

**ADVANCED OPTOELECTRONIC TECHNOLOGY
INC.AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT AUDITORS
FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021
(Stock Code : 3437)**

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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.

Advanced Optoelectronic Technology Inc.

Representation Letter

The entities that are required to be included in the combined financial statements of Advanced Optoelectronic Technology Inc. as of and for the year ended December 31, 2022, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, the company does not prepare a separate set of combined financial statements.

Very Truly Yours,

Company name: Advanced Optoelectronic Technology Inc.

Chairman: Fang, Jung-Hsi

Date: March 10, 2023

Independent Auditors' Report

(2023) Cai-Shen-Bao-Zi No. 22004547

To: Advanced Optoelectronic Technology Inc.

Audit opinion

We have audited the accompanying consolidated balance sheet of Advanced Optoelectronic Technology Inc. and its Subsidiaries (“Advanced Optoelectronic Technology Group”) as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, consolidated changes in equity and cash flow for the years then ended, and the notes to the consolidated financial statements, (including a summary of significant accounting policies).

In our opinion, based on the audit results of the Independent auditors and the audit report of other accountants (please refer to the other-matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Advanced Optoelectronic Technology Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulation Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee (collectively, “IFRSs”) as endorsed by the Financial Supervisory Commission (FSC).

Basis for audit opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in 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 Advanced Optoelectronic Technology Group in accordance with The Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audit results and the audit report of other accountants, 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 judgement, were of most significance in our audit of the consolidated financial statements of the Advanced Optoelectronic Technology Group for the year ending December 31st, 2022. 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.

Key audit matters of the 2022 consolidated financial statements of Advanced Optoelectronic Technology Group are as below:

Inventory valuation

Description of matters

For descriptions of the accounting policies, accounting estimates, and the uncertainties of accounting estimates for inventory valuation and assumptions, and accounting items, please see Notes IV (XII), V (II) and VI (V) to the consolidated financial statements.

The principal business of the Advanced Optoelectronic Technology Group is the manufacture and sale of light-emitting diodes. Due to a large number of competitors from China manufacturers, the commodity prices may be vulnerable to fluctuations or the product sale may not be as expected, which may affect the estimation result of the net realizable value of inventory valuation.

The Advanced Optoelectronic Technology Group adjusts its inventory requirements in response to the sales market and development strategies. Since LEDs are the main sales commodity, the related inventory amount is significant. The management evaluates the inventory according to the lower cost and net realizable value. Because the above process involves subjective judgments, we believe that the accounting estimate has a significant impact on the assessment of inventory value, so it is listed as one of the most important matters during the audit.

Corresponding audit procedures

The audit procedures we have executed for the key audit matters are as follows:

1. We have evaluated the policy adopted for the allowance for inventory write-down based on our understanding of the nature of the Advanced Optoelectronic Technology Group's operations and industry.
2. We have tested the basis for the net realizable value to see whether it complies with the policy of the Advanced Optoelectronic Technology Group. Calculation is performed by taking the sales and net realizable value of the individual inventory number from random sampling.
3. Obtain obsolete inventory details identified by the management, review related documents and reconcile the records contained in the accounts.

Other matters - audits conducted by other CPAs

For some of the investees listed in the consolidated financial statements of the Advanced Optoelectronic Technology Group which are accounted for using the equity method, their financial statements are not audited and verified by us but by other independent auditors. Therefore, in our opinion of the above-mentioned consolidated financial statements, the amounts of these investees mentioned are based on the audit reports of other independent auditors. The investment in the aforementioned companies under the equity method was NT\$0, accounting for 0% of the total consolidated assets as of December 31, 2021. The comprehensive income was (NT\$13,660) thousand, accounting for 9% of the total consolidated comprehensive income.

Other Matters - Parent Company Only Financial Statements

Advanced Optoelectronic Technology Inc. has prepared the parent company only financial statements for 2022 and 2021. We have issued an independent auditor's report with an unmodified opinion and an unmodified opinion and other-matter paragraph for reference.

