

F. Up to the Printing Date of this Annual Report, has the Company or Related Companies Experienced Financial Turnover Difficulties:

None

VII. Analysis of Financial Position, Performance and Risk related Issues

A. Comparative Analysis of Financial Position

Unit: NT\$ Thousand

Year Item	2022	2021	Difference		Ratio change analysis and explanation (Note 1)
			Amount	%	
Current assets	3,200,505,521	3,034,417,286	166,088,235	5%	
Fund and Long-term equity investments	239,489,049	194,593,652	44,895,397	23%	Note 2
Fixed assets	362,404,684	310,107,309	52,297,375	17%	
Other assets	331,575,026	369,760,147	(38,185,121)	(10%)	
Total assets	4,133,974,280	3,908,878,394	225,095,886	6%	
Current liabilities	2,113,813,519	1,997,680,271	116,133,248	6%	
Other liabilities	369,629,722	337,938,005	31,691,717	9%	
Total liabilities	2,483,443,241	2,335,618,276	147,824,965	6%	
Common stock	138,629,906	138,629,906	-	0%	
Capital surplus	193,794,160	202,084,430	(8,290,270)	(4%)	
Retained earnings	1,200,290,252	1,129,264,061	71,026,191	6%	
Other Equity	(82,154,208)	(89,505,893)	7,351,685	(8%)	
Treasury Stock	(15,194)	(15,194)	-	0%	
Equity attributable to owners of the parent	1,450,544,916	1,380,457,310	70,087,606	5%	
Non-controlling Equity	199,986,123	192,802,808	7,183,315	4%	
Total stockholders' equity	1,650,531,039	1,573,260,118	77,270,921	5%	

Note 1: Analysis and description will be given only if the increase/decrease in ratio reaches 20% or exceeds NT\$10mn.

Note 2: Mainly due to an increase of RMB 9.8 billion in the investment in Xingwei (Guangzhou) Industrial Investment Partnership (Limited Partnership).

B. Comparative Analysis of Financial Performance

Item	Year	2022	2021	Amount changed	Change percentage (%)	Variance analysis
Revenues		6,626,996,750	5,994,173,882	632,822,868	11 %	
Cost of revenues		(6,226,911,592)	(5,632,046,836)	(594,864,756)	11 %	
Gross profit		400,085,158	362,127,046	37,958,112	10 %	
Operating expenses		(226,297,316)	(213,167,554)	(13,129,762)	6 %	
Operating income		173,787,842	148,959,492	24,828,350	17 %	
Non-operating income		13,723,644	44,612,251	(30,888,607)	(69)%	Note 1
Income (loss) before income taxes		187,511,486	193,571,743	(6,060,257)	(3)%	
Income tax benefit (expense)		(36,439,937)	(39,748,702)	3,308,765	(8)%	
Net income (loss)		151,071,549	153,823,041	(2,751,492)	(2)%	
Other comprehensive income		13,455,422	(3,911,702)	17,367,124	(444)%	Note 2
Total comprehensive income		164,526,971	149,911,339	14,615,632	10 %	

Note 1: Mainly due to the decrease in investment income under the equity method and the loss from the valuation of financial assets.

Note 2: Mainly due to exchange rate fluctuations resulting in conversion gains from USD to NTD.

C. Cash Flow Analysis

(1) Liquidity Analysis of Recent 2 Years

Item	Year	2022	2021	Ratio Change (%)
Cash flow ratio (%)		5.19%	(4.92)%	205.57 %
Cash flow adequacy Ratio (%)		43.11%	36.40%	18.44%
Cash reinvestment ratio (%)		1.44%	(7.19)%	119.96%
Variance Analysis: 1. Cash flow ratio: In response to the shortage of inventory in the supply chain and the impact of Covid-19 on factory production at the end of the year, the inventory amount was higher than the previous year, resulting in cash outflow. However, the cash flow of accounts receivable generated from external sales is still sufficient to pay. Therefore, the cash flow ratio increased in 2022. 2. Cash flow adequacy ratio: The increase in external investment due to the development of the 3+3 strategy and the increase in the aforementioned inventory level resulted in higher cash outflow in 2022. However, due to the robustness of business activities of the Company in 2022, the cash inflow from operating activities also increased significantly compared with that in 2021, so the cash flow allowance ratio increased. 3. Cash reinvestment ratio: Due to the robustness of the Company's business operations in 2022, the cash inflow from operating activities increased significantly compared to 2021, so the cash reinvestment ratio increased in 2022.				

