

Stock code: 6167

Powertip Technology Corporation
Parent company only Financial
Statements and Independent Auditor's
Report

For the Years Ended December 31, 2022 and 2021

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Independent Auditor's Report

To the board of directors of Powertip Technology Corporation:

Audit opinions

We have audited the balance sheet of Powertip Technology Corporation as at December 31, 2022 and 2021, and the statement of comprehensive income, statement of changes in equity, cash flow statement, and the accompanying footnotes (including summary of key accounting policies) for the periods January 1 to December 31, 2022 and 2021.

In our opinion, all material disclosures of the parent company only financial statements mentioned above were prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and the version of International Financial Reporting Standards, and presented a fair view of the financial position of Powertip Technology Corporation as at December 31, 2022 and 2021, and business performance and cash flow for the periods January 1 to December 31, 2022 and 2021.

Basis of audit opinion

We have conducted our audits on the financial statements in accordance with Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing standards. Our responsibilities as an auditor for the parent company only financial statements under the abovementioned standards are explained in the Responsibilities paragraph. All relevant personnel of the accounting firm have followed CPA code of ethics and maintained independence from Powertip Technology Corporation when performing their duties. We believe that the evidence obtained provide an adequate and appropriate basis for our opinion.

Key audit issues

Key audit issues are matters that we considered to be the most important, based on professional judgment, when auditing the 2022 parent company only financial statements of Powertip Technology Corporation. These issues have already been addressed when we audited and formed our opinions on the parent company only financial statements. Therefore we do not provide opinions separately for individual issues. Below are the key audit issues that we consider relevant for disclosure in this audit report:

I. Revenue recognition

Please refer to Note 4 (14) "Revenue recognition" in the parent company only financial statements for the accounting policy on revenue recognition; please refer to Note 6 (14) "Revenue from contracts with customers" for additional information on revenue.

Explanation of key audit issues:

Powertip Technology Corporation mainly engages in the manufacturing and sales of various LCD modules. Operating revenue is one of the important items in the parent company only financial statements, and the amount and changes in the operating revenue may affect the financial statement users' understanding of such statements. For this reason, revenue recognition testing was identified as one of our key audit matters when we audited the parent company only financial statements of Powertip Technology Corporation.

Audit procedures:

Our main audit procedures for the above key audit matter included testing the control over the sales and collection cycle, checking and adjusting the sales system data and the general ledger, sampling and testing the details of the relevant supporting documents, and assessing if the timings of Powertip Technology Corporation's recognition of operating revenue and the recognized amounts were handled in accordance with the relevant standards.

Responsibilities of the management and governance body to the parent company only financial statements

Responsibilities of the management were to prepare and ensure fair presentation of parent company only financial statements in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and to exercise proper internal control practices that are relevant to the preparation of consolidated financial statements so that the parent company only financial statements are free of material misstatements, whether caused by fraud or error.

The management's responsibilities when preparing parent company only financial statements also involved: assessing the ability of Powertip Technology Corporation to operate, disclose information, and account for transactions as a going concern unless the management intends to liquidate Powertip Technology Corporation or cease business operations, or is compelled to do so with no alternative solution.

The governance body of Powertip Technology Corporation (including the Audit Committee) is responsible for supervising the financial reporting process.

Responsibilities of the auditor when auditing parent company only financial statements

The purposes of our audit were to obtain reasonable assurance of whether the parent company only financial statements were prone to material misstatements, whether due to fraud or error, and to issue a report of our audit opinions. We considered assurance to be reasonable only if it is highly credible. However, audit tasks conducted in accordance with the auditing principles do not necessarily guarantee detection of all material misstatements within the parent company only financial statements. Misstatements can arise from fraud or error. Misstatements are considered material if the individual amount or aggregate total is reasonably expected to affect economic decisions of the parent company only financial statement user.

When conducting audits in accordance with the auditing principles, we exercised judgments and skepticism as deemed professionally appropriate. We also performed the following tasks as an auditor:

1. Identifying and assessing risks of material misstatement due to fraud or error; designing and executing appropriate response measures for the identified risks; and obtaining adequate and appropriate audit evidence to support audit opinions. Fraud may involve conspiracy, forgery, intentional omission, untruthful declaration, or breach of internal control, and our audit did not find any material misstatement where the risk of fraud is greater than the risk of error.
2. Developing the required level of understanding on relevant internal controls and designing audit procedures that are appropriate under the prevailing circumstances, but without providing opinion on the effectiveness of internal control system of Powertip Technology Corporation.
3. Assessing the appropriateness of accounting policies adopted by the management, and the rationality of accounting estimates and related disclosures made.
4. Forming conclusions regarding the appropriateness of management's decision to account for the business as a going concern, and whether there are doubts or uncertainties about the ability of Powertip Technology Corporation to operate as a going concern, based on the audit evidence obtained. We are bound to remind users of parent company only financial statements and make related disclosures if uncertainties exist in regards to the abovementioned events or circumstances, and amend audit opinions when the disclosures are no longer appropriate. Our conclusions are based on the audit evidence obtained up to the date of audit report. However, future events or change of circumstances may still render Powertip Technology Corporation no longer capable of operating as a going concern.
5. Assessing the overall presentation, structure, and contents of the parent company only financial statements (including related footnotes), and whether certain transactions and events are presented appropriately in the parent company only financial statements.
6. Obtaining sufficient and appropriate audit evidence on the financial information of equity-accounted investments, and expressing opinions on the parent company only financial statements. Our responsibilities as auditor are to instruct, supervise, and execute audits and form audit opinions on Powertip Technology Corporation.

We have communicated with the governance body about the scope, timing, and significant findings (including significant defects identified in internal control) of our audit.

We have also provided the governance body with a declaration of independence stating that all relevant personnel of the accounting firm have complied with auditors' professional ethics of the Republic of China, and communicated with the governance body on all matters that may affect the auditor's independence (including protection measures).

We have identified the key audit issues after communicating with the governance body regarding the 2022 parent company only financial statements of Powertip Technology Corporation. These issues have been addressed in our audit report except for: 1. Certain topics that are prohibited by law from disclosing to the public; or 2. Under extreme circumstances, topics that we decide not to communicate in the audit report because of higher negative impacts they may cause than the benefits they bring to public interest.

The engagement partners on the audit resulting in this independent auditor's report are Wang, Yi-Wen and Kuo, Guan-Ying.

KPMG

Taipei, Taiwan (Republic of China)

March 21, 2023

Notes to Readers

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

Powertip Technology Corporation

Balance Sheet

As at December 31, 2022 and 2021

Unit: NTD thousand

		2022.12.31		2021.12.31				2022.12.31		2021.12.31	
		Amount	%	Amount	%			Amount	%	Amount	%
Assets						Liabilities and equity					
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (Note 6(1))	\$ 484,843	21	317,880	16	2170	Notes and accounts payable	\$ 98,757	4	137,870	7
1170	Notes and accounts receivable - net (Note 6(3))	209,269	9	269,135	13	2180	Accounts payable - related parties (Note 7)	189,000	8	128,467	6
1180	Accounts receivable - related parties, net (Notes 6(3) and 7)	38,390	2	1,248	-	2200	Other payables (including related parties)	79,629	4	48,730	3
1310	Inventory (Note 6(5))	87,374	4	53,279	3	2230	Current income tax liabilities	19,489	1	3,229	-
1476	Other financial assets - current (Notes 6(4), 7, and 8)	10,806	-	7,582	-	2300	Other current liabilities	48,999	2	25,575	1
1470	Other current assets	11,760	-	19,982	1	2322	Long-term borrowings due within 1 year or 1 business cycle (Notes 6(9) and 8)	32,900	1	38,333	2
		842,442	36	669,106	33			468,774	20	382,204	19
Non-current assets:						Non-current liabilities:					
1550	Equity-accounted investments (Note 6(6))	1,006,610	43	870,529	42	2540	Long-term borrowings (Notes 6(9) and 8)	53,629	2	86,529	4
1600	Property, plant and equipment (Notes (7) and 8)	467,216	20	485,999	24	2640	Net defined benefit liabilities - non-current (Note 6(10))	14,284	1	23,959	1
1780	Intangible assets	3,173	-	3,439	-	2570	Deferred income tax liabilities and others (Notes 6(11) and 7)	1,441	-	138	-
1840	Deferred income tax assets (Note 6(11))	8,662	1	15,244	1			69,354	3	110,626	5
1900	Other non-current assets (Notes 6(8) and 8)	696	-	2,916	-			538,128	23	492,830	24
		1,486,357	64	1,378,127	67	Total liabilities					
						Equity: (Note 6(12))					
						3110	Common share capital	1,621,732	70	1,621,732	79
						3200	Capital reserve	7,060	-	7,902	-
						3310	Legal reserve	4,137	-	-	-
						3320	Special reserve	6,336	-	-	-
						3350	Retained earnings	254,334	11	41,372	3
						3400	Other equity item	(102,928)	(4)	(116,603)	(6)
						Total equity		1,790,671	77	1,554,403	76
						Major contingent liabilities and unrecognized contractual commitments (Note 9)					
						Total liabilities and equity		\$ 2,328,799	100	2,047,233	100
Total assets		<u>\$ 2,328,799</u>	<u>100</u>	<u>2,047,233</u>	<u>100</u>						

(Please refer to the attached notes to parent company only financial statements)

Chairman: Wang, Shyh-Yueh

Manager: Wang, Shyh-Yueh

Head of Accounting: Liou, Shao-Ling

Powertip Technology Corporation
Statement of Comprehensive Income
For the Periods January 1 to December 31, 2022 and 2021

Unit: NTD thousand

		2022		2021	
		Amount	%	Amount	%
4100	Net sales revenues (Notes 6(14) and 7)	\$ 2,055,551	100	1,767,842	100
5000	Operating costs (Notes 6(5), 6(10), 7, and 10)	1,800,885	88	1,494,687	84
5900	Gross profit	254,666	12	273,155	16
5920	Plus: realized (unrealized) gain or loss on sale	(2,370)	-	743	-
5900	Gross profit	252,296	12	273,898	16
Operating expenses (Notes 6(10) and 12):					
6100	Selling and marketing expenses	46,731	2	49,409	3
6200	General and administrative expenses	62,820	3	51,592	3
6300	Research and development expenses	43,189	2	39,496	2
		152,740	7	140,497	8
6900	Operating profit	99,556	5	133,401	8
Non-operating income and expenses:					
7100	Interest income	2,829	-	250	-
7375	Share of gain from subsidiaries, associated companies, and joint ventures accounted using the equity method (Note 6(6))	132,393	7	(51,828)	(3)
7190	Other income (Note 7)	9,416	-	6,954	-
7230	Gain (loss) on exchange (Note 6(16))	26,010	1	4,225	-
7510	Interest expense (Note 7)	(1,355)	-	(1,308)	-
		169,293	8	(41,707)	(3)
7900	Profit before tax	268,849	13	91,694	5
7950	Less: income tax expense (benefit) (Note 6(11))	19,815	1	10,800	1
	Current net income	249,034	12	80,894	4
8300	Other comprehensive income:				
8310	Items not reclassified into profit or loss				
8311	Remeasurement of defined benefit plan	6,518	-	1,018	-
8349	Less: Income tax on items not reclassified into profit or loss	1,304	-	-	-
		5,214	-	1,018	-
8360	Items likely to be reclassified into profit or loss				
8361	Exchange differences on translation of financial statements of foreign operations	16,207	1	(7,127)	-
8380	Share of other comprehensive income from equity-accounted subsidiaries, associated companies and joint ventures - likely to be reclassified into profit or loss	709	-	(634)	-
8399	Less: income tax on items likely to be reclassified into profit or loss (Note 6(11))	3,241	-	(1,425)	-
	Sum of items likely to be reclassified into profit or loss	13,675	1	(6,336)	-
8300	Other current comprehensive income (loss) (net, after-tax)	18,889	1	(5,318)	-
8500	Total comprehensive income - current	<u>\$ 267,923</u>	<u>13</u>	<u>75,576</u>	<u>4</u>
	Earnings per share (NTD) (Note 6(13))				
9750	Basic earnings per share (NTD)	<u>\$ 1.54</u>		<u>0.50</u>	
9850	Diluted earnings per share (NTD)	<u>\$ 1.52</u>		<u>0.50</u>	

(Please refer to the attached notes to parent company only financial statements)

Chairman: Wang, Shyh-Yueh Manager: Wang, Shyh-Yueh Head of Accounting: Liou, Shao-Ling

Powertip Technology Corporation
Statement of Changes in Equity
For the Periods January 1 to December 31, 2022 and 2021

Unit: NTD thousand

					Unappropriated earnings	Other equity items		Total	Total equity
	Common share capital	Capital reserve	Legal reserve	Special reserve		Exchange differences on translation of financial statements of foreign operations	Unrealized gain (loss) on financial assets at fair value through other comprehensive income		
Balance as at January 1, 2021	\$ 1,621,732	7,902	-	-	(40,540)	(70,777)	(39,490)	(110,267)	1,478,827
Current net income	-	-	-	-	80,894	-	-	-	80,894
Other comprehensive income (loss) - current	-	-	-	-	1,018	(6,336)	-	(6,336)	(5,318)
Total comprehensive income (loss) - current	-	-	-	-	81,912	(6,336)	-	(6,336)	75,576
Balance as at December 31, 2021	1,621,732	7,902	-	-	41,372	(77,113)	(39,490)	(116,603)	1,554,403
Current net income	-	-	-	-	249,034	-	-	-	249,034
Other comprehensive income - current	-	-	-	-	5,214	13,675	-	13,675	18,889
Total comprehensive income (loss) - current	-	-	-	-	254,248	13,675	-	13,675	267,923
Earnings provision and distribution:									
Legal reserve	-	-	4,137	-	(4,137)	-	-	-	-
Special reserve	-	-	-	6,336	(6,336)	-	-	-	-
Cash dividends on common stock	-	-	-	-	(30,813)	-	-	-	(30,813)
			4,137	6,336	(41,286)				(30,813)
Changes in associated companies accounted for using the equity method	-	(842)	-	-	-	-	-	-	(842)
Balance as at December 31, 2022	\$ 1,621,732	7,060	4,137	6,336	254,334	(63,438)	(39,490)	(102,928)	1,790,671

(Please refer to the attached notes to parent company only financial statements)

Chairman: Wang, Shyh-Yueh

Manager: Wang, Shyh-Yueh

Head of Accounting: Liou, Shao-Ling

Powertip Technology Corporation
Cash Flow Statement
For the Periods January 1 to December 31, 2022 and 2021

Unit: NTD thousands

	<u>2022</u>	<u>2021</u>
Cash flow from operating activities:		
Current profit before tax	\$ 268,849	91,694
Adjustments:		
Income, expenses and losses:		
Depreciation expenses	23,181	22,016
Amortization expenses	1,205	788
Interest expenses	1,355	1,308
Interest income	(2,829)	(250)
Share of losses (profits) on equity-accounted subsidiaries, associated companies, and joint ventures	(132,393)	51,828
Others	2,250	(849)
Total income, expenses and losses	(107,231)	74,841
Net change in assets related to operating activities:		
Decrease (increase) in notes and accounts receivable	59,866	(101,921)
Decrease (increase) in accounts receivable - related parties	(37,142)	1,989
Increase in inventories	(34,095)	(19,683)
Increase in other financial assets	(3,222)	(698)
Decrease (increase) in other current assets	8,222	(5,777)
Total net change in assets related to operating activities	(6,371)	(126,090)
Net change in liabilities related to operating activities:		
Increase (decrease) in notes and accounts payable	21,420	(31,676)
Increase in other payables and other current liabilities	53,864	11,547
Decrease in net defined benefit liabilities	(3,158)	(2,848)
Total net change in liabilities related to operating activities	72,126	(22,977)
Total net change in assets and liabilities related to operating activities	65,755	(149,067)
Total adjustments	(41,476)	(74,226)
Cash inflow from operating activities	227,373	17,468
Interest received	2,827	242
Interest paid	(1,480)	(1,492)
Income tax refunded (paid)	(215)	193
Net cash inflow from operating activities	228,505	16,411
Cash flow from investing activities:		
Acquisition of property, plant and equipment	(3,065)	(1,967)
Disposal of financial assets at fair value through other comprehensive income	-	1,023
Dividends received	10,217	7,265
Other investing activities	831	(4,036)
Net cash inflow from investing activities	7,983	2,285
Cash flow from financing activities:		
Borrowing of long-term loan	-	25,129
Repayment of long-term borrowings	(38,333)	(30,000)
Increase in guarantee deposits received	-	(76)
Repayment of lease liabilities	(379)	(747)
Payout of cash dividends	(30,813)	-
Net cash outflow from financing activities	(69,525)	(5,694)
Increase in cash and cash equivalents for the current period	166,963	13,002
Opening cash and cash equivalents balance	317,880	304,878
Closing cash and cash equivalents balance	<u>\$ 484,843</u>	<u>317,880</u>

(Please refer to the attached notes to parent company only financial statements)

Chairman: Wang, Shyh-Yueh

Manager: Wang, Shyh-Yueh

Head of Accounting: Liou, Shao-Ling

Powertip Technology Corporation
Notes to Parent Company Only Financial Statements
For the Years Ended December 31, 2022 and 2021
(Unless otherwise specified, all amounts are presented in NTD thousands)

I. Company history

Powertip Technology Corporation (the Company) was incorporated on September 2, 1991 under the approval of the Ministry of Economic Affairs, and has business address registered at No. 8, Gongyequ 6th Road, Xitun District, Taichung City. The Company is mainly involved in the manufacturing, processing, and trading of various types of LCD display module.

