

**SAN SHING FASTECH CORP.  
AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
WITH REPORT OF INDEPENDENT ACCOUNTANTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2022 AND 2021**

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

**CONSOLIDATED FINANCIAL STATEMENTS**  
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## REPRESENTATION LETTER

The entities included in the consolidated financial statements as of December 31, 2022 and for the year then ended prepared under the International Financial Reporting Standards, No.10 are the same as the entities to be included in the combined financial statements of the Company, if any to be prepared, pursuant to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises (referred to as “Combined Financial Statements”). Also, the footnotes disclosed in the Consolidated Financial Statements have fully covered the required information in such Combined Financial Statements. Accordingly, the Company did not prepare any other set of Combined Financial Statements than the Consolidated Financial Statements.

Very truly yours,

SAN SHING FASTECH CORP.

Chairman: Chi-Yuan, Ko

March 9, 2023

## Independent Auditors' Report

To San Shing Fastech Corp.

### Opinion

We have audited the accompanying consolidated balance sheets of San Shing Fastech Corp. and its subsidiaries (“the Group”) as of December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2022 and 2021, and notes to the consolidated financial statements, including the summary of generally accepted accounting policies (collectively “the consolidated financial statements”).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and their consolidated financial performance and cash flows for the years ended December 31, 2022 and 2021, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

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

### Key Audit Matters

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

## 1. Loss Allowance of Accounts Receivable

As of December 31, 2022, the Group's net accounts receivable amounted to NT\$1,369,324 thousand, representing 16% of the total consolidated assets which is significant for the consolidated financial statements. Since the loss allowance of accounts receivable is measured by the expected credit loss for the duration of the accounts receivable, the measurement of expected credit loss involves making judgement, analysis and estimates, and the result will affect net accounts receivable. Therefore, we considered this a key audit matter.

Our audit procedures included, but are not limited to, assessing the appropriateness of expected credit loss for accounts receivable; understanding and testing the effectiveness of the internal control over accounts receivable collection established by management; sampling customers to perform confirmation and reviewing the collection in subsequent period to evaluate recoverability; testing the accuracy of aging and analyzing changes in aging to assess reasonableness; testing the relevant statistical information of loss rate calculated by rolling rate; considering the rationality of the prospective information and assessing the appropriateness of expected credit loss. Please refer to Note 5 and 6 in notes to the consolidated financial statements.

## 2. Inventory Valuation

As of December 31, 2022, the Group's net inventories amounted to NT\$1,997,329 thousand, representing 24% of the total consolidated assets which is significant for the consolidated financial statements. Due to a high degree of customization for main finished goods and work in progress, obsolete and slow-moving inventory valuation requires significant judgement of management. Therefore, we considered this a key audit matter.

Our audit procedures included, but not limited to, understanding and testing the effectiveness of the internal control over inventory valuation which includes management of the inventory aging; evaluating the appropriateness of accounting policies for obsolete and slow-moving inventory; evaluating the physical inventory stock take plan provided by the management and choosing the significant location to perform the observation and inspect the status for any write-downs or write-offs of inventory; testing the correctness of aging intervals in inventory aging schedule and the appropriateness of the movement and assessing the inventory reserve percentage to confirm the reasonableness of management's determination of the provisions to reduce the valuation of inventory to net realizable value. Please refer to Note 5 and 6 in notes to the consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

We have audited and expressed an unqualified opinion on the parent company only financial statements of the Company as of and for the years ended December 31, 2022 and 2021.

/s/ Chen, Cheng-Chu

/s/ Hung, Kuo-Sen

Ernst & Young, Taiwan

March 9, 2023

#### **Notice to Readers**

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China 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.

Accordingly, the accompanying consolidated financial statements and report of independent auditors are not intended for use by those who are not informed about the accounting principles or Standards on Auditing of the Republic of China, and their applications in practice.



## SAN SHING FASTECH CORP. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	December 31, 2022	%	December 31, 2021	%
<b>Current assets</b>					
Cash and cash equivalents	4/6.(1)	\$2,040,122	24	\$1,467,728	18
Financial assets at fair value through profit or loss, current	4/6.(2)	33	-	27,357	-
Financial assets measured at amortized cost, current	4/6.(3)	-	-	26,517	-
Notes receivable, net	4/6.(4)&(15)	3,991	-	7,793	-
Accounts receivable, net	4/6.(5)&(15)	1,360,386	16	1,277,785	16
Accounts receivable - related parties, net	4/6.(5)&(15)/7	8,938	-	8,654	-
Other receivables		16,184	-	33,514	-
Inventories, net	4/6.(6)	1,997,329	24	2,293,617	27
Prepayments		12,754	-	13,695	-
<b>Total current assets</b>		<b>5,439,737</b>	<b>64</b>	<b>5,156,660</b>	<b>61</b>
<b>Non-current assets</b>					
Financial assets measured at amortized cost, non-current	4/6.(3)/8	6,283	-	34,810	-
Property, plant and equipment	4/6.(7)/7/8	2,932,069	34	2,989,151	36
Intangible assets	4/6.(8)&(9)	117,560	1	126,436	2
Deferred tax assets	4/6.(20)	59,419	1	66,092	1
Other non-current assets		20,672	-	12,761	-
<b>Total non-current assets</b>		<b>3,136,003</b>	<b>36</b>	<b>3,229,250</b>	<b>39</b>
<b>Total assets</b>		<b>\$8,575,740</b>	<b>100</b>	<b>\$8,385,910</b>	<b>100</b>

Liabilities and Equity	Notes	December 31, 2022	%	December 31, 2021	%
<b>Current liabilities</b>					
Short-term loans	4/6.(10)	\$3,253	-	\$797	-
Financial liabilities at fair value through profit or loss, current	4/6.(11)	16,772	-	188	-
Contract liabilities, current	4/6.(14)/7	68,577	1	63,695	1
Notes payable		274,312	3	325,659	4
Accounts payable		113,475	1	138,029	2
Accounts payable - related parties	7	2,145	-	2,154	-
Other payables		413,509	5	392,256	4
Other payables - related parties	7	560	-	1,111	-
Current tax liabilities	4	240,600	3	222,585	3
Other current liabilities		2,292	-	2,018	-
<b>Total current liabilities</b>		<b>1,135,495</b>	<b>13</b>	<b>1,148,492</b>	<b>14</b>
<b>Non-current liabilities</b>					
Deferred tax liabilities	4/6.(20)	240,441	3	230,961	3
Other non-current liabilities	7	38,164	-	39,774	-
Net defined benefit liabilities, non-current	4/6.(12)	61,042	1	94,138	1
<b>Total non-current liabilities</b>		<b>339,647</b>	<b>4</b>	<b>364,873</b>	<b>4</b>
<b>Total liabilities</b>		<b>1,475,142</b>	<b>17</b>	<b>1,513,365</b>	<b>18</b>
<b>Equity attributable to the parent company</b>					
4/6.(13)					
<b>Capital</b>					
Common stock		2,949,401	34	2,949,401	35
Additional paid-in capital		429,222	5	429,132	5
<b>Retained earnings</b>					
Legal reserve		1,369,779	16	1,271,053	15
Special reserve		259,309	3	259,309	3
Unappropriated earnings		1,896,448	22	1,812,351	22
<b>Total retained earnings</b>		<b>3,525,536</b>	<b>41</b>	<b>3,342,713</b>	<b>40</b>
Other components of equity		(43,858)	-	(53,782)	-
<b>Total equity attributable to the parent company</b>		<b>6,860,301</b>	<b>80</b>	<b>6,667,464</b>	<b>80</b>
Non-controlling interests	6.(13)	240,297	3	205,081	2
<b>Total equity</b>		<b>7,100,598</b>	<b>83</b>	<b>6,872,545</b>	<b>82</b>
<b>Total liabilities and equity</b>		<b>\$8,575,740</b>	<b>100</b>	<b>\$8,385,910</b>	<b>100</b>

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

## SAN SHING FASTECH CORP. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2022 and 2021

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

Accounting	Notes	For the years ended December 31			
		2022	%	2021	%
Operating revenues	4/6.(14)/7	\$7,165,036	100	\$7,107,173	100
Operating costs	4/6.(6)&(16)&(17)/7	(5,285,889)	(74)	(5,360,330)	(75)
Gross profit		1,879,147	26	1,746,843	25
Operating expenses	4/6.(16)&(17)				
Sales and marketing expenses		(399,532)	(5)	(303,479)	(4)
General and administrative expenses		(183,732)	(3)	(167,864)	(3)
Research and development expenses		(30,173)	-	(44,257)	(1)
Expected credit losses	4/6.(15)	-	-	(1,487)	-
Subtotal		(613,437)	(8)	(517,087)	(8)
Operating income		1,265,710	18	1,229,756	17
Non-operating income and expenses	4/6.(18)				
Interest income		8,777	-	4,406	-
Other income		22,920	-	37,402	1
Other gains and losses		76,945	1	(8,787)	-
Finance costs		(820)	-	(508)	-
Subtotal		107,822	1	32,513	1
Income from continuing operations before income tax		1,373,532	19	1,262,269	18
Income tax expense	4/6.(20)	(279,960)	(4)	(257,077)	(4)
Profit from continuing operations		1,093,572	15	1,005,192	14
Net income		1,093,572	15	1,005,192	14
Other comprehensive income (loss)	6.(19)				
Items that will not be reclassified subsequently to profit or loss					
Remeasurements of defined benefit pension plans		9,070	-	5,394	-
Income tax related to items that will not be reclassified subsequently		(1,814)	-	(1,079)	-
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		21,425	-	(25,508)	-
Income tax related to items that may be reclassified subsequently		(2,481)	-	2,954	-
Total other comprehensive income (loss), net of tax		26,200	-	(18,239)	-
Total comprehensive income		\$1,119,772	15	\$986,953	14
Net income attributable to:					
Stockholders of the parent		\$1,060,387	15	\$982,947	14
Non-controlling interests		33,185	-	22,245	-
		\$1,093,572	15	\$1,005,192	14
Comprehensive income attributable to:					
Stockholders of the parent		\$1,077,567	15	\$975,447	14
Non-controlling interests		42,205	-	11,506	-
		\$1,119,772	15	\$986,953	14
Earnings per share (NTD)	6.(21)				
Earnings per share-Basic		\$3.60		\$3.33	
Earnings per share-Diluted		\$3.59		\$3.33	

