
Addition (reversal) for the current period	-	1,974
Exchange differences	-	41
As of December 31, 2022	$-	$11,785
As of January 1, 2021	$-	$5,371
Addition (reversal) for the current period	-	4,380
Exchange differences	-	19
As of December 31, 2021	$-	$9,770

(24)Leases

(a)Group as a lessee

The Group leases various properties, including real estate such as land and buildings, transportation equipment, office equipment and other equipment. The lease terms range from 1 to 39 years. The Group is not allowed to loan, sublease or sell without obtaining the consent from the lessors.

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

The Group's leases effect on the financial position, financial performance and cash flows are as follows:

A. Amounts recognized in the balance sheet

(i)Right-of-use assets

The carrying amount of right-of-use assets

	As of December 31,	
	2022	2021
Land	$74,317	$97,078
Buildings	125,388	26,860
Transportation equipment	10,798	11,360
Office equipment	122	319
Other equipment	1,558	2,241
Total	$212,183	$137,858

The Group's right-of-use assets increased by NT$139,942 thousand and NT$21,367 thousand for the years ended December 31, 2022 and 2021, respectively.

(ii)Lease liabilities

	As of December 31,	
	2022	2021
Lease liabilities	$149,098	$74,373
Current	$32,502	$23,896
Non-current	116,596	50,477
Total	$149,098	$74,373

Please refer to Note 6(26)(d) for the interest on lease liabilities recognized during the year ended December 31, 2022 and 2021, and refer to Note12(5) Liquidity Risk Management for the maturity analysis for lease liabilities as at December 31, 2022 and 2021.

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

B. Amounts recognized in the income statement

(i)Depreciation of right-of-use assets

	For the year ended December 31,	
	2022	2021
Land	$3,029	$2,783
Buildings	26,662	19,735
Transportation equipment	6,683	5,609
Office equipment	428	550
Other equipment	1,166	1,076
Total	$37,968	$29,753

C.Income and costs relating to leasing activities

	For the year ended December 31,	
	2022	2021
The expense relating to leases of low-value assets (Not including the expense relating to short-term leases of law-value assets)	$(4,060)	$(4,455)
Income from subleasing right-of-use assets	3,338	1,613

As of December 31, 2022 and 2021, the portfolio of short-term leases of the Group to which it is committed at the end of the reporting period is dissimilar to the portfolio of short-term leases to which the short-term lease expense disclosed above and the amount of its lease commitments is NT$0.

D. Cash outflow relating to leasing activities

During the years ended December 31, 2022 and 2021, the Group's total cash outflow for leases amounted to NT$41,051 thousand and NT$34,336 thousand, respectively.

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

(b)Group as a lessor

The Group has entered leases on plants. These leases have terms of between one and two years. These leases are classified as operating leases as they do not transfer substantially all the risks and rewards incidental to ownership of underlying assets.

	For the years ended December 31,	
	2022	2021
Lease income for operating leases		
Income relating to fixed lease payments	$17,329	$15,206

For operating leases entered by the Group, the undiscounted lease payments to be received and a total of the amounts for the remaining years as of December 31, 2022 and 2021 are as follows:

	As of December 31,	
	2022	2021
Less than one year	$17,566	$12,372
More than one year but less than five years	37,625	765
Total	$55,191	$13,137

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

The Group enters into a financial lease agreement, and the undiscounted lease payment and the total amount for the remaining years will be received as of December 31, 2022 and 2021 are as follows:

	As of December 31,	
	2022	2021
Undiscounted lease payments		
Year 1	$54,222	$59,450
Year 2	47,476	32,131
Year 3	35,388	25,476
Year 4	20,680	21,798
Year 5	9,583	10,751
Total undiscounted lease payments	167,349	149,606
Less: lease payment unearned revenue	(10,734)	(5,463)
Net investment in the lease (Finance lease receivables)	$156,615	$144,143
Current	$48,646	$56,462
Non-current	107,969	87,681
Total	$156,615	$144,143

(25) Summary of employee benefits, depreciation and amortization by function is as follows:

Function / Nature	For the year ended December 31,					
	2022			2021		
	Operating costs	Operating expense	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salaries and wages	$277,894	$384,353	$662,247	$264,926	$320,801	$585,727
Labor and health insurance	25,432	24,611	50,043	17,183	19,329	36,512
Pension	17,608	17,155	34,763	15,007	15,092	30,099
Other employee benefits expense	15,718	14,538	30,256	16,832	15,105	31,937
Depreciation	145,780	48,304	194,084	134,848	39,361	174,209
Amortization	116	3,594	3,710	23	5,510	5,533

According to the Company's Articles of Incorporation, between 1% to 10% of profit of the current year is distributable as employees' compensation and no more than 2% of profit of the current year is distributable as remuneration to directors and supervisors. However, the Company's accumulated losses shall have been covered.

The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition, a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on profit, the Company estimated 2% of the employees' compensation and 1% of remuneration to directors for the year ended December 31, 2022 amounted to NT$9,764 thousand, and NT$4,882 thousand respectively, recognized as employee benefits.

Based on profit, the Company estimated 2% of the employees' compensation and 1% of remuneration to directors for the year ended December 31, 2021 amounted to NT$3,722 thousand, and NT$1,861 thousand respectively, recognized as employee benefits.

The Company's Board of Directors' meeting has determined the employees' compensation and directors' remuneration, all in cash, to be NT$9,764 thousand and NT$4,882 thousand, respectively, for the year ended December 31, 2022, in a meeting held on March 23, 2023. No differences existed between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended December 31, 2022.

The Company's Board of Directors' meeting has determined the employees' compensation and directors' remuneration, all in cash, to be NT$3,722 thousand and NT$1,861 thousand, respectively, for the year ended December 31, 2021, in a meeting held on March 25, 2022. No differences existed between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended December 31, 2021.

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

(26) Non-operating income and expenses

(a)Interest income

	For the year ended December 31,	
Interest income	2022	2021
Financial assets measured at amortized cost	$9,882	$3,592
Related party lending	1,738	1,027
Other	3,515	2,356
Total	$15,135	$6,975

(b)Other incomes

	For the year ended December 31,	
	2022	2021
Rental income	$17,329	$15,206
Dividend income	1,103	-
Others	42,686	52,960
Total	$61,118	$68,166

(c)Other gains and losses

	For the year ended December 31,	
	2022	2021
Gains (losses) on disposal of property, plant and equipment	$(495)	$(2,921)
Foreign exchange gains (losses), net	121,993	(40,749)
Gains (losses) on financial assets at fair value through profit or loss	(2,031)	(3,509)
Gains on lease modification	1,311	31
Impairment loss on property, plant and equipment	(15,766)	(2,674)
Others	(2,753)	(7,591)
Total	$102,259	$(57,413)

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

(d)Finance costs

	For the year ended December 31, 2022	For the year ended December 31, 2021
Interest on borrowings from bank	$28,429	$10,494
Interests on convertible bonds	9,621	3,972
Interests on lease liabilities	1,801	1,179
Interest calculated on deposit	8	5
Total	$39,859	$15,650