II. Financial statement approval date and procedures

The parent company only financial statements were passed during the board of directors meeting dated March 21, 2023.

III. Application of new and amended standards and interpretations

(I) Effect of adopting the latest and amended standards and interpretations approved by Financial Supervisory Commission ("FSC")

The Company became subject to the newly revised international financial reporting standards listed below since January 1, 2022, and the adoption of which had no material impact on the parent company only financial statements.

- Amendments to IAS 16 regarding "Property, Plant and Equipment: Proceeds before Intended Use"
- Amendment to IAS 37 regarding "Onerous Contracts - Cost of Fulfilling a Contract"
- IFRS improvements for years 2018-2020
- Amendments to IFRS 3 regarding "Reference to the Conceptual Framework"

(II) Impact of not adopting FSC-approved IFRS

Based on the Company's own evaluation, adopting the newly revised international financial reporting standards listed below that take effect from January 1, 2022 onwards do not have material impact on the parent company only financial statements.

- Amendments to IAS 1 regarding "Disclosure of Accounting Policies"
- Amendments to IAS 8 regarding "Definition of Accounting Estimates"
- Amendments to IAS 12 regarding "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

Notes to parent company only financial statements of Powertip Technology Corporation (continued)

(III) Newly published/revised standards and interpretations that are not yet approved by FSC

The standards and interpretations that have been issued and revised by the International Accounting Standards Board (IASB) but have not yet been endorsed by the FSC and may be relevant to the Company are as follows:

New and amended standards	Major details	Effective date announced by IASB
· Amendments to IAS 1 regarding "Classification of Liabilities as Current or Non-current"	Under the existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. In the amendments, the requirement for a right to be unconditional has been removed, and instead now IASB requires that a right to defer settlement must exist at the reporting date and have substance. The amendments also clarify how a company classifies a liability that can be settled in its own equity instruments (such as convertible corporate bonds).	January 1, 2024
· Amendments to IAS 1 "Non-current Liabilities with Covenants"	After certain aspects of the 2020 amendments to IAS 1 were reconsidered, the new amendments reconfirmed that only covenants with which a company must comply on or before the balance sheet date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the balance sheet date (i.e. future covenants) do not affect a liability's classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the balance sheet date.	January 1, 2024

The Company is currently evaluating the impact of the above standards and interpretations on its financial position and operating performance and will disclose relevant impacts when completing the evaluation.

The Company does not expect that other new and revised standards that have not yet been endorsed will have a material impact on the parent company only financial statements.

- Amendments to IFRS 10 and IAS 28 regarding "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"
- IFRS 17 - Insurance Contracts and amendments to IFRS 17
- Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9—Comparative Information"
- Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"

IV. Summary of significant accounting policies

Below is a summary of significant accounting policies adopted for the preparation of parent company only financial statements. Unless otherwise specified, the following accounting policies have been applied consistently across all periods presented in this financial statement.

(I) Statement of compliance

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

Notes to parent company only financial statements of Powertip Technology Corporation (continued)

(II) Basis of preparation

1. Basis for measurement

This financial statement is prepared on the basis of historical cost, except for the key balance sheet items listed below:

- (1) Financial assets at fair value through profit or loss (including derivatives);
- (2) Financial assets at fair value through other comprehensive income; and
- (3) Net defined benefit liabilities, which is measured by deducting the present value of defined benefit plan obligations and the effect of the limits described in Note 4(17) from the fair value of pension fund assets.

2. Functional currency and presentation currency

The Company has designated its functional currency as the main currency used in the economic environment where operations take place. The parent company only financial statements are presented using the Company's functional currency (NTD). All financial figures denominated in NTD have been presented in NTD thousands.

(III) Foreign currency

1. Foreign currency transactions

Foreign currency transactions are converted into the functional currency using exchange rates as of the date of transaction. Foreign currency monetary items outstanding at the end of each reporting period (referred to as reporting date below) are subsequently converted into the functional currency using exchange rate applicable on that day.

Foreign currency-denominated non-monetary items carried at fair value are converted into the functional currency using exchange rate as of the valuation date. Foreign currency-denominated non-monetary items carried at historical cost are converted using exchange rate as of the initial transaction date.

Differences from foreign currency conversion are generally recognized through profit or loss, or recognized through other comprehensive income under the following circumstances:

- (1) Equity instruments designated to be carried at fair value through other comprehensive income;
- (2) Financial liabilities designated to hedge net investment in foreign operations, within the effective scope of hedge; or
- (3) Qualifying cash flow hedge, within the effective scope of hedge.

2. Foreign operations

Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising at the time of acquisition, are converted into the functional currency using exchange rates as at the reporting date. Income, expenses, and losses are converted into the functional currency using average exchange rate for the current period. Any differences on exchange are recognized through other comprehensive income.

Notes to parent company only financial statements of Powertip Technology Corporation (continued)

If a disposal of foreign operation results in a loss of control, joint control, or significant influence, all conversion differences previously accumulated on the foreign operation are reclassified into profit or loss. In a partial disposal of subsidiary that contains foreign operations, conversion differences previously accumulated on the subsidiary are re-allocated proportionally to non-controlling shareholders. In a partial disposal of associated company or joint venture that contains foreign operations, conversion differences previously accumulated on the investment are reclassified proportionally to profit or loss.

For monetary receivables or payables of foreign operations that do not have defined settlement plans and are impossible to be settled in the foreseeable future, any gains/losses arising from foreign currency exchange are treated as a part of net investments in the foreign operation and recognized through other comprehensive income.

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

Assets that meet one of the following conditions are classified as current assets; assets that do not meet the criteria for current asset are classified as non-current assets:

1. Assets that are expected to be realized, or intended to be sold or consumed, over the normal operating cycle;
2. Assets that are held mainly for the purpose of trading;
3. Assets that are expected to be realized within 12 months after the end of the reporting period; or
4. Cash or cash equivalents, except those that will be swapped or used to repay liabilities at least 12 months from the reporting period, and those with restricted uses.

Liabilities that match any of the following criteria are classified as current liabilities; liabilities that do not meet the criteria for current liability are classified as non-current liabilities:

1. Liabilities that are expected to be repaid within the normal operating cycle;
2. Liabilities that are held mainly for the purpose of trading;
3. Liabilities that are expected to be repaid within 12 months after the end of the reporting period; or
4. Liabilities with repayment terms that cannot be extended unconditionally beyond 12 months after the reporting period. Liabilities with terms that give counterparties the option to be repaid in the form of equity instruments do not affect their classification.

(V) Cash and cash equivalents

Cash includes cash on hand and demand deposits. Cash equivalent refers to short-term and highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Time deposit that meets the abovementioned definition and is intended to meet short-term cash commitment instead of investment or other purposes is stated as cash equivalent.

(VI) Financial instruments

Accounts receivable and debt securities issued are recognized at the time occurred. All other financial assets and financial liabilities are recognized at initiation when the Company becomes a party to a financial instrument contract. Financial assets or liabilities that are not carried at fair value through profit or loss (excluding accounts receivable without major financial component) are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issuance. Accounts receivable without major financial component are initially measured at transaction price.

1. Financial assets

Purchase and sale of financial asset that conforms with customary practices is accounted using trade day accounting, and the same approach is applied consistently to financial assets of the same classification.

Notes to parent company only financial statements of Powertip Technology Corporation (continued)

Financial assets are classified at initiation into: financial assets carried at amortized cost, financial assets at fair value through other comprehensive income, or financial assets at fair value through profit or loss.

Only when the Company changes the ways financial assets are managed will it reclassify the affected financial assets according to policy, starting from the next reporting period.

(1) Financial assets carried at amortized cost

Financial assets that meet all of the following conditions and are not designated to be carried at fair value through profit or loss are carried at amortized cost:

- Financial assets that are held for the purpose of collecting contractual cash flow.
- Contractual terms of the financial asset give rise to cash flows on specific dates, and the cash flows are intended solely to pay principals and interests accruing on outstanding principals.

These assets are subsequently carried at initial cost plus/less accumulated amortization calculated using the effective interest rate method and after adjusting for loss provisions. Interest income, gain/loss on foreign currency exchange, and impairment loss are recognized through profit or loss. When removed from balance sheet, gains or losses are recognize through profit or loss.

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

Debt instruments that satisfy all of the following conditions and are not designated to be carried at fair value through profit or loss are carried at fair value through other comprehensive income:

- Financial assets that are held for the purpose of collecting contractual cash flow and sale.
- Contractual terms of the financial asset give rise to cash flows on specific dates, and the cash flows are intended solely to pay principals and interests accruing on outstanding principals.

At initiation, the Company can make an irrevocable choice to account for subsequent fair value changes through other comprehensive income for equity instruments that are not held for trading. The above choice is determined on an instrument-by-instrument basis.

Investments in debt instruments are subsequently measured at fair value. Interest income calculated using the effective interest method, gain/loss on currency exchange, and impairment loss are recognized through profit or loss; other net gains or losses are recognized through other comprehensive income. When removed from balance sheet, amounts accumulated under other comprehensive income are reclassified into profit or loss.

Investments in equity instruments are subsequently measured at fair value. Dividend income is recognized through profit or loss (unless the dividends clearly represent a partial recovery of the investment cost). Other net gains or losses are recognized through other comprehensive income and are not reclassified into profit or loss.

Dividend income from equity investments are recognized on the day the Company becomes entitled to collect them (which is usually the ex-dividend day).

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

Financial assets that are neither carried at amortized cost nor at fair value through other comprehensive income are carried at fair value through profit or loss; this includes derivative financial assets. At initial recognition, the Company can make an irrevocable decision to designate financial assets that satisfy the criteria of being carried at amortized cost or at fair value through other comprehensive income to be carried at fair value through profit or loss, for the purpose of eliminating or reducing accounting mismatch.

Notes to parent company only financial statements of Powertip Technology Corporation (continued)

Balance is initially measured at fair value with transaction costs recognized through profit or loss, and subsequently measured at fair value with remeasurement gains or losses (including any dividend and interest income) recognized through profit or loss.

(4) Impairment on financial assets

The Company recognizes loss provisions on financial assets carried at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivables, guarantee deposits paid, and other financial assets) based on expected credit loss.

Loss provisions for the following financial assets are made based on 12-month expected credit loss; for all other financial assets, loss provisions are made based on expected credit loss for the remaining lifetime:

- Debt securities that are deemed to be of low risk as of the reporting date; and
- Other debt securities and bank deposits that exhibit no significant increase in credit risk (i.e. risk of default over the financial instrument's expected duration) since initial recognition.

Loss provisions for accounts receivable and contractual assets are measured based on expected credit loss over the remaining lifetime.

When assessing whether a financial instrument has significantly increased in credit risk since initial recognition, the Company uses reasonable and verifiable information (that can be obtained without excessive cost or investment) including qualitative and quantitative data in conjunction with its own past experience, credit rating, and forecasts.

The Company considers a debt security to be of low credit risk if it is awarded a credit risk rating equivalent to the "investment grade" commonly recognized in the world (i.e. BBB- by Standard & Poor-, Baa3 by Moody's, or twA by Taiwan Ratings, or higher).

The Company considers credit risk to have increased significantly if contractual payment is overdue for more than 30 days.

The Company considers financial asset to have defaulted if contractual payment is overdue for more than 90 days, or if the borrower is unlikely to fulfill credit obligation and make pay full payment to the Company.

Expected credit loss for the remaining lifetime refers to the amount of credit losses that the financial instrument is likely to incur due to any possible default event in the remaining lifetime.

12-month expected credit loss refers to the amount of credit loss that a financial instrument may incur due to default event in the next 12 months (or shorter, if the financial instrument's expected remaining lifetime is less than 12 months).

The longest duration by which expected credit loss is measured is the maximum contract duration in which the Company is exposed to credit risk.

Expected credit loss is estimated by weighing credit losses for the remaining lifetime of a financial instrument against probability of occurrence. Credit losses are measured as the shortfall of cash collected, which is the difference between the amount of contractual cash flow collectible and the amount of cash flow the Company expects to collect. Expected credit losses are discounted at effective interest rate applicable to the financial asset.

The Company assesses financial assets carried at amortized cost for credit impairment on every reporting date. A financial asset is deemed to have credit-impaired if estimated future cash flow exhibits one or several adverse events. Evidence of credit impairment includes any observable data that can be used to establish the following with respect to a financial asset:

- The borrower or issuer encounters significant financial distress;
- Event of default, such as delinquency or more than 90-day overdue;

Notes to parent company only financial statements of Powertip Technology Corporation (continued)

- The Company grants compromise to the borrower for reasons relating to financial distress or contractual obligation that the Company would not have done so otherwise;
- The borrower is very likely to file for bankruptcy or undergo financial restructuring; or
- Occurrence of financial distress that may cause the financial asset to be removed from active market.

Loss provisions on financial assets carried at amortized cost are deducted from book value. Loss provisions and reversals are recognized through profit or loss.

When the Company has reason to believe that it may not recover part or all of a financial asset, the total book value of financial asset is reduced directly to reflect the expectation. If the counterparty is a corporate entity, the Company would analyze the timing and amount of charge-off based on rational expectations about recoverability. The Company expects no major reversal of amounts that it has charged off. However, the Company may still make claims on charged-off financial assets according to its recovery procedures.

(5) Removal of financial assets

Financial assets can be removed from balance sheet only if all contractual cash flow entitlements have ended, or if the asset has been transferred with virtually all risks and returns of ownership assumed by another party, or in situations where the Company neither transfers nor retains virtually all risks and returns associated with ownership and retains no control over such financial asset.

The Company will continue recognizing financial assets it has signed transfer agreement for on the balance sheet if it retains virtually all risks and returns associated with the ownership of the transferred asset.

2. Financial liabilities and equity instruments

(1) Classification of liabilities or equity

Debt and equity instruments issued by the Company are classified into financial liabilities or equity depending on the terms of the underlying contract and the definitions of financial liability and equity used.