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 Regulation Governing the Preparation of Financial Reports by Securities Issuers, and the IFRS, IAS, IFRIC, and SIC as endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing Advanced Optoelectronic Technology Group's financial reporting process.

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

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

We exercised professional judgment and skepticism during the audit in accordance with the Auditing Standards of the Republic of China. We also perform the following tasks:

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. Understand the internal control related to the audit in order to design appropriate audit procedures under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Assess the appropriateness of the accounting policies adopted by the management, and the reasonableness of the accounting estimates and related disclosures made by the management.
4. Conclude on the appropriateness of the management's use of the going concern basis of accounting based on the audit evidence obtained, and whether a material uncertainty exists for events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inappropriate, to modify our opinion. Our conclusion is based on the audit evidence acquired as of the date of the audit 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 relevant notes), and whether the consolidated financial statements adequately present the relevant transactions and events.

6. Obtain sufficient and appropriate audit evidence concerning the financial information of entities 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.

The matters communicated between us and the governing body include the planned scope and time of the audit and significant audit findings (including any significant deficiencies in internal control identified during the audit).

We also provided the governing body with a declaration that we have complied with relevant ethical requirements regarding independence, and we communicated with them all relationships that may be thought to undermine our independence and other matters (including related protective measures).

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the Group's consolidated financial statements for the year ended December 31, 2022, and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers

Lin, Po-Chuan

Accountant

Chang, Shu-Chiung

Financial Supervisory Commission

Approval No.: Jin -Guan-Zheng-Shen - Zi No. 1100350706

Former Financial Supervisory Commission, Executive Yuan

Approval No.: Jin -Guan-Zheng-Shen - Zi No. 0990042602

March 10 , 2023

Advanced Optoelectronic Technology Inc. and its Subsidiaries
Consolidated Balance Sheet
December 31, 2022 and 2021

Unit: NTD thousand

Assets	Notes	December 31, 2022		December 31, 2021		
		Amount	%	Amount	%	
Current assets						
1100	Cash and cash equivalents	VI (I)	\$ 1,383,056	43	\$ 1,403,063	33
1110	Financial assets at fair value through profit or loss (FVTPL) - Current	VI (II)	3,980	-	2,073	-
1140	Contract assets - current		1,171	-	-	-
1150	Notes receivable, net	VI (III)	25,179	1	3,708	-
1170	Accounts receivable, net	VI (III)	330,420	10	948,727	22
1180	Accounts receivable - related parties, net	VI (III) and (VII)	122,924	4	302,042	7
1200	Other receivables	VI (IV) and VII	54,459	2	49,101	1
1220	Current income tax assets		562	-	262	-
130X	Inventory	VI (V)	163,734	5	318,041	8
1410	Prepayments		12,922	-	17,718	1
1479	Other current assets - others		233	-	274	-
11XX	Total of current assets		<u>2,098,640</u>	<u>65</u>	<u>3,045,009</u>	<u>72</u>
Non-current assets						
1517	Financial assets at FVTOCI - non-current	VI (VI)	140,932	4	139,625	3
1550	Investment under equity method	VI (VII)	5,554	-	11,257	-
1600	Property, plant, and equipment	VI (VIII) (XI)	824,517	26	914,968	22
1755	Right-of-use assets	VI (IX)	34,309	1	1,305	-
1780	Intangible assets	VI (X)	8,987	-	34,158	1
1840	Deferred tax assets	VI (XXIV)	80,825	3	80,900	2
1975	Net defined benefit assets - non-current	VI (XV)	20,757	1	12,327	-
1990	Other non-current assets - others		5,517	-	8,976	-
15XX	Total non-current assets		<u>1,121,398</u>	<u>35</u>	<u>1,203,516</u>	<u>28</u>
1XXX	Total assets		<u>\$ 3,220,038</u>	<u>100</u>	<u>\$ 4,248,525</u>	<u>100</u>