(2) Cash Flow Forecast for the Coming Year

Unit: NT\$ Thousand

Cash beginning balance (1)	Cash flow from operating activities (2)	Cash flow in/(out) (3)	Cash ending balance/(shortage) (1)+(2)-(3)	Plan for cash ending balance shortage	
				Investment activities	Financing activities
42,059,158	4,129,239,705	3,946,417,336	224,881,527	-	-
Cash flow variance analysis for year 2023: 1. Operating activities: The Company expects revenue and profit to continue to grow. 2. Investment activities: The Company expects expansion of production facilities to meet business demand. 3. Financing activities: This year, the Company expects to distribute cash dividends, borrow short-term loans, and propose to issue unsecured bonds.					

D. Major Capital Expenditures

(1) Major Capital Expenditures and its Sources of Capital:

Unit: NT\$ Thousand

Project	Actual or Planned Source of Capital	Actual or Planned Date of Completion	Total Capital	Actual or Expected Capital Expenditure	
				2022 (Actual)	2023 (Expected)
Equipment Purchases	Retained Earnings and Revenue	Dec. 31, 2023	1,083,140	(1,863,607)	1,083,140

(2) Expected Benefits:

The above capital expenditure is to meet the needs of the Company's business growth, and actively develop the 3+3 strategy and purchase related machinery and equipment to expand capacity and improve production efficiency; and continue to research and develop, design, and manufacture various electronic equipment products to optimize the manufacturing process. The bank further improves quality and efficiency, reduces costs and reserves, and strives for stable growth through innovation.

E. Investment Policy, Cause of Profit/Loss and Future Investment Plans:

(1) Policy for Recent Investments:

Investment Policies are aligned to increase manufacturing capacity, and to aid in the Company's revenues and profits.

(2) Cause of Profit/Loss for Investments:

The Company's 2022 investment income accounted for under the equity method was NT\$124,798,894, mainly due favorable operations in invested overseas companies.

(3) Future Investment Plans for the Coming Year:

The Company's long-term investment strategy is one of prudence, and will be in correlation with market and capacity needs. The Company will continue our commitment to strengthening global competitiveness.

F. Risk Assessment

(1) Effect of Changes in Interest Rate, Foreign Exchange and Inflation on Corporate Finance, and our Countermeasures.

(a) Interest Rates

Interest Rate Changes 2022

USD:	The outbreak of the Russo-Ukrainian war in 2022, embargoes on Russian oil in Europe and the United States caused oil prices to rise, and the lockdown in China and the interruption of the supply chain in the United States exacerbated the inflation in the United States. Fed started raising interest rates that year and raised them a total of 17 yards to 4.5% during the year. The yield rate of 10-year US Treasury bond continued to rise from 1.72% at the beginning of the year, and reached 3.87% at the end of the year.
JPY:	In 2022, Japan's domestic and foreign demand was weak. In order to boost the economy, the Bank of Japan maintained loose monetary policy. However, as the Fed continued to raise interest rates, the yen depreciated against the US dollar sharply, and Japanese bonds continued to be sold. The Japanese 10-year JGB yield continued to rise from a low of 0.078% in January to 0.250% in early December (previously the YCC upper limit). In order to reduce the distortion of the yield curve, BOJ relaxed the upper limit of YCC to 0.500% in December, pushing the 10-year JGB yield to around 0.500%.
NTD:	In 2022, the Central Bank of Taiwan followed the Fed in raising interest rates, but not as aggressively as the Fed. The rediscount rate was raised by a total of 2.5 points to 1.75%, which drove the Taiwan 10-year bond yield from a low of 0.68% at the beginning of the year to 1.28% at the end of the year.
RMB:	In 2022, China instituted a lockdown of its own and caused economic weakness. The People's Bank of China adopted an accommodative policy that resulted in the reduction of the required reserve ratio for large financial institutions from 11.5% to 11.0% in 2022. The one-year LPR interest rate was reduced from 3.70% to 3.65%. The 5-year LPR rate was reduced from 4.6% to 4.3%. The 10-year government bond yield fluctuated throughout the year and was around 2.84% at the end of the year.