(2) Equity transactions

Equity instrument refers to any contract that represents the Company's entitlement to assets net of liabilities. Equity instruments issued by the Company are recognized at the amount of proceeds received net of direct issuing costs.

(3) Financial liabilities

Financial liabilities are classified into those that are carried at amortized cost and those that are carried at fair value through profit or loss. Financial liabilities are carried at fair value through profit or loss if they are held for trading, characterized as derivative instrument, or designated to be so at initial recognition. Financial liabilities at fair value through profit or loss are carried at fair value with net gains and losses, including any interest expense, recognized through profit or loss.

Other financial liabilities are recognized at fair value plus directly attributable transaction costs at initiation, and subsequently measured at amortized cost using the effective interest method. Interest expenses and gains/losses on currency exchange are recognized through profit or loss. When removing from balance sheet, any gains or losses incurred are also recognized through profit or loss.

(4) Removal of financial liabilities

Financial liabilities are removed from the consolidated balance sheet upon fulfillment, cancellation, or expiry of contractual obligation. If a change in the terms of a financial liability alters cash flow by a significant extent, the old financial liability is removed and a new financial liability will be recognized based on the revised terms.

Notes to parent company only financial statements of Powertip Technology Corporation (continued)

When a financial liability is removed, the difference between book value and the consideration paid or payable (including any non-cash assets transferred or any additional liabilities borne) is recognized through profit or loss.

(5) Offset of financial assets and liabilities

Financial assets and financial liabilities may be offset against each other and reported on the balance sheet in net amount only when the Company is legally entitled to do so, and has the intention to settle assets and liabilities in net amount or realize them both at the same time.

3. Derivative instruments and hedge accounting

The Company holds derivative instruments for hedging foreign currency and interest rate risks. For instruments with embedded derivatives, the embedded derivatives are accounted separately from the master contract if they meet certain criteria and that the master contract is not a financial asset. These derivatives are measured at fair value at initiation, and subsequently measured at fair value with remeasurement gains or losses recognized directly through profit or loss.

(VII) Inventory

Inventory is valued at the lower of cost and net realizable value. Cost includes all costs incurred to acquire, produce, process, and bring inventory to its usable state and location, and is calculated using the weighted average method. Cost of finished goods and work-in-progress includes manufacturing overheads, which are allocated proportionally based on normal production capacity. However, given the insignificant difference between actual and normal capacity, overheads were allocated based on actual capacity instead.

Net realizable value refers to the estimated selling price less all additional costs required for completion and all associated marketing expenses under normal circumstances.

(VIII) Investment in associated companies

Associated company is an entity in which the Company has significant influence over financial and operating decisions, but no single or joint control.

The Company accounts for associated companies using the equity method. Under the equity method, investments are accounted at acquisition cost at initiation; acquisition cost includes transaction cost. The book value of associated company includes goodwill recognized at initiation less any cumulative impairment losses.

The parent company only financial statements include profit or loss and other comprehensive income from associated companies, recognized based on percentage of equity ownership and adjusted for consistency of accounting policy, from the day the Company gains significant influence until the day it no longer exercises significant influence. If an associated company undergoes a change of equity that is not attributed to profit, loss, or other comprehensive income and has no impact on the Company's shareholding percentage, the Company will recognize the change of equity proportionally in "Capital reserve."

Unrealized gains and losses arising from transactions between the Company and associated companies are recognized in corporate financial statements only for the percentage of ownership that is controlled by non-related investors.

The Company will stop recognizing losses on associated companies when its share of the loss equals or exceeds the value of equity held. The Company will recognize extra losses and liabilities only for legal obligations and constructive obligations occurred, or payments made on behalf of investees.

Notes to parent company only financial statements of Powertip Technology Corporation (continued)

(IX) Investment in subsidiaries

When preparing parent company only financial statements, the Company accounts for controlled investees using the equity method. Under the equity method, the amount of current profit/loss and other comprehensive income attributable to parent company shareholders are consistent between parent company only and consolidated financial statements, and the amount of equity attributable to parent company shareholders are also consistent between parent company only and consolidated financial statements.

Change of ownership interest in a subsidiary without losing control is treated as equity transaction between owners.

(X) Property, plant, and equipment

1. Recognition and measurement

Property, plant, and equipment are recognized and measured using the cost method, and presented at original cost less accumulated depreciation and impairment. The original cost includes all cash outlays directly related to the acquisition of the asset. Furthermore, any software purchased for the purpose of integrating equipment functions is treated as a part of the equipment and is capitalized.

For any property, plant, or equipment that comprises several different components, each major component is treated as a separate property, plant, or equipment if it makes up a material part relative to total cost and if use of different depreciation rate or method is deemed more appropriate.

Gain or loss on disposal of property, plant, and equipment is recognized through profit or loss.

2. Subsequent costs

Subsequent expenditures are capitalized only when the Company is very likely to realize future economic benefits.

3. Depreciation

Depreciation is calculated using the straight-line approach, in which the cost of asset net of residual value is divided by the useful life of each component, and recognized through profit or loss.

No depreciation is provided on land.

The following useful life estimates are used for the current and comparative periods:

- (1) Buildings and accessory equipment: 1-50 years
- (2) Machinery: 1-8 years
- (3) Molding equipment: 1-6 years
- (4) Transport equipment: 1-5 years
- (5) Office and sundry equipment: 1-10 years

The Company reviews its depreciation method, useful life, and residual value estimates yearly on each reporting date. Changes are made as deemed necessary and appropriate.

(XI) Leases

The Company evaluates whether a contract meets the criteria of (or contains arrangements characterized as) lease on the day of establishment. A contract is considered as lease or deemed to contain lease elements if it involves a transfer of control over identified assets for a period of time in exchange for consideration.

Notes to parent company only financial statements of Powertip Technology Corporation (continued)

1. As a lessee

The Company recognizes right-of-use assets and lease liabilities on the lease start date. Right-of-use assets are measured at cost at initiation; this cost includes the initial amount of lease liability, adjusted for any lease payments paid on or before the lease start date, plus any initial direct costs incurred and any estimated costs to dismantle/remove the asset and restore the location or the asset to its original state, less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis from the lease start date until the end of useful life of right-of-use asset or until expiry of the lease tenor, whichever the earlier. Furthermore, the Company regularly assesses right-of-use assets for impairment and accounts for impairment losses as they occur. Right-of-use assets are also adjusted in circumstances where lease liabilities are subject to remeasurement.

Lease liabilities are initially measured as the present value of unpaid lease payments as at the lease start date. Interest rate implicit in a lease is used as the discount rate if it can be easily determined; if the rate can not be easily determined, the Company's incremental borrowing rate will be used as the discount rate instead. In general, the Company uses incremental borrowing rate as the discount rate.

The types of lease payments included in the calculation of lease liabilities include:

- (1) Fixed payments, including in-kind fixed payments;
- (2) Variable lease payments that are determined by certain index or rate, which are initially measured using index or rate as at the lease start date.

Lease liabilities subsequently accrue interest using the effective interest approach, and are remeasured in the following circumstances:

- (1) When there is a change in the index or rate used for determining lease payments, which leads to changes in future lease payments;
- (2) When there is a change in the likelihood of exercising lease extension/termination option, which may alter expectation about the lease tenor; and
- (3) When there is a change in leased asset, scope of lease, or other terms.

When lease liability is remeasured due to a change in the index or rate used to determine lease payment or due to a change in the assessment of purchase, extension, or termination option, a corresponding adjustment is also made to the book value of right-of-use asset at the same time. When book value of the right-of-use asset has been reduced to zero, further remeasurements are recognized through profit or loss instead.

Any contract amendment that reduces the scope of lease is accounted by reducing the book value of right-of-use asset by an amount that reflects partial or total termination of lease arrangement. Any difference between right-of-use asset and remeasured lease liability is recognized through profit or loss.

Right-of-use assets that do not meet the definition of investment property and lease liabilities are presented on the balance sheet as single-line items.

For short-term leases such as corporate vehicles and photocopiers and leases of low-value assets, the Company chooses not to recognize right-of-use asset or liability, but instead recognizes lease payments as expenses over the course of the lease tenor on a straight-line basis.

2. As a lessor

For lease arrangements where the Company is a lessor, the terms of the lease contract are evaluated to determine whether virtually all risks and returns associated with ownership of the asset are transferred on the day of lease commencement. If so, the contract would be classified as a financial lease; if not, the asset would be classified as an operating lease. When evaluating leases, the Company takes into consideration whether the lease tenor covers a major portion of the asset's useful life, among other indicators.

Notes to parent company only financial statements of Powertip Technology Corporation (continued)

For lease arrangements where the Company is an intermediate lessor, the Company accounts for the master lease and the sublease separately, and classifies the sublease based on the right-of-use asset given rise by the master lease. If the master lease is short-term in nature and is exempted from lease recognition, the sublease is classified as operating lease.

(XII) Intangible assets

1. Research and development

Expenses relating to research activities are recognized in profit or loss when incurred.

Development expenses are capitalized only if: the amount can be measured reliably; the product or process being developed is technologically or commercially feasible; the Company is very likely to receive future economic benefits; and the Company has both the intention and adequate resources to complete the development and make use or sell the completed result. All other development expenses are recognized through profit or loss when incurred. After initial recognition, capitalized development expenses are measured at cost less accumulated amortization and impairment.

2. Other intangible assets

Other intangible assets of limited useful life acquired by the Company are carried at cost less accumulated amortization and cumulative impairment.

3. Subsequent expenses

Subsequent expenses are capitalized only if they are able to increase future economic benefits of certain assets. All other expenses are recognized through profit or loss when incurred, including internally developed goodwill and brands.

4. Amortization

When accounting for amortization, the amortizable amount is determined as the cost of asset less residual value.

Except for goodwill and intangible assets with undefined useful life, intangible assets are amortized using the straight-line method over the useful life from the time they reach the usable state. Amortizations are recognized in profit or loss.

The following useful life estimates are used for the current and comparative periods:

- (1) Cost of computer software: 1-5 years
- (2) Patent: amortized over the number of useful years

The Company examines its amortization method, useful life, and residual value estimates for intangible assets on each reporting date. Changes are made as deemed necessary and appropriate.

(XIII) Impairment of non-financial assets

The Company evaluates non-financial assets (excluding inventory, contractual assets, and deferred income tax assets) for signs of impairment in the book value on each reporting date. Assets that exhibit any of the signs will have recoverable amount estimated.

For the purpose of impairment testing, assets that generate cash inflows that are largely independent of cash inflows from other assets or groups of assets are determined as a smallest identifiable group of assets. Goodwill acquired through business combination is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination.

Recoverable amount is determined as fair value less disposal cost or the utilization value, whichever the higher. Utilization value is assessed by discounting projected cash flows to the present value using the pre-tax discount rate. This discount rate reflects the time value that the market has currently priced for the given currency, and risks that are specific to the given asset or cash-generating unit.

If the recoverable amount of an individual asset or cash-generating unit falls below its book value, the difference is recognized as impairment loss.

Notes to parent company only financial statements of Powertip Technology Corporation (continued)

Impairment losses are immediately recognized through current profit or loss against a reduction to the book value of goodwill that has been allocated to the cash-generating unit; any remaining amount of impairment will then be taken to reduce book values of other assets within the unit on a pro-rated basis (i.e. proportionally based on book value weight of each asset).

Goodwill impairment is not reversed in any case. For non-financial assets other than goodwill, impairment losses can be reversed provided that doing so does not exceed the new book value (net of depreciation or amortization) of the particular asset if impairment losses were not recognized in the first place.

(XIV) Revenue recognition

1. Revenue from contracts with customers

Income is measured as the amount of consideration expected to receive for the delivery of merchandise or service. The Company recognizes income when control of merchandise or service has been transferred to customers and the contractual obligations fulfilled. A more detailed description by main revenue categories is as follows:

(1) Sale of merchandise

The Company manufactures and sells LCD display modules. The Company recognizes revenues when control of product has been transferred. Product control is deemed to have transferred upon delivery, at a time when customer is able to exercise full discretion over the use of sales channel and selling price and no unfulfilled obligations exist that may otherwise affect customer's acceptance of the product. Delivery is deemed to have taken place when products are shipped to the designated location where all risks of obsolescence and loss are assumed by the customer, and that the customer accepts the products according to sales contract, thereby voiding the acceptance clause, or under any other circumstances where the Company has objective evidence to prove having satisfied all inspection criteria.

The Company recognizes accounts receivable at the time merchandise is delivered, as the Company has unconditional rights to collect consideration at this point.

(2) Financial component

The Company expects no more than one year between the time at which merchandise or service is transferred to customers and the time at which payment is received for such merchandise or service for all its customers. As a result, no time value adjustment is made to the transaction price.

(XV) Accounting for sale of raw materials and buyback of finished goods

The Company sells raw materials directly to Mainland subsidiaries for production; some of the finished goods are bought back directly by the Company and sold to customers. When preparing financial statements, this type of material sale is accounted as subcontracted processing in accordance with Correspondence No. (87)-Tai-Tsai-Cheng-(6)-00747 issued by Securities and Futures Institute on March 18, 1998, in which the sale of raw materials is offset against sales revenues and cost of sales.

(XVI) Government grants

The Company recognizes unconditional government grant as other income at the time when it becomes entitled to receive the grant. For asset-related grants, the Company recognizes the grants as deferred income at fair value when it has reasonable assurance about complying with conditions of the government grant and receiving such grant; this deferred income is recognized as other income on a systematic basis over the asset's useful life. Government grants that are intended to compensate the Company for various expenses or losses incurred are recognized in profit or loss on a systematic basis at the same time as related expenses.

(XVII) Employee benefits

1. Defined contribution plan

Obligated contributions under the defined contribution plan are recognized as employee benefit expense through profit or loss for the duration of services rendered.

Notes to parent company only financial statements of Powertip Technology Corporation (continued)

2. Defined benefit plan

Pension plans other than defined contribution plan are treated as defined benefit plans. The Company's net obligation under defined benefit plans are determined as the present value of employees' future benefits earned from current or previous services rendered. Fair value of any plan asset is deducted from net defined obligations. The discount rate is determined based on market yield of a government bond that has maturity date close to expiration of the Company's net obligation and is denominated in the same currency as expected benefit payment as of the reporting date.

Net obligations are estimated by a qualified actuary using the Projected Unit Credit Method on a yearly basis. Where actuarial results are favorable to the Company, the asset ceiling is determined as the present value of economic benefits available in the form of refund or reductions in future contributions. When calculating present value of economic benefit, the Company takes into consideration the minimum contribution requirement of all applicable plans. A benefit is considered to provide economic value to the Company if it can be realized over the course of a plan or upon settlement of plan liabilities.

Should plan benefits improve in the future, the increase in benefit that is attributed to previous services rendered by employees are recognized as expense immediately through profit or loss.

Remeasurement of net defined benefit obligation (asset) includes: (1) Actuarial gains/losses; (2) Return on plan assets, but excluding net interests that are already included as apart of net defined benefit obligation (asset); and (3) Changes in the effect of the asset ceiling, but excluding net interests that are already included as apart of net defined benefit obligation (asset). Remeasurement of net defined benefit obligation (asset) is recognized under other comprehensive income. However, the Company may choose to transfer amounts that have been recognized under other comprehensive income into retained earnings or other equity item. Amounts that have been transferred into other equity item can no longer be reclassified into profit or loss or retained earnings in subsequent periods, and such practices are applied consistently in future periods. The Company recognizes remeasurements of defined benefit plan in retained earnings.

The Company recognizes gain or loss on curtailment or settlement of defined benefit plan at the time it takes place. Gain/loss on curtailment or settlement includes all fair value changes in the plan asset and all present value changes in defined benefit obligation.