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Advanced Optoelectronic Technology Inc. and its Subsidiaries
Consolidated Balance Sheet
December 31, 2022 and 2021

Unit: NTD thousand

Liabilities and equity	Notes	December 31, 2022		December 31, 2021		
		Amount	%	Amount	%	
Current liabilities						
2100	Short-term borrowings	VI (XII)	\$ -	-	\$ 52,003	1
2120	Financial liabilities at fair value through profit or loss - Current	VI (II)	1,714	-	3,905	-
2130	Contract liabilities - current	VI (XIX)	112	-	63	-
2170	Accounts payable		331,828	10	991,065	23
2180	Accounts payable - related parties	VII	4,256	-	20,890	1
2200	Other payables	VI (XIII)	248,566	8	352,714	8
2220	Other payables - related parties	VII	6,913	-	5,934	-
2230	Current income tax liabilities		979	-	12,449	-
2280	Lease liabilities - current		10,922	-	702	-
2399	Other current liabilities - others		46,697	2	15,667	1
21XX	Total of current liabilities		<u>651,987</u>	<u>20</u>	<u>1,455,392</u>	<u>34</u>
Non-current liabilities						
2570	Deferred income tax liabilities	VI (XXIV)	4,604	-	3,475	-
2580	Lease liabilities - non-current		23,826	1	617	-
25XX	Total of non-current liabilities		<u>28,430</u>	<u>1</u>	<u>4,092</u>	<u>-</u>
2XXX	Total liabilities		<u>680,417</u>	<u>21</u>	<u>1,459,484</u>	<u>34</u>
Equity						
Share capital						
3110	Common stock share capital	VI (XVI)	1,445,480	45	1,445,480	34
Capital Surplus						
3200	Capital Surplus	VI (XVII)	954,265	29	953,223	22
Retained earnings						
3310	Legal reserves	VI (XVIII)	195,549	6	176,103	4
3350	Undistributed earnings (losses to be compensated)		(26,853)	(1)	194,458	5
Other equity						
3400	Other equity		(54,736)	(1)	19,777	1
31XX	Total equity attributable to parent company shareholders		<u>2,513,705</u>	<u>78</u>	<u>2,789,041</u>	<u>66</u>
36XX	Non-controlling equity		<u>25,916</u>	<u>1</u>	<u>-</u>	<u>-</u>
3XXX	Total equity		<u>2,539,621</u>	<u>79</u>	<u>2,789,041</u>	<u>66</u>
Significant Contingent Liabilities and Unrecognized Commitments						
3X2X	Total liabilities and equity		<u>\$ 3,220,038</u>	<u>100</u>	<u>\$ 4,248,525</u>	<u>100</u>

The notes to the consolidated financial statements attached constitute an integral part of the statements, please refer to them, too.

Chairman: Fang, Jung-Hsi

Manager: Huang, Yu-Liang

Chief Accounting Officer : Cheng, Chen-Shun

Advanced Optoelectronic Technology Inc. and its Subsidiaries
Consolidated statement of comprehensive income
January 1 to December 31, 2022 and 2021

Unit: NTD thousand
(Except for earnings per share in NTD)