Effect of the Company's Finances

Debt:	A. Short-term interest rates in major operating currencies have risen, which is relatively unfavorable for short-term loans with floating interest rates.
	B. Previous fixed-interest financings for ordinary corporate loans are not affected by interest rate fluctuations.
Asset:	The rising interest rate will be beneficial to the Company's short-term capital from investment income.
Net Result:	Under proper control, the "Net Interest Income" from the last two years are as follows: +NT\$ 10.498 billion for 2021 and +NT\$ 8.567 billion for 2022.

Countermeasures

In 2023, the focus will be on the influence of the monetary policies of the central banks of various countries. Geopolitical conflicts still exist and commodity prices are rising significantly, causing the central banks of major countries to face the pressure of interest rate hike and the risk of economic recession at the same time. Therefore, the Company will reasonably arrange various financing instruments as early as possible to raise medium- and long-term funds with low interest rates in USD, NTD or JPY to avoid the adverse impact of the increase in interest rates.

(b) Foreign Exchange:

Foreign Exchange Changes 2022

USD-JPY:	In 2022, given the high inflation rate, the hawks of the Fed raised interest rate, but Japan's economy was weak, BOJ remained loose, and the interest rates in the United States and Japan expanded, USD/JPY rose from the low of 113.49 at the beginning of the year to the high of 151.95 in October. Subsequently, the inflation in the United States slowed down and the interest rate spread between the United States and Japan narrowed. USD/JPY dropped to around 131.12 by the end of the year.
USD-NTD:	Expectations of rising inflation in the U.S.A. and higher U.S. bond yields drove the USD to strengthen. Meanwhile, due to the slowdown of external demand and weak Taiwanese exports, the NTD weakened. USD/TWD reached the highest of 32.379 in October. Subsequently, the inflation in the United States slowed down, and the USD fell back. At the end of the year, USD/TWD fell to around 30.730.
USD-CNY:	In 2022, China adopted a dynamic reset policy in response to the new

crown epidemic. From March to the end of May, Shanghai was locked down. During this period, USD/CNY rose from about 6.3500 to around 6.8125, and then followed DXY to around 7.3274. The lifting of the lockdown in China at the end of the year boosted the market's confidence in the economic recovery. RMB appreciated against the USD, with USD/CNY dropping back to around 6.8986 at the end of the year.

Effect of the Company's Finances

1. Attributed Profit/Loss:

(A) Pursuant to “IFRS 9 (Financial Instruments)”, profit and loss attributed to interest rates’ fluctuations should be categorized into the two following categories:

a. Profit and Loss attributed to Exchange:

Foreign Exchange related assets or debt (such as operational accounts receivable, accounts payable, financial activities related to demand [time] deposits, short [long] term loans) and the discrepancy caused by exchange are attributed to this category.

b. Financial Assets (Liabilities) Profit and Loss Valuation:

Foreign exchange related assets or liabilities generated from risk avoidance mechanisms (such as Long-term foreign exchange trading), and the profit and loss generated at fair value are listed in this category.

(B) In order to review the Profit and Loss generated from exchange-related fluctuations, the two factors listed above should be consolidated to provide a fuller picture.