3. Short-term employee benefits

Short-term employee benefit obligation is measured on a non-discounted basis, and recognized as expense when relevant services are rendered.

If the Company has a statutory or constructive obligation to pay benefits in the current period due to services rendered by employee in the past and such obligation can be estimated reliably, the amount of short-term cash bonus or amount expected to be paid under the profit-sharing plan is recognized as liability.

(XVIII) Income tax

Income tax expense comprises current income tax and deferred income tax. Current income tax and deferred income tax are recognized through profit or loss, except for amounts that arise in relation to business combination and items that are recognized directly under equity or other comprehensive income.

Based on the Company's judgment, interest and penalties related to income taxes (including uncertainty over income tax treatments) do not meet the definition of income tax, and are therefore subject to the accounting treatment of IAS 37.

Notes to parent company only financial statements of Powertip Technology Corporation (continued)

Current income tax includes all income taxes refundable/payable for the current year, which is calculated based on current year's taxable income (or loss), plus any adjustment to income tax payable/refundable in previous years. This amount reflects uncertainty over income tax treatments (if any), and represents the best estimate for the amount payable/collectible using statutory or substantively enacted tax rates as of the reporting date.

Deferred income tax represents the tax impact of temporary differences between asset/liability figures presented for financial reporting purpose and asset/liability figures used for taxation basis. No deferred income tax is recognized on temporary differences that arise under the following circumstances:

1. Initial recognition of assets or liabilities for transactions unrelated to business combination, provided that accounting profit and taxable income (loss) are unaffected at the time of transaction;
2. Temporary differences arising from investment in subsidiaries, associated companies, and joint ventures, where the Company has control over the timing at which temporary difference is reversed and that the temporary difference is unlikely to be reversed in the foreseeable future; and
3. Taxable temporary differences arising from initial recognition of goodwill.

Unused tax losses and tax credits can be carried forward, added to deductible temporary differences, and recognized as deferred income tax assets to the extent that is likely to be offset against taxable income earned in the future. Deferred income tax assets are evaluated on each reporting date. Tax benefits that are not very likely to be realized will be reduced down to the realizable amount, and amounts previously reduced may be reversed up to the point where sufficient taxable income can be generated.

Deferred income tax is calculated using tax rate that is expected to be effective at the time the temporary difference is reversed. In this financial statement, the statutory tax rate or substantively enacted tax rate is used for calculation, and is deemed to have reflected uncertainty over income tax treatments (if any).

The Company will offset deferred income tax assets against deferred income tax liabilities only when the following conditions are met:

1. When it is legally entitled to offset current income tax assets against current income tax liabilities; and
2. The deferred income tax assets and deferred income tax liabilities arise in relation to income taxes imposed by the same tax authority, and the tax-paying entities meet any of the following conditions:
 - (1) The tax-paying entities are one and the same; or
 - (2) The tax-paying entities are different, but all entities have the intent to settle current income tax liabilities and assets on a netted basis or realize them at the same time, for every future period in which they expect to recover deferred income tax assets and settle deferred income tax liabilities.

Additional business income tax on unappropriated retained earnings is treated as income tax expense for the following year after a resolution is sought during the annual general meeting to retain the earning.

(XIX) Earnings per share

The Company presents earnings per share attributable to the Company's common shareholders in basic and diluted terms. Basic earnings per share of the Company is calculated by dividing the amount of profits attributable to the Company's common shareholders with the weighted average number of outstanding common shares for the given period. Diluted earnings per share is calculated after adjusting the amount of profits attributable to the Company's common shareholders and weighted average number of common shares for the dilutive effect of potential common shares.

(XX) Segment information

The Company has already disclosed segment information in the consolidated financial statements, therefore no segment information is disclosed in the parent company only financial statements.

Notes to parent company only financial statements of Powertip Technology Corporation (continued)

V. Sources of uncertainty to significant accounting judgments, estimates, and assumptions

When preparing the parent company only financial statements, the management is required to make judgments, estimates, and assumptions in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers." These judgments, estimates, and assumptions may affect the types of accounting policies adopted and amounts of asset, liability, income, and expense reported. The actual outcome may differ from initial estimates.

The management examines its estimates and assumptions on an ongoing basis. Impacts from changes in accounting estimate are recognized in the year the changes take place and in future years when impacts materialize.

Accounting policies that involve significant judgment and have material effect on the amounts recognized in the parent company only financial statements are explained below:

(I) Please refer to the 2022 consolidated financial statements for more details on how the management forms its judgment of whether the Company has control and material influence over associated companies.

Below is a list of assumptions and estimates that are highly uncertain and may result in significant adjustments in the following year:

(I) Valuation of inventory

Due to the fact that inventory is measured at the lower of cost and net realizable value, the Company assesses inventory on each reporting date for any decrease in sales value due to normal wear, obsolescence, or absence of market demand, and reduces inventory cost to net realizable value accordingly. This inventory valuation is made by estimating product demand within a specific period of time in the future, which may give rise to significant changes due to rapid development of the industry. For details on inventory valuation, please refer to Note 6(5).

VI. Notes to major accounts

(I) Cash and cash equivalents

	<u>2022.12.31</u>	<u>2021.12.31</u>
Petty cash and cash on hand	\$ 454	470
Check and current deposits	464,589	276,710
Time deposits	<u>19,800</u>	<u>40,700</u>
	<u>\$ 484,843</u>	<u>317,880</u>

Please see Note 6(16) for detailed disclosure of exchange rate risk, interest rate risk, and sensitivity analysis on the Company's financial assets and liabilities.

The Company's time deposits with an initial duration of three months and longer or those pledged as collateral are presented as Other financial assets - current. Please see Notes 6(4) and 8 for details.

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

1. Please refer to Note 6(16) for detailed information on credit risk and market risk.
2. In March 2021, the Company sold all 760 shares of Powertip Japan Co., Ltd., a business investment measured at fair value through other comprehensive income, to Techuit Co., Ltd. for NT\$1,023 thousand (JPY 3,800 thousand). Fair value at the time of disposal was reported at NT\$1,023 thousand.

Notes to parent company only financial statements of Powertip Technology Corporation
(continued)

(III) Notes & accounts receivable (including related parties)

	<u>2022.12.31</u>	<u>2021.12.31</u>
Notes receivable	\$ 1,469	4,069
Accounts receivable	207,800	293,229
Accounts receivable - related parties	<u>38,390</u>	<u>1,248</u>
	247,659	298,546
Less: loss provisions	<u>-</u>	<u>(28,163)</u>
Notes and accounts receivable, net (including related parties)	<u>\$ 247,659</u>	<u>270,383</u>

The Company adopts the simplified approach to estimate expected credit loss on all notes and accounts receivable, which involves measuring expected credit loss for the duration of its receivables. To facilitate this approach, notes and accounts receivable are divided into several groups of common credit risk characteristics by assessing customers' ability to make contractual payments at maturity. This approach takes into account forward-looking information such as the macroeconomic outlook and industry prospects. Expected credit loss analysis for notes and accounts receivable is explained below:

	<u>2022.12.31</u>		
	<u>Book value of notes and accounts receivable</u>	<u>Weighted average expected credit loss rate</u>	<u>Provision for expected credit loss over the remaining duration</u>
Current	\$ 236,623	0%	-
Overdue 31 - 60 days	10,943	0%	-
Overdue 61 - 90 days	71	0%	-
Overdue 91 - 180 days	22	0%	-
Overdue 181 days and above	<u>-</u>	100%	<u>-</u>
	<u>\$ 247,659</u>		<u>-</u>

	<u>2021.12.31</u>		
	<u>Book value of notes and accounts receivable</u>	<u>Weighted average expected credit loss rate</u>	<u>Provision for expected credit loss over the remaining duration</u>
Current	\$ 267,048	0%	-
Overdue 31 - 60 days	3,330	0%	-
Overdue 61 - 90 days	5	0%	-
Overdue 91 - 180 days	-	0%	-
Overdue 181 days and above	<u>28,163</u>	100%	<u>28,163</u>
	<u>\$ 298,546</u>		<u>28,163</u>

Changes in loss provisions on notes and accounts receivable in 2022 and 2021 are explained below:

Notes to parent company only financial statements of Powertip Technology Corporation (continued)

	2022	2021
Opening balance	\$ 28,163	28,163
Unrecoverable amount charged off in the current year	(28,163)	-
Closing balance	<u>\$ -</u>	<u>28,163</u>

None of the Company's notes receivable and accounts receivable was placed as collateral as at December 31, 2022 and 2021.

Please see Note 6(16) for more details on exchange rate risk and sensitivity analysis concerning the Company's notes and accounts receivable for 2022 and 2021.

(IV) Other financial assets - current

	2022.12.31	2021.12.31
Restricted bank deposits	\$ 2,500	2,500
Other receivables (including related parties)	8,306	5,082
	<u>\$ 10,806</u>	<u>7,582</u>

The Company had placed some of its time deposits that did not meet the definition of cash equivalent as collaterals for customs guarantee as at December 31, 2022 and 2021. Please see Note 8 for details.

(V) Inventory

	2022.12.31	2021.12.31
Finished goods	\$ 16,776	9,111
Work-in-progress and semi-finished goods	28,380	7,700
Raw materials	34,581	26,664
Merchandise	7,637	9,804
	<u>\$ 87,374</u>	<u>53,279</u>

Details of operating costs recognized by the Company:

	2022	2021
Selling costs and expenses	\$ 1,794,196	1,490,678
Reversal of inventory obsolescence and devaluation loss	(9,288)	(2,813)
Inventory write-off	10,977	6,822
Others	5,000	-
	<u>\$ 1,800,885</u>	<u>1,494,687</u>

The Company scrapped the inventories in 2022 and 2021 so that the net realizable values of the inventories were lower than the costs, resulting in a reversal of the allowance for losses.

None of the Company's inventory was pledged as collateral as at December 31, 2022 and 2021.

(VI) Equity-accounted investments

The Company's equity-accounted investments as at the reporting date are presented below:

	2022.12.31	2021.12.31
Subsidiary	\$ 850,113	738,100
Associated companies	159,795	133,558
	1,009,908	871,658
Less: unrealized gain/loss	(3,298)	(1,129)
	<u>\$ 1,006,610</u>	<u>870,529</u>

Notes to parent company only financial statements of Powertip Technology Corporation (continued)

1. Subsidiaries

Please refer to the 2022 consolidated financial statements.

2. Associated companies

(1) The Company's share of profit or loss from associated companies for 2022 and 2021 is summarized below:

	2022	2021
The Company's share of current net income from associated companies	\$ 34,211	25,445

(2) Information of associated companies that are significant to the Company:

Name of associated company	Nature of relationship with the Consolidated Entity	Main business location/country of registration	Percentage of ownership/voting right	
			2022.12.31	2021.12.31
Powertip Image Corp. (Powertip Image)	Main business activities are the manufacturing of electronic parts and optical instruments	Taiwan	23.55%	23.77%

(3) The following is a collective disclosure of financial information for the Company's significant associated companies. The figures of each associated company have been adjusted when preparing IFRS-compliant parent company only financial statements to reflect the amount of adjustments the Company had made for fair value and difference in accounting policy at the time of acquisition:

Summary financial information of Powertip Image Corp.:

	2022.12.31	2021.12.31
Current assets	\$ 702,759	580,685
Non-current assets	355,979	339,371
Current liabilities	(302,786)	(315,473)
Non-current liabilities	(89,284)	(59,069)
Net asset attributable to owners of the investee	\$ 666,668	545,514

	2022	2021
Operating revenues	\$ 678,003	840,699
Continuing operation's net profit (loss) for the current period	147,464	142,796
Other comprehensive income	2,003	(1,821)
Total comprehensive income attributable to owners of the investee	\$ 149,467	140,975

	2022	2021
Opening share of net asset in associated companies	\$ 128,700	102,455
Dividends received from associated companies in the current period	(7,917)	(7,265)

Notes to parent company only financial statements of Powertip Technology Corporation (continued)

Total comprehensive income attributable to the Company in the current period	35,394	33,510
Changes in equity owned by associated companies during this period	(540)	-
Closing share of net asset in associated companies	155,637	128,700
Plus: land use rights	2,391	2,468
Buildings	1,767	2,390
Intangible assets	-	-
Closing book value of equity in associated company	\$ 159,795	133,558

3. Collateral

None of the Company's equity-accounted investment was pledged as collateral as at December 31, 2022 and 2021.

(VII) Property, plant and equipment

Changes in cost and accumulated depreciation of the Company's property, plant, and equipment during 2022 and 2021 are explained below:

	Land	Buildings	Machinery and equipment	Others	Total
Cost or deemed cost:					
Balance as at January 1, 2022	\$ 184,079	442,387	761,345	84,018	1,471,829
Additions	-	-	-	4,197	4,197
Inward (outward) reclassification	-	-	1,859	(2,027)	(168)
Disposals	-	-	-	(4,258)	(4,258)
Balance as at December 31, 2022	\$ 184,079	442,387	763,204	81,930	1,471,600
Balance as at January 1, 2021	\$ 184,079	442,387	731,096	114,340	1,471,902
Additions	-	-	337	3,170	3,507
Inward (outward) reclassification	-	-	29,912	(30,908)	(996)
Disposals	-	-	-	(2,584)	(2,584)
Balance as at December 31, 2021	\$ 184,079	442,387	761,345	84,018	1,471,829
Depreciation:					
Balance as at January 1, 2022	\$ -	188,640	725,074	72,116	985,830
Depreciation in current year	-	10,340	8,749	3,723	22,812
Disposals	-	-	-	(4,258)	(4,258)
Balance as at December 31, 2022	\$ -	198,980	733,823	71,581	1,004,384
Balance as at January 1, 2021	\$ -	178,120	717,756	71,261	967,137
Depreciation in current year	-	10,520	7,318	3,439	21,277
Disposals	-	-	-	(2,584)	(2,584)
Balance as at December 31, 2021	\$ -	188,640	725,074	72,116	985,830
Book value:					
December 31, 2022	\$ 184,079	243,407	29,381	10,349	467,216
January 1, 2021	\$ 184,079	264,267	13,340	43,079	504,765
December 31, 2021	\$ 184,079	253,747	36,271	11,902	485,999

The Company had placed some of its property, plant, and equipment as collateral for long-term borrowings and credit limits as at December 31, 2022 and 2021. Please see Note 8 for details.

(VIII) Right-of-use asset (presented as other non-current assets)

Notes to parent company only financial statements of Powertip Technology Corporation (continued)

2. Changes in cost and depreciation of right-of-use asset on transport equipment rented by the Company:

	Transport equipment
Cost of right-of-use asset:	
Balance as at January 1, 2022 (i.e. closing balance)	<u>\$ 2,217</u>
Balance as at January 1, 2021 (i.e. closing balance)	<u>\$ 2,217</u>
Accumulated depreciation and impairment loss on right-of-use asset:	
Balance as at January 1, 2022	\$ 1,848
Provision for depreciation	369
Balance as at December 31, 2022	<u>\$ 2,217</u>
Balance as at January 1, 2021	\$ 1,109
Depreciation for the current period	739
Balance as at December 31, 2021	<u>\$ 1,848</u>
Book value:	
December 31, 2022	<u>\$ -</u>
December 31, 2021	<u>\$ 369</u>

1. Lease of transport equipment

The Company rents transport equipment for tenors ranging from 1 to 3 years.

2. Other leases

The Company rents corporate vehicles and photocopiers for tenors ranging from 1 to 3 years. These leases are short-term or low-value in nature, for which the Company has opted the exemption rule to forgo recognition of right-of-use asset and lease liability.