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

SAN SHING FASITECH CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

Accounting	Equity Attributable to the Parent Company						Non-Controlling Interests	Total Equity	
	Common Stock	Additional Paid-in Capital	Retained Earnings			Other Components of Equity			Total
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations			
Balance as of January 1, 2021	\$2,949,401	\$479,341	\$1,211,261	\$259,309	\$1,424,621	(\$41,967)	\$6,281,966	\$195,675	\$6,477,641
Appropriation and distribution of 2020 retained earnings:									
Legal reserve	-	-	59,792	-	(59,792)	-	-	-	-
Cash dividends	-	(50,140)	-	-	(539,740)	-	(589,880)	-	(589,880)
Other changes in capital surplus	-	(69)	-	-	-	-	(69)	-	(69)
Net income for the year ended December 31, 2021	-	-	-	-	982,947	-	982,947	22,245	1,005,192
Other comprehensive income (loss), net of tax for the year ended December 31, 2021	-	-	-	-	4,315	(11,815)	(7,500)	(10,739)	(18,239)
Total comprehensive income (loss)	-	-	-	-	987,262	(11,815)	975,447	11,506	986,953
Changes in non-controlling interests	-	-	-	-	-	-	-	(2,100)	(2,100)
Balance as of December 31, 2021	\$2,949,401	\$429,132	\$1,271,053	\$259,309	\$1,812,351	(\$53,782)	\$6,667,464	\$205,081	\$6,872,545
Balance as of January 1, 2022	\$2,949,401	\$429,132	\$1,271,053	\$259,309	\$1,812,351	(\$53,782)	\$6,667,464	\$205,081	\$6,872,545
Appropriation and distribution of 2021 retained earnings:									
Legal reserve	-	-	98,726	-	(98,726)	-	-	-	-
Cash dividends	-	-	-	-	(884,820)	-	(884,820)	-	(884,820)
Other changes in capital surplus	-	90	-	-	-	-	90	-	90
Net income for the year ended December 31, 2022	-	-	-	-	1,060,387	-	1,060,387	33,185	1,093,572
Other comprehensive income (loss), net of tax for the year ended December 31, 2022	-	-	-	-	7,256	9,924	17,180	9,020	26,200
Total comprehensive income (loss)	-	-	-	-	1,067,643	9,924	1,077,567	42,205	1,119,772
Changes in non-controlling interests	-	-	-	-	-	-	-	(6,989)	(6,989)
Balance as of December 31, 2022	\$2,949,401	\$429,222	\$1,369,779	\$259,309	\$1,896,448	(\$43,858)	\$6,860,301	\$240,297	\$7,100,598

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese  
SAN SHING FASITECH CORP. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the years ended December 31, 2022 and 2021  
(Expressed in Thousands of New Taiwan Dollars)

Accounting	For the years ended December 31		Accounting	For the years ended December 31	
	2022	2021		2022	2021
Cash flows from operating activities:			Cash flows from investing activities:		
Net income before tax	\$1,373,532	\$1,262,269	Proceeds from disposal of financial assets measured at amortized cost	56,423	102,318
Adjustments to reconcile net income before tax to net cash provided by operating activities:			Acquisition of property, plant and equipment	(124,294)	(94,589)
Depreciation	192,273	210,123	Proceeds from disposal of property, plant and equipment	419	4
Amortization	8,876	8,947	Increase in other non-current assets	(15,665)	(8,986)
Expected credit losses	-	1,487	Interest received	8,777	4,406
Net loss (gain) of financial assets and liabilities at fair value through profit or loss	73,452	(78,749)	Net cash (used in) provided by investing activities	(74,340)	3,153
Interest expense	820	508			
Interest income	(8,777)	(4,406)	Cash flows from financing activities:		
(Gains) losses on disposal and abandonment of property, plant and equipment	(185)	12	Increase in short-term loans	2,456	774
Others	54	-	Decrease in other non-current liabilities	(1,610)	(5,448)
Changes in operating assets and liabilities:			Cash dividends	(884,820)	(589,880)
Mandatorily financial assets at fair value through profit or loss	(29,544)	47,040	Interest paid	(820)	(508)
Notes receivable	3,802	1,784	Changes in non-controlling interests	(6,989)	(2,100)
Accounts receivable	(82,715)	(92,715)	Others	90	(69)
Accounts receivable - related parties	(284)	2,582	Net cash used in financing activities	(891,693)	(597,231)
Other receivables	17,330	(13,077)			
Inventories	296,288	(973,739)	Effect of exchange rate changes on cash and cash equivalents	16,729	(10,649)
Prepayments	941	23,892	Net increase (decrease) in cash and cash equivalents	572,394	(169,278)
Contract liabilities	4,882	31,281	Cash and cash equivalents at beginning of period	1,467,728	1,637,006
Notes payable	(51,347)	168,877	Cash and cash equivalents at end of period	\$2,040,122	\$1,467,728
Accounts payable	(24,554)	(14,583)			
Accounts payable - related parties	(9)	835			
Other payables	21,253	32,622			
Other payables - related parties	(551)	1,111			
Other current liabilities	274	545			
Net defined benefit liabilities	(24,026)	(30,438)			
Cash generated from operations	1,771,785	586,208			
Income tax paid	(250,087)	(150,759)			
Net cash provided by operating activities	1,521,698	435,449			

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

SAN SHING FASTECH CORP. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

1. History and organization

SAN SHING FASTECH CORP. (“the Company”) was incorporated in 1965. The main activities of the Company contains manufacturing, processing, marketing and export business of bolts, nuts, steel wires and related machinery, machinery parts, tools. The Company’s common shares were publicly listed on Taipei Exchange (TPEX) on January 17, 1998 and started to list on Taiwan Stock Exchange Corporation (TWSE) on September 16, 2011.

2. Date and procedures of authorization of financial statements for issue

The consolidated financial statements of the Company and its subsidiaries (“the Group”) for the years ended December 31, 2022 and 2021 were authorized for issue by the Board of Directors on March 9, 2023.

3. Newly issued or revised standards and interpretations

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

The Group applied International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), and Interpretations issued, revised or amended which are recognized by the Financial Supervisory Commission (FSC) and became effective for annual periods beginning on or after January 1, 2022. The nature and the impact of each new standard and amendment have no material effect on the Group.

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

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

A. Disclosure Initiative - Accounting Policies – Amendments to IAS 1

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

B. Definition of Accounting Estimates – Amendments to IAS 8

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

C. Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

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

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2023.

SAN SHING FASTECH CORP. AND SUBSIDIARIES - (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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

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

The Group will apply for standards or interpretations issued by IASB but not yet endorsed by FSC in future periods and the potential impacts arising from the adoption on the Group’s financial statements are summarized as follows:

- A. IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

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

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

- B. Classification of Liabilities as Current or Non-current – Amendments to IAS 1

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

- C. Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

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

- D. Non-current Liabilities with Covenants – Amendments to IAS 1

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

The Group is currently evaluating the potential impact of the aforementioned standards and interpretations to the Group’s financial position and performance, and the related impact will be disclosed when the evaluation is completed.

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4. Summary of significant accounting policies

(1) Statement of compliance

The consolidated financial statements of the Group for the years ended December 31, 2022 and 2021 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”).

(2) Basis of preparation

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

(3) Basis of Consolidation

Preparation principle of consolidated financial statement

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

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

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

- A. the contractual arrangement with the other vote holders of the investee
- B. rights arising from other contractual arrangements
- C. the Group’s voting rights and potential voting rights

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

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

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

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

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If the Group loses control of a subsidiary, it:

- A. derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- B. derecognizes the carrying amount of any non-controlling interest;
- C. recognizes the fair value of the consideration received;
- D. recognizes the fair value of any investment retained;
- E. recognizes any surplus or deficit in profit or loss; and
- F. reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are listed as follows:

Investor	Subsidiary	Business nature	Percentage of Ownership	
			Dec. 31, 2022	Dec. 31, 2021
The Company	San Shing Heat-Treating Co., Ltd.	Heat treatment processing business of bolts, nuts, toolings, etc.	100.00%	100.00%
The Company	Hexico Enterprises Co., Ltd.	Manufacturing, processing, import and export trading of metal washers, steel wires	95.00%	95.00%
The Company	Acku Metal Industries (M) SDN. BHD.	Production and sale of bolts	57.90%	57.90%
Acku Metal Industries (M) SDN. BHD.	Yeh Chang Heat Treatment (M) SDN. BHD.	Heat treatment processing business of metal products	51.00%	51.00%

(4) Foreign currency transactions

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

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

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

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



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- B. Foreign currency items within the scope of IFRS 9 “Financial Instruments” are accounted for based on the accounting policy for financial instruments.
- C. Exchange differences arising on a monetary item that forms part of a reporting entity’s net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

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

(5) Translation of financial statements in foreign currency

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

- A. when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and
- B. when the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

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

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

(6) Current and non-current distinction

An asset is classified as current when:

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

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All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

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

(8) Financial instruments

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

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

A. Financial instruments: recognition and measurement

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

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

- a. the Group’s business model for managing the financial assets and
- b. the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

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

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

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

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

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

Financial asset measured at fair value through other comprehensive income

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

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

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

- a. A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- b. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- c. Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
  - i. Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
  - ii. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

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

Financial asset measured at fair value through profit or loss

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

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

B. Impairment of financial assets

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

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

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

The loss allowance is measures as follow:

- a. At an amount equal to twelve-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- b. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- c. For accounts receivable or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.
- d. For lease receivables arising from transactions within the scope of IFRS 16, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

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

C. Derecognition of financial assets

A financial asset is derecognized when:

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

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

D. Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

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

Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

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

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

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

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

E. Offsetting of financial instruments

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

(9) Derivative instrument

The Group uses derivative instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as financial assets or liabilities at fair value through profit or loss except for derivatives that are designated as and effective hedging instruments which are classified as financial assets or liabilities for hedging.

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Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of hedges, which is recognized in either profit or loss or equity according to types of hedges used.

When the host contracts are either non-financial assets or liabilities, derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not designated at fair value through profit or loss.

(10) Fair value measurement

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

- A. In the principal market for the asset or liability, or
- B. In the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

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

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

(11) Inventories

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

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

Raw materials – Purchase cost on a weighted average method.

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

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

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

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(12) Property, plant and equipment

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

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

Buildings	10~35 years
Machinery and equipment	6~10 years
Transportation equipment	5~10 years
Other equipment	5~9 years

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

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

(13) Leases

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

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

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



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Group as a lessee

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

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

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

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

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

- A. the amount of the initial measurement of the lease liability
- B. any lease payments made at or before the commencement date, less any lease incentives received
- C. any initial direct costs incurred by the lessee
- D. an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

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

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

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

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

Group as a lessor

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

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

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

(14) Intangible assets

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

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

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

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

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

SAN SHING FASITECH CORP. AND SUBSIDIARIES - (Continued)  
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A summary of the policies applied to the Group's intangible assets is as follows:

	Patents	Technology licenses	Other intangible assets
Useful lives	Finite (4~19 years)	Finite (5 years)	Finite (5 years)
Amortization method used	Amortized on a straight-line basis	Amortized on a straight-line basis	Amortized on a straight-line basis
Internally generated or acquired	Acquired	Acquired	Acquired

(15) Impairment of non-financial assets

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

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

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

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

(16) Treasury shares

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

(17) Revenue recognition

The Group's revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follows:

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Sale of goods

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

The Group provides its customer with a warranty with the purchase of the products. The warranty provides assurance that the product will operate as expected by the customers. And the warranty is accounted in accordance with IAS 37.