(27) Components of other comprehensive income

For the year ended December 31, 2022

	Arising during the period	Reclassification during the period	Other comprehensive income, pre-tax	Tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurement of defined benefit plans	$1,871	$-	$1,871	$(374)	$1,497
Unrealized gain (losses) from equity instruments investments measured at fair value through other comprehensive income	(3,925)	-	(3,925)	246	(3,679)
May be reclassified to profit or loss in subsequent periods:					
Exchange differences arising on translating of a foreign operations	26,171	-	26,171	(5,234)	20,937
Total of other comprehensive income	$24,117	$-	$24,117	$(5,362)	$18,755

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

For the year ended December 31, 2021

	Arising during the period	Reclassification during the period	Other comprehensive income, pre-tax	Tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurement of defined benefit plans	$(64)	$-	$(64)	$13	$(51)
Unrealized gain (losses) from equity instruments investments measured at fair value through other comprehensive income	1,549	-	1,549	1,987	3,536
May be reclassified to profit or loss in subsequent periods:					
Exchange differences arising on translating of a foreign operations	9,248	-	9,248	(1,850)	7,398
Total of other comprehensive income	$10,733	$-	$10,733	$150	$10,883

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

(28) Income tax

(a) The major components of income tax expense (income) are as follows:

Income tax expense (income) recognized in profit or loss

	For the year ended December 31,	
	2022	2021
Current income tax expense (income):		
Current income tax charge	$90,597	$30,240
Adjustments in respect of current income tax of prior periods	(2,217)	(2,385)
Adjustment of the deferred income tax of previous years in the current period	(90)	-
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	28,517	19,703
Total income tax expense	$116,807	$47,558

Income tax relating to components of other comprehensive income

	For the year ended December 31,	
	2022	2021
Deferred tax expense (income):		
Remeasurements of defined benefit plans	$374	$(13)
Unrealized gains (losses) from debt instruments investments measured at fair value through other comprehensive income	(246)	(1,987)
Exchange differences arising on translation of foreign operations	5,234	1,850
Total	$5,362	$(150)

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

(b)Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the year ended December 31,	
	2022	2021
Accounting income before tax from continuing operations	$539,657	$214,324
Tax payable at the enacted tax rates	$148,253	$39,200
Surtax on Undistributed retained earnings	4,029	-
Tax effect of expenses not deductible for tax purposes	(47,357)	(1,060)
Amount affected by deferred income tax on earnings of subsidiaries	15,276	17,407
Tax effect of deferred tax assets/liabilities	(1,087)	(5,604)
Adjustments in respect of current income tax of prior periods	(2,217)	(2,385)
Adjustments in respect of deferred income tax of prior periods	(90)	-
Total income tax expense recognized in profit or loss	$116,807	$47,558

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

(c)Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2022

	Beginning balance as Jan. 1, 2022	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Exchange differences	Ending balance as of Dec. 31, 2022
Temporary differences					
Unrealized loss on inventory valuation	$24,385	$3,176	$-	$-	$27,561
Asset impairment loss	9,233	(1,199)	-	-	8,034
Unrealized exchange loss (gain)	2,740	(15,285)	-	-	(12,545)
Unused tax losses	3,683	(3,683)	-	-	-
Exchange differences arising on translation of foreign operations	24,362	-	(5,234)	-	19,128
Undistributed earnings of subsidiaries	(159,391)	(15,264)	-	-	(174,655)
Others	(36,539)	3,828	(128)	(565)	(33,404)
Deferred tax income/(expense)		$(28,427)	$(5,362)	$(565)	
Net deferred tax assets/(liabilities)	$(131,527)				$(165,881)
Reflected in balance sheet as follows:					
Deferred tax assets	$85,756				$79,831
Deferred tax liabilities	$217,283				$245,712

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

For the year ended December 31, 2021

	Beginning balance as Jan. 1, 2021	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as of Dec. 31, 2021
Temporary differences				
Unrealized loss on inventory valuation	$16,150	$8,235	$-	$24,385
Asset impairment loss	9,787	(554)	-	9,233
Unrealized exchange loss (gain)	5,702	(2,962)	-	2,740
Unused tax losses	12,756	(9,073)	-	3,683
Exchange differences arising on translation of foreign operations	26,212	-	(1,850)	24,362
Undistributed earnings of subsidiaries	(141,728)	(17,663)	-	(159,391)
Others	(40,853)	2,314	2,000	(36,539)
Deferred tax income/ (expense)		$(19,703)	$150	
Net deferred tax assets/(liabilities)	$(111,974)			$(131,527)
Reflected in balance sheet as follows:				
Deferred tax assets	$89,761			$85,756
Deferred tax liabilities	$201,735			$217,283

(d)Unrecognized deferred tax assets

As of December 31, 2022 and 2021, deferred tax assets that have not been recognized as they may not be used to offset future taxable profits amounted to NT$2,026 thousand and NT$1,694 thousand, respectively.

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

(e)The following table contains the information of unused tax losses of the Group:

Subsidiaries

	Unused tax losses		
	As of December 31,		
Occurrence year	2022	2021	Expiration year
2020	$-	$18,417	2030

(f)The assessment of income tax returns

As at December 31, 2022, the status of tax authority's assessment of the income tax returns of the Company and its subsidiaries were as follows:

	The assessment of income tax returns
The Company	Assessed and approved up to 2020
Subsidiary- Global Tek Co., Ltd.	Assessed and approved up to 2020

(29)Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	For the year ended December 31,	
	2022	2021
(a) Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT$)	$422,850	$166,766
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand shares)	73,724	71,055
Basic earnings per share (in NT$)	$5.74	$2.35
(b) Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT$)	$422,850	$166,766
Gain or loss on valuation of redemption from convertible bonds	1,536	-
Interest expense from convertible bonds	7,697	3,178
Profit attributable to ordinary equity holders of the Company after dilution (in thousand NT$)	$432,083	$169,944
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand shares)	73,724	71,055
Effect of dilution:		
Employee stock options (in thousands)	-	95
Employee bonus－stock (in thousand shares)	211	81
Convertible bonds (in thousand shares)	20,487	9,232
Weighted average number of ordinary shares outstanding after dilution (in thousand shares)	94,422	80,463
Diluted earnings per share (in NT$)	$4.58	$2.11

There were no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

7. RELATED PARTY TRANSACTIONS

(1)Deal with related parties as of the end of the reporting period

Related parties and Relationship

Related parties	Relationship
Top Yes (Suzhou) Precision Industry Co., Ltd.	Associate
China Steel Corporation	Other related party(Note)

Note: On October 29, 2021, the Eminence Investment Corporation resigned as the director of the Company, and the Group had no substantial relationship with China Steel Corporation. Therefore, since the date of resignation, it was no longer a related party of the Group.

(2)Significant transactions with related parties

A. Sales

	For the year ended December 31,	
	2022	2021
Top Yes (Suzhou) Precision Industry Co., Ltd.	$-	$35

The sales price to related parties is based on the listed price announced by the related party, and the credit conditions are not significantly different from those of sales to third parties.

B. Purchases

	For the year ended December 31,	
	2022	2021
China Steel Corporation	$-	$152,841

The purchase price to related parties is based on the listed price announced by the related party, and the credit conditions are not significantly different from those of purchases to third parties.