	Items	Notes	2022		2021	
			Amount	%	Amount	%
4000	Operating revenue	VI (XIX) and VII	\$ 2,410,672	100	\$ 4,396,109	100
5000	Operating cost	VI (V) (XIII) and VII	(2,103,304)	(87)	(3,773,988)	(86)
5900	Gross profit		<u>307,368</u>	<u>13</u>	<u>622,121</u>	<u>14</u>
	Operating expenses	VI (XXIII) and VII				
6100	Sales and marketing expenses		(189,115)	(8)	(264,817)	(6)
6200	Administrative expenses		(217,378)	(9)	(204,568)	(5)
6300	R&D expenses		(82,078)	(3)	(87,962)	(2)
6450	Expected credit impairment gain (loss)	XII (II)	<u>8,391</u>	-	(3,656)	-
6000	Total operating expenses		(480,180)	(20)	(561,003)	(13)
6900	Operating income (loss)		(172,812)	(7)	61,118	1
	Non-operating income and expense					
7100	Income from interest		9,805	-	4,172	-
7010	Other income	VI (XX) and VII	17,411	1	32,096	1
7020	Other gains and losses	VI (XXI)	5,013	-	19,570	-
7050	Financial cost	VI (XXII)	(3,550)	-	(2,902)	-
7060	Share of the profit or loss of the affiliated companies and joint ventures under the equity method	VI (VII)	<u>3,059</u>	-	(7,141)	-
7000	Total non-operating income and expenses		<u>31,738</u>	<u>1</u>	<u>45,795</u>	<u>1</u>
7900	Net income (loss) before tax		(141,074)	(6)	106,913	2
7950	Income tax expenses	VI (XXIV)	(1,172)	-	(18,602)	-
8200	Net income (loss) in the current period		<u>(\$ 142,246)</u>	<u>(6)</u>	<u>\$ 88,311</u>	<u>2</u>

(continued on next page)

Advanced Optoelectronic Technology Inc. and its Subsidiaries
Consolidated statement of comprehensive income
January 1 to December 31, 2022 and 2021

Unit: NTD thousand
(Except for earnings per share in NTD)

Items	Notes	2022		2021		
		Amount	%	Amount	%	
Other comprehensive income (net)						
Items not reclassified to profit or loss						
8311	Remeasurement of defined benefit plans	VI (XV)	\$ 5,483	-	\$ 2,377	-
8316	Unrealized gains (losses) on investments in equity instruments at FVTOCI	VI (VI)	(75,607)	(3)	59,244	1
8349	Income tax related to items not reclassified	VI (XXIV)	(1,097)	-	(475)	-
8310	Total of items not reclassified to profit or loss		(71,221)	(3)	61,146	1
Items that may be reclassified subsequently to profit or loss						
8361	Exchange difference on translation of the financial statement of foreign operations		980	-	(521)	-
8370	Share of other comprehensive income of affiliates and joint ventures accounted for under the equity method - items that may be reclassified as income	VI (VII)	238	-	438	-
8360	Total of items that may be reclassified subsequently to profit or loss		1,218	-	(83)	-
8300	Other comprehensive income (loss) - net amount after tax		(\$ 70,003)	(3)	\$ 61,063	1
8500	Total comprehensive income (loss) in the current period		(\$ 212,249)	(9)	\$ 149,374	3
Net profit or loss attributable to:						
8610	Owner of the parent company		(\$ 141,204)	(6)	\$ 88,311	2
8620	Non-controlling equity		(1,042)	-	-	-
			(\$ 142,246)	(6)	\$ 88,311	2
Total comprehensive income attributable to:						
8710	Owner of the parent company		(\$ 211,207)	(9)	\$ 149,374	3
8720	Non-controlling equity		(1,042)	-	-	-
			(\$ 212,249)	(9)	\$ 149,374	3
Earnings per share (Loss)						
9750	Basic earnings (loss) per share	VI (XXV)	(\$ 0.98)		\$ 0.61	
9850	Diluted earnings (loss) per share		(\$ 0.98)		\$ 0.61	

The notes to the consolidated financial statements attached constitute an integral part of the statements, please refer to them, too.

Chairman : Fang, Jung-Hsi

Manager: Huang, Yu-Liang

Chief Accounting Officer : Cheng, Chen-Shun

Advanced Optoelectronic Technology Inc. and its Subsidiaries
Consolidated Statement of Changes in Equity
January 1 to December 31, 2022 and 2021