The credit period of the Group's sale of goods is from 30 to 90 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as accounts receivable. The Group usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Group has transferred the goods to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Group measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

Rendering of services

The Group provides services of pre- and post-production of fasteners. The determination of price is different depending on the content of the services: negotiation and quotation basis. As the Group provides wire pickling, wire drawing, heat treatment, surface treatment and testing based on agreements with clients, clients send payment after passing final acceptance and obtaining benefits. Accordingly, the performance obligations are satisfied over time, and the related revenue are recognized after clients' acceptance.

Most of the contractual considerations of the Group are collected evenly throughout the contract period. When the Group has performed the services to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. However, for some rendering of services contracts, part of the consideration was received from customers upon signing the contract, and the Group has the obligation to provide the services subsequently; accordingly, these amounts are recognized as contract liabilities.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component is arised.

(18) Borrowing costs

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

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(19) Post-employment benefits

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

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

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

- A. the date of the plan amendment or curtailment, and
- B. the date that the Group recognizes restructuring-related costs

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

(20) Income taxes

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

Current income tax

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

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

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

SAN SHING FASTECH CORP. AND SUBSIDIARIES - (Continued)  
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Deferred tax liabilities are recognized for all taxable temporary differences, except:

- A. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- B. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- A. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- B. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

## 5. Significant accounting judgements, estimates and assumptions

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

### Estimates and assumptions

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

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(1) Fair value of financial instruments

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

(2) Inventories

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

(3) Impairment of non-financial assets

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

(4) Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate and changes of the future salary etc.

(5) Income tax

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

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

(6) Accounts receivable – estimation of impairment loss

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

6. Contents of significant accounts

(1) Cash and cash equivalents

	As at	
	Dec. 31, 2022	Dec. 31, 2021
Cash on hand & demand deposits	\$944,133	\$964,015
Time deposits	549,041	93,379
Investments in bonds with resale agreements	546,948	410,334
<b>Total</b>	<b>\$2,040,122</b>	<b>\$1,467,728</b>

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

	As at	
	Dec. 31, 2022	Dec. 31, 2021
Mandatorily measured at fair value through profit or loss:		
Forward foreign exchange contracts	\$33	\$27,357

Financial assets at fair value through profit or loss were not pledged.

(3) Financial assets measured at amortized cost

	As at	
	Dec. 31, 2022	Dec. 31, 2021
Time deposits	\$6,283	\$61,327
Current	\$—	\$26,517
Non-current	6,283	34,810
<b>Total</b>	<b>\$6,283</b>	<b>\$61,327</b>

The Group classified certain financial assets as financial assets measured at amortized cost. Please refer to Note 6. (15) for more details on loss allowance and Note 8 for more details on financial assets measured at amortized cost under pledge. Please refer to Note 12 for more details on credit risk.



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(4) Notes receivable and Notes receivable - related parties

	As at	
	Dec. 31, 2022	Dec. 31, 2021
Notes receivable	\$3,991	\$7,793
Less: loss allowance	—	—
Subtotal	3,991	7,793
Notes receivable - related parties	—	—
Less: loss allowance	—	—
Subtotal	—	—
Total	\$3,991	\$7,793

Notes receivable were not pledged.

The Group follows the requirement of IFRS 9 to assess the impairment. Please refer to Note 6. (15) for more details on loss allowance and Note 12 for details on credit risk.

(5) Accounts receivable and Accounts receivable - related parties

	As at	
	Dec. 31, 2022	Dec. 31, 2021
Accounts receivable	\$1,376,919	\$1,294,204
Less: loss allowance	(16,533)	(16,419)
Subtotal	1,360,386	1,277,785
Accounts receivable - related parties	8,938	8,654
Less: loss allowance	—	—
Subtotal	8,938	8,654
Total	\$1,369,324	\$1,286,439

Accounts receivable were not pledged.

Accounts receivable are generally on 30~90 day terms. The total carrying amount for the years ended December 31, 2022 and 2021 are NT\$1,385,857 thousand and NT\$1,302,858 thousand, respectively. Please refer to Note 6. (15) for more details on loss allowance of accounts receivable for the years ended December 31, 2022 and 2021. Please refer to Note 12 for more details on credit risk management.

(6) Inventories

	As at	
	Dec. 31, 2022	Dec. 31, 2021
Raw materials	\$666,215	\$855,864
Supplies	259,963	253,159
Work in progress	499,048	566,056
Finished goods	572,103	618,538
Total	\$1,997,329	\$2,293,617

The cost of inventories recognized in expenses amounts to NT\$5,285,889 thousand for the year ended December 31, 2022, including the write-down of inventories of NT\$5,000 thousand.

The cost of inventories recognized in expenses amounts to NT\$5,360,330 thousand for the year ended December 31, 2021, including the reversal of write-down of inventories of NT\$10,000 thousand. The reversal is due to a decrease in allowance for inventory valuation losses from price recovery of inventories with allowance for inventory valuation losses at the beginning of the period, inventories sold or inventories used.

The aforementioned inventories were not pledged.

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(7) Property, plant and equipment

	As at						Construction in progress and equipment awaiting examination	Total
	Dec. 31, 2022		Dec. 31, 2021					
	\$2,932,069		\$2,989,151					
Owner occupied property, plant and equipment	Land	Buildings and facilities	Machinery and equipment	Transportation equipment	Other equipment			
<u>Cost:</u>								
As at Jan. 1, 2022	\$1,995,353	\$1,522,091	\$3,187,380	\$164,809	\$288,410	\$23,774	\$7,181,817	
Additions	17,923	5,689	57,168	9,761	13,879	19,874	124,294	
Disposals	—	—	(44,755)	(2,115)	(802)	—	(47,672)	
Transfers	—	5,474	13,847	2	3,060	(14,629)	7,754	
Exchange differences	1,111	1,569	2,177	424	307	—	5,588	
As at Dec. 31, 2022	<u>\$2,014,387</u>	<u>\$1,534,823</u>	<u>\$3,215,817</u>	<u>\$172,881</u>	<u>\$304,854</u>	<u>\$29,019</u>	<u>\$7,271,781</u>	
As at Jan. 1, 2021	\$1,996,871	\$1,510,582	\$3,139,876	\$168,767	\$282,012	\$4,864	\$7,102,972	
Additions	—	13,124	35,224	2,866	6,285	37,090	94,589	
Disposals	—	—	(24,761)	(6,308)	(550)	—	(31,619)	
Transfers	—	—	40,402	—	1,012	(18,180)	23,234	
Exchange differences	(1,518)	(1,615)	(3,361)	(516)	(349)	—	(7,359)	
As at Dec. 31, 2021	<u>\$1,995,353</u>	<u>\$1,522,091</u>	<u>\$3,187,380</u>	<u>\$164,809</u>	<u>\$288,410</u>	<u>\$23,774</u>	<u>\$7,181,817</u>	
<u>Depreciation and impairment:</u>								
As at Jan. 1, 2022	\$—	(\$993,003)	(\$2,801,897)	(\$156,811)	(\$240,955)	\$—	(\$4,192,666)	
Depreciation	—	(33,776)	(139,044)	(4,134)	(15,319)	—	(192,273)	
Disposals	—	—	44,534	2,061	789	—	47,384	
Exchange differences	—	(832)	(853)	(282)	(190)	—	(2,157)	
As at Dec. 31, 2022	<u>\$—</u>	<u>(\$1,027,611)</u>	<u>(\$2,897,260)</u>	<u>(\$159,166)</u>	<u>(\$255,675)</u>	<u>\$—</u>	<u>(\$4,339,712)</u>	
As at Jan. 1, 2021	\$—	(\$953,017)	(\$2,678,921)	(\$159,634)	(\$225,709)	\$—	(\$4,017,281)	
Depreciation	—	(41,063)	(149,169)	(3,868)	(16,023)	—	(210,123)	
Disposals	—	—	24,753	6,300	550	—	31,603	
Exchange differences	—	1,077	1,440	391	227	—	3,135	
As at Dec. 31, 2021	<u>\$—</u>	<u>(\$993,003)</u>	<u>(\$2,801,897)</u>	<u>(\$156,811)</u>	<u>(\$240,955)</u>	<u>\$—</u>	<u>(\$4,192,666)</u>	
<u>Net carrying amount</u>								
As at Dec. 31, 2022	<u>\$2,014,387</u>	<u>\$507,212</u>	<u>\$318,557</u>	<u>\$13,715</u>	<u>\$49,179</u>	<u>\$29,019</u>	<u>\$2,932,069</u>	
As at Dec. 31, 2021	<u>\$1,995,353</u>	<u>\$529,088</u>	<u>\$385,483</u>	<u>\$7,998</u>	<u>\$47,455</u>	<u>\$23,774</u>	<u>\$2,989,151</u>	

Property, plant and equipment – Due to the land included agricultural-used land adjacent to the factory, the registration of land is unable to be transferred to the Company's own title until the conditions to apply for the certificate of industrial-used land are fulfilled. The Company holds a lien on the land in order to preserve ownership of the asset.

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

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(8) Intangible assets

	Patents	Expertise capitalized	Goodwill	Other intangible assets	Total
<u>Cost:</u>					
As at Jan 1, 2022	\$202,000	\$4,456	\$94,628	\$4,050	\$305,134
Addition-acquired separately	—	—	—	—	—
Derecognition	—	(4,456)	—	(4,050)	(8,506)
Exchange differences	—	—	—	—	—
As at Dec. 31, 2022	<u>\$202,000</u>	<u>\$—</u>	<u>\$94,628</u>	<u>\$—</u>	<u>\$296,628</u>
As at Jan. 1, 2021	\$202,000	\$4,456	\$94,628	\$4,050	\$305,134
Addition-acquired separately	—	—	—	—	—
Derecognition	—	—	—	—	—
Exchange differences	—	—	—	—	—
As at Dec. 31, 2021	<u>\$202,000</u>	<u>\$4,456</u>	<u>\$94,628</u>	<u>\$4,050</u>	<u>\$305,134</u>
<u>Amortization and impairment:</u>					
As at Jan 1, 2022	(\$170,192)	(\$4,456)	\$—	(\$4,050)	(\$178,698)
Amortization	(8,876)	—	—	—	(8,876)
Derecognition	—	4,456	—	4,050	8,506
Exchange differences	—	—	—	—	—
As at Dec. 31, 2022	<u>(\$179,068)</u>	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>	<u>(\$179,068)</u>
As at Jan. 1, 2021	(\$161,316)	(\$4,456)	\$—	(\$3,979)	(\$169,751)
Amortization	(8,876)	—	—	(71)	(8,947)
Derecognition	—	—	—	—	—
Exchange differences	—	—	—	—	—
As at Dec. 31, 2021	<u>(\$170,192)</u>	<u>(\$4,456)</u>	<u>\$—</u>	<u>(\$4,050)</u>	<u>(\$178,698)</u>
<u>Net carrying amount as at:</u>					
As at Dec. 31, 2022	<u>\$22,932</u>	<u>\$—</u>	<u>\$94,628</u>	<u>\$—</u>	<u>\$117,560</u>
As at Dec. 31, 2021	<u>\$31,808</u>	<u>\$—</u>	<u>\$94,628</u>	<u>\$—</u>	<u>\$126,436</u>

Amortization expense of intangible assets under the statement of comprehensive income.