2. Profit/Loss status:

(Note: +Profit, -Loss)

Unit: NT\$100Million

Item Type	2021			2022		
	Profit/Loss attributed to Exchange	Financial Asset (Liability) Profit/Loss Valuation	Total	Profit/Loss attributed to Exchange	Financial Asset (Liability) Profit/Loss Valuation	Total
Consolidated Statement	-50.75	+25.31	-25.44	-63.22	-76.69	-139.91

3. Profit/Loss Description:

The Company has always maintained a conservative approach to risk avoidance, and stringent internal monitoring of trends and changes in foreign exchange and external financial markets. Therefore, the Company can execute risk aversion strategies accordingly, and generate profits attributed to exchange.

Countermeasures

1. Fundamental Strategy:

To cater for the complicated external factors at play, the Company attempts to offset liabilities with assets, and reduce the exposure exchange-related fluctuations.

2. Risk Avoidance:

The underlying principle is to square-off the aforementioned net positions.

(c) Inflation

Developments in Inflation

Inflation in Taiwan reached a 14-year high in 2022. The COVID-19 pandemic has impacted the global supply chain. The conflict between Russia and Ukraine caused the price of raw materials to rise sharply. Coupled with the recovery of domestic demand, expenses for food, meat, air tickets, and rent of food outside have all increased. The annual average CPI (YOY%) was 2.95%.

Effect of the Company's Finances

A. Fundamentally, the Company is an electronics foundry, and products have a tendency to depreciate over long periods of time. However, with a unified corporate strategy, the Company has reduced costs in various processes to offset the effects of inflation.

Countermeasures

- A. The Company will continue to its commitment to various cost-reducing initiatives as a policy, and will be more risk-averse to inflation and deflation related factors.
- B. The prices of raw materials rose sharply and then declined, but there is still room for growth in the future. The Company will closely monitor the price changes of various important raw materials and adjust procurement strategies dynamically.

(2) Policies, Main Causes of Profit/Loss and Action Plans with Respect to High-risk, High-leveraged Investment, Lending or Endorsement Guarantee, and Derivatives Transactions

(a) High-risk, High-leveraged Investments

None

(b) Procedures for Lending Funds to Others and Countermeasures

(1) Policy:

Regarding related procedures mentioned in the Company's consolidated financial reports, please refer to the related companies' "Operational Procedures for Lending Funds to Others".

(2) Main Reasons:

The Company's lending to legal entities listed in the consolidated financial report have short-term financing needs.

(3) Countermeasures:

Depending on the nature of the loan and target's procedures, the Company will

undertake necessary countermeasures.

(c) Procedures for Endorsement & Guarantees and Future Countermeasures

(1) Policy:

Regarding related procedures mentioned in the Company's consolidated financial reports, please refer to the related companies' "Procedures for Endorsement & Guarantees".

(2) Main Reasons:

The Company's endorsement and guarantees to legal entities listed in the consolidated financial report are parent/subsidiary companies, and endorsements and guarantees are mainly financing related.

(3) Countermeasures:

Implement countermeasure according to the endorsement and guarantee process.

(d) Derivatives Transactions

(1) Policy:

- A. The Company and the legal entities listed in the consolidated financial report that partake in derivatives transactions will all be in accordance with FSC's "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" and TWSE's "Taiwan Stock Exchange Corporation Directions for Auditing Internal Control Systems of Listed Companies".
- B. As a risk avoidance principle, positions of the Company's asset or liabilities that are in actual possession or expected to be in possession will be closed. This offsets market price fluctuations as risks and risk-avoidance transactions will counteract each other, achieving stable operations.

(2) Causes for Profit/Loss

A. Externally:

Political game theory, black swan theory, and the state of the economy has placed various governments in different predicaments. Different countries have undertaken either tightening or relaxing monetary policies, creating a turbulent and unpredictable foreign exchange market.

B. Internally:

As a principle, derivatives trading will aim to "close the underlying net positions of related hedges", therefore when the net position incurs a loss, the derivative transaction will be counter to and gain valuation from the asset (or liability).

(3) Countermeasures:

A. Stance:

1. Derivative products are a financial tool and should be judge on how the tool is utilized, to achieve what ends, and the mentality in making such decisions.
2. The Company is committed to internal controls regarding financial derivative transactions, and has implemented various principals to reduce to the risks to a minimum.
3. Domestically, IFRS has implemented strict accounting regulations and guidelines regarding financial derivatives trading. The Company's procedures are in compliance and even more rigorous than related regulations.