Unit: NT\$ Thousand

Notes	Equity attributable to owners of parent company											Non-controlling equity	Total equity	
	Capital Surplus					Retained earnings			Other equity					
	Common stock share capital	Shares premium from issuance	Donated assets	Changes in the net equity value of affiliates and joint ventures recognized under the equity method	Expired stock options	Legal reserves	Special reserves	Undistributed earnings (losses to be compensated)	Exchange difference in the translation of the financial statement of foreign operations	Financial assets at FVTOCI - Unrealized gains or losses	Total			
2021														
	Balance at January 1, 2021	\$ 1,445,480	\$ 936,594	\$ 5,723	\$ 10,976	\$ 48	\$ 194,720	\$ 45,825	(\$ 64,442)	(\$ 5,547)	\$ 70,408	\$ 2,639,785	\$ -	\$ 2,639,785
	Net income for the period	-	-	-	-	-	-	-	88,311	-	-	88,311	-	88,311
	Other comprehensive income (loss)	-	-	-	-	-	-	-	1,902	(83)	59,244	61,063	-	61,063
	Total comprehensive income (loss)	-	-	-	-	-	-	-	90,213	(83)	59,244	149,374	-	149,374
	Appropriation and distribution of retained earnings for 2020:													
	Legal reserve used to make up losses	-	-	-	-	-	(18,617)	-	18,617	-	-	-	-	-
	Reversal of special reserve	-	-	-	-	-	-	(45,825)	45,825	-	-	-	-	-
	Proceeds from accepting gifts	-	-	177	-	-	-	-	-	-	-	177	-	177
	Changes recognized under equity method	-	-	-	(295)	-	-	-	-	-	-	(295)	-	(295)
	Equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	-	-	104,245	-	(104,245)	-	-	-
	Balance at December 31, 2021	\$ 1,445,480	\$ 936,594	\$ 5,900	\$ 10,681	\$ 48	\$ 176,103	\$ -	\$ 194,458	(\$ 5,630)	\$ 25,407	\$ 2,789,041	\$ -	\$ 2,789,041
2022														
	Balance at January 1, 2022	\$ 1,445,480	\$ 936,594	\$ 5,900	\$ 10,681	\$ 48	\$ 176,103	\$ -	\$ 194,458	(\$ 5,630)	\$ 25,407	\$ 2,789,041	\$ -	\$ 2,789,041
	Current net loss	-	-	-	-	-	-	-	(141,204)	-	-	(141,204)	(1,042)	(142,246)
	Other comprehensive income (loss)	-	-	-	-	-	-	-	4,386	1,218	(75,607)	(70,003)	-	(70,003)
	Total comprehensive income (loss)	-	-	-	-	-	-	-	(136,818)	1,218	(75,607)	(211,207)	(1,042)	(212,249)
	Appropriation and distribution of 2021 earnings:													

Advanced Optoelectronic Technology Inc. and its Subsidiaries
Consolidated Statement of Changes in Equity
January 1 to December 31, 2022 and 2021

Unit: NT\$ Thousand

Notes	Equity attributable to owners of parent company											Non-controlling equity	Total equity	
	Capital Surplus				Retained earnings				Other equity					
	Common stock share capital	Shares premium from issuance	Donated assets	Changes in the net equity value of affiliates and joint ventures recognized under the equity method	Expired stock options	Legal reserves	Special reserves	Undistributed earnings (losses to be compensated)	Exchange difference in the translation of the financial statement of foreign operations	Financial assets at FVTOCI - Unrealized gains or losses	Total			
Provision of legal reserve	-	-	-	-	-	19,446	-	(19,446)	-	-	-	-	-	
Cash dividends	-	-	-	-	-	-	-	(65,047)	-	-	(65,047)	-	(65,047)	
Changes recognized under equity method	VI (XXVI)	-	-	1,042	-	-	-	-	-	-	1,042	(1,042)	-	
Disposal of investment under equity method		-	-	-	-	-	-	-	(124)	-	(124)	-	(124)	
Increase in non-controlling interests		-	-	-	-	-	-	-	-	-	-	28,000	28,000	
Balance at December 31, 2022		\$ 1,445,480	\$ 936,594	\$ 5,900	\$ 11,723	\$ 48	\$ 195,549	\$ -	(\$ 26,853)	(\$ 4,536)	(\$ 50,200)	\$ 2,513,705	\$ 25,916	\$ 2,539,621

The notes to the consolidated financial statements attached constitute an integral part of the statements, please refer to them, too.