	For the years ended December 31	
	2022	2021
Operating costs	<u>\$8,876</u>	<u>\$8,884</u>
Operating expenses	<u>\$—</u>	<u>\$63</u>

(9) Impairment testing of goodwill

The Group's goodwill allocated to the cash-generating units is expected to benefit from synergies of the business combination. Key assumptions used in impairment testing are as follows:

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The recoverable amount of the cash-generating unit is determined based on the value-in-use calculated using cash flow projections discounted by the pre-tax discount rate from financial budgets approved by management covering a five-year period. The projected cash flows reflect the change in demand for products and services. The pre-tax discount rate applied to cash flow projections for the years ended December 31, 2022 and 2021 were 9% and 9%, respectively. The benefit of ownership of patented technology with innovative industry by acquiring Hexico Enterprises Co., Ltd., the Group could produce the higher quality of specific products than the others using traditional punch processing. As a result of the analysis, the Group did not identify any impairment for the goodwill of NT\$94,628 thousand.

Key assumptions used in value-in-use calculations

The calculation of value-in-use for the cash-generating unit is the most sensitive to the following assumptions:

- A. Gross margin
- B. Growth rates
- C. Discount rates

Gross margins - Management determines budgeted gross margin based on past performance and its expectations of market development.

Growth rates - The weighted average growth rates used by management are consistent with the forecasts included in industry reports.

Discount rates - Discount rates reflect the current market assessment of the risks specific to each cash generating unit (including the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted). The discount rate was estimated based on the weighted average cost of capital (WACC) for the Group, taking into account the particular situations of the Group and its operating segments. The WACC includes both the cost of liabilities and cost of equity. The cost of equity is derived from the expected returns of the Group's investors on capital, where the cost of liabilities is measured by the interest bearing loans that the Group has obligation to settle. Specific risk relating to the operating segments is accounted for by considering the individual beta factor which is evaluated annually and based on publicly available market information.

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of the cash-generating unit, the management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

(10) Short-term borrowings

Details are as follows:

	As at	
	Dec. 31, 2022	Dec. 31, 2021
Secured bank loans	\$3,253	\$797
Interest Rates (%)		
Secured	6.64% ~ 7.89%	6.64%
Expiry date	—	—

The Group's unused short-term lines of credits amount to NT\$4,266,654 thousand and NT\$4,327,101 thousand as at December 31, 2022 and 2021, respectively.

Certain land and buildings are pledged as first priority security for secured bank loans with First Commercial Bank, please refer to Note 8 for more details.

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(11) Financial liabilities at fair value through profit or loss, current

	As at	
Held for trading:	Dec. 31, 2022	Dec. 31, 2021
Forward foreign exchange contracts	\$16,772	\$188

(12) Post-employment benefits plan

Defined contribution plan

The employee pension plan under the Labor Pension Act of the R.O.C. (the Act) is a defined contribution plan. For the defined contribution plan, the Company and its domestic subsidiaries will make monthly contributions of no less than 6% of the monthly wages of the employees. The Company and its domestic subsidiaries have made monthly contributions of 6% based on each individual employee's salary or wage to employees' pension accounts subject to the plan.

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

Expenses under the defined contribution plan for the years ended December 31, 2022 and 2021 were NT\$49,479 thousand and NT\$48,426 thousand, respectively.

Defined benefits plan

The Company and its domestic subsidiaries adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15<sup>th</sup> year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company and its domestic subsidiaries contribute an amount equivalent to 9% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company and its domestic subsidiaries assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company and its domestic subsidiaries will make up the difference in one appropriation before the end of March of the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk.

With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute NT1,152 thousand to its defined benefit plan during the twelve months beginning after December 31, 2022.

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The average duration of the defined benefits plan obligation as at December 31, 2022 and 2021 are 17 years.

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

	For the years ended December 31	
	2022	2021
Current period service costs	\$333	\$703
Net interest expense of net defined benefit liability (asset)	616	546
<b>Total</b>	<b>\$949</b>	<b>\$1,249</b>

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

	As at	
	Dec. 31, 2022	Dec. 31, 2021
Present value of the defined benefit obligation	\$102,427	\$141,423
Plan assets at fair value	(41,385)	(47,285)
Other non-current liabilities - accrued pension liabilities (assets) recognized on the balance sheets	<b>\$61,042</b>	<b>\$94,138</b>

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

	Present value of the defined benefit obligation	Plan assets at fair value	Net defined benefit liability (asset)
As at Jan. 1, 2022	\$141,423	(\$47,285)	\$94,138
Current period service costs	333	—	333
Net interest expense (income)	843	(227)	616
Subtotal	142,599	(47,152)	95,087
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	249	—	249
Actuarial gains and losses arising from changes in financial assumptions	121	—	121
Experience adjustments	(6,039)	—	(6,039)
Remeasurements of benefit assets	—	(3,401)	(3,401)
Subtotal	(5,669)	(3,401)	(9,070)
Payments from the plan	(34,503)	34,503	—
Contributions by employer	—	(24,975)	(24,975)
As at Dec. 31, 2022	<b>\$102,427</b>	<b>(\$41,385)</b>	<b>\$61,042</b>

SAN SHING FASITECH CORP. AND SUBSIDIARIES - (Continued)  
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	Present value of the defined benefit obligation	Plan assets at fair value	Net defined benefit liability (asset)
As at Jan. 1, 2021	\$186,623	(\$56,653)	\$129,970
Current period service costs	703	—	703
Net interest expense (income)	736	(190)	546
Subtotal	188,062	(56,843)	131,219
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	459	—	459
Actuarial gains and losses arising from changes in financial assumptions	961	—	961
Experience adjustments	(6,027)	—	(6,027)
Remeasurements of benefit assets	—	(787)	(787)
Subtotal	(4,607)	(787)	(5,394)
Payments from the plan	(42,032)	42,032	—
Contributions by employer	—	(31,687)	(31,687)
As at Dec. 31, 2021	\$141,423	(\$47,285)	\$94,138

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

	As at	
	Dec. 31, 2022	Dec. 31, 2021
Discount rate	1.47%	0.69%
Expected rate of salary increases	2.80%	2.00%

Sensitivity analysis of each significant actuarial assumption :

	For the years ended December 31			
	2022		2021	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.5%	—	\$6,760	—	\$10,090
Discount rate decrease by 0.5%	\$7,423	—	\$11,103	—
Future salary increase by 0.5%	\$7,285	—	\$10,897	—
Future salary decrease by 0.5%	—	\$6,707	—	\$10,013

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

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

SAN SHING FASTECH CORP. AND SUBSIDIARIES - (Continued)  
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(13) Equities

A. Common stock

The Company's authorized capital were both NT\$3,000,000 thousand as at December 31, 2022 and 2021. The Company's issued capital were both NT\$2,949,401 thousand, divided into 294,940 thousand shares as at December 31, 2022 and 2021, each at a par value of NT\$10.

B. Capital surplus

	As at	
	Dec. 31, 2022	Dec. 31, 2021
Additional paid-in capital	\$123,182	\$123,182
Treasury share transactions	299,415	299,415
Other	6,625	6,535
Total	\$429,222	\$429,132

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

C. Retained earnings and dividend policy

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

- a. Payment of all taxes and dues.
- b. Offset prior year's operation losses.
- c. Set aside 10% of the remaining amount after deducting items "a." and "b." as legal reserve
- d. Set aside or reverse special reserve in accordance with law and regulations; and
- e. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

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

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning etc. The Board of Directors shall make the distribution proposal annually and present it at the shareholders' meeting. The distribution of dividends may not be lower than 10% of distributable surplus annually. No dividend will be distributed if the accumulated distributable surplus is less 2% of the paid-in capital. In the case of distribution of dividends, the cash dividends should take precedence over share dividends, of which the cash dividend ratio shall not be less than 50% of the total dividends distributed.



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

According to existing regulations, when the Company distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to “other net deductions from shareholders’ equity for the current fiscal year, provided that if the company has already set aside special reserve in the first-time adoption of the IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders’ equity. For any subsequent reversal of other net deductions from shareholders’ equity, the amount reversed may be distributed from the special reserve.

On 31 March 2021, the FSC issued Order No. Financial-Supervisory-Securities-Corporate-1090150022, which sets out the following provisions for compliance:

On a public company’s first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders’ equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve. For any subsequent use, disposal or reclassification of related assets, the special reserve in the amount equal to the reversal may be released for earnings distribution.

The Company’s special reserve set aside for the first-time adoption of IFRS amounted NT\$ 259,309 thousand as of December 31, 2022 and 2021. There is no change during the period.

Details of the 2022 and 2021 earnings distribution and dividends per share as approved and resolved by the board of directors’ meeting and shareholders’ meeting on March 9, 2023 and June 16, 2022, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NT\$)	
	2022	2021	2022	2021
Legal reserve	\$106,764	\$98,726		
Common stock - cash dividend	\$884,820	\$884,820	\$3.00	\$3.00

Please refer to Note 6. (17) for details on employees’ compensation and remuneration to directors.

D. Non-controlling interests

	For the years ended December 31	
	2022	2021
Beginning balance	\$205,081	\$195,675
Profit attributable to non-controlling interests	33,185	22,245
Other comprehensive income (loss), attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of foreign operations	9,020	(10,739)
Changes in non-controlling interests	(6,989)	(2,100)
Ending balance	\$240,297	\$205,081

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(14) Operating revenue

	For the years ended December 31	
	2022	2021
Revenue from contracts with customers		
Sale of goods	\$7,057,929	\$6,993,729
Rendering of services	105,084	111,405
Other operating revenue	2,023	2,039
<b>Total</b>	<b>\$7,165,036</b>	<b>\$7,107,173</b>

Analysis of revenue from contracts with customers during the period is as follows:

A. Disaggregation of revenue

For the year ended December 31, 2022:

	Fastener Dept.	Machine / Tooling Dept.	Other Dept.	Total
Sale of goods	\$6,154,744	\$678,676	\$224,509	\$7,057,929
Rendering of services	105,073	11	—	105,084
Other	—	—	2,023	2,023
<b>Total</b>	<b>\$6,529,817</b>	<b>\$678,687</b>	<b>\$226,532</b>	<b>\$7,165,036</b>

Timing of revenue recognition:

At a point in time	\$6,154,744	\$678,676	\$224,509	\$7,057,929
Over time	105,073	11	2,023	107,107
<b>Total</b>	<b>\$6,259,817</b>	<b>\$678,687</b>	<b>\$226,532</b>	<b>\$7,165,036</b>

For the year ended December 31, 2021:

	Fastener Dept.	Machine / Tooling Dept.	Other Dept.	Total
Sale of goods	\$5,792,380	\$550,442	\$650,907	\$6,993,729
Rendering of services	111,400	5	—	111,405
Other	—	—	2,039	2,039
<b>Total</b>	<b>\$5,903,780</b>	<b>\$550,447</b>	<b>\$652,946</b>	<b>\$7,107,173</b>

Timing of revenue recognition:

At a point in time	\$5,792,380	\$550,442	\$650,907	\$6,993,729
Over time	111,400	5	2,039	113,444
<b>Total</b>	<b>\$5,903,780</b>	<b>\$550,447</b>	<b>\$652,946</b>	<b>\$7,107,173</b>

B. Contract balances

Contract liabilities, current

	As at	
	Dec. 31, 2022	Dec. 31, 2021
Sale of goods	\$68,577	\$63,695

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The significant changes in the Group's balances of contract liabilities for the years ended December 31, 2022 and 2021 are as follows:

	<u>For the years ended December 31</u>	
	<u>2022</u>	<u>2021</u>
The opening balance transferred to revenue	\$46,941	\$21,453
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	\$51,823	\$52,734

C. Transaction price allocated to unsatisfied performance obligations

The Group's transaction price allocated to unsatisfied performance obligations amounted to NT\$68,577 thousand and NT\$63,695 thousand as at December 31, 2022 and 2021. The Group will recognize revenue as the Group satisfies its performance obligations over time that aligns with progress toward completion of a contract in the future. The estimate of the transaction price does not include any estimated amounts of variable consideration that are constrained.