B. Policy:

1. With the recent events, the impacts to the financial markets have been exacerbated. The financial market has been speculative and opportunistic, viciously fueling the outcome of these events. Various price fluctuations are neither based on fundamentals or logic, Additionally, with the hype driven by various financial institutions and media, the risk in the market has risen greatly.
2. Under these conditions, the financial derivatives and its leverage will be used more conservatively and stringently by the Company. Strategically, the Company will not be following the herd or be intimidated by external factors, and actions shall be judge on its "risk avoidance" merits.

(1) Future Research and Development Projects and Corresponding Budget

The Company focuses on leading the mass production of high-tech technology products, and its method is to effectively gather outstanding R&D talents, and invest the best R&D technologies and processes related to the Company's core competencies. With an estimated NT\$110 Billion R&D expenses in 2022.

(2) Effects of Changes in Policies and Regulations on Corporate Finance and Sales and our Countermeasures

None

(3) Effects of Technology and Industrial Changes on Corporate Finance and Sales and our Countermeasures

In recent years, the Company, accorporating with world leading clients, is actively committed to the research and development of the deployment of technology and always maintain a firm

grasp of the changes in the industry. In the future, it will continue to conduct research and development in line with market trends and customer needs. Therefore, there is no impact of technological changes and industrial changes on the Company's financial business.

(4) The Impact of the Changes of Corporate Image on Corporate Risk Management and our Action Plan

The Company not only focuses on developing sales operations worldwide, but at the same time actively participates in developing and refining corporate social responsibilities globally. The Company will continue to simulate various large-scale events, and formulate response strategies accordingly, to protect and maximize value for all shareholders and clients.

(5) Anticipated Results and Risks of Acquisition

As of the printing of the annual report, the Company has no applicable acquisition.

(6) Anticipated Results and Risks of Expansion of Factory Buildings

The main clients of the Company are leading brands of the industry, in an effort to more promptly and better serve these customers, the Company has established foundations in key strategic positions around the globe.

(7) Risks during Concentrated Stock Replenishment and Sale

Collaborating on a global scale with like-minded group of quality suppliers, the Company effectively mitigate risks prone to a particular market, product, or sale, but also offsets risks for suppliers against the industry.

(8) Effects and Risks of the Large Amount of Share Transfers or Changes by Directors, Supervisors, or Major Shareholders

As of the printing of the annual report, the Company has no applicable risks.

(9) Effects and Risks of Change in Operating Right

As of the printing of the annual report, the Company has no changes in operating rights.

(10) Litigation or Non-litigation Matters

(a) Major Ongoing Lawsuits, Non-lawsuit or Administrative Lawsuit:

Court Department (Institution) and Case Number	Party(s) Involved	Start Date of Litigation	Claims, Amount	Current Situation and Processes	Manager's Views and Plans
The High Court of the Hong Kong Special Administrative Region No.2114 of 2007	Plaintiff: ShenZhen FuTaiHong Precision Industrial Co., Ltd / Hongfujin Precision Industry (Shenzhen) Co., Ltd., Foxconn Precision Components (Beijing) Co., Ltd. Defendant: BYD Company Limited / BYD (H.K.) Co., Ltd. / Golden Link Worldwide Ltd. / BYD Electronic Company Ltd. / Lead Wealth International Limited / BYD (Tianjin) Co.,Ltd. / BYD Precision Manufacture Co. Ltd.	Oct. 5, 2006	Plaintiff accuses the Defendant of violating confidentiality obligations, conspiracy, and inducing employees to breach of contract. The Plaintiff appeals to the court to issue an injunction, and for the Defendant to surrender all infringing documents, and to pay for damages caused and for punitive damages.	The case has entered trial (discovery phase)	Claim rights according to the Law

(b) Major Ongoing Lawsuits, Non-lawsuit or Administrative Lawsuit caused by Directors, Supervisors or Major Stockholders with Holdings over 10%:

None