Chairman: Fang, Jung-Hsi

Manager: Huang, Yu-Liang

Chief Accounting Officer : Cheng, Chen-Shun

Advanced Optoelectronic Technology Inc. and its Subsidiaries
Consolidated Statement of Cash Flow
January 1 to December 31, 2022 and 2021

Unit: NT\$ Thousand

	Notes	January 1 - December 31, 2022	January 1 - December 31, 2021
<u>Cash flow from operating activities</u>			
Net income before tax (net loss) in the current period		(\$ 141,074)	\$ 106,913
Adjustment items			
Income/expenses that do not affect cash flow			
Depreciation expenses	VI (XXIII)	191,668	195,101
Amortized expenses	VI (X) (XXIII)	26,328	26,124
Expected credit impairment (gain) loss	XII (II)	(8,391)	3,656
Losses on financial assets and liabilities at FVTPL	VI (II) (XXI)	16,879	720
Interest expense	VI (XXII)	3,550	2,902
Income from interest		(9,805)	(4,172)
Dividend income	VI (XX)	(3,075)	(219)
The share of (profit) loss on the affiliated companies under the equity method	VI (VII)	(3,059)	7,141
Loss (gain) on disposal of property, plant and equipment	VI (XXI)	461	(6,685)
Gains on disposal of investment accounted for using equity method	VI (XXI)	(636)	-
Property, plant and equipment recognized as expenses		552	183
Impairment losses of property, plant and equipment	VI (VIII) (XI) (XXI)	6,197	-
Gains on bargain purchase	VI (XX)	-	(1,612)
Gains on lease modification	VI (IX) (XXI)	-	(3)
Changes in operating activities related assets/liabilities			
Net changes in assets related to operating activities			
Financial assets at fair value through profit or loss (FVTPL) - Current		(1,907)	3,880
Contract assets - current		(1,171)	-
Notes receivable		(21,471)	(1,553)
Accounts receivable		624,474	426,495
Accounts receivable - related parties		181,228	5,731
Other receivables		(4,490)	8,068
Inventory		154,307	45,739
Prepayments		4,796	(1,399)
Other current assets - others		41	(274)
Net changes in liabilities related to operating activities			
Financial liabilities at fair value through profit or loss - Current		(19,070)	(9,389)
Contract liabilities - current		49	(931)
Accounts payable		(659,237)	(52,979)
Accounts payable - related parties		(16,634)	(12,811)
Other payables		(79,753)	(14,240)
Other payables - related parties		979	(18,018)
Other current liabilities - others		31,030	(10,333)
Net defined benefit obligation		(2,947)	(1,081)
Cash inflow from operations		269,819	696,954
Interest received		8,937	3,889
Dividends received		7,497	1,622

Advanced Optoelectronic Technology Inc. and its Subsidiaries
Consolidated Statement of Cash Flow
January 1 to December 31, 2022 and 2021

Unit: NT\$ Thousand

	<u>Notes</u>	<u>January 1 - December 31, 2022</u>	<u>January 1 - December 31, 2021</u>
Interest paid		(\$ 3,261)	(\$ 3,088)
Income tax refunded		-	187
Income tax paid		(12,830)	(119)
Net cash inflow from operating activities		<u>270,162</u>	<u>699,445</u>

(continued on next page)

Advanced Optoelectronic Technology Inc. and its Subsidiaries
Consolidated Statement of Cash Flow
January 1 to December 31, 2022 and 2021