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

C. Accounts receivables - related parties

	As of December 31,	
	2022	2021
Top Yes (Suzhou) Precision Industry Co., Ltd.	$-	$35

D. Other receivables (excluding financing provided to others)

	As of December 31,	
	2022	2021
Top Yes (Suzhou) Precision Industry Co., Ltd.	$578	$-

E. Loans to related parties

(a)Other accounts receivable - related parties

	As of December 31,	
	2022	2021
Top Yes (Suzhou) Precision Industry Co., Ltd.	$18,137	$26,076

(b)Interest income

	For the year ended December 31,	
	2022	2021
Top Yes (Suzhou) Precision Industry Co., Ltd.	$1,738	$1,027

F. For the year ended December 31, 2022, the Group entrusted Top Yes (Suzhou) Precision Industry Co., Ltd. to provide labor services and recognized operating cost in the amount of NT$1,412 thousand.

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

G. For the year ended December 31, 2022, the Group sold property, plant and equipment to related parties. The details are as follows:

Asset type	Related party	Book value	Selling price	Gains on disposal	Price Reference
Machinery and equipment	Top Yes (Suzhou) Precision Industry Co., Ltd.	$-	$574	$574	Commercial negotiation

H. Salaries and rewards to key management of the Group

	For the year ended December 31,	
	2022	2021
Short-term employee benefit	$16,811	$17,494
Post-employment benefit	270	270
Total	$17,081	$17,764

8. ASSETS PLEDGED AS COLLATERAL

	Carrying amount As of December 31,		
Item	2022	2021	Secured liabilities
Financial assets measured at amortized cost-current	$-	$110,720	Short-term loans
Financial assets measured at amortized cost-non current	1,811	1,146	Security deposit to custom authority
Land	1,410,612	104,691	Long-term loans
Property, plant and equipment – buildings(net)	99,510	102,648	Long-term loans
Total	$1,511,933	$319,205	

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(a)As of December 31, 2022 and 2021, the outstanding contracts relating to purchased property, plant and equipment of Global Tek Fabrication Co., Ltd., Global Tek Co., Ltd., Global Tek (Wuxi) Co., Ltd., Global Tek (Xi'An) Co., Ltd and Globaltek Xi'An Machinery Manufacturing Co., Ltd. for business needs were as follows:

	As of December 31,	
Purchased property, plant and equipment	2022	2021
Global Tek Fabrication Co., Ltd.	$42,046	$685,797
Global Tek Co., Ltd.	18,811	23,310
Global Tek (Wuxi) Co., Ltd.	64,249	123,460
Global Tek (Xi'An) Co., Ltd.	-	2,541
Globaltek Xi'An Machinery Manufacturing Co., Ltd.	-	6,305
Total	$125,106	$841,413

(b)As of December 31, 2022 and 2021, the Global Tek Co., Ltd. guarantee noted issued as collateral for the purchase of materials were all NT$92,520 thousand.

(c) Global Tek (Wuxi) Co., Ltd. signed an investment agreement with the People's Government of Xishan District, Wuxi City on January 17, 2018, with a commitment item of "increasing the registered capital to US$20 million", for which the capital increase will reach US$ 8 million before the listing of the land, and the rest of the funding will be gradually in place after the listing; and if the output does not reach the standard in the fifth year after the acquisition of the land, an infrastructure supporting fee of RMB 100,000 per mu shall be paid.

(d)Globaltek Xi’An Machinery Manufacturing Co., Ltd. passed the plan to establish an investment casting factory by the board resolution of the Company on November 12, 2021, and the estimated expenditure was RMB 72,000 thousand (including land, plant, supporting facilities machinery and equipment, etc.). However, because the local government of Xi'An could not provide and replace the casting capacity indicators, it is no longer possible to set up a foundry in this area from the perspective of policies and regulations, so the Company’s board resolution approved on August 11, 2022 that it intends to invest in the establishment of Global Tek Technology Metal Manufacturing (Shaanxi) Co., Ltd. through Global Tek (Xi’An) Co., Ltd. The investment amount was reduced from RMB 72,000 thousand to RMB 33,000 thousand, and as of December 31, 2022, RMB 2,017 thousand had been remitted.

(e)The Group announced on January 15, 2022 that due to the impact of Covid-19, according to the equity agreement entered into with Malaysia-based Allied Advantage Sdn., the Group has a right to choose not to exercise the second phase share transaction but still retains the 19% equity acquired in the first phase. Since the gain from the original 51% forward contract of the second phase of equity was not realized, the loss of NT$2,628 thousand from derecognition of the forward purchase contract was recognized. The Group was notified in March 2023 that the seller filed an action with the Taipei District Court in Taiwan, requesting the Group to perform the second phase of share sales and pay a total price of US$3,968,389. On June 28, 2022, the Taipei District Court in Taiwan delivered Judgment Year 2022 Chong-SU-Zi No,. 266 to dismiss the seller's request as its was groundless. After receiving the judgment, Allied Advantage Sdn.Bhd. did not file an appeal within the appeal period.

10. LOSSES DUE TO MAJOR DISASTERS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

On February 24, 2023, the Group remitted US$1,575 thousand (RMB 10,000 thousand) through Global Tek Fabrication Co., Ltd. (Samoa) to obtain part equity of Top Yes (Suzhou) Precision Industry Co., Ltd.

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

12. OTHERS

(1)Categories of financial instruments

Financial assets	As of December 31,	
	2022	2021
Financial asset at fair value through profit of loss:		
Mandatorily measured at fair value through profit of loss	$1,039	$1,432
Financial assets at fair value through other comprehensive income	88,224	91,449
Financial assets measured at amortized cost		
Cash and cash equivalents	1,125,729	1,364,074
Financial assets measured at amortized cost	2,641	111,866
Accounts receivables (including related parties)	1,811,952	1,357,453
Other receivables (including related parties)	123,071	115,124
Refundable deposits	14,353	13,217
Total	$3,167,009	$3,054,615

Financial liabilities	As of December 31,	
	2022	2021
Financial liabilities at amortized cost:		
Short-term loans	$582,345	$730,008
Payables (including related parties)	1,702,447	1,611,149
Long-term loans (current portion included)	1,294,650	527,749
Bonds payable (current portion included)	593,832	390,051
Lease liabilities	149,098	74,373
Guarantee deposits received	4,921	3,891
Total	$4,327,293	$3,337,221

(2)Financial risk management objectives and policies

The Group’s principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activates. The Group identifies measures and manages the aforementioned risks based on the Group’s policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3)Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable. There are usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Group’s exposure to the risk of changes in foreign exchange rates relates primarily to the Group’s operating activities (when revenue or expense are denominated in a different currency from the Group’s functional currency) and the Group’s net investments in foreign subsidiaries.

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for foreign currency. The information of the sensitivity analysis is as follows:

When NTD strengthens/weakens against foreign currency USD by 1%, the profit for the years ended December 31, 2022 and 2021 is increased/decreased by NT$13,214 thousand and NT$8,409 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's investments with variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for the years ended December 31, 2022 and 2021 to decrease/increase by NT$752 thousand and NT$59 thousand, respectively.