D. Assets recognized from costs to fulfill a contract

None.

(15) Expected credit losses

	<u>For the years ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Operating expenses - expected credit losses		
Notes receivable	\$—	\$—
Accounts receivable	—	1,487
Subtotal	—	1,487
Non-operating income and expenses - expected credit losses		
Financial assets measured at amortized cost	—	—
Total	<u>\$—</u>	<u>\$1,487</u>

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

The credit risk for the Group's financial assets measured at amortized cost is assessed as low as at December 31, 2022 and 2021. Considering all counterparties are the financial institutions with good credit rating, there is no need for the provision for expected credit losses.

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

The Group considers the grouping of accounts receivable by counterparties' credit rating, which the Group evaluates specific groups of counterparties individually, the total book value of accounts receivable that are more than one year overdue is NT\$15,056 thousand and NT\$14,394 thousand, respectively, should be recognized 100% loss allowance, and the remaining is measured by using a provision matrix. Details are as follows:

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As at December 31, 2022

	Not yet due (Note)	Overdue					Total
		<=30 days	31-60 days	61-90 days	91-180 days	>=181 days	
Gross carrying amount	\$1,096,125	\$223,489	\$40,096	\$15,082	\$—	\$—	\$1,374,792
Loss ratio	0%	0%	1%	7%	0%	0%	
Lifetime expected credit losses	—	—	(359)	(1,118)	—	—	(1,477)
Subtotal	\$1,096,125	\$223,489	\$39,737	\$13,964	\$—	\$—	\$1,373,315
Carrying Amount							<u>\$1,373,315</u>

As at December 31, 2021

	Not yet due (Note)	Overdue					Total
		<=30 days	31-60 days	61-90 days	91-180 days	>=181 days	
Gross carrying amount	\$998,319	\$265,953	\$30,685	\$66	\$489	\$745	\$1,296,257
Loss ratio	0%	0%	3%	0%	70%	100%	
Lifetime expected credit losses	—	—	(939)	—	(341)	(745)	(2,025)
Subtotal	\$998,319	\$265,953	\$29,746	\$66	\$148	\$—	\$1,294,232
Carrying Amount							<u>\$1,294,232</u>

Note: The Group's notes receivable are not overdue.

The movement in the provision for impairment of notes receivable and accounts receivable during the years ended December 31 2022 and 2021 are as follows:

	Notes receivable	Accounts receivable
As at January 1, 2022	\$—	\$16,419
Addition for the current period	—	—
The effect of exchange rate changes	—	114
As at December 31, 2022	<u>\$—</u>	<u>\$16,533</u>
As at January 1, 2021	\$—	\$15,087
Addition for the current period	—	1,487
The effect of exchange rate changes	—	(155)
As at December 31, 2021	<u>\$—</u>	<u>\$16,419</u>

(16) Lease

A. Group as a lessee

The Group leases various properties, including building and facilities and office equipment. The lease terms range from 1 to 3 years.

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

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Income and costs relating to leasing activities

	For the years ended December 31	
	2022	2021
The expenses relating to short-term leases	\$1,072	\$1,152
The expenses relating to leases of low-value assets	1,009	889
<b>Total</b>	<b>\$2,081</b>	<b>\$2,041</b>

(17) Summary statement of employee benefits, depreciation and amortization expenses by function are as follows:

By feature By function	For the years ended December 31					
	2022			2021		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	\$941,663	166,209	\$1,107,872	\$965,305	146,344	\$1,111,649
Labor and health insurance	\$87,404	11,789	\$99,193	\$86,962	11,371	\$98,333
Pension	\$43,384	7,044	\$50,428	\$42,917	6,758	\$49,675
Director's remuneration	\$—	7,874	\$7,874	\$—	7,576	\$7,576
Other employee benefits expense	\$63,552	9,003	\$72,555	\$61,181	8,560	\$69,741
Depreciation	\$181,469	10,804	\$192,273	\$197,423	12,700	\$210,123
Amortization	\$8,876	—	\$8,876	\$8,884	63	\$8,947

According to the Articles of Incorporation, no less than 1.5% of profit of the current year is distributable as employees' compensation and no more than 1% of profit of the current year is distributable as remuneration to directors. However, the Company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the board of directors' resolution regarding the employees' compensation and remuneration to directors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on the profit of the year ended December 31, 2022 and 2021, the Company estimated the amounts of the employees' compensation and remuneration to directors for the year ended December 31, 2022 and 2021 to be 1.5% of profit of the current year and 0% of profit of the current year, respectively, recognized as employee benefits expense. Differences between the estimated amount and the actual distribution of the employees' compensation and remuneration to directors would be recognized in profit or loss of the subsequent year. If the Board of Directors resolved to distribute employees' compensation in the form of stocks, the number of stocks distributed was calculated based on the closing price one day earlier than the date of resolution.

A resolution was passed at a board of directors meeting held on March 9, 2023 to distribute NT\$19,800 thousand and NT\$0 thousand in cash as employees' compensation and remuneration to directors of 2022, respectively. No material differences existed between the estimated amount and the actual distribution of the employees' compensation and remuneration to directors for the year ended December 31, 2022.

No material differences existed between the estimated amount and the actual distribution of the employees' compensation and remuneration to directors for the year ended December 31, 2021.

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(18) Non-operating income and expenses

A. Interest income

	For the years ended December 31	
	2022	2021
Financial assets measured at amortized cost	\$8,777	\$4,406

B. Other income

	For the years ended December 31	
	2022	2021
Other income - other	\$22,920	\$37,402

C. Other gains and losses

	For the years ended December 31	
	2022	2021
Gains (losses) on disposal of property, plant and equipment	\$185	(\$12)
Foreign exchange gains (losses)	150,924	(87,228)
(Losses) gains on financial assets / liabilities at fair value through profit or loss	(73,452)	78,749
Others	(712)	(296)
Total	\$76,945	(\$8,787)

D. Finance costs

	For the years ended December 31	
	2022	2021
Interest on borrowings from bank	(\$820)	(\$508)

(19) Components of other comprehensive income

For the year ended December 31, 2022:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income (loss), before tax	Income tax relating to components of other comprehensive income (loss)	Other comprehensive income, net of tax
Items that will not to be reclassified subsequently to profit or loss:					
Remeasurements of defined benefit pension plans	\$9,070	\$—	\$9,070	(\$1,814)	\$7,256
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations	21,425	—	21,425	(2,481)	18,944
Total other comprehensive income (loss)	\$30,495	\$—	\$30,495	(\$4,295)	\$26,200

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For the year ended December 31, 2021:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income (loss), before tax	Income tax relating to components of other comprehensive income (loss)	Other comprehensive income, net of tax
Items that will not to be reclassified subsequently to profit or loss:					
Remeasurements of defined benefit pension plans	\$5,394	\$—	\$5,394	(\$1,079)	\$4,315
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations	(25,508)	—	(25,508)	2,954	(22,554)
Total other comprehensive income (loss)	(20,114)	\$—	(20,114)	\$1,875	(\$18,239)

(20) Income tax

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

Income tax expense (income) recognized in profit or loss

	For the years ended December 31	
	2022	2021
Current income tax expense (income):		
Current income tax charge	\$267,123	\$240,839
Adjustments in respect of current income tax of prior periods	979	5,493
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	11,858	7,563
Other	—	3,182
Total income tax expense	\$279,960	\$257,077

Income tax relating to components of other comprehensive income (loss)

	For the years ended December 31	
	2022	2021
Deferred tax expense (income):		
Exchange differences on translation of foreign operations	\$2,481	(\$2,954)
Remeasurements of defined benefit pension plans	1,814	1,079
Income tax relating to components of other comprehensive income (loss)	\$4,295	(\$1,875)

SAN SHING FASITECH CORP. AND SUBSIDIARIES - (Continued)  
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B. Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the years ended December 31	
	2022	2021
Accounting profit before tax from continuing operations	\$1,373,532	\$1,262,269
The parent company's statutory income tax rate	\$274,706	\$252,454
Tax effect of revenues exempt from taxation	(27,294)	(27,129)
Tax effect of expenses not deductible for tax purposes	12	8
Tax effect of deferred tax assets / liabilities	572	(6,215)
Corporate income surtax on undistributed retained earnings	195	4
Tax effect of statutory rate difference in foreign jurisdiction	38,756	33,415
Adjustments in respect of current income tax of prior periods	979	5,493
Others	(7,966)	(953)
Total income tax expense recognized in profit or loss	<u>\$279,960</u>	<u>\$257,077</u>

C. Deferred tax assets / liabilities relate to the following:

	For the year ended December 31, 2022			
	Beginning balance as at Jan. 1, 2022	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as at Dec. 31, 2022
Temporary differences				
Allowance for inventory valuation losses	\$24,713	\$1,000	\$—	\$25,713
Share of profit (loss) of subsidiaries recognized	(27,887)	(7,373)	—	(35,260)
Exchange differences on translation of foreign operations	13,445	—	(2,481)	10,964
Net defined benefit liabilities, non-current	18,932	(4,806)	(1,814)	12,312
Reserve for land appreciation tax	(195,992)	—	—	(195,992)
Others	1,920	(679)	—	1,241
Deferred tax (expense)		<u>(\$11,858)</u>	<u>(\$4,295)</u>	
Net deferred tax assets / liabilities	<u>(\$164,869)</u>			<u>(\$181,022)</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$66,092</u>			<u>\$59,419</u>
Deferred tax liabilities	<u>(\$230,961)</u>			<u>(\$240,441)</u>