Unit: NT\$ Thousand

	Notes	January 1 - December 31, 2022	January 1 - December 31, 2021
<u>Cash flows from investing activities</u>			
Financial assets at amortized cost - current decrease		-	800
Acquisition of financial assets at fair value through other comprehensive income - non-current		(76,914)	-
Disposal of financial assets at fair value through other comprehensive income - non-current	VI (VI)	-	184,245
Investment under equity method acquired	VI (VII)	-	(879)
Disposal of investment under equity method	VI (VII)	5,089	-
Acquisition of property, plant, and equipment	VI (XXVII)	(112,415)	(120,112)
Disposal of property, plant, and equipment		74	6,685
Acquisition of intangible assets	VI (XXVII)	(16,608)	(17,568)
Decrease (increase) of other non-current assets - others		3,459	(3,042)
Net cash inflow (outflow) from investing activities		(197,315)	50,129
<u>Cash flow from financing activities</u>			
Net decrease in short-term borrowings	VI (XXVIII)	(52,003)	(387,449)
Repayment of lease principal	VI (XXVIII)	(4,765)	(2,195)
Distribution of cash dividends	VI (XVIII)	(65,047)	-
Increase in non-controlling interests		28,000	-
Proceeds from accepting gifts		-	177
Net cash outflow from financing activities		(93,815)	(389,467)
Effect of exchange rate changes on cash and cash equivalents		961	(2,087)
Current cash and cash equivalents increase (decrease)		(20,007)	358,020
Opening balance of cash and cash equivalents		1,403,063	1,045,043
Closing balance of cash and cash equivalents		\$ 1,383,056	\$ 1,403,063

The attached notes to the consolidated financial reports are part of this consolidated financial report; please refer to them, too.

Advanced Optoelectronic Technology Inc. and Subsidiaries
Notes to consolidated financial statements
2022 and 2021

Unit: NT\$ Thousand
(unless otherwise stated)

I. Company history

Advanced Optoelectronic Technology Inc. (hereinafter referred to as the "Company") was incorporated in the Republic of China on October 2, 1999. The original name in Mandarin was changed (from " Hsien Chin Kai Fa Corporation " to " Jung Chuang Corporation"), while the English name of the Company remains the same. The renaming was approved by the competent authority on July 14, 2000. The Company and its subsidiaries (collectively referred to as "the Group" hereinafter) primarily engage in the R&D, testing, manufacturing and sale of LEDs, as well as the import/export and trading of raw materials and semi-finished products. The Company's shares have been listed for trading on the Taiwan Stock Exchange since July 9, 2014.

II. Adoption of the date and procedures of the Financial Statements

The consolidated financial report was approved by the Board of Directors on March 10, 2023.

III. Applicable new and amended standards and interpretations

(I) Effect upon adoption of the new and amended IFRSs that came into effect and approved by the Financial Supervisory Commission ("FSC").

The following table sets forth the standards and interpretations newly released, amended, and revised of the IFRSs applicable in 2022 that came into effect and endorsed by the FSC:

<u>New/revised/amended standards and interpretations</u>	<u>Effective date announced by IASB</u>
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

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

(II) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

The following table sets forth the standards and interpretations newly released, amended, and revised of the IFRSs applicable in 2023 endorsed by the FSC:

<u>New/revised/amended standards and interpretations</u>	<u>Effective date announced by IASB</u>
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

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

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

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

<u>New/revised/amended standards and interpretations</u>	<u>Effective date announced by IASB</u>
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024

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

IV. Summary of significant accounting policies

The major accounting policies adopted in the preparation of this consolidated financial report are described below. Unless otherwise stated, these policies apply consistently throughout the reporting period.

(I) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the "IFRSs").

(II) Basis of preparation

1. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
 - (1) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (2) Financial assets at fair value through other comprehensive income.
 - (3) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
2. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(III) Basis of consolidation

1. Basis for preparation of consolidated financial statements:
 - (1) All subsidiaries of the Group are included in the consolidated financial statement. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
 - (2) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
 - (3) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income 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.
 - (4) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
 - (5) When the Group loses control over a subsidiary, the remaining investment in the subsidiary is re-measured at fair value and treated as the fair value of the initially recognized financial assets or the cost on initial recognition of the investment in associates or joint ventures. The difference from the book value is recognized in the current profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

2. Subsidiaries included in the consolidated financial statements:

Name of investor	Subsidiary	Main business activities	Ownership (%)	
			December 31, 2022	December 31, 2021
Advanced Optoelectronic Technology Inc.	GLORYLUX INC. (Glorylux)	Trading of electronic materials	-	-
Advanced Optoelectronic Technology Inc.	Advanced Optoelectronic Technology Holding Ltd. (Advanced)	Investments in various businesses	100%	100%
Advanced Optoelectronic Technology Inc.	Asphetek Solution Inc. (Asphetek)	Manufacture and sale of electronic components	60%	-
Advanced	AOT Holding Ltd.	Investments in various businesses	100%	100%
AOT Holding Ltd.	ZHAN JING Technology (Shen ZHEN) Co., Ltd. (Zhan Jing)	Technology development, wholesale, import/export and related ancillary services of new electronic components and electronic products	100%	100%

Note 1: GLORYLUX INC. was cancelled on May 28, 2021, and the dissolution and liquidation on October 8, 2021 was completed.

Note 2: Asphetek Solution Inc. is a subsidiary incorporated on July 25, 2022.

3. Subsidiaries not included in the consolidated financial statements: None.

4. Different adjustment and treatment methods of subsidiaries in the accounting period: This situation did not apply.

5. Significant restrictions: None.

6. Subsidiaries with material non-controlling equity of the Group: None.

(IV) Conversion of foreign currencies

Items included in the financial report of each entity within the Group are measured by the currency of the primary economic environment in which the entity operates (i.e. the functional currency). The consolidated financial statements are presented in the Company's functional currency, which is "New Taiwan Dollar".

1. Transactions and balances in foreign currencies

- (1) Transactions in foreign currencies are converted into the functional currency at the spot exchange rate on the transaction or measurement date, and the difference from such conversion is recognized as the profits or losses for the current term.
- (2) The balance of foreign currency assets and liabilities is adjusted according to the evaluation of the spot exchange rate on the balance sheet date, and the difference from such adjustment is recognized as the profits or losses for the current term.
- (3) The balance of foreign currency non-monetary assets and liabilities measured at fair value through profit and loss is adjusted according to the spot exchange rate on the balance sheet date, and the exchange difference generated as a result of the adjustment is recognized as the current profit and loss; the value measured through other for the comprehensive profit or loss that is measured at fair value, it shall be adjusted according to the evaluation of the spot exchange rate on the balance sheet date, and the exchange difference arising from the adjustment shall be stated as the other comprehensive income. Those not measured using fair value shall be measured using historical rates on the initial trading day.
- (4) All exchange gains and losses are reported in the "other gains and losses" of the comprehensive income statement.

2. Conversion of foreign operations

- (1) For all group entities and affiliated enterprises whose functional currency is different from the presentation currency, the operating results and financial status are converted into the presentation currency in the following ways:
 - A. Assets and liabilities expressed in each balance sheet are converted at the closing exchange rate on the balance sheet date;
 - B. The income, expense, and loss expressed in each comprehensive income statement shall be converted at the average exchange rate in the current period; and
 - C. All exchange differences arising from conversion are recognized in other comprehensive income.
- (2) When the foreign operations disposed or sold are affiliated companies, the exchange differences will be re-categorized under other comprehensive income proportionally to the current profits or losses as part of the sales profits or losses. However, if the Group still retains part of its equity in the former affiliate, but has lost its significant influence on the affiliated enterprise of foreign operations, it shall be treated as a disposal of all interests in the foreign operations.
- (3) When the foreign operation that is partially disposed of or sold is a subsidiary, the accumulated exchange difference recognized in other comprehensive income is re-attributed to the non-controlling interests of the foreign operation on a pro-rata basis. However, if the Group still retains part of its equity in the former subsidiary but has lost control of the subsidiary of the foreign operation, it shall be treated as a disposal of all the equity of the foreign operation.

(V) Classification criteria for current and non-current assets and liabilities

1. Assets that meet one of the following conditions are classified as current assets:

- (1) The