(IX) Long-term borrowings

Details, conditions, and terms of the Company's medium-term and long-term borrowings are as follows:

	2022.12.31		
	Currency	Year of maturity	Amount
Unsecured bank borrowings	NTD	2023–2025	\$ 21,667
Secured bank borrowings	NTD	2023–2025	64,862
Less: portion maturing within 1 year			(32,900)
			<u>\$ 53,629</u>
Unused limit			<u>\$ 104,538</u>
Annual interest rate range			<u>1.33%~1.35%</u>
	2021.12.31		
	Currency	Year of maturity	Amount
Unsecured bank borrowings	NTD	2022–2025	\$ 30,000
Secured bank borrowings	NTD	2022–2025	94,862
Less: portion maturing within 1 year			(38,333)
			<u>\$ 86,529</u>
Unused limit			<u>\$ 104,538</u>
Annual interest rate range			<u>0.69%~1.77%</u>

1. Please see Note 6(16) for details on the Company's interest rate, exchange rate, and liquidity risk exposure.

2. Collaterals placed for bank borrowings

(1) Please see Note 7 for information regarding guarantors of the Company's short-term and long-term borrowings.

(2) Please see Note 8 for bank borrowings secured with the Company's assets.

Notes to parent company only financial statements of Powertip Technology Corporation (continued)

(X) Employee benefits

1. Defined benefit plan

Reconciliation between present value of defined benefit obligations and fair value of plan assets:

	2022.12.31	2021.12.31
Present value of defined benefit obligations	\$ (64,653)	(69,073)
Fair value of plan assets	50,369	45,114
Net defined benefit liabilities	<u>\$ (14,284)</u>	<u>(23,959)</u>

Contributions for defined benefit plan are made to a dedicated pension fund account opened with Bank of Taiwan. For retirees who opted for the pension scheme mentioned in the Labor Standards Act, the amount of pension benefit is calculated based on average salary for the six months preceding their retirement and the number of basis points accumulated over the duration of their service.

(1) Composition of plan assets

Pension fund contributions that the Company has made in accordance with the Labor Standards Act are collectively managed by the Bureau of Labor Funds (BLF), Ministry of Labor. Pursuant to "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund," plan assets can only be allocated to investments that offer annual yields higher than the 2-year time deposit rate quoted by local banks.

As at the reporting date, balance of the Company's labor pension reserve account held with Bank of Taiwan totaled NT\$50,369 thousand. Please visit the BLF website for more information such as fund yield and allocation of fund assets.

(2) Changes in present value of defined benefit obligations

Changes in present value of defined benefit obligations for 2022 and 2021 are explained below:

	2022	2021
Defined benefit obligations as at January 1	\$ (69,073)	(81,107)
Service cost and interest in the current period	(673)	(666)
Remeasurement of net defined benefit liabilities (assets)	2,609	231
Service costs for the previous period	392	-
Payment of plan benefits	2,092	12,469
Defined benefit obligations as at December 31	<u>\$ (64,653)</u>	<u>(69,073)</u>

(3) Changes in the fair value of pension plan assets

Changes in the fair value of defined benefit plan assets in 2022 and 2021 are explained below:

	2022	2021
Fair value of plan assets as at January 1	\$ 45,114	53,622
Interest income	314	160
Remeasurement of net defined benefit liabilities (assets)	3,909	787
Amount contributed to the plan	3,124	3,014
Payment of plan benefits	(2,092)	(12,469)
Fair value of plan assets as at December 31	<u>\$ 50,369</u>	<u>45,114</u>

(4) Expenses recognized in profit or loss

The Company recognized the following expenses in profit or loss in 2022 and 2021:

Notes to parent company only financial statements of Powertip Technology Corporation (continued)

	<u>2022</u>	<u>2021</u>
Service costs for the current period	\$ 197	427
Net interest on net defined pension liabilities (assets)	162	79
Service costs for the previous period	(392)	(340)
	<u>\$ (33)</u>	<u>166</u>
Operating costs	\$ 165	234
Selling and marketing expenses	43	59
General and administrative expenses	(313)	(232)
Research and development expenses	72	105
	<u>\$ (33)</u>	<u>166</u>

(5) Actuarial assumptions

Key actuarial assumptions that the Company had made to determine the present value of defined benefit obligations as at the reporting date are as follows:

	<u>2022.12.31</u>	<u>2021.12.31</u>
Discount rate	1.30%	0.70%
Future salary increase	2.00%	2.00%

The Company expects to contribute NT\$1,679 thousand to the defined benefit plan within one year from the 2022 reporting date.

The defined benefit plan has a weighted average duration of 9 years.

(6) Sensitivity analysis

When calculating present value of defined benefit obligations, the Company is required to exercise judgments and make estimates in order to determine actuarial assumptions as at the balance sheet date. These assumptions include the discount rate and future salary changes. Any changes in actuarial assumption may cause significant impacts on the Company's defined benefit obligations.

The following shows impact of changes in actuarial assumption on the present value of defined benefit obligations as at December 31, 2022 and 2021:

	<u>Impact on defined benefit obligations</u>	
	<u>0.25% increase</u>	<u>0.25% decrease</u>
December 31, 2022		
Discount rate	(1,560)	1,618
Future salary increase	1,603	(1,553)
December 31, 2021		
Discount rate	(1,808)	1,879
Future salary increase	1,850	(1,790)

The above sensitivity analysis assumes changes to one variable at a time while keeping all other variables constant. In reality, however, multiple assumptions may change at the same time and are related to each other. The sensitivity analysis was conducted using the same method as how net pension liabilities are presented in the balance sheet.

Notes to parent company only financial statements of Powertip Technology Corporation (continued)

Methodology and assumption for current period's sensitivity analysis are consistent with those of the previous period.

Defined contribution plan

The Company's defined contribution plan complies with the Labor Pension Act, in which the Company contributes an amount equal to 6% of employees' salaries each month to employees' pension accounts held with the Bureau of Labor Insurance. Under this plan, the Company is freed of additional pension obligations (whether statutory or constructive) once it has contributed the designated amount to the Bureau of Labor Insurance.

Pension expenses recognized for the defined contribution plan in 2022 and 2021 were NT\$6,542 thousand and NT\$6,366 thousand, respectively, which have been contributed to the Bureau of Labor Insurance.

(XI) Income tax

1. Income tax expenses

(1) Below are details of the Company's income tax expenses for 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Current income tax expense		
Arising from this period	\$ 19,723	3,249
Current income tax with prior-period one adjusted	(3,249)	-
	<u>16,474</u>	<u>3,249</u>
Deferred income tax expense		
Occurrence and reversal of temporary difference	3,341	7,551
Income tax expenses	<u>\$ 19,815</u>	<u>10,800</u>

(2) Below are details of income tax expenses (income) recognized by the Company under other comprehensive income in 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Items not reclassified into profit or loss:		
Remeasurement of defined benefit plan	<u>\$ 1,304</u>	<u>-</u>
Items likely to be reclassified into profit or loss:		
Exchange differences on translation of financial statements of foreign operations	<u>\$ 3,241</u>	<u>(1,425)</u>

(3) Reconciliation of income tax expense and profit before tax for 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Profit before tax	\$ 268,849	91,694
Income tax calculated by applying local tax rate of the country where the Company is located	53,770	18,339
Net investment gains/losses and tax-exempt income	(10,111)	(7,862)
Change in unrecognized deductible temporary difference	(20,771)	6,755
Change in unrecognized tax credits carried forward	-	(8,583)
Underestimations in past periods and others	(169)	2,151
Tax incentive	(2,904)	-
	<u>\$ 19,815</u>	<u>10,800</u>

2. Deferred income tax assets and liabilities

(1) Items not recognized as deferred income tax liability: None.

(2) Items not recognized as deferred income tax asset

The following items were not recognized as deferred income tax asset:

	<u>2022.12.31</u>	<u>2021.12.31</u>
Deductible temporary differences	<u>\$ 58,580</u>	<u>79,351</u>

Notes to parent company only financial statements of Powertip Technology Corporation (continued)

Unrecognized deductible temporary differences were mostly attributed to losses on subsidiary investments; the Company did not recognize deferred income tax assets because they are not very likely to be realized in the foreseeable future.

Tax credits, as defined in the Income Tax Act, are losses certified by the tax authority in the last 10 years that can be taken to reduce current year's taxable income. Tax credits were not recognized as deferred income tax assets because the Company is not very likely to generate adequate taxable income to offset tax credits in the future.

As at December 31, 2022, the Company did not have any tax credits that were not recognized as deferred income tax asset.

(3) Changes in recognized deferred income tax assets and liabilities in 2022 and 2021:

	Exchange differences on translation of financial statements of foreign operations			Others	Total
Deferred income tax liabilities:					
Balance as at January 1, 2022	\$	-		-	-
Debit/(credit) other comprehensive income		-		1,304	1,304
Balance as at December 31, 2022	<u>\$</u>	<u>-</u>		<u>1,304</u>	<u>1,304</u>
Balance as at January 1, 2021	\$	-		931	931
Debit/(credit) other comprehensive income		-		(931)	(931)
Balance as at December 31, 2021	<u>\$</u>	<u>-</u>		<u>-</u>	<u>-</u>

	Exchange differences on translation of financial statements of foreign operations			Tax credits and others	Total
Deferred income tax assets:					
Balance as at January 1, 2022	\$	5,169		10,075	15,244
(Debit)/credit profit or loss		-		(3,341)	(3,341)
(Debit)/credit other comprehensive income		(3,241)		-	(3,241)
Balance as at December 31, 2022	<u>\$</u>	<u>1,928</u>		<u>6,734</u>	<u>8,662</u>
Balance as at January 1, 2021	\$	3,744		18,557	22,301
(Debit)/credit profit or loss		-		(8,482)	(8,482)
(Debit)/credit other comprehensive income		1,425		-	1,425
Balance as at December 31, 2021	<u>\$</u>	<u>5,169</u>		<u>10,075</u>	<u>15,244</u>

Notes to parent company only financial statements of Powertip Technology Corporation (continued)

3. Assessment of income tax return

The Company's profit-seeking enterprise income tax returns have been certified by the tax authority up till 2020.

(XII) Capital and other equity items

1. Common share capital

A resolution was made during the Company's annual shareholder meeting dated June 16, 2009 to increase authorized capital to NT\$2,400,000 thousand; registration for the change of capital had been completed as at December 31, 2022.

Authorized capital as at December 31, 2022 and 2021, was reported at NT\$2,400,000 thousand and NT\$2,200,000 thousand (13,500,000 shares were reserved to accommodate the conversion of employee warrants on both reporting dates).

2. Capital reserve

The following is a breakdown of the Company's capital reserve:

	<u>2022.12.31</u>	<u>2021.12.31</u>
Change in net worth of equity-accounted associated companies and joint ventures	\$ 336	876
Change of ownership interest in subsidiaries	5,611	5,913
Difference between the actual price and book value of equity of subsidiaries acquired/disposed of	1,113	1,113
	<u>\$ 7,060</u>	<u>7,902</u>

According to The Company Act, balances of realized capital reserve can be distributed in shares or cash back to shareholders at the current shareholding percentage after reimbursing cumulative losses. The term "realized capital reserve" mentioned above includes shares issued at premium and gains from gifts. Pursuant to Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the amount of capital reserves converted into share capital is capped at 10% of paid-up capital per year.

3. Retained earnings

A. The Company allocates year-end earnings, if any, in the following order:

- a. Taxation.
- b. Reimbursement of losses.
- c. 10% provision for statutory reserve, unless the balance of statutory reserve has accumulated to the same amount as the Company's paid-up capital.
- d. Provision for special reserve from current earnings in accordance with laws or relevant rules, which can be distributed only if reversed.
- e. The balance that remains after a to d is added to unappropriated earnings from previous years and is available for earnings distribution. The entirety or a portion of the residual balance can be distributed to shareholders as profit sharing at the current shareholding percentage. The final payout ratio is subject to shareholder meeting resolution according to Article 240 of The Company Act. The board of directors can be authorized to distribute all or part of the dividends or profit sharing in cash, provided that the resolution is supported by more than half of attending directors in a board meeting where at least two-thirds of board members are present, and that the decision is reported in the upcoming shareholder meeting.

B. Dividend policy

The Company is still in the growth stage given its business activities and industry involvement, and therefore has significant needs for capital to support major investments and expansion plans in the future. For the consistency of dividend payouts, the board of directors may choose to pay more than 70% of distributable earnings as dividends, with no less than 20% of dividends being cash, after taking into consideration the Company's business prospects and capital availability. The board may also opt to pay a higher percentage or the entirety of dividends in cash if capital can be sourced through alternative means or at times of abundant liquidity, and thereby avoid over-diluting earnings per share.

Notes to parent company only financial statements of Powertip Technology Corporation (continued)

(1) Statutory reserve

The Company may distribute statutory reserve in cash or in shares in the absence of cumulative losses, subject to resolution of a shareholders meeting; however, only the amount of statutory reserve that exceeds 25% of paid-up capital is distributable.

(2) Earnings appropriation

The Company resolved its 2020 loss reimbursement proposal during the shareholder meetings held on July 15, 2021, and no dividend was allocated to shareholders in either years. Details of the loss reimbursement resolved in shareholder meetings can be found on the Market Observation Post System (MOPS).

On March 18, 2022, the board of directors resolved a decision on the 2021 earnings appropriation plan. The details of the dividends to be paid to shareholders are as follows:

	2021	
	Stock dividends per share (NTD)	Amount
Dividends distributed to ordinary shareholders:		
Cash	0.19	<u>30,813</u>

On March 21, 2023, the board of directors proposed its 2022 earnings appropriation plan. The details of the dividends to be paid to shareholders are as follows:

	2022	
	Stock dividends per share (NTD)	Amount
Dividends distributed to ordinary shareholders:		
Cash	\$ 0.70	<u>113,521</u>

(XIII) Earnings per share

1. Basic earnings per share

Basic earnings per share of the Consolidated Entity for 2022 and 2021 were calculated based on net income attributable to common shareholders of the Company totaling NT\$249,034 thousand and NT\$80,894 thousand, respectively, and weighted average outstanding common shares of 162,173,000. Detailed calculations are explained below:

	2022	2021
Current net income	<u>\$ 249,034</u>	<u>80,894</u>
Weighted average outstanding shares (thousand shares)	<u>162,173</u>	<u>162,173</u>
Basic earnings per share (NTD)	<u>\$ 1.54</u>	<u>0.50</u>

Notes to parent company only financial statements of Powertip Technology Corporation (continued)

2. Diluted earnings per share

Diluted earnings per share for 2022 and 2021 were calculated based on net income attributable to common shareholders of the Company totaling NT\$249,034 thousand and NT\$80,894 thousand, respectively, and weighted average outstanding common shares after adjusting for dilutive effect of all potential common shares, which were 163,427,000 and 162,338,000 shares in the respective years. Detailed calculations are explained below:

	<u>2022</u>	<u>2021</u>
Current net income	<u>\$ 249,034</u>	<u>80,894</u>
Weighted average outstanding shares (thousand shares)	162,173	162,173
Dilutive effect of potential common shares		
Effects of employee remuneration paid in shares	1,254	165
Weighted average outstanding shares (after adjusting for dilutive effect of potential common shares)	<u>163,427</u>	<u>162,338</u>
Diluted earnings per share (NTD)	<u>\$ 1.52</u>	<u>0.50</u>

(XIV) Revenue from contracts with customers

1. Breakdown of income

	<u>2022</u>	<u>2021</u>
Main regions and markets:		
Taiwan	\$ 182,367	289,129
USA	357,512	234,754
Germany	616,530	486,848
Sweden	182,927	145,975
Brazil	159,106	124,380
Japan	93,547	88,721
Other countries	463,562	398,035
	<u>\$ 2,055,551</u>	<u>1,767,842</u>
Key products/services:		
LCD display modules	\$ 1,936,907	1,673,341
Others	118,644	94,501
	<u>\$ 2,055,551</u>	<u>1,767,842</u>

2. Contract balance

Please refer to Note 6(3) for disclosures on notes and accounts receivable and impairment.