SAN SHING FASSTECH CORP. AND SUBSIDIARIES - (Continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	For the year ended December 31, 2021			
	Beginning balance as at Jan. 1, 2021	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as at Dec. 31, 2021
Temporary differences				
Allowance for inventory valuation losses	\$26,713	(\$2,000)	\$—	\$24,713
Share of profit (loss) of subsidiaries recognized	(30,600)	2,713	—	(27,887)
Exchange differences on translation of foreign operations	10,491	—	2,954	13,445
Net defined benefit liabilities, non-current	26,098	(6,087)	(1,079)	18,932
Reserve for land appreciation tax	(195,992)	—	—	(195,992)
Others	4,109	(2,189)	—	1,920
Deferred tax (expense)		<u>(\$7,563)</u>	<u>\$1,875</u>	
Net deferred tax assets / liabilities	<u>(\$159,181)</u>			<u>(\$164,869)</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$71,002</u>			<u>\$66,092</u>
Deferred tax liabilities	<u>(\$230,183)</u>			<u>(\$230,961)</u>

D. The assessment of income tax returns

As of December 31, 2022, the assessment of the income tax returns of the Company and its subsidiaries is as follows:

	<u>The assessment of income tax returns</u>
The Company	Assessed and approved up to 2020
Subsidiary - San Shing Heat-Treating Co., Ltd.	Assessed and approved up to 2020
Subsidiary - Hexico Enterprise Co., Ltd.	Assessed and approved up to 2020
Subsidiary - Acku Metal Industries (M) SDN.BHD.	Filed up to 2021
Subsidiary - Yeh Chang Heat Treatment (M) SDN. BHD.	Filed up to 2021

(21) Earnings per share

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

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

SAN SHING FASTECH CORP. AND SUBSIDIARIES - (Continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	For the years ended December 31	
	2022	2021
<b>A. <u>Basic earnings per share</u></b>		
Net income (in thousand NT\$)	\$1,060,387	\$982,947
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	294,940	294,940
Basic earnings per share (NT\$)	\$3.60	\$3.33
	For the years ended December 31	
	2022	2021
<b>B. <u>Diluted earnings per share</u></b>		
Net income (in thousand NT\$)	\$1,060,387	\$982,947
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	294,940	294,940
Effect of dilution:		
Employee compensation - stock (in thousands)	391	322
Weighted average number of ordinary shares outstanding after dilution (in thousands)	295,331	295,262
Diluted earnings per share (NT\$)	\$3.59	\$3.33

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

**7. Related party transactions**

Information of the related parties that had transactions with the Group during the financial reporting period is as follows:

Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
Taifas Corporation	Other related party (Director)
Interactive Corporation	Other related party
Sun Through Industrial Co., Ltd. (Sun Through)	Other related party
Masda Chemical SDN. BHD. (Masda)	Other related party
Kuan Meis Co., Ltd.	Other related party
Wonsan Steel Enterprises Ltd.	Other related party
Tainan San Shing Social Welfare and Charity Foundation	Other related party

SAN SHING FASTECH CORP. AND SUBSIDIARIES - (Continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Significant transactions with the related parties

(1) Sales

	For the years ended December 31	
	2022	2021
Other related party		
Interactive Corporation	\$209,481	\$419,561
Taifas Corporation	116,272	118,806
Wonsan Steel Enterprises Ltd.	14,655	230,723
Kuan Meis Co., Ltd.	454	848
Total	<u>\$340,862</u>	<u>\$769,938</u>

Sales to related parties are basically the same as those to third parties. The collection terms are opened sight letter of credit or net 30 days.

(2) Purchases

	For the years ended December 31	
	2022	2021
Other related party		
Sun Through	\$18,985	\$10,021
Masda	2,558	2,802
Interactive Corporation	306	29,338
Total	<u>\$21,849</u>	<u>\$42,161</u>

Purchase from related parties was basically the same as those from third parties. The payment terms are after receipt of goods.

(3) Accounts receivable – related parties

	As at	
	Dec. 31, 2022	Dec. 31, 2021
Other related party		
Taifas Corporation	\$8,530	\$7,681
Interactive Corporation	256	—
Kuan Meis Co., Ltd.	152	—
Wonsan Steel Enterprise Ltd.	—	973
Total	<u>\$8,938</u>	<u>\$8,654</u>

(4) Accounts payable - related parties

	As at	
	Dec. 31, 2022	Dec. 31, 2021
Other related party		
Sun Through	\$1,920	\$1,422
Masda	225	732
Total	<u>\$2,145</u>	<u>\$2,154</u>

SAN SHING FASITECH CORP. AND SUBSIDIARIES - (Continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(5) Other payables - related parties

	As at	
	Dec. 31, 2022	Dec. 31, 2021
Other related party		
Interactive Corporation	\$560	\$1,111

(6) Contract liabilities - current

	As at	
	Dec. 31, 2022	Dec. 31, 2021
Other related party		
Taifas Corporation	\$816	\$911

(7) Other non-current liabilities - guarantee deposits received

	As at	
	Dec. 31, 2022	Dec. 31, 2021
Other related party		
Taifas Corporation	\$3,094	\$3,039
Kuan Meis Co., Ltd.	74	74
Total	\$3,168	\$3,113

(8) Property transactions

Acquisition of property, plant and equipment

	Purchase price	
	For the years ended December 31	
	2022	2021
Other related party		
Sun Through	\$—	\$164

The terms of property transactions with the related parties are mainly based on the results of market survey and the contract between the parties.

(9) Operating expenses - donations

	For the years ended December 31	
	2022	2021
Other related party		
Tainan San Shing Social Welfare and Charity Foundation	\$5,000	\$5,000

(10) Key management personnel compensation

	For the years ended December 31	
	2022	2021
Short-term employee benefits	\$32,516	\$23,153

SAN SHING FASITECH CORP. AND SUBSIDIARIES - (Continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

8. Assets pledged as collateral

The following table lists assets of the Group pledged as collateral:

Items	As at		Secured liabilities
	Dec. 31, 2022	Dec. 31, 2021	
Property, plant and equipment - land and buildings	\$1,522,826	\$1,528,076	Line of credit & Short-term loans
Financial assets measured at amortized cost	6,236	6,224	Import tariffs
<b>Total</b>	<b>\$1,529,062</b>	<b>\$1,534,300</b>	

9. Significant contingencies and unrecognized contract commitments

- (1) As of December 31, 2022, outstanding letters of credit with unused credit line amounted NT\$98,310 thousand.
- (2) The guaranteed note for purchasing the raw materials from China Steel Corporation amounted NT\$92,000 thousand.
- (3) The guaranteed note for borrowings from the financial institutions amounted NT\$1,475,000 thousand.
- (4) The guaranteed note for purchasing natural gas from Shin Nan Natural Gas Co., Ltd. amounted NT\$250 thousand.

10. Losses due to major disasters

None.

11. Significant subsequent events

None.

12. Others

- (1) Categories of financial instruments

Financial Assets

	As at	
	Dec. 31, 2022	Dec. 31, 2021
Financial assets at fair value through profit and loss:		
Mandatorily measured at fair value through profit or loss:	\$33	\$27,357
Financial assets measured at amortized cost:		
Cash and cash equivalents (exclude cash on hand)	2,039,510	1,466,927
Financial assets measured at amortized cost	6,283	61,327
Notes receivable	3,991	7,793
Accounts receivable	1,369,324	1,286,439
Other receivables	16,184	33,514
Other non-current assets - refundable deposits	1,972	3,620
Subtotal	3,437,264	2,859,620
<b>Total</b>	<b>\$3,437,297</b>	<b>\$2,886,977</b>

SAN SHING FASITECH CORP. AND SUBSIDIARIES - (Continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Financial Liabilities

	As at	
	Dec. 31, 2022	Dec. 31, 2021
Financial liabilities measured at amortized cost:		
Short-term borrowings	\$3,253	\$797
Payables	804,001	859,209
Other current liabilities - guarantee deposits received	38,164	39,774
Subtotal	845,418	899,780
Financial liability at fair value through profit or loss:		
Held for trading	16,772	188
Total	\$862,190	\$899,968

(2) Financial risk management objectives and policies

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

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

(3) Market risk

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

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

Foreign currency risk

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

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Group also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

SAN SHING FASITECH CORP. AND SUBSIDIARIES - (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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

- A. When NTD strengthens / weakens against USD by 1%, the profit for the years ended December 31, 2022 and 2021 is decreased / increased by NT\$6,947 thousand and NT\$7,232 thousand, respectively.
- B. When NTD strengthens / weakens against EUR by 1%, the profit for the years ended December 31, 2022 and 2021 is decreased / increased by NT\$8,140 thousand and NT\$7,020 thousand, respectively.

Interest rate risk

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

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable loans. Hedge accounting does not apply to these swaps as they do not qualify for it.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for the years ended December 31, 2022 and 2021 to increase / decrease by NT\$2,043 thousand and NT\$1,527 thousand, respectively.

Equity price risk

The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

(4) Credit risk management

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

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

SAN SHING FASTECH CORP. AND SUBSIDIARIES - (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

As of December 31, 2022 and 2021, accounts receivable from top ten customers represented 53% and 46% of the total accounts receivable of the Group, respectively. The credit concentration risk of other accounts receivable was insignificant.

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

The Group adopted IFRS 9 to assess the expected credit losses. Except for contract assets and accounts receivable, the remaining debt instrument investments which are not measured at fair value through profit or loss, low credit risk for these investments is a prerequisite upon acquisition and by using their credit risk as a basis for the distinction of categories. The Group makes an assessment at each reporting date as to whether the debt instrument investments are still considered low credit risk, and then further determines the method of measuring the loss allowance and the loss rates. The measurement indicators of the Group are described as follows:

Level of credit risk	Indicator	Measurement method for expected credit losses	Total carrying amount as at	
			Dec. 31, 2022	Dec. 31, 2021
Low credit risk	Debt instruments with credit rating above BBB and counterparty with good credit risk	12-month expected credit losses	\$6,283	\$61,327
Simplified approach (Note)	(Note)	Lifetime expected credit losses	\$1,389,848	\$1,310,651

Note: By using simplified approach loss allowance is measured at (lifetime expected credit losses), including notes receivable and accounts receivable.

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

When the credit risk on debt instrument investments has increased, the Group will dispose that investments in order to minimize the credit losses. When assessing the expected credit losses, the evaluation of the forward-looking information (which available without undue cost and effort), it is mainly based on the macroeconomic information and industrial information (including the indicators such as industry growth rate) and further adjusts the credit loss ratio if there is significant impact from forward-looking information.

(5) Liquidity risk management

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



SAN SHING FASITECH CORP. AND SUBSIDIARIES - (Continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Non-derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As at Dec. 31, 2022					
Loans	\$3,253	—	—	—	\$3,253
Payables	\$804,001	—	—	—	\$804,001
Guarantee deposits received	\$—	38,164	—	—	\$38,164

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As at Dec. 31, 2021					
Loans	\$797	—	—	—	\$797
Payables	\$859,209	—	—	—	\$859,209
Guarantee deposits received	\$—	39,774	—	—	\$39,774

Derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As at Dec. 31, 2022					
Inflows	\$439,446	\$—	\$—	\$—	\$439,446
Outflows	(457,179)	—	—	—	(457,179)
Net	(\$17,733)	\$—	\$—	\$—	(\$17,733)
As at Dec. 31, 2021					
Inflows	\$—	\$—	\$—	\$—	\$—
Outflows	—	—	—	—	—
Net	\$—	\$—	\$—	\$—	\$—

The table above contains the undiscounted net cash flows of derivative financial instruments.