Equity price risk

The fair value of the Group's unlisted equity securities to market price risk arising from uncertainties about future values of the investment securities. The Group's unlisted equity securities measured at fair value through other comprehensive income. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, a change of 1% in the price of the unlisted equity securities measured at fair value through profit or loss could increase/decrease the Group's profit for the years ended December 31, 2022 and 2021 by NT$883 thousand and NT$915 thousand, respectively.

Please refer Note12(9) for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

(4)Credit risk management

Credit risk is the risk that the counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts receivables、notes receivables and lease payment receivable) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

Credit risk from balances with banks and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating. Consequently, there is no significant credit risk for these counterparties.

The objects of accounts receivable cover a large number of customers, scattered in different industries and geographical regions. The Group evaluates the financial condition of its accounts receivable customers on an ongoing basis.

The Group adopted IFRS 9 to assess the expected credit losses. Except for accounts receivables, the remaining debt instrument investments which are not measured at fair value through profit or loss are purchased based on low credit risk, and the Group makes an assessment on each balance sheet date as to whether the credit risk rises significantly since original recognition and then further determines the method of measuring the loss allowance and the loss rate.

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

Financial assets are written off when there is no realistic prospect of future recovery (the issuer or the debtor is in financial difficulties or bankruptcy).

(5)Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments, bank borrowings, convertible bonds etc. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted interest payment relating to borrowings with variable interest rates is extrapolated based on the estimated yield curve as of the end of the reporting period.

Non-derivative financial instruments

	Less than 1 year	1 to 3years	3 to 5 years	Over than 5 years	Total
As of Dec. 31, 2022					
Short-term loans	$590,131	$-	$-	$-	$590,131
Long-term loans	164,515	187,936	1,023,229	-	1,375,680
Payables	1,702,447	-	-	-	1,702,447
Convertible bonds	283,800	322,500	-	-	606,300
Lease liabilities (Note)	32,724	34,064	29,698	58,120	154,606
As of Dec. 31, 2021					
Short-term loans	$735,117	$-	$-	$-	$735,117
Long-term loans	105,730	183,290	254,571	-	543,591
Payables	1,611,149	-	-	-	1,611,149
Convertible bonds	400,000	-	-	-	400,000
Lease liabilities (Note)	24,722	21,046	2,164	32,525	80,457

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

Note: The table below provides further information on the lease liability maturity analysis:

	due period					
	Less than 1 year	1 to 5 years	6 to 10 years	11 to 15 years	Over than 15 years	Total
As of Dec. 31, 2022	$32,724	$63,762	$58,120	$-	$-	$154,606
As of Dec. 31, 2021	24,722	23,210	5,082	5,082	22,361	80,457

(6)Reconciliation schedule of liabilities arising from financing activities

Reconciliation schedule of liabilities for the year ended December 31, 2022:

	Short-term loans	Long-term loans	Guarantee deposits received	Lease liabilities	Corporate bonds received in advance (accounted for non-current liabilities)	Bonds payable	Total liabilities from financing activities
As of January 1, 2022	$730,008	$527,749	$3,891	$74,373	$704,314	$390,051	$2,430,386
Cash flows	(147,663)	766,901	1,030	(36,991)	-	-	583,277
Non-cash changes							
Lease range changes	-	-	-	139,942	-	-	139,942
Interest expense	-	-	-	1,801	-	9,621	11,422
Other	-	-	-	(30,333)	(704,314)	194,160	(540,487)
Exchange differences	-	-	-	306	-	-	306
As of December 31, 2022	$582,345	$1,294,650	$4,921	$149,098	$-	$593,832	$2,624,846

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

Reconciliation schedule of liabilities for the year ended December 31, 2021:

	Short-term borrowings	Long-term borrowings	Guarantee deposits received	Lease liabilities	Corporate bonds received in advance (accounted for non-current liabilities)	Bonds payable	Total liabilities from financing activities
As of January 1, 2021	$228,257	$580,182	$3,602	$82,578	$-	$579,577	$1,474,196
Cash flows	501,751	(52,433)	289	(29,758)	704,314	-	1,124,163
Non-cash changes							
Lease range changes	-	-	-	21,367	-	-	21,367
Interest expense	-	-	-	1,179	-	3,972	5,151
Other	-	-	-	(1,077)	-	(193,498)	(194,575)
Exchange differences	-	-	-	84	-	-	84
As of December 31, 2021	$730,008	$527,749	$3,891	$74,373	$704,314	$390,051	$2,430,386

(7)Fair values of financial instruments

(a)The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

i. The carrying amount of cash and cash equivalents, accounts receivables, accounts payables and other current liabilities approximate their faire value.

ii. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates bonds and futures etc.) at the reporting date.

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

iii. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

iv. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the GreTai Securities Market, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

(b) Fair value of financial instruments measured at amortized cost

Other than cash and cash equivalents, accounts receivables, accounts payables and other current liabilities whose carrying amount approximate their fair value, the fair value of the Group's financial assets and financial liabilities measured at amortized cost is listed in the table below:

	Carrying amount as of December 31,	
	2022	2021
Financial liabilities:		
Bonds payable	$593,832	$390,051

	Fair value as of December 31,	
	2022	2021
Financial liabilities:		
Bonds payable	$596,775	$397,240

(c)Fair value measurement hierarchy for financial instruments

Please refer to Note 12(9) for fair value measurement hierarchy for financial instruments of the Group.

(8) Derivative financial instruments

As of December 31, 2022 and 2021, the Group's derivative financial instruments include embedded derivatives. The related information for derivative financial instruments not qualified for hedge accounting and not yet settled are as follows:

Embedded derivatives

The embedded derivatives arising from issuing convertible bonds have been separated from the host contract and carried at fair value through profit or loss. Please refer to Note 6 for further information on this transaction.

(9)Fair value measurement hierarchy

(a)Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(b)Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis.

Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

As of December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Convertible corporate bond redemption rights	$-	$493	$-	$493
Funds beneficiary certificates	546	-	-	546
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	-	-	88,224	88,224

Financial liabilities:

None

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

As of December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Convertible corporate bond redemption rights	$-	$775	$-	$775
Funds beneficiary certificates	657	-	-	657
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	-	-	91,449	91,449

Financial liabilities:

None

Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements.

Valuation process used for fair value measurements categorized within Level 2 of the fair value hierarchy

The convertible corporate bond redemption right is based on the discounted cash flow method, and the future cash flow is estimated based on the stock price volatility in the last year and the annual bond yield rate.

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

	Assets
	Financial asset at fair value through other comprehensive income
	Stock
As of January 1, 2022	$91,449
Total gains and losses recognized for the year ended December 31, 2022:	
Amount recognized in profit or loss (presented in “ Other gains and losses ”)	-
Amount recognized in OCI (presented in “Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income”)	(3,925)
Exchange differences	700
As of December 31, 2022	$88,224

	Assets	
	Financial asset at fair value through other comprehensive income	Financial asset at fair value through profit or loss
	Stock	Forward purchase contract
As of January 1, 2021	$74,240	$2,628
Total gains and losses recognized for the year ended December 31, 2021:		
Amount recognized in profit or loss (presented in “ Other gains and losses ”)	-	(2,628)
Amount recognized in OCI(presented in “Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income”)	1,549	-
Acquisition / issues for the period	15,660	-
As of December 31, 2021	$91,449	$-

For the years ended December 31, 2022 and 2021, there were not movement of fair value measurements.