(15) Remuneration to employees, directors, and supervisors

After the re-election of directors during the shareholder meeting held on July 15, 2021, an Audit Committee consisting entirely of independent directors was assembled to replace supervisors, and the Articles of Incorporation were amended to reflect the change.

Notes to parent company only financial statements of Powertip Technology Corporation (continued)

Pursuant to the revised Articles of Incorporation, profits concluded from a financial year are subject to employee remuneration of no less than 5% and director remuneration of no more than 1%. However, profits must first be taken to offset against cumulative losses if any. Employee remuneration, as mentioned above, can be paid in shares or cash to employees of affiliated companies that satisfy certain criteria. This criterion is determined by the board of directors.

Pursuant to the former Articles of Incorporation, profits concluded from a financial year are subject to employee remuneration of no less than 5% and director/supervisor remuneration of no more than 1%. However, profits must first be taken to offset against cumulative losses if any. Employee remuneration, as mentioned above, can be paid in shares or cash to employees of affiliated companies that satisfy certain criteria.

The Company has estimated employees' remuneration at NT\$14,304 thousand and directors'/supervisors' remuneration at NT\$2,860 thousand for 2022. Both figures were estimated by multiplying profit before tax and employee/director remuneration with the respective percentages set by the Company's management, and have been recognized as operating expenses for 2022. If there is a difference between the amounts distributed in the following year and the estimated amounts, it will be treated as a change in accounting estimate, and the difference will be recognized as profit or loss for the following year. If the board of directors resolved a decision to pay out employee remuneration in stock, it will be calculated at the fair value of the common stock on the day before the board of directors resolved a decision to distribute employee remuneration.

The estimated amount of 2021 employee remuneration was NT\$2,721 thousand and the estimated amount of 2021 director and supervisor remuneration was NT\$544,000 thousand.

There is no difference between the amounts distributed and the estimated amounts. Relevant information is available on the MOPS.

(16) Financial instruments

1. Credit risk

(1) Amount of maximum credit risk exposure

For financial assets, the book value represents the maximum credit risk exposure.

(2) Concentration of credit risk

The customers whose purchases account for 10% or more of the Company's operating revenue accounted for 19% and 17% of its sales revenue for 2022 and 2021, respectively. As of December 31, 2022 and 2021, the accounts receivable of said customers accounted for 26% and 16% of its total accounts receivable, respectively, resulting in a significant credit concentration risk. Please refer to Note 6 (17) for the Company's credit risk management policy for more details.

(3) Credit risk of receivables

For credit risk information on notes receivable and accounts receivable, please refer to Note 6(3).

Other financial assets carried at amortized cost include other receivables and time deposits. The Company measures loss provisions based on 12-month expected credit loss for the above financial assets that are deemed to be of low risk. No impairment loss was expected on the above proceeds as at December 31, 2022 and 2021.

2. Liquidity risk

The following chart shows contract maturity date for financial liabilities, including the effect of estimated interest.

	Book value	Contractual cash flow	Within 1 year	1-2 years	More than 2 years
December 31, 2022					
Non-derivative financial liabilities					
Notes and accounts payable	\$ 98,757	(98,757)	(98,757)	-	-
Accounts payable - related parties	189,000	(189,000)	(189,000)	-	-
Long-term borrowings (including current portion maturing in one year)	86,529	(87,894)	(33,844)	(42,835)	(11,215)
Other payables	79,629	(79,629)	(79,629)	-	-
Guarantee deposits received	138	(138)	-	-	(138)
December 31, 2021	\$ 454,053	(455,418)	(401,230)	(42,835)	(11,353)

Notes to parent company only financial statements of Powertip Technology Corporation (continued)

Non-derivative financial liabilities

Notes and accounts payable	\$	137,870	(137,870)	(137,870)	-	-
Accounts payable - related parties		128,467	(128,467)	(128,467)	-	-
Long-term borrowings (including current portion maturing in one year)		124,862	(126,673)	(39,388)	(33,424)	(53,861)
Other payables		48,730	(48,730)	(48,730)	-	-
Guarantee deposits received		138	(138)	-	-	(138)
Lease liabilities (presented as other current liabilities)		379	(381)	(381)	-	-
	\$	440,446	(442,259)	(354,836)	(33,424)	(53,999)

The Company does not expect cash flows in the maturity analysis to occur at any earlier time, or in amounts that differ significantly, except for certain long-term borrowings that may be repaid early depending on capital availability.

3. Exchange rate risk

(1) Exchange rate risk exposure

The Company had the following financial assets and liabilities that were exposed to significant foreign currency/exchange rate risk:

		2022.12.31			2021.12.31		
		Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets							
Monetary items							
USD	\$	19,592	30.760	602,650	13,632	27.730	378,015
Financial liabilities							
Monetary items							
USD	\$	6,807	30.760	209,383	6,537	27.730	181,271

(2) Sensitivity analysis

The Company's exchange rate exposure arises primarily from the conversion of cash, cash equivalents, notes receivable, accounts receivable, other receivables, borrowings, accounts payable, and other payables denominated in foreign currencies. Conversion of foreign currency-denominated amounts gives rise to gains/losses on exchange. The following analysis shows the effect on profit (loss) before tax for 2022 and 2021 if foreign currencies weakened/strengthened against NTD by 5% as at December 31, 2022 and 2021, using the same basis of comparison while all other factors remained unchanged:

	2022	2021
USD (relative to NTD)		
Strengthened by 5%	\$ 19,663	9,837
Weakened by 5%	(19,663)	(9,837)

(3) Exchange gain/loss on monetary items

Due to the extensive variety of transaction currencies used, the Company has opted to disclose gains (losses) on exchange of monetary items on a collective basis. Gains (losses) (including realized and

Notes to parent company only financial statements of Powertip Technology Corporation (continued)

unrealized) incurred on exchange of foreign currencies in 2022 and 2021 are explained below:

	2022	2021
Gain (loss) on exchange	<u>\$ 26,010</u>	<u>4,225</u>

4. Interest rate analysis

Interest rate risk exposure concerning the Company's financial assets and financial liabilities has been explained as part of liquidity risk management in this footnote.

Sensitivity analysis has been prepared based on interest rate risk exposures of derivatives and non-derivatives as at the reporting date. For assets and liabilities that bear floating interests, the analysis is conducted by assuming that the amount of assets and liabilities outstanding as at the reporting date remained outstanding throughout the entire year. Interest rate sensitivity analyses are reported to the management by applying a variance of 0.25% above and below. This variance conforms with the management's expectation about the possible and reasonable range of interest rate variation.

If interest rate increased/decreased by 0.25% while other variables remained unchanged, the Company's profit before tax would have increased/decreased by NT\$945 thousand and NT\$478 thousand in 2022 and 2021, respectively. This potential change is primarily the result of the Company's floating-interest rate borrowings and demand deposits.

5. Fair value information

(1) Category and fair value of financial instruments

Financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income are measured at fair value on a recurring basis. Book value and fair value of financial assets and liabilities are shown below (categorized by level of fair value input; however, it is not required to disclose fair value information for lease liabilities and financial instruments that are not subject to fair value assessment and where the book value resembles the fair value):

		2022.12.31			
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets carried at amortized cost					
Cash and cash equivalents	\$ 484,843	-	-	-	-
Notes and accounts receivable, net (including related parties)	247,659	-	-	-	-
Other receivables	8,306	-	-	-	-
Other financial assets- - current	2,500	-	-	-	-
Guarantee deposits paid (presented as other non-current assets)	436	-	-	-	-
Total	<u>\$ 743,744</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Notes and accounts payable (including related parties)	\$ 287,757	-	-	-	-
Other payables	79,629	-	-	-	-
Long-term borrowings	86,529	-	-	-	-
Guarantee deposits received (presented as deferred income tax liabilities and others)	138	-	-	-	-
Total	<u>\$ 454,053</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Notes to parent company only financial statements of Powertip Technology Corporation (continued)

		2021.12.31				
		Book value	Fair value			
			Level 1	Level 2	Level 3	Total
Financial assets carried at amortized cost						
Cash and cash equivalents	\$	317,880	-	-	-	-
Notes and accounts receivable, net (including related parties)		270,383	-	-	-	-
Other receivables		5,082	-	-	-	-
Other financial assets- - current		2,500	-	-	-	-
Guarantee deposits paid (presented as other non-current assets)		2,106	-	-	-	-
Total	\$	597,951	-	-	-	-
Financial liabilities carried at amortized cost						
Notes and accounts payable (including related parties)	\$	266,337	-	-	-	-
Other payables		48,730	-	-	-	-
Long-term borrowings (including current portion maturing in one year)		124,862	-	-	-	-
Guarantee deposits received (presented as deferred income tax liabilities and others)		138	-	-	-	-
Lease liabilities (current)		379	-	-	-	-
Total	\$	440,446	-	-	-	-

There was no change of fair value input during 2022 and 2021.

(2) Fair value assessment techniques for financial instruments carried at fair value

Non-derivative instruments

Financial instruments that are openly quoted in an active market will have fair value determined at the openly quoted price. Fair values of public-listed (OTC-traded) equity instruments and debt instruments openly quoted in active markets are determined based on market prices quoted on major exchange and OTC center for actively traded government bonds.

A financial instrument is deemed to be openly quoted on an active market if reliable quotations (that are representative of transactions actually and frequently taking place in a fair market) can be obtained from stock exchange, brokers, underwriters, industry associations, pricing institutions, or the authority on a timely and frequent basis. A market is deemed inactive if it fails to satisfy the above conditions. In general, increasing or excessive bid-ask spread and lack of transaction volume are considered signs of inactive market.

Except for financial instruments traded in active markets, as described above, fair values of all other financial instruments are obtained either by applying valuation techniques or by making reference to counterparties' quotations. Fair value by valuation technique may be obtained by making reference to the prevailing fair value of financial instruments that share similar terms and characteristics or using valuation techniques such as the discounted cash flow method in conjunction with market information available as at the balance sheet date.

(3) Change between level 1 and level 2

There had been no change in levels of fair value input when assessing financial instruments during 2022 and 2021.

Notes to parent company only financial statements of Powertip Technology Corporation (continued)

(4) Details of level 3 changes

	<u>At fair value through other comprehensive income</u>
	<u>Equity instruments without quoted prices</u>
Balance as at December 31, 2022 (i.e. balance as at January 1, 2022)	\$ -
	<u>At fair value through other comprehensive income</u>
	<u>Equity instruments without quoted prices</u>
January 1, 2021	\$ 1,023
Total gains or losses	
recognized in other comprehensive income	(1,023)
December 31, 2021	\$ -

The above total gains or losses are presented as "Unrealized gains (losses) on valuation of financial assets at fair value through other comprehensive income."

(17) Financial risk management

1. Summary

Use of financial instrument exposes the Company to the following risks:

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

This footnote discloses exposure, assessment, and the Company's management goals, policies, and procedures for the abovementioned risks. For further quantitative disclosures, please see notes to the parent company only financial statements.

2. Risk management framework

The board of directors has been fully empowered to establish and supervise implementation of risk management framework within the Company. The management is responsible for the development and control of risk management policies within the Company, and reports to the board of directors on a regular basis.

The Company has established its risk management policy to identify and analyze the risks associated with business activities, to set appropriate risk limits and controls, and to monitor risk exposures as well as compliance with various risk limits. The risk management policy and system are regularly examined to reflect changes in market condition and the Company's operations. The Company develops a disciplined and constructive control environment through training, management guidelines, and operating procedures, so that all employees are able to comprehend their roles and duties.

The board of directors regularly reviews compliance of risk management policies and procedures within the Company, as well as the appropriateness of the risk management framework that the Company has adopted in response to the risks encountered. The Company has internal audit personnel in place to assist the board of directors with supervisory duties. These personnel conduct regular and ad-hoc reviews over existing risk management controls and procedures, and report their findings to the board of directors.

3. Credit risk

Credit risk refers to the risk of financial loss the Company may incur due to its customers or financial instrument counterparties being unable to fulfill contractual obligations. Credit risk mainly arises from customers' accounts receivable.

Notes to parent company only financial statements of Powertip Technology Corporation (continued)

(1) Accounts receivable and other receivables

Credit risk exposure of the aforementioned accounts varies from customer to customer. The management also takes into consideration common factors including default risk of customers' industries and countries, as these risks are also likely to affect credit risk. The Company monitors customers' financial position and recoverability of accounts receivable to minimize credit risks.

The Company has established its own credit policy, which requires every new customer to have credit rating analyzed before being awarded standard payment and delivery terms. The Company also obtains timely data from external sources, such as contact with rating agencies and banking partners, as part of its review. The Company assigns credit limits to customers on a case-by-case basis; these limits represent the maximum amount of transactions that can be undertaken on credit without the management's approval. These limits are reviewed on a regular basis. Customers that do not meet the Group's basic credit rating requirements may transact with the Company only on a prepaid basis.

(2) Investments

Credit risks associated with bank deposit and other financial instruments are assessed and monitored by the Company's Treasury Department. The Company transacts and deals only with banks of strong credit standing and financial institutions of investment grade and above, hence there is no material concern in terms of contract fulfillment or credit risk exposure.

(3) Guarantees

According to internal policies, the Company may only offer financial guarantee to subsidiaries in which it holds more than 50% voting interest and companies it has business dealings with.

4. Liquidity risk

Liquidity risk represents risk of the Company being unable to settle financial liabilities with cash or other financial assets, or being unable to fulfill relevant obligations.

The Company maintains adequate position of cash and cash equivalents to support corporate operations and to mitigate effects of cash flow variation. The management constantly monitors use of bank limits and makes sure that borrowing terms are duly complied.

Bank borrowing constitutes a main source of liquidity for the Company. The Company had undrawn short-term banking limits of NT\$149,019 thousand and NT\$142,742 thousand as at December 31, 2022 and 2021.

5. Market risk

Market risk refers to the effect a change of market price may have on the income or value of financial instruments held on hand, whether it is an exchange rate instrument, interest rate instrument, equity instrument or otherwise. The goal of market risk management is to control market risk exposure within a tolerable range while optimizing investment returns.

(1) Exchange rate risk

The Company is exposed to exchange rate risks arising from sales, purchases, and borrowings that are denominated in non-functional currencies. NTD represents the Company's main functional currency; transactions are also denominated in currencies such as USD and RMB.

For monetary assets and liabilities denominated in other foreign currencies,

the Company buys in or sell off foreign currencies at the spot exchange rate whenever a short-term mismatch arises, and in doing so ensures that the net exposure is kept within the tolerable level.

(2) Interest rate risk

The Company constantly monitors changes in market interest rate and maintains close relationship with financial institutions to secure the most favorable rate. Short-term, medium-term, and long-term credit limits are drawn in a manner that minimizes interest expenses.

(18) Capital management

The Company makes capital plans after taking into consideration the characteristics of the given industry, future prospects of the Company, and changes in the external environment. Capital management ensures that the Company has the financial resources and operational plans needed to support future working capital, capital expenditure, research and development projects, debt repayment, and dividend payment. The management primarily uses debt-to-equity ratio and interest-bearing-liabilities-to-equity ratio to determine the optimal capital structure for the Company. The management also strives to optimize debt and equity balances while maintaining strong capital structure for improvement to shareholders' returns.

The Company regularly examines its debt-to-equity ratio as a way to manage capital. Capital of the Company is represented by "Total equity" shown on the balance sheet, which equals total assets less total liabilities.

Debt-to-equity ratio as at the reporting date is shown below:

	2022.12.31	2021.12.31
Total liabilities	\$ 538,128	492,830
Total equity	1,790,671	1,554,403
Interest-bearing liabilities	86,529	124,862
Debt-to-equity ratio	30%	32%
Interest-bearing-liabilities-to-equity ratio	5%	8%

There had been no change to the Company's capital management approach as at December 31, 2022.

(19) Non-cash investing and financing activities

Non-cash investing and financing activities in 2022 and 2021 included a capitalization of debt claims into subsidiary's share capital, and an acquisition of right-of-use asset through lease. Please see Notes 6(6) and 6(8) for details.

Reconciliation of liabilities associated with financing activities is explained below:

	2022.1.1	Cash flow	2022.12.31
Long-term borrowings (including current portion maturing in one year)	\$ 124,862	(38,333)	86,529
Lease liabilities	379	(379)	-
Total liabilities relating to financing activities	\$ 125,241	(38,712)	86,529

	2021.1.1	Cash flow	2021.12.31
Long-term borrowings (including current portion maturing in one year)	\$ 129,733	(4,871)	124,862
Lease liabilities	1,126	(747)	379
Total liabilities relating to financing activities	\$ 130,859	(5,618)	125,241

VII. Related party transactions

(I) Name of related party and relationship

Subsidiaries and related parties that transacted with the Company during the period covered by the parent company only financial statements:

<u>Name of related party</u>	<u>Relationship with the Consolidated Entity</u>
Powertip Technology Inc. (USA)	Subsidiary of the Company
Powertip Technology Ltd. (H.K.)	Subsidiary of the Company
America Technology Corp.	Subsidiary of the Company
Ta Cheng International Investing Co., Ltd.	Subsidiary of the Company
Ta Ho International Investing Co., Ltd.	Subsidiary of the Company
Ta Yang International Investing Co., Ltd.	Subsidiary of the Company
Powertip Technology (C.I.) Corp.	Subsidiary of the Company
Powertip (Jiangsu) Photoelectric Co., Ltd.	Subsidiary of the Company
Powertip (Dongguan) Photoelectric Co., Ltd.	Subsidiary of the Company
Powertip Image Corp.	Associated company of the Company
Powertip Japan Co., Ltd.	Other related party of the Company
Mr. Wang, Shyh-Yueh	Chairman of the Company

(II) Significant transactions with related parties

1. Merchanting trade

In 2022 and 2021, the Company sold raw materials, semi-finished goods, and factory supplies to subsidiaries, and had them processed and produced before buying back the finished goods in the form of a merchanting trade. The finished goods were then sold to customers. The sale of raw materials and buyback of finished goods had been eliminated when preparing the 2022 and 2021 financial statements, and were not treated as purchase or sale.

Raw materials and semi-finished goods are sold to subsidiaries at cost, and accounts receivable that arise as a result can be offset against accounts payable from purchase.

2. Operating revenues

Material sales to related parties and amounts:

	<u>2022</u>	<u>2021</u>
Subsidiary	<u>\$ 285,842</u>	<u>195,602</u>

The Company's sales transactions are priced based on volume or location. There is no significant difference in the price of goods sold to related and unrelated parties, except for some subsidiaries where selling price is incomparable due to differences of the products involved. Collection term for sales to related parties is not significantly different from ordinary sales.

3. Purchase

Purchases made by the Company from related parties:

	<u>2022</u>	<u>2021</u>
Subsidiary - Powertip (Jiangsu) Photoelectric Co., Ltd.	<u>\$ 1,615,873</u>	<u>1,366,266</u>

There is no significant difference in the price of purchases made from related and unrelated parties, except for some subsidiaries where purchase price is incomparable due to the special nature and differences of the products involved.

4. Related party payables

Related party payables that arose from the above transactions and other collections and payments made on behalf of related parties are explained below:

<u>Presentation account</u>	<u>Type of related party</u>	<u>2022.12.31</u>	<u>2021.12.31</u>
Accounts payable	Subsidiary	\$ 189,000	128,467
Other payables	Subsidiary	4,568	-
		<u>\$ 193,568</u>	<u>128,467</u>

5. Leases

For the years ended 2022 and 2021, the Company generated NT\$860 thousand and NT\$848 thousand of rental income from the 6-year plant, equipment, and office premise leasing agreement signed with associated companies, and collected NT\$138 thousand of rental deposit as of both December 31, 2022 and 2021, which were presented as guarantee deposits received and others. Furthermore, NT\$208 thousand and NT\$284 thousand of proceeds were paid/collected on behalf of associated companies for electricity, networking, and management expenses incurred on the leased plant, equipment, and office premises.

6. Property transaction

The Company had unrealized deferred gains of NT\$352 thousand and NT\$553 thousand as at December 31, 2022 and 2021, from contributing machinery and equipment as capital in-lieu in a subsidiary.

7. Related party receivables

Related party receivables that arose from the above transactions and other collections and payments made on behalf of related parties are explained below:

<u>Presentation account</u>	<u>Type of related party</u>	<u>2022.12.31</u>	<u>2021.12.31</u>
Accounts receivable	Subsidiary - USA	\$ 35,371	-
Accounts receivable	Subsidiary	3,019	1,248
Other receivables	Subsidiary	1,748	673
Other receivables	Associated companies	93	91
		<u>\$ 40,231</u>	<u>2,012</u>

(III) Transactions involving key management personnel

1. Compensation to key management personnel

Compensation to key management personnel includes the following:

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	<u>\$ 13,855</u>	<u>8,628</u>

2. Offering of guarantees

The Company's short-term and long-term credit facilities as at December 31, 2022 and 2021, were guaranteed by key management personnel.

VIII. Pledged assets

Book value of assets pledged by the Company is explained below:

<u>Name of asset</u>	<u>Collateral</u>	<u>2022.12.31</u>	<u>2021.12.31</u>
Time deposit (presented as other financial assets - current)	Security for import customs duty	\$ 2,500	2,500
Land	Long-term borrowings	184,079	184,079
Buildings	Long-term borrowings	243,407	253,747
		<u>\$ 429,986</u>	<u>440,326</u>

IX. Major contingent liabilities and unrecognized contractual commitments

(I) L/C issued but undrawn by the Company:

<u>2022.12.31</u>	<u>2021.12.31</u>
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L/C issued but undrawn

\$ 1,741 4,988

X. Losses from major disasters: None.

XI. Major post-balance sheet date events: None.

XII. Others

Summary of employee benefit, depreciation, depletion, and amortization expenses by function:

Function Nature	2022			2021		
	Presented as operating cost	Presented as operating expense	Total	Presented as operating cost	Presented as operating expense	Total
Employee benefit expenses						
Salary expenses	66,271	84,752	151,023	57,485	68,133	125,618
Labor/health insurance premium	6,831	7,666	14,497	6,840	7,299	14,139
Pension expense	3,034	3,475	6,509	3,086	3,446	6,532
Directors' compensation	-	3,585	3,585	-	1,064	1,064
Other employee benefit expenses	4,000	3,345	7,345	4,072	3,260	7,332
Depreciation expenses	20,057	3,124	23,181	18,718	3,298	22,016
Amortization expenses	-	1,205	1,205	-	788	788

Additional information on employee size and employee benefit expenses for 2022 and 2021 is presented below:

	2022	2021
Employee count	<u>226</u>	<u>221</u>
No. of directors without concurrent position as employee	<u>7</u>	<u>7</u>
Average employee benefit expenses	<u>\$ 819</u>	<u>718</u>
Average employee salary expenses	<u>\$ 690</u>	<u>587</u>
Adjustments to average employee salary expenses	<u>17.55%</u>	
Supervisors' compensation	<u>\$ -</u>	<u>169</u>

(I) Information regarding the Company's salary and compensation policies (including directors, supervisors, managers, and staff):

1. Compensation for staff and managers comprises two parts: fixed salary and variable salary. Fixed salary is paid on a monthly basis irrespective of profitability, and is determined based on work duties and job grades. Variable salary includes festive bonus, performance bonus, and employee remuneration. Variable salary is determined after taking into consideration the overall environment, the market level, corporate profitability, individual performance evaluation, work duties, and contribution to corporate operations. It is set at a level that adequately reflects work performance of individual employees. The level of variable compensation is set in line with current year's earnings, and is therefore highly correlated with the Company's business performance.
2. Compensations for the Company's directors and supervisors are determined in accordance with the Articles of Incorporation, and take into account their individual participation and contribution to the Company's operations. Aside from business performance, the Company also follows a well-established set of compensation standards, structure, and system that is designed in reference to peers and TWSE/TPEX listed companies. The compensation standards, structure, and systems are proposed by the Remuneration Committee and resolved by the board of directors.
3. All salaries and compensations paid by the Company are rigorously reviewed. Compensations to managers, directors, and supervisors are reviewed and resolved by the Remuneration Committee and the board of

directors to ensure that they do not give rise to major risks in the future.

XIII. Other disclosures

(I) Information relating to significant transactions

Significant transactions in 2022 that require further disclosures under Regulations Governing the Preparation of Financial Reports by Securities Issuers are as follows:

1. Loans to external parties: None.
2. Endorsement/guarantee to external parties: None.
3. End-of-period holding position of marketable securities (excluding investment in subsidiaries, associated companies, and joint ventures):

Unit: thousand shares

Holder	Name and type of securities	Relationship with the securities issuer	Presentation account	End of period				Remarks
				No. of shares	Book value	Shareholding percentage	Fair value	
The Company	Everest Technology Inc.	None	Financial assets at fair value through other comprehensive income --non-current	3,730	\$ -	5.49 %	\$ -	

4. Cumulative purchase or sale of any single marketable security that amounts to NT\$300 million or more than 20% of paid-up capital: None.
5. Acquisition of real estate amounting to NT\$300 million or more than 20% of paid-up capital: None.
6. Disposal of real estate amounting to NT\$300 million or more than 20% of paid up capital: None.
7. Sales and purchases with related parties amounting to NT\$100 million or more than 20% of paid-up capital:

Name of buyer (seller)	Name of counterparty	Relationship	Transaction summary				Distinctive terms of trade and reasons		Notes and accounts receivable (payable)		Remarks
			Purchase (sale)	Amount	As a percentage to total purchases (sales)	Loan tenor	Unit price	Loan tenor	Balance	As a percentage of total notes and accounts receivable (payable)	
The Company	Powertip (Jiangsu)	Wholly-owned subsidiary - Powertip C.I.'s wholly-owned subsidiary	Purchase	1,615,873	91 %	No significant difference from ordinary transaction	Incomparable due to the special nature and differences of the products involved	-	Accounts payable (189,000)	(66)%	Note 1 and Note 2
Powertip (Jiangsu)	The Company	Wholly-owned subsidiary - Powertip C.I.'s wholly-owned subsidiary	(Sale)	(1,615,873)	(90) %	No significant difference from ordinary transaction	Incomparable due to the special nature and differences of the products involved	-	Accounts receivable 189,000	85%	Note 1 and Note 2
The Company	Powertip USA	100%-held subsidiary of the Company	(Sale)	(175,519)	(9) %	No significant difference from ordinary transaction	No significant difference from ordinary transaction		Accounts receivable 35,371	14%	Note 2
Powertip USA	The Company	100%-held subsidiary of the Company	Purchase	175,519	100 %	No significant difference from ordinary transaction	No significant difference from ordinary transaction		Accounts payable (37,119)	(100)%	Note 2

Note 1: Accounts payable by Powertip (Jiangsu) to the Company includes purchase and sales transactions that have been offset in a merchandising trade.

Note 2: The above transactions have been fully eliminated when preparing consolidated financial statements.

8. Related party receivables amounting to NT\$100 million or 20% of paid-up capital or above:

Companies presented as receivables	Name of counterparty	Relationship	Balance of related party receivables	Turnover rate	Overdue balance of related party receivables		Amount of related party receivables collected after the balance sheet date	Loss provisions provided
					Amount	Treatment		
Powertip (Jiangsu)	The Company	Corporate shareholder with 100% holding interest	189,000	10.18	-	Debt claims are offset against debt obligations each month with proceeds collected or paid depending on capital availability	120,069	-

Note 1: It is based on data as of January 12, 2023.

Note 2: The above transactions have been fully eliminated when preparing consolidated financial statements.

9. Derivative transactions: None.

(II) Information on business investments:

Information about the Company's business investments in 2022 (excluding Mainland investees):

Unit: thousands of NTD or foreign currency/thousand shares

Name of investor	Name of investee	Location	Main business activities	Sum of initial investment		Period-end holding position			Current period profit/loss of the investee	Investment gains/losses recognized in the current period	Remarks
				Current period-end (Note)	Previous period-end (Note)	No. of shares	Percentage	Book value (Note)			
The Company	Powertip HK	Hong Kong	Processing and manufacturing of LCD display modules	166,570	166,570	39,500	100.00%	26,965	5,031	5,031	Subsidiary (Note 2)
The Company	Powertip USA	California, USA	Trading of LCD d	53,135	53,135	155	100.00%	73,650	1,498	1,498	"
The Company	Powertip Samoa	Samoa	Holding company	729,350 (US\$23,711)	(US\$23,7	23,711	100.00%	668,222	75,889	75,889	"
The Company	Powertip Image Corp.	Taichung City	Manufacturing of electronic parts and optical instruments	50,466	50,466	9,575	23.55%	159,795	147,464	34,211	Equity-accounted investee
The Company	Ta Cheng	Taichung City	General investments	24,546	27,600	2,454	100.00%	30,712	5,816	5,816	Subsidiary (Note 2)
The Company	Ta Ho	Taichung City	General investments	24,548	27,600	2,455	100.00%	30,718	5,819	5,819	"
The Company	Ta Yang	Taichung City	General investments	20,100	20,100	2,010	100.00%	19,846	4,129	4,129	"
Less: unrealized gain/loss on associated companies								(3,298)		-	
								<u>1,006,610</u>		<u>132,393</u>	
Powertip Samoa	Powertip C.I.	Cayman Islands	Holding company	(US\$23,6	(US\$23,6	23,678	100.00%	663,832 (US\$21,581)	61,142 (US\$2,048)	Recognized according to the shareholding percentage of Powertip Samoa	Investee accounted by subsidiary using the equity method (Note 2)
Ta Cheng	Powertip Image Corp.	Taichung City	Manufacturing of electronic parts	27,500	27,500	1,638	4.03%	27,345	147,464	Recognized according to the	"

			and optical instruments							shareholding percentage of Ta Cheng	
Ta Ho	Powertip Image Corp.	Taichung City	Manufacturing of electronic parts and optical instruments	27,500	27,500	1,638	4.03%	27,345	147,464	Recognized according to the shareholding percentage of Ta Ho	"
Ta Yang	Powertip Image Corp.	Taichung City	Manufacturing of electronic parts and optical instruments	19,873	19,873	1,184	2.91%	19,745	147,464	Recognized according to the shareholding percentage of Ta Yang	"
Powertip Image Corp.	Powertip Image (Samoa)	Samoa	Holding company	61,196	61,196	1,497	100.00%	228,045	53,491 (US\$1,792)	Recognized according to the shareholding percentage of Powertip Image Corp.	Subsidiary that accounts for investee using the equity method
Powertip Image Corp.	Chin Yue	Taichung City	General investments	98,087	97,000	9,809	100.00%	120,596	16,335	Recognized according to the shareholding percentage of Powertip Image Corp.	"
Powertip Image Corp.	Chin Hung	Taichung City	General investments	67,134	57,500	6,714	100.00%	86,815	11,761	Recognized according to the shareholding percentage of Powertip Image Corp.	"
Chin Yue	Do Electronic	Samoa	Holding company	81,514 (US\$2,650)	81,514 (US\$2,650)	2,650	58.14%	125,631	32,736 (US\$1,097)	Recognized according to the shareholding percentage of Chun Yue	"
Chin Hung	Do Electronic	Samoa	Holding company	58,690 (US\$1,908)	58,690 (US\$1,908)	1,908	41.86%	90,453	32,736 (US\$1,097)	Recognized according to the shareholding percentage of Chin Hung	"

Note 1: Converted into NTD using exchange rate as at the reporting date (1 USD : 30.76 NTD).

Note 2: The above transactions have been fully eliminated when preparing consolidated financial statements.

(III) Information on Mainland investments:

1. Name, main business activities, and relevant information of Mainland investments:

Unit: thousands of NTD/foreign currency

Name of Mainland investee	Main business activities	Paid-up capital (Note 4)	Method of investment	Opening cumulative balance of investment capital invested from Taiwan (Note 4)	Investment capital contributed or recovered during the current period	Closing cumulative balance of investment capital invested from Taiwan (Note 4)	Current period profit/loss of the investee	The Company's direct or indirect holding percentage	Investment gains/losses recognized in the current period (Note 1)	Closing investment book value (Note 4)	Investment gains recovered to date
				Invested	Recovered						

Powertip (Jiangsu)	Processing of LCD devices and electronic components	707,480 (US\$23,000)	Indirect investment through Powertip Samoa	707,480 (US\$23,000)	-	-	707,480 (US\$23,000)	61,142 (US\$2,048)	100.00%	61,142 (US\$2,048)	663,832 (US\$21,581)	-
Powertip (Dongguan)	Processing and manufacturing of LCD devices and electronic components	39,680 (HK\$10,000)	Indirect investment through Powertip HK (Note 5)	-	-	-	-	3,483 (HK\$908)	100.00%	3,483 (HK\$908)	11,785 (HK\$2,970)	-
Jiangsu Powertip	Manufacturing and processing of molds	369,120 (US\$12,000) (Note 6)	Indirect investment by associated company - Powertip Image Corp. through Powertip Image (Samoa) and Do Electronic (Note 8)	186,252 (US\$6,055)	-	-	186,252 (US\$6,055)	79,413 (US\$2,660)	34.52% of shareholding is indirectly held by the Company's equity-accounted investee	Recognized according to the shareholding percentages of Powertip Image (Samoa) and Do Electronic Recognized according to the shareholding percentage of Chin Hung	Recognized according to the shareholding percentages of Powertip Image (Samoa) and Do Electronic Recognized according to the shareholding percentage of Chin Hung	-

2. Approved limit on Mainland investments:

Unit: thousands of foreign currency

Company name	Closing cumulative balance of investment capital transferred from Taiwan into the Mainland	Investment limit authorized by the Investment Commission, Ministry of Economic Affairs	Limits authorized by the Investment Commission, Ministry of Economic Affairs, for investing into Mainland China
The Company	790,840 (US\$25,710)	792,870 (US\$25,776)	No limit (Note 2)
Powertip Image Corp.	46,048 (US\$1,497)	228,916 (US\$7,442) (Note 7)	400,001
Chin Yue	81,514 (US\$2,650)	81,514 (US\$2,650)	80,000
Chin Hung	58,690 (US\$1,908)	58,690 (US\$1,908)	80,000

Note 1: Gains/losses of investees for the current period were recognized based on auditor-reviewed financial statements of the parent company in Taiwan, except for Jiangsu Powertip and Powertip (Dongguan), which were recognized based on their unaudited financial statements.

Note 2: According to the rules on Mainland investment limits stipulated by the Investment Commission in the revised "Review Principles for Investment or Technological Collaboration in the Mainland Area" on August 29, 2008, the Company has already obtained proof of operational headquarters from the Industrial Development Bureau, Ministry of Economic Affairs, and therefore is not subject to the Mainland investment limit.

Note 3: Dongguan Jiuli, one of the Company's business investments, was de-registered on January 7, 2009; the cumulative amount of investment outstanding at the end of the current period included USD 2,710 thousand of realized losses that were attributed to Dongguan Jiuli.

Note 4: Converted into NTD using exchange rate as at the reporting date (1 USD: 30.76 NTD; 1 HKD: 3.968 NTD).

Note 5: Powertip HK contributed proprietary funds and machinery and equipment in lieu of capital to the investment.

Note 6: USD 5,945 thousand of which were contributed by Powertip Image (Samoa) in the form of proprietary funds and machinery/equipment in lieu of capital. Powertip Image Corp. underwent a re-organization in May 2014, during which Do Electronic acquired 37.98% of ownership interest in Jiangsu Powertip from Powertip Image (Samoa) for a sum of USD 4,558 thousand.

Note 7: The amount of Mainland investments made by Powertip Image Corp. prior to 2009 had been approved by the Investment Commission in writing.

Note 8: Through Chin Yue and Chin Hung, two 100%-owned subsidiaries, Powertip Image Corp. acquired 58.14% and 41.86% ownership interest, respectively, in Do Electronic, and underwent a re-organization in May 2014, during which Do Electronic acquired 37.98% of ownership interest in Jiangsu Powertip from Powertip Image (Samoa).

Through Powertip HK, a business located at a third location, the Company established Dongkeng Jiuzheng Photoelectric, a processing plant for LCD devices and electronic components, in Dongguan, Mainland China, for a sum of HKD 9,024 thousand; this project was approved by the Investment Commission, Ministry of Economic Affairs, on November 20, 2002. Powertip HK later made an indirect investment into the Mainland and founded Powertip (Dongguan) Photoelectric Co., Ltd. by contributing HKD 5,792 thousand of its funds and the electronics plant of Dongkeng Jiuzheng Photoelectric, an existing investment approved by the Investment Commission, Ministry of Economic Affairs, valued at HKD 4,208 thousand for a total share capital of HKD 10,000 thousand. This project was approved by the Investment Commission, Ministry of Economic Affairs, on July 13, 2012 and completed on April 25, 2013.

3. Significant transactions:

Please refer to "Information related to significant transactions" in the consolidated financial statements for more details on direct and indirect significant transactions between the Company and Mainland investees in 2022 (which have been eliminated when preparing the consolidated financial statements).

(IV) Information on major shareholders:

Name of major shareholder	Shares	Number of shares held	Shareholding percentage
Bright LED Electronics Corp.		19,020,148	11.72%

Note: (1) Information on major shareholders, as presented in this chart, was taken from records of Taiwan Depository & Clearing Corporation as at the final business day of the reported quarter; and included parties holding book-entry common and preferred shares (including treasury stock) for an aggregate ownership of 5% and above. Share capital reported in the Company's financial statements may differ from the number of shares delivered via book entry due to different basis of preparation/calculation.

(2) Shareholders who placed shares under trust are disclosed in trustors' sub-accounts held with various trustees. Shareholders with more than 10% ownership interest are subject to insider equity reporting, according to Securities and Exchange Act. Insider equity includes shares held in own name and any shares placed under trust that the insider has control over. Please access Market Observation Post System for reports on insider equity.

XIV. Segment information

Please refer to the 2022 consolidated financial statements.

Powertip Technology Corporation
Details of cash and cash equivalents
December 31, 2022

Unit: NTD thousand

Item	Summary	Amount
Cash on hand in foreign currencies and petty cash		\$ 454
Demand deposits	NTD	107,734
	Foreign currencies (US\$11,587 thousand and JPY 1,850,000)	356,855
		464,589
Time deposits	NTD	19,800
		<u>\$ 484,843</u>

Note: The foreign currency exchange rates are 1 USD to 30.76 NTD and 1 JPY to 0.2344 NTD.

Details of notes and accounts receivable

<u>Name of customer</u>	<u>Summary</u>	<u>Amount</u>
Notes receivable	Operating revenue from non-related parties	\$ <u>1,469</u>
Accounts receivable	"	
Company D	"	54,921
Company B	"	24,672
Company J	"	20,411
Company L	"	15,635
Others (Note 1)		<u>92,161</u>
		<u>209,269</u>
Notes and accounts receivable - net		<u><u>\$ 209,269</u></u>

Note 1: Each amount that did not exceed 5% of the balance of this account was not listed independently.

Powertip Technology Corporation

Details of inventories

December 31, 2022

Unit: NTD thousand

<u>Item</u>	<u>Amount</u>	
	<u>Cost</u>	<u>Net realizable value</u>
Finished goods	\$ 16,776	19,907
Work-in-progress and semi-finished goods	28,380	40,866
Raw materials	34,582	35,441
Merchandise	7,636	8,747
Net amount	<u><u>\$ 87,374</u></u>	<u><u>104,961</u></u>

Details of property, plant and equipment

For the Periods January 1 to December 31, 2022

Please see note 6(7) for details.

Details of other financial assets - current

December 31, 2022

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Other receivables - related parties	Receivables for purchases of equipment and raw materials on behalf of others	\$ 1,841
Other receivables	Business tax, refundable income tax, and interest receivable	6,465
Restricted assets - current	Time deposits pledged	2,500
Total		<u><u>\$ 10,806</u></u>

Note: Each amount did not exceed 5% of the balance of this account, so it was not listed independently.

Powertip Technology Corporation
Details of changes in investments using equity method
For the Periods January 1 to December 31, 2022

Unit: NTD thousand
/in thousands of shares

Name	Opening balance		Increase during this period (Note 1)		Decrease during this period (Note 2, 3, 4, 5, and 6)		Investment income (loss) recognized using the equity method	Exchange differences on translation of financial statements of foreign operations	Capital reserve	Closing balance				
	number of shares	Amount	number of shares	Amount	number of shares	Amount				Shareholdin g		Amount	Net equity value	Collateral or pledge
										number of shares	percentage			
Powertip HK	39,500	\$ 20,478	-	-	-	-	5,031	1,456	-	39,500	100.00%	26,965	26,965	None
Powertip USA	155	65,003	-	-	-	-	1,498	7,149	-	155	100.00%	73,650	73,650	"
Powertip Samoa	23,711	584,730	-	-	-	-	75,889	7,603	-	23,711	100.00%	668,222	668,222	"
Ta Cheng	2,760	24,923	-	-	(305)	(109)	5,816	82	-	2,455	100.00%	30,712	30,712	"
Ta Ho	2,760	24,925	-	-	(305)	(109)	5,819	83	-	2,455	100.00%	30,718	30,718	"
Ta Yang	2,010	18,041	-	-	-	(2,384)	4,129	60	-	2,010	100.00%	19,846	19,846	"
Powertip Image Corp.	7,991	133,558	1,584	-	-	(8,457)	34,211	483	-	9,575	23.55%	159,795	159,795	"
		871,658		-		(11,059)	132,393	16,916	-			1,009,908		
Less: unrealized gain/loss on associated companies		(1,129)		-		(2,169)	-	-	-			(3,298)		
		<u>\$ 870,529</u>		<u>-</u>		<u>(13,228)</u>	<u>132,393</u>	<u>16,916</u>	<u>-</u>			<u>1,006,610</u>		

Note 1: The increase during this period is due to the stock dividends of 1,584,000 shares from associated companies.

Note 2: The decrease during this period is due to the cash dividends of NT\$7,917 thousand from associated companies.

Note 3: The decrease during this period is due to the cash dividends of NT\$2,300 thousand from subsidiaries.

Note 4: The decrease during this period is due to a subsidiary's capital reduction by NT\$3,054 thousand to make up for losses.

Note 5: The decrease during this period is due to a subsidiary's capital reduction by NT\$3,052 thousand to make up for losses.

Note 6: The decrease during this period is due to capital surplus of NT\$842 thousand adjusted using the equity method.

Powertip Technology Corporation

Details of accounts payable

December 31, 2022

Unit: NTD thousand

<u>Name of customer</u>	<u>Summary</u>	<u>Amount</u>
Accounts payable:		
Company E	Operating expense to non-related parties	\$ 12,805
Company B	"	9,502
Company C	"	8,672
Company A	"	5,908
Company D	"	5,801
Others (Note)	"	<u>56,069</u>
Total		<u><u>\$ 98,757</u></u>

Note: Each amount did not exceed 5% of the balance of this account, so it was not listed independently.

Details of other payables

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Salary, wages, and bonuses payable		\$ 34,245
Provisions for employee benefits		6,567
Professional service fee payable		3,019
Employee remuneration payable		12,764
Others (Note)	Pension, director remuneration, professional service fees, commission fees, processing fees, molding costs, and interest expenses payable	<u>23,034</u>
		<u><u>\$ 79,629</u></u>

Note: Each amount did not exceed 5% of the balance of this account, so it was not listed independently.

Powertip Technology Corporation
Details of medium- and long-term borrowings
December 31, 2022

Unit: NTD thousand

Creditor	Financing facility	Amount		Contract period	Amount (in NT\$)	Interest rate	Mortgage or collateral
		Current portion	Portion due beyond one year				
Bank SinoPac	\$ 169,400	22,900	41,962	2020.2-2025.5	64,862	1.35%	Land and buildings
Taichung Ind Park Office Branch, Bank of Taiwan	21,667	10,000	11,667	2020.2~2025.2	21,667	1.33%	No collateral
	<u>\$ 191,067</u>	<u>32,900</u>	<u>53,629</u>		<u>86,529</u>		

Details of operating revenue
For the Periods January 1 to December 31, 2022

Unit: NTD thousand

Item	Quantity (in thousands of units)	Amount
LCD module	6,542	\$ 1,924,386
LCD Monitor	106	12,521
Others (Note)	13,977	118,644
Net operating income		<u>\$ 2,055,551</u>

Note: Each amount that did not exceed 10% of the total revenue was not listed independently.

Powertip Technology Corporation
Details of operating costs
For the Periods January 1 to December 31, 2022

Unit: NTD thousand

<u>Item</u>	<u>Amount</u>
Inventory at the beginning of the period	\$ 15,519
Add: Purchases during this period	1,501,077
Others	4,838
Less: Inventory at the end of the period	(13,278)
Scrapping, production, and reclassification to sample fees	(5,430)
Cost of purchases and sales	<u>1,502,726</u>
Raw materials at the beginning of the period	59,095
Add: Net purchases during this period	165,723
Other items to be added	22,189
Less: Raw materials at the end of the period	(57,617)
Cost of raw materials sold	(88,424)
Scrapping and reclassification to expenses	(11,743)
Direct raw materials	89,223
Direct labor	13,767
Overheads	<u>47,091</u>
Manufacturing cost	150,081
Add: Work-in-progress and semi-finished goods at the beginning of the period	20,248
Semi-finished goods purchased and supplies used	108,562
Less: Work-in-progress and semi-finished goods at the end of the period	(42,167)
Cost of semi-finished goods sold	(33,504)
Scrapping and reclassification to research and development expenses and merchandise	(27,926)
Cost of finished goods	175,294
Add: Finished goods at the beginning of the period	13,092
Research and development materials returned to inventory	762
Less: Finished goods at the end of the period	(19,699)
Cost of finished goods sold	169,449
Add: Cost of raw materials sold	88,424
Cost of semi-finished goods sold	33,504
Others	93
Cost of production and sales	<u>291,470</u>
Costs of purchases and sales and production and sales	1,794,196
Gain on reversal of inventory valuation and obsolescence losses	(9,288)
Inventory write-off	10,977
Others	5,000
Operating costs	<u><u>\$ 1,800,885</u></u>

Powertip Technology Corporation
Details of operating expenses
For the Periods January 1 to December 31, 2022

Unit: NTD thousand

<u>Item</u>	<u>Selling and marketing expenses</u>	<u>General and administrative expenses</u>	<u>Research and development expenses</u>
Salary and wages	\$ 18,675	36,803	29,274
Insurance	2,077	3,144	2,710
Export expense	11,415	-	-
Professional service fee	54	7,052	1
Research materials	-	-	2,836
Freight	7,463	15	45
Other expenses (Note)	7,047	15,806	8,323
Total	<u><u>\$ 46,731</u></u>	<u><u>62,820</u></u>	<u><u>43,189</u></u>

Note: Each amount did not exceed 5% of the balance of this account, so it was not listed independently.