(6) Reconciliation of liabilities arising from financing activities

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

	Short-term loans	Other non-current liabilities	Total liabilities from financing activities
As of Jan. 1, 2022	\$797	\$39,774	\$40,571
Cash flows	2,456	(1,610)	846
As of Dec. 31, 2022	\$3,253	\$38,164	\$41,417

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

	Short-term loans	Other non-current liabilities	Total liabilities from financing activities
As of Jan. 1, 2021	\$23	\$45,222	\$45,245
Cash flows	774	(5,448)	(4,674)
As of Dec. 31, 2021	\$797	\$39,774	\$40,571

SAN SHING FASTECH CORP. AND SUBSIDIARIES - (Continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(7) Fair values of financial instruments

A. The methods and assumptions applied in determining the fair value of financial instruments:

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

- a. The carrying amount of cash and cash equivalents, accounts receivable, accounts payable and other current liabilities approximate their fair value due to their short maturities.
- b. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.
- c. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the GreTai Securities Market, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

B. Fair value of financial instruments measured at amortized cost

The carrying amounts of the Group's financial assets and financial liabilities measured at amortized cost approximate their fair value.

C. Fair value measurement hierarchy for financial instruments

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

(8) Derivative financial instruments

The Group's derivative financial instruments include forward currency contracts and embedded derivatives. The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as at December 31, 2022, and 2021 is as follows:

Forward currency contracts

The Group entered into forward currency contracts to manage its exposure to financial risk, but these contracts are not designated as hedging instruments. The table below lists the information related to forward currency contracts:

Items (by contract)	Notional Amount		Contract Period
As at December 31, 2022			
Sell EUR / Buy NTD	EUR	12,390	2022.04.11 ~ 2023.06.07
Sell USD / Buy NTD	USD	1,470	2022.12.13 ~ 2023.01.18
Sell USD / Buy MYR	USD	200	2023.11.25 ~ 2023.01.17

SAN SHING FASTECH CORP. AND SUBSIDIARIES - (Continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Items (by contract)	Notional Amount		Contract Period
As at December 31, 2021			
Sell EUR / Buy NTD	EUR	20,980	2021.07.02~2022.06.28
Sell USD / Buy NTD	USD	17,100	2021.08.19~2022.05.05
Sell USD / Buy MYR	USD	600	2021.11.24~2022.05.27

With regard to the forward foreign exchange contracts, as they have been entered into to hedge the foreign currency risk of net assets or net liabilities, and there will be corresponding cash inflow or outflows upon maturity and the Group has sufficient operating funds, the cash flow risk is insignificant.

(9) Fair value measurement hierarchy

A. Fair value measurement hierarchy:

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

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

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

Level 3: Unobservable inputs for the asset or liability

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

B. Fair value measurement hierarchy of the Group's assets and liabilities:

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

	As at December 31, 2022			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contract	\$—	33	—	\$33
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contract	\$—	16,772	—	\$16,772

SAN SHING FASITECH CORP. AND SUBSIDIARIES - (Continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	As at December 31, 2021			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contract	\$—	27,357	—	\$27,357
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contract	\$—	188	—	\$188

Transfers between Level 1 and Level 2 during the period

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

(10) Significant assets and liabilities denominated in foreign currencies

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

	As at December 31, 2022		
	Foreign currencies (thousand)	Foreign exchange rate	NTD (thousand)
<u>Financial assets</u>			
Monetary items:			
USD	\$22,650	30.708	\$695,551
EUR	\$24,848	32.760	\$814,031
	As at December 31, 2021		
	Foreign currencies (thousand)	Foreign exchange rate	NTD (thousand)
<u>Financial assets</u>			
Monetary items:			
USD	\$26,187	27.690	\$725,122
EUR	\$22,410	31.326	\$702,027

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

The Group's function currency is various, and hence is not able to disclose the information of exchange gains or losses by each significant assets and liabilities denominated in foreign currencies. The exchange gains (losses) of monetary financial assets and liabilities were NT\$150,924 thousand and (NT\$87,228) thousand for the years ended December 31, 2022 and 2021, respectively.

(11) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximize the stockholders' value. To maintain or adjust the capital structure, the Group may adjust the dividend payment to stockholders, return capital to stockholders or issue new shares.

SAN SHING FASTECH CORP. AND SUBSIDIARIES - (Continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

13. Additional disclosures

(1) Information at significant transactions

- A. Financing provided to others for the year ended December 31, 2022: Please refer to Attachment 1.
- B. Endorsement / Guarantee provided to others for the year ended December 31, 2022: Please refer to Attachment 2.
- C. Securities held as of December 31, 2022: Please refer to Attachment 3.
- D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2022: None.
- E. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2022: None.
- F. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2022: None.
- G. Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended December 31, 2022: Please refer to Attachment 4.
- H. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended December 31, 2022: None.
- I. Investees over whom the Company exercises significant influence or control directly or indirectly (excluding investment in Mainland China): Please refer to Attachment 5.
- J. Financial instruments and derivative transactions: Please refer to Note 12.
- K. Other: Intercompany relationships and significant intercompany transactions: Please refer to Attachment 6.

(2) Information on investments in mainland China: Not applicable.

(3) Information of major shareholders: Please refer to Attachment 7.

14. Segment information

For management purposes, the Group is organized into business units based on different products and services and has three reportable segments as follows:

- (1) Fastener Segment: The segment focuses on manufacturing and marketing of bolts, nuts and washers, processing of wires and heat treatment.
- (2) Machine / Tooling Segment : The segment focuses on manufacturing and marketing of toolings and machines.
- (3) Other Operation Segment : The segment focuses on marketing of wires, investments and other financial income and expenditure, etc.

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured based on accounting policies consistent with those in the consolidated financial statement. However, group assets, liabilities and income taxes are managed on a group basis and are not allocated to operating segments.

The transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

SAN SHING FASSTECH CORP. AND SUBSIDIARIES - (Continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For the year ended December 31, 2022

	Fastener Dept.	Machine / Tooling Dept.	Other	Adjustment and Elimination	Consolidated
Revenue					
External customer	\$6,259,817	\$678,687	\$226,532	\$—	\$7,165,036
Inter-segment (Note)	190	278,332	161,001	(439,523)	—
Total revenue	<u>\$6,260,007</u>	<u>\$957,019</u>	<u>\$387,533</u>	<u>(\$439,523)</u>	<u>\$7,165,036</u>
Segment profit	<u>\$1,128,933</u>	<u>\$167,229</u>	<u>\$77,370</u>	<u>\$—</u>	<u>\$1,373,532</u>

For the year ended December 31, 2021

	Fastener Dept.	Machine / Tooling Dept.	Other	Adjustment and Elimination	Consolidated
Revenue					
External customer	\$5,903,780	\$550,447	\$652,946	\$—	\$7,107,173
Inter-segment (Note)	348	330,977	155,782	(487,107)	—
Total revenue	<u>\$5,904,128</u>	<u>\$881,424</u>	<u>\$808,728</u>	<u>(\$487,107)</u>	<u>\$7,107,173</u>
Segment profit	<u>\$970,547</u>	<u>\$103,686</u>	<u>\$188,036</u>	<u>\$—</u>	<u>\$1,262,269</u>

Note: Inter-segment revenue are eliminated on consolidation and recorded under the “adjustment and elimination” column.

(2) Geographical information:

A. Sales to other than consolidated entities

	For the years ended December 31	
	2022	2021
U.S.A.	\$1,971,732	\$1,934,819
Germany	1,752,329	1,806,455
Taiwan	732,500	1,209,359
Others	2,708,475	2,156,540
Total	<u>\$7,165,036</u>	<u>\$7,107,173</u>

B. Non-current assets

	As at	
	Dec. 31, 2022	Dec. 31, 2021
Taiwan	\$2,979,707	\$3,048,694
Others	69,922	66,893
Total	<u>\$3,049,629</u>	<u>\$3,115,587</u>

(3) Major customers

Individual customer’s revenue exceeding 10% of the Group’s operating revenues for the years ended December 31, 2022 and 2021 were as follows:

Customers	For the years ended December 31			
	2022		2021	
	Amounts	Percentage	Amounts	Percentage
N1	\$878,023	12%	\$531,374	7%
E1	\$826,262	12%	\$887,861	12%

SAN SHING FASTECH CORP. AND SUBSIDIARIES - (Continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Attachment 1

Financing provided to others:

No. (Note 1)	Financing Company	Counter-party	Financial statement account (Note 2)	Related party	Maximum balance for the period (Note 3)	Ending balance (Note 8)	Amount actually drawn	Interest rate	Nature of financing (Note 4)	Transaction amounts (Note 5)	Reason for financing (Note 6)	Loss allowance	Collateral		Limit of financing amount for individual counter-party (Note 7)	Limit of total financing amount (Note 7)
													Item	Value		
1	Acku Metal Industries (M) SDN. BHD.	Jiwei Industries (M) SDN. BHD.	Other receivables - related parties	Yes	\$9,771	—	\$9,771	—	1	— (Note 9)	—	\$9,771	—	—	—	\$686,030

Note 1: The Company and its subsidiaries are coded as follows:

- 1.The Company is coded “0”.
- 2.The subsidiaries are coded from “1” in the order.

Note 2: Receivables from affiliates and related parties, shareholder transactions, prepayments and temporary payments etc. are required to be disclosed in this field if they are financings provided to others.

Note 3: The maximum balance of financing provided to others for the year ended December 31, 2022.

Note 4: Nature of financing are coded as follows :

- (1) Business transaction is coded “1”.
- (2) Short-term financing is coded “2”.

Note 5: Total amount of the business transactions between financing company and counter-party should be disclosed herein if the financing occurred due to business transaction.

Note 6: The necessity and rationality of the loan application should be specifically illustrated herein if the financing occurred due to short-term financing, such as loan repayment, equipment acquisition or operating capital.

Note 7: Limit of financing amount for individual counter-party is 50% of the business transaction amount of the previous year while limit of total financing amount is 10% of the parent company’s net worth in Acku Metal Industries (M) SDN. BHD.

Note 8: According to Paragraph 1, Article 14 of Regulations Governing Loaning of Funds and Making Endorsements / Guarantees by Public Companies, resolve each individual lending at the board meetings, the amounts resolved shall be the publicly-announced balance to disclose the risk taken; however, if any repayment is made subsequently, the outstanding balance after such repayment shall be disclosed to reflect the risk adjusted in Acku Metal Industries (M) SDN. BHD.

Note 9: Before SAN SHING FASTECH CORP. (“San Shing”) purchased shares of Acku Metal Industries (M) SDN. BHD. (“Acku”), Acku provided a loan to Jiwei Industries (M) SDN. BHD. (“Jiwei”) for business transaction.

San Shing has assessed the condition that Acku is no longer significant to Jiwei in term of control and influence. A 100% impairment loss has been included in the purchase consideration. There was no business transaction amount for the year ended December 31, 2022.