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

Financial instrument category	Valuation techniques and inputs
Domestic unlisted (cabinet) stock investment	The fair value is estimated using the market method, and the determination is based on the industry category, the evaluation of the same type of company and the operating situation.
Foreign unlisted (cabinet) stock investment	Using the income method, the present value of the income expected to be derived from holding the investment is calculated by discounting cash flows.
Forward purchase contract	Using the income method, the present value of the income expected to be derived from holding the investment is calculated by discounting cash flows.

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

(10)Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	As of December 31, 2022		
	Foreign currencies	Exchange rate	NTD
Financial assets			
Monetary items:			
USD	$43,889	30.725	$1,348,505
EUR	2,621	32.72	85,761
RMB	21,766	4.4090	95,965
JPY	179,326	0.2325	41,693
Financial liabilities			
Monetary items:			
USD	$882	30.725	$27,093
EUR	-	32.72	-
RMB	-	4.4090	-

	As of December 31, 2021		
	Foreign currencies	Exchange rate	NTD
Financial assets			
Monetary items:			
USD	$44,043	27.68	$1,219,133
EUR	8,177	31.32	256,089
RMB	13,358	4.3460	58,053
JPY	119,336	0.2403	28,676
Financial liabilities			
Monetary items:			
USD	$13,664	27.68	$378,226
EUR	1,539	31.32	48,192
RMB	9,032	4.346	39,254

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

The Group's entities' functional currency are various and hence is not able to disclose the information of exchange gains and losses of monetary financial assets and liabilities by each significant assets and liabilities denominated in foreign currencies. The foreign exchange gain/(loss) were NT$121,993 thousand and NT$(40,749) thousand for the years ended December 31, 2022 and 2021, respectively.

(11) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. OTHER DISCLOSURE

(1) Information at significant transactions:

a. Financing provided to others for the year ended December 31, 2022: Please refer to Attachment 1.

b. Endorsement/Guarantee provided to others for the year ended December 31, 2022: Please refer to Attachment 2.

c. Marketable securities held as of December 31, 2022. (excluding investments in subsidiaries, associates and joint ventures): Please refer to Attachment 3.

d. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20 percent of capital stock for the year ended December 31, 2022: None.

e. Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of capital stock for the year ended December 31, 2022: None.

f. Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of capital stock for the year ended December 31, 2022: None.

g. Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20 percent of capital stock for the year ended December 31, 2022: Please refer to Attachment 5.

h. Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of capital stock as of December 31, 2022: Please refer to Attachment 6.

i. Financial instruments and derivative transactions: None.

j. Other: Significant intercompany transactions between the parent with subsidiaries or among subsidiaries were disclosed in Attachment 7.

(2) Information on investees:

A. If an investor controls operating, investing and financial decisions of an investee or an investor has the ability to exercise significant influence over operating and financial policies of an investee, the related information for the investee is disclosed (not including investment in Mainland China): Please refer to Attachment 4.

B. If an investee is controlled by an investor, the related information for the investee shall be disclosed as the same as Note 13(1):

(a) Financing provided to others for the year ended December 31, 2022: None.

(b) Endorsement/Guarantee provided to others for the year ended December 31, 2022: None.

(c) Marketable securities held as of December 31, 2022. (excluding investments in subsidiaries, associates and joint ventures): Please refer to Attachment 3.

(d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20 percent of capital stock for the year ended December 31, 2022: None.

(e) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of capital stock for the year ended December 31, 2022: None.

(f) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of capital stock for the year ended December 31, 2022: None.

(g) Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20 percent of capital stock for the year ended December 31, 2022: None.

(h) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of capital stock as of December 31, 2022: Please refer to Attachment 6.

(i) Financial instruments and derivative transactions: None.

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

(3) Information on investments in Mainland China:

A. Investee company name, main businesses and products, total amount of capital, method of investment, accumulated inflow and outflow of investments from Taiwan, net income (loss) of investee company, percentage of ownership, investment income (loss), book value of investments, cumulated inward remittance of earnings and limits on investment in Mainland China:

Amount in thousand; Currency denomination in NTD unless otherwise specified

Investee company	Main Business and Product	Total Amount of Pain-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of Dec. 31, 2022	Net income(loss) of investee company	Percentage of Ownership	Investment income(loss) recognized	Carrying Value as of Dec. 31, 2022	Accumulated Inward Remittance of Earnings as of Dec. 31, 2022
					Outflow	Inflow						
Global Tek (Xi'An) Co., Ltd.	Precision machining of industrial automatic control parts and aerospace equipment parts	$67,742 (USD 2,100)	(2)A	$19,458 (USD 642)	$-	$-	$19,458 (USD 642)	$95,868 (RMB 21,674) (Note2&4)	100%	$95,868 (RMB 21,674) (Note2,4&6)	$341,038 (RMB 77,350) (Note2,4&6)	$-

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

Investee company	Main Business and Product	Total Amount of Pain-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of Dec. 31, 2022	Net income(loss) of investee company	Percentage of Ownership	Investment income(loss) recognized	Carrying Value as of Dec. 31, 2022	Accumulated Inward Remittance of Earnings as of Dec. 31, 2022
					Outflow	Inflow						
Global Tek (Wuxi) Co., Ltd.	Precision machining of automotive components	$478,141 (USD 15,100)	(2)B	$494,073 (USD 16,378)	$-	$-	$494,073 (USD 16,378)	$54,999 (RMB 12,435) (Note2&4)	100%	$54,999 (RMB12,435) (Note2,4&6)	$1,596,294 (RMB 362,054) (Note2,4&6)	$-
Global Tek Xi'An Machinery Manufacturing Co., Ltd.	Sales of industrial automatic control parts and aerospace equipment parts	$22,115 (RMB 5,000)	(2)C	$-	$-	$-	$-	$14,393 (RMB 3,254) (Note2&4)	100%	$14,393 (RMB 3,254) (Note2,4&6)	$47,599 (RMB 10,796) (Note2,4&6)	$-

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

Investee company	Main Business and Product	Total Amount of Pain-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of Dec. 31, 2022	Net income(loss) of investee company	Percentage of Ownership	Investment income(loss) recognized	Carrying Value as of Dec. 31, 2022	Accumulated Inward Remittance of Earnings as of Dec. 31, 2022
					Outflow	Inflow						
Global Tek Metal Manufacturing (Shaanxi) Co., Ltd.	Precision machining of industrial automatic control parts and aerospace equipment parts	$8,893 (RMB 2,017) (Note2)	(2)D	$-	$-	$-	$-	$(222) (RMB(50)) (Note2&4)	100%	$(222) (RMB(50)) (Note2,4&6)	$8,672 (RMB 1,967) (Note2,4&6)	$-
Top Yes (Suzhou) Precision Industry Co., Ltd.	Precision machining of automotive components	$421,473 (RMB 101,666)	(2)E	$-	$48,398 (USD 1,575)	$-	$48,398 (USD 1,575)	$(162,014) (RMB(36,630)) (Note2&4)	4.11%	$(6,658) (RMB (1,505)) (Note2&4)	$78,682 (RMB 17,647) (Note2&4)	$-

Accumulated Investment in Mainland China as of Dec. 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$571,331 (USD18,595)	$821,740 (USD26,745)	$2,008,374

Note 1: The investment methods are divided into the following three types, just indicate the types:

(1) Go directly to the mainland for investment.

(2) Reinvest in mainland China through a third-region company.

A. Global Tek (Xi’An) Co., Ltd. is 100% owned by Global Tek Co., Ltd. (Samoa)

B. Global Tek (Wuxi) Co., Ltd. is invested by Global Tek Co., Ltd. and Global Tek Fabrication Co., Ltd. (HK) to hold 52.98% and 47.02% of the shares respectively.

C. Global Tek Xi’An Machinery Manufacturing Co., Ltd is 100% owned by Global Tek (Xi’An) Co., Ltd.

D. Global Tek Metal Manufacturing (Shaanxi) Co., Ltd. is 100% owned by Global Tek (Xi’An) Co., Ltd.

E. Top Yes (Suzhou) Precision Industry Co., Ltd. is 4.1095% owned by Global Tek (Wuxi) Co., Ltd.

(3) Other methods.

Note 2: Amounts in foreign currencies are translated into New Taiwan dollars using the exchange rates on the balance sheet date.

Note 3: It refers to the original investment amount of the original shareholder before the company acquires the equity of the mainland reinvested enterprise.

Note 4: Gain/loss on investment is recognized based on the financial statements which were audited by the independent auditors of the parent company in Taiwan.

Note 5: It refers to the original investment amount of the company's transfer investment enterprise in China.

Note 6: Transactions between consolidated entities are eliminated in the consolidated financial statements.

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

B. Significant transactions with the investees in mainland China:

(a) Purchase and accounts payable with the related parties: Please refer to Attachment 7.

(b) Sales and receivables with the related parties: Please refer to Attachment 7.

(c) Property transaction amounts and resulting gain or loss:

Asset type	Related party	Book value	Selling price	Gains on disposal	Price Reference
Machinery and equipment	Top Yes (Suzhou) Precision Industry Co., Ltd.	$-	$574	$574	Commercial negotiation

(d)Ending balance of endorsements/guarantees or collateral provided and the purposes: Please refer to Attachment 2.

(e) Maximum balance, ending balance, interest rate range and total interest for current period from financing provided to others: Please refer to Attachment 1.

(f) Transactions that have significant impact on profit or loss of current period or the financial position, such as services provided or rendered: Please refer to Attachment 7.

(g) Above transactions are eliminated upon preparation of consolidated financial statements. Please refer to Attachment 7.

(4) Information on major shareholders:

Ownership of shares / Name	Number of shares held (shares)	Ownership ratio
Ting, Ling-Chuan	11,530,000	14.23%
Haochi Investment Co., Ltd.	8,128,000	10.03%
HsingYing Investment Co., Ltd.	7,854,000	9.69%
Huang, Ya-Hsing	6,226,695	7.68%

14. SEGMENT INFORMATION

(1)For management purposes, the Group is organized into operating segments based on different products and services and has three reportable operating segments as follows:

Automotive products business: precision processing of auto parts and sales.

Industrial Products business: Industrial automatic control parts and sales.

Aerospace products business: Precision machining aerospace equipment parts and sales.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured based on accounting policies consistent with those in the consolidated financial statements.

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

	Automotive products business	Industrial Products business	Aerospace products business	Adjustments & eliminations	Consolidated
For the year ended Dec. 31, 2022					
Revenue					
External customers	$2,348,421	$2,430,132	$207,813	$-	$4,986,366
Inter-segment	554,048	548,367	-	(1,102,415)	-
Total revenue	$2,902,469	$2,978,499	$207,813	$(1,102,415)	$4,986,366
Segment profit	$17,460	$407,523	$(17,245)	$-	$407,738
Other unallocated amounts					
Non-operating incomes and expenses					131,919
Income before income tax					$539,657
For the year ended Dec. 31, 2021					
Revenue					
External customers	$2,117,359	$1,993,401	$195,180	$-	$4,305,940
Inter-segment	502,585	454,392	-	(956,977)	-
Total revenue	$2,619,944	$2,447,793	$195,180	$(956,977)	$4,305,940
Segment profit	$68,958	$233,636	$(64,976)	$-	$237,618
Other unallocated amounts					
Non-operating incomes and expenses					(23,294)
Income before income tax					$214,324

Departmental (profit) loss refers to the profit earned by each department, excluding apportioned interest income, gains and losses from disposal of real estate, plant and equipment, net (profit) losses from foreign currency exchange, financial instrument evaluation gains and losses, financial costs, and income tax expenses. This measure is provided to the chief operating decision maker to allocate resources to departments and measure their performance.

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

Information on assets and liabilities of the reportable segment.

	Automotive products business	Industrial Products business	Aerospace products business	unallocated assets	Consolidated
As of Dec. 31, 2022					
Segment assets	$2,602,131	$3,359,294	$169,489	$1,898,936	$8,029,850
As of Dec. 31, 2021					
Segment assets	$2,287,093	$1,845,336	$466,785	$2,217,591	$6,816,805

(2)Geographical information

(a) Revenue from external customers

	For the year ended December 31,	
	2022	2021
Asia	$2,237,655	$2,078,907
America	2,105,965	1,667,691
Europe	642,746	559,342
Total	$4,986,366	$4,305,940

The revenue information above is based on the location of the customer.

(b) Non-current assets

	As of December 31,	
	2022	2021
Taiwan	$2,057,682	$1,276,750
China	1,259,406	1,139,276
Other	195	133
Total	$3,317,283	$2,416,159

(Amounts Expressed In Thousands Of New Taiwan Dollars Unless Otherwise Specified)

(3)Information about major customers: Sales from individual customers represent over 10% of the Group’s operating revenue is as below:

	For the year ended December 31,	
	2022	2021
Customer A	$543,308	$495,038
Customer B	Note	456,836
	$543,308	$951,874

Note : This year the customer’s sale accounted less than 10% of consolidated net sales, so it was not disclosed.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Global Tek Fabrication Co., Ltd. and Subsidiaries

Financing provided to others

For the Year Ended December 31, 2022

Attachment 1

(In Thousands of Foreign Currency / New Taiwan Dollars)

NO. (Note1)	Lender	Counter-party	Financial accounting account	Related Party	Maximum balance for the period	Ending balance	Actual amount provided	Interest rate	Nature of financing (Note 2)	Amount of sales to (purchases from) counter-party	Reason for financing	Allowance for doubtful accounts	Collateral		Limit of financing amount for individual counter-party	Limit of total financing amount (Note 3)
													Item	Value		
0	Global Tek Fabrication Co., Ltd.	Global Tek (Wuxi) Co., Ltd.	Other receivables	YES	$92,175 (USD 3,000)	$92,175 (USD 3,000)	$92,175 (NOTE 4)	2%	2	$-	Business turnover and factory construction	$-	None	-	$669,458	$1,338,916
0	Global Tek Fabrication Co., Ltd.	Global Tek (Xi'An) Co., Ltd.	Other receivables	YES	$30,725 (USD 1,000)	$30,725 (USD 1,000)	$-	2%	2	$-	Business turnover	$-	None	-	$669,458	$1,338,916
1	Global Tek (Wuxi) Co., Ltd.	Top Yes (Suzhou) Precision Industry Co., Ltd.	Other receivables	YES	$70,544 (RMB 16,000)	$17,636 (RMB4,000)	$17,636	4.57%	2	$-	Business turnover	$-	None	-	$319,260	$638,519

Note 1: Global Tek Fabrication Co., Ltd. and subsidiaries are coded as follows:

1.Global Tek Fabrication Co., Ltd. is coded "0".

2.The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Nature of financing is coded as follows:

1.Need for operating is coded "1".

2.Need for short term financing is coded "2".

Note 3: The total amount of the Company's funds lent to others shall not exceed 20% of the Company's latest net worth indicated in the financial statements audited or reviewed by a certified accountant. The limit for each borrower is determined according to the reason as follows:

(1) For those who have business relationship with the Company, the individual loan amount shall not exceed the higher of the purchase or sales amount of the Company as of the time the loan is extended for the most recent year or the current year.

(2) When there is a need for short-term financing, the amount of financing shall not exceed 40% of the Company's latest net worth indicated in the financial statements audited or reviewed by a certified accountant.

The financing amount mentioned in the preceding paragraph refers to the cumulative balance of the Company's short-term financing funds.

Note 4: Transactions are eliminated when preparing the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Global Tek Fabrication Co., Ltd. and Subsidiaries

Endorsement/Guarantee provided to others

For the Year Ended December 31, 2022

Attachment 2

(In Thousands of Foreign Currency / New Taiwan Dollars)

NO. (Note1)	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note3)	Maximum Balance for the Period (Note4)	Ending Balance (Note5)	Amount Actually Drawn (Note5)	Amount of Endorsement/Guarantee secured by Properties (Note6)	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowed (Note3)	Endorsement provided by parent company to subsidiaries (Note7)	Endorsement provided by subsidiaries to parent company (Note7)	Endorsement provided to entities in China (Note7)
		Name	Nature of Relationship(Note2)										
0	Global Tek Fabrication Co., Ltd.	Global Tek (Xi'An) Co., Ltd.	Subsidiary	$669,458	$180,493	$119,043	$-	$-	3.56%	$1,673,645	Y	N	Y
0	Global Tek Fabrication Co., Ltd.	Global Tek (Wuxi) Co., Ltd.	Subsidiary	$669,458	$575,785	$176,360	$88,180	$-	5.27%	$1,673,645	Y	N	Y

Note1：Global Tek Fabrication Co., Ltd. and its subsidiaries are coded as follows:

1.Global Tek Fabrication Co., Ltd. is coded "0".

2.The subsidiaries are coded consecutively beginning from "1" in the order presented in the above table.

Note2：The relationship between the guarantor of the endorsement and the object to be guaranteed is as follows:

1.The company with business contacts.

2.The company directly and indirectly holds more than 50% of the shares with voting rights.

3.Companies that directly and indirectly holds more than 50% of the shares of the company with voting rights.

4.The company directly and indirectly holds more than 90% of the shares with voting rights.

5.Where a public company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry.

6.A company whose co-investment relationship is endorsed by all shareholders in proportion to their shareholding ratio.

7.The performance guarantee of the preconstruction real estate contract between the same industry in accordance with the Consumer Protection Law is jointly guaranteed.

Note 3: The company should fill in the endorsement guarantee limit for individual objects and the maximum endorsement guarantee limit set by the company in accordance with the endorsement guarantee operation procedures for others.

According to the company's "endorsement guarantee operation procedures", the company's external endorsement The total amount of certificates shall not exceed 50% of the current net value. The amount of endorsement guarantee for a single enterprise shall not exceed 20% of the current net value

Note 4: The maximum balance of endorsement guarantee for others in the current year.

Note 5: In the end of the year, when the company signs an endorsement guarantee contract with the bank or the amount of the bill is approved, it will assume the endorsement or guarantee responsibility; other related endorsement guarantees should be included in the endorsement guarantee balance.

Note 6: The actual expenditure amount of the endorsed guarantee company within the scope of the endorsement guarantee balance should be entered.

Note 7: Y must be filled in only for the endorsement of the parent company of the listed company to the subsidiary, the endorsement of the subsidiary to the parent company of the listed company, and the endorsement certificate of the mainland area.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Global Tek Fabrication Co., Ltd. and Subsidiaries

Marketable Securities Held (Excluding Investments in Subsidiaries, Associates and Joint Ventures)

As of December 31, 2022

Attachment 3

(In Thousands of New Taiwan Dollars)

Holding Company	Securities Type and Name	Relationship	Financial Statement Account	As of December 31, 2022				Note
				Shares/Units	Book Value	Percentage of ownership (%)	Fair value	
Global Tek Fabrication Co., Ltd.	Stock Techplasma Technology Co., Ltd.	-	Financial asset at fair value through other comprehensive income,noncurrent	1,102,500	$41,223	3.85%	$41,223	Unlisted (counter) company stocks
Global Tek Fabrication Co., Ltd.	Stock Allied Advantage Sdn, Bhd.	-	Financial asset at fair value through other comprehensive income,noncurrent	-	$30,641	19.00%	$30,641	Unlisted (counter) company stocks
Global Tek GmbH	Stock Formtechnology GmbH	-	Financial asset at fair value through other comprehensive income,noncurrent	-	$16,360	10.00%	$16,360	Unlisted (counter) company stocks
Global Tek Co., Ltd.	Money market funds: Neuberger Investment Fund - NB High Yield Bond Securities Fund T Weekly Dividend Stocks (AUD)	-	Financial assets at fair value through profit or loss	4,749	$546	-%	$546	

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Global Tek Fabrication Co., Ltd. and Subsidiaries

Investees over Which the Company Exercise Significant Influence or Control Directly or Indirectly (Excluding Investees in Mainland China)

As of December 31, 2022

Attachment 4

(In Thousands of Foreign Currency / New Taiwan Dollars)

				Original Investment Amount		Investments as of 31 December, 2022					
Investor Company	Investee Company	Address	Main businesses and products	Ending balance	Beginning balance	Number of shares	Percentage of ownership (%)	Book Value	Net income (loss) of investee company	Investment income (loss) recognized	Note
Global Tek Fabrication Co., Ltd.	Global Tek Co., Ltd.	Taoyuan County, Taiwan	Auto parts precision processing	$200,000	$200,000	20,000,000 shares	100.00%	$321,216	$105,182	$105,182	Note
Global Tek Fabrication Co., Ltd.	Global Tek Fabrication Co., Ltd. (Samoa)	APIA, SAMOA	Investing activities	USD 19,645	USD 18,070	-	100.00%	$1,855,443	$135,691	$126,472 (NOTE 1)	Note
Global Tek Fabrication Co., Ltd	Global Tek GmbH	Bavaria, Germany	Auto Parts, industrial automatic control parts, Aerospace equipment parts sales	EUR 525	EUR 525	-	100.00%	$19,866 (EUR 608)	$337 (EUR 11)	$337 (EUR 11)	Note
Global Tek Fabrication Co., Ltd	AvioCast Inc.	Taiwan	Aerospace aluminum alloy manufacturing sales	$119,088	$119,088	9,842,000 shares	36.72%	$95,171	$7,385	$(76) (NOTE 2)	
Global Tek Co., Ltd.	GP Tech Inc. (US)	American Little	Auto Parts, industrial automatic control parts, Aerospace equipment parts sales	USD 20	USD 20	-	100.00%	$2,640 (USD 86)	$(66) (USD 2)	$(66) (USD 2)	Note
Global Tek Fabrication Co., Ltd. (Samoa)	Global Tek Co., Ltd. (Samoa)	APIA, SAMOA	Investing activities	USD 10,150	USD 10,150	-	100.00%	$1,067,652	$111,402	$111,402	Note
Global Tek Fabrication Co., Ltd. (Samoa)	Global Tek Fabrication Co., Ltd. (HK)	Hongkong	Investing activities	HKD 62,380	HKD 62,380	-	92.76%	$748,471	$26,225	$24,326	Note
Global Tek Co., Ltd. (Samoa)	Global Tek Fabrication Co., Ltd. (HK)	Hongkong	Investing activities	USD 660	USD 660	-	7.24%	$58,419	$26,225	$1,899	Note

Note : Transactions are eliminated when preparing the consolidated financial statements.

Note1: Including investment gain recognized under equity method amounted to NT$135,691 thousand and realized profit on transaction between subsidiaries amounted to NT$13,857 thousand and unrealized profit on transaction between subsidiaries amounted to NT$(23,279) thousand and realized profit on transaction between subsidiaries amounted to NT$1,153 thousand and unrealized profit on transaction between subsidiaries amounted to NT$(950) thousand and realized profit on transaction between subsidiaries amounted to NT$(5,074) thousand and unrealized profit on transaction between subsidiaries amounted to NT$5,074 thousand.

Note 2: Including investment gain recognized under equity method amounted to NT$2,712 thousand and premium amortization of NT$2,788 thousand.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Global Tek Fabrication Co., Ltd. and Subsidiaries

Related party transactions for purchases and sales amount exceeding the lower of NT$100 million or 20 percent of capital stock

For the year ended December 31, 2022

Attachment 5

(In Thousands of New Taiwan Dollars)

Purchase (sales) company	Counterparty	Relationship	Transactions				Details of non-arm's length transaction		Notes and accounts receivables (payable)		Note
			Purchases (Sales)	Amount	Percentage of total purchases (sales) (%)	Term	Unit Price	Term	Balance	Percentage of total receivables(%)	
Global Tek Fabrication Co., Ltd.	Global Tek (Xi'An) Co., Ltd.	Subsidiary	Purchases	$271,590	20%	90 days after monthly dosing	And general trading conditions no different	And general trading conditions no different	Account payables $(58,578)	12%	Note
Global Tek Co., Ltd.	Global Tek (Xi'An) Co., Ltd.	Associate	Purchases	$554,048	41%	90 days after monthly dosing	And general trading conditions no different	And general trading conditions no different	Account payables $(194,215)	38%	Note
Global Tek (Xi'An) Co., Ltd.	Globaltek Xi'An Machinery Manufacturing Co., Ltd.	Associate	Sales	$276,777	50%	90 days after monthly dosing	And general trading conditions no different	And general trading conditions no different	Accounts receivables $105,362	61%	Note

Note : Transactions are eliminated when preparing the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Global Tek Fabrication Co., Ltd. and Subsidiaries

Receivable from related parties with amounts exceeding the lower of NT$100 million or 20 percent of capital stock

As of December 31, 2022

Attachment 6

(In Thousands of New Taiwan Dollars)

Company	Counterparty	Relationship	Ending Balance	Turnover Ratio	Overdue		Amount Received in Subsequent Periods	Loss Allowance
					Amount	Action Taken		
Global Tek (Wuxi) Co., Ltd.	Global Tek Co., Ltd.	Associate	$194,215 (Note1&2)	3.44	$-	-	$151,577	$-
Global Tek (Xi'An) Co., Ltd.	Globaltek Xi'An Machinery Manufacturing Co., Ltd.	Associate	$105,362 (Note1&2)	2.77	$-	-	$77,153	$-

Note 1: Accounts receivables.

Note 2: Transactions are eliminated when preparing the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Global Tek Fabrication Co., Ltd. and Subsidiaries

Intercompany Relationships and Significant Intercompany Transactions

For the Year Ended December 31, 2022

Attachment 7

(In Thousands of Foreign Currency / New Taiwan Dollars)

No Note1	Company Name	Counter-Party	Nature of Relationship (Note 2)	Intercompany Transaction			
				Financial Statement Account	Amount	Terms	Percentage to Consolidated Net Revenue or Total Assets (Note 3)
	2022.01.01～2022.12.31						
0	Global Tek Fabrication Co., Ltd.	Global Tek (Xi’An) Co., Ltd.	1	Operating costs	$(22,342)	Note5	(0.45)%
0	Global Tek Fabrication Co., Ltd.	Global Tek (Xi’An) Co., Ltd.	1	Operating costs	271,590	No difference compared with general manufacturers	5.45%
0	Global Tek Fabrication Co., Ltd.	Global Tek (Xi’An) Co., Ltd.	1	Account payables	58,578	No difference compared with general manufacturers	0.73%
0	Global Tek Fabrication Co., Ltd.	Global Tek (Xi’An) Co., Ltd.	1	Other receivables	4,682	-	0.06%
1	Global Tek (Xi’An) Co., Ltd.	Globaltek Xi’An Machinery Manufacturing Co., Ltd.	3	Accounts receivable	105,362	No difference compared with general client	1.31%
1	Global Tek (Xi’An) Co., Ltd.	Globaltek Xi’An Machinery Manufacturing Co., Ltd.	3	Operating revenue	276,777	No difference compared with general client	5.55%
2	Global Tek Co., Ltd.	Global Tek (Wuxi) Co., Ltd.	3	Other receivables	95,215	-	1.19%
2	Global Tek Co., Ltd.	Global Tek (Wuxi) Co., Ltd.	3	Account payable	194,215	No difference compared with general manufacturers	2.42%
2	Global Tek Co., Ltd.	Global Tek (Wuxi) Co., Ltd.	3	Operating costs	554,048	No difference compared with general manufacturers	11.11%
2	Global Tek Co., Ltd.	Global Tek (Wuxi) Co., Ltd.	3	Operating costs	(229,487)	Note6	(4.60)%

Note 1: Transaction information between Parent company and its subsidiaries should be disclosed by codes below:

(1) Parent company is coded "0".

(2) The subsidiaries are coded from "1" in the order presented in the table above.

Note 2: Relationship are divided into the following three types and the types are required to be indicated:

(1) From the parent company to a subsidiary.

(2) From a subsidiary to the parent company.

(3) Between subsidiaries.

Note 3: Regarding the percentage of transaction amount to consolidated operating revenues or total assets, it is computed based on the ending balance to consolidated total assets for balance sheet items; and based on interim accumulated amount to consolidated net revenue for income statement items.

Note 4: The foreign currency amount is converted into NT dollars based on the exchange rate on the balance sheet date.

Note 5: Global Tek Fabrication Co., Ltd. purchases some production consumables on behalf of the mainland subsidiary.

Note 6: Global Tek Co., Ltd. purchases some production consumables on behalf of the mainland subsidiary.