SAN SHING FASTECH CORP. AND SUBSIDIARIES - (Continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Attachment 2

Endorsement / Guarantee provided to others for the year ended December 31, 2022:

No. (Note 1)	Endorsor / Guarantor	Receiving party		Limit of guarantee / endorsement amount for receiving party (Note 3)	Maximum balance for the period (Note 4)	Ending balance (Note 5)	Actual amount provided	Amount of collateral guarantee / endorsement	Percentage of accumulated guarantee amount to net assets value from the latest financial statement	Limit of total guarantee / endorsement amount (Note 3)	Parent company endorsed / guarantee for the subsidiaries (Note 7)	Subsidiaries endorsed / guarantee for the parent company (Note 7)	Endorsement or guarantee for entities in China (Note 7)
		Company name	Relationship (Note 2)										
0	SAN SHING FASTECH CORP.	Acku Metal Industries (M) SDN. BHD.	2	\$1,372,060	\$161,050 (USD 5,000)	\$153,540 (USD 5,000)	\$-	\$-	2.24%	\$3,430,151	Y	N	N

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

1. The parent company is coded "0".
2. The investees are coded from consecutively beginning from "1" in the order presented in the table above.

Note 2: Relationship between the endorser / guarantor and party being endorsed/guaranteed is classified into the following seven categories:

1. A company with which it does business.
2. A company in which the public company directly and indirectly holds more than 50% of the voting shares.
3. A company that directly and indirectly holds more than 50% of the voting shares in the public company.
4. A company in which the public company holds, directly or indirectly, 50% or more of the voting shares.
5. A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
6. A company that all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages.
7. Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: For a company which SAN SHING FASTECH CORP. directly and indirectly holds more than 50% of the voting shares and the limit of endorsement/guarantee is 20% of parent company's equity, its limit of total guarantee/endorsement amount is 50% of parent company's equity.

Note 4: Maximum balance of endorsement / guarantee provided to others for the period.

Note 5: It should be filled in the amount which approved by the board of directors. However, it should be filled in the amount which utilized by the chairman, whom authorized by the board of directors  
in accordance with Subparagraph 8, Article 12 of Guidelines for Lending of Capital, Endorsements and Guarantees by Public Companies.

Note 6: It should be filled in the amount which is actual utilized by the endorsed / guaranteed company within the limit of endorsement / guarantee amount.

Note 7: It should be filled in "Y", if it is the public parent company endorsed / guaranteed for the subsidiaries, subsidiaries endorsed / guaranteed for the public parent company, or endorsement or guarantee for entities in China.



SAN SHING FASITECH CORP. AND SUBSIDIARIES - (Continued)  
 (Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Attachment 3

Marketable securities held (excluding investments in subsidiaries, associates and jointly controlled entities) :

Name of held company	Type and name of marketable securities (Note 1)	Relationship with the Company (Note 2)	Financial statement account	December 31, 2022				Note 4
				Shares (In Thousands)	Carrying amount (Note 3)	Percentage of ownership	Market value	
Acku Metal Industries (M) SDN. BHD.	Jiwei Industries (M) SDN. BHD.	Other related party	Financial assets at fair value through profit or loss, non-current	1,275	\$-	51.00%	\$-	(Note 5)

Note 1: Marketable securities refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9 “Financial Instruments.”

Note 2: If the issuer of marketable securities is non-related party, this column is not required.

Note 3: If the marketable securities measured at fair value, please fill in the amount with adjusted at fair value less accumulated impairment;

If not, please fill in the amount with the original acquisition cost or amortized cost less accumulated impairment.

Note 4: Securities with restrictions because of being provided for security, as pledge or under other covenants should state the number of shares or the amount provided for security or pledge and the restriction terms.

Note 5: Please refer to Note 9 in attachment 1.

SAN SHING FASTECH CORP. AND SUBSIDIARIES - (Continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Attachment 4

Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of capital stock for the year ended December 31, 2022:

Company name	Counter-party	Relationship	Transactions				Details of non-arm's length transaction (Note 1)		Notes and accounts receivable (payable)		Remark (Note 2)
			Sales (Purchases)	Amount	Percentage of total purchases (sales)	Term	Unit price	Term	Balance	Percentage of total receivables (payables)	
SAN SHING FASTECH CORP.	Hexico Enterprise Co., Ltd.	Subsidiary	Sales	\$164,446	2%	Wire rod: 1~2 months Machinery, toolings and nuts: 3~4 months	—	—	Notes receivable \$3,049	3%	Note 4
			Purchases	\$234,323	7%	4 months, the purchase of WIP and finished goods: 15 days for payment term	—	—	Accounts receivable \$7,837 Notes payable \$51,214 Accounts payable \$11,681	1% 14% 8%	
SAN SHING FASTECH CORP.	Interactive Corporation	Other related party	Sales	\$209,481	3%	Sight letter of credit	—	—	Accounts receivable \$256	—	
SAN SHING FASTECH CORP.	Taifas Corporation	Other related party	Sales	\$116,272	2%	Payment term: 30 days	—	—	Accounts receivable \$8,530	1%	

Note 1: If the related party's transaction conditions are different from the general transaction conditions, the unit price and credit period column should state the difference and the reason.

Note 2: If there is an advance receipt (prepayment), the reason, payment terms, amount, and differences from the general transaction type should be stated in the Remark column.

Note 3: Capital stock refers to the stock of the parent company. If the issuer's shares have no denomination or the denomination per share is not NT\$10,

the transaction amount of 20% of the capital stock shall be calculated based on the 10% of the equity attributable to the owner of the parent company on the balance sheet.

Note 4: It has been written off when preparing the consolidated financial statements.

SAN SHING FASTECH CORP. AND SUBSIDIARIES - (Continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Attachment 5

Names, locations and related information of investee companies as of December 31, 2022 (Not including investment in China):

Investor company	Investee company (Note 1,2)	Address	Main businesses and products	Initial investment		Investment as of December 31, 2022			Net income (loss) of investee company Note 2(2)	Investment income (loss) recognized Note 2(3)	Note
				Ending balance	Beginning balance	Number of shares	Percentage of ownership	Carrying amount			
SAN SHING FASTECH CORP.	San Shing Heat-Treating Co., Ltd.	No. 355-2, Sec. 3, Zhongshan Rd., Guiren Dist., Tainan City 711012, Taiwan, R.O.C.	Heat treatment processing business of bolts, nuts, toolings, etc.	\$20,095	\$20,095	2,200,000	100.00%	\$84,990	\$38,207	\$38,277	(Note 3&4)
SAN SHING FASTECH CORP.	Hexico Enterprise Co., Ltd.	No. 355-3, Sec. 3, Zhongshan Rd., Guiren Dist., Tainan City 711012, Taiwan, R.O.C.	Manufacturing, processing, import and export trading of metal washers, steel wires	\$213,750	\$213,750	19,950,000	95.00%	\$518,389	\$103,434	\$98,262	(Note 3)
SAN SHING FASTECH CORP.	Acku Metal Industries (M) SDN. BHD.	Lot. 2937, Jalan Bagan Lallang Satu, Mukim 16, Acku Industrial Estate, 13400 Butterworth, Penang, Malaysia.	Production and sale of bolts	\$120,717	\$120,717	9,680,000	57.90%	\$247,926	\$63,675	\$36,868	(Note 3)
Acku Metal Industries (M) SDN. BHD.	Yeh Chang Heat Treatment (M) SDN. BHD.	Lot. 2959, Jalan Bagan Lallang Satu, Mukim 16, Acku Industrial Estate, 13400 Seberang, Perai Utara, Malaysia.	Heat treatment processing business of metal products	\$12,176	\$12,176	1,275,000	51.00%	\$29,345	\$2,461	\$1,255	(Note 3)

Note 1: If the public company has a foreign holding company and uses consolidated statements as the main financial statements in accordance with local laws and regulations, the disclosure of information about the foreign investee company may only disclose relevant information to the holding company.

Note 2: If it is not in the case described in Note 1, fill in according to the following regulations:

- (1) Column of "Investee company", "Address", "Main businesses and products", "Initial investment" and "Investment as of December 31, 2022" should be filled in order according to the reinvestment status of the public company and each directly or indirectly controlled investment and indicate the relationship between each investee company and the public company (if it is a subsidiary or a grandson company) in the note column.
- (2) The amount of net income (loss) of investee company should be filled in "Net income (loss) of investee company" column.
- (3) In column "Investment income (loss) recognized" only the amount of profit and loss of each subsidiary recognized by the (public) company for direct reinvestment and each investee company evaluated by the equity method is required, and the rest is not required. When filling in the "recognition of the current profit and loss amount of each subsidiary for direct reinvestment", it should be confirmed that the current profit and loss amount of each subsidiary has included the investment profit and loss that should be recognized for its reinvestment in accordance with the regulations.

Note 3: It has been written off when preparing the consolidated financial statements.

Note 4: Unrealized profit or loss from affiliated company is included.

SAN SHING FASTECH CORP. AND SUBSIDIARIES - (Continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Attachment 6

Intercompany relationships and significant intercompany transactions for the year ended December 31, 2022:

No. (Note 1)	Company name	Counter-party	Relationship (Note 2)	Intercompany Transactions			
				Financial statement account	Amount	Term	Percentage of consolidated total operating revenues or total assets (Note 3)
0	SAN SHING FASTECH CORP.	Hexico Enterprise Co., Ltd.	1	Sales	\$164,446	Wire rod: 1~2 months; Machinery, toolings and nuts: 3~4 months The collection term is the same as policy term.	2%
0	SAN SHING FASTECH CORP.	San Shing Heat-Treating Co., Ltd.	1	Processing fee	\$141,374	—	2%
1	Hexico Enterprise Co., Ltd.	SAN SHING FASTECH CORP.	2	Sales	\$234,323	4 months, the purchase of WIP and finished goods: 15 days for payment term The payment term is the same as policy term.	3%

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

- (1) The Company is coded "0".
- (2) The subsidiaries are coded from "1" in the order.

Note 2: Transactions are categorized as follows: (If it is the same transaction between parent company and subsidiary or between subsidiaries, there is no need for repeated disclosure. For example, if the parent company has disclosed the transaction between parent company and subsidiary, the subsidiary does not need to be disclosed repeatedly; if the transaction between subsidiary and subsidiary has been disclosed by one of its subsidiaries, the other subsidiary does not need to be disclosed repeatedly.)

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

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

Note 4: The significant transactions in this table should be determined by the Company based on the principle of materiality.

Note 5: If the transaction amount between parent and subsidiary reaches 100 million and above, it should be disclosed.

SAN SHING FASSTECH CORP. AND SUBSIDIARIES - (Continued)  
 (Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Attachment 7

Information of major shareholders:

Name	Stock	
	Number of shares	Percentage of ownership
Hong Sheng Investment Corp.	53,147,327	18.01%
Hon Ching Investment Corp.	41,489,912	14.06%
Hon Ping Investment Corp.	38,435,880	13.03%
Pearl Investment Ltd.	21,012,396	7.12%
Taifas Corporation	19,483,733	6.60%
Yu Shun Investment Ltd.	19,330,000	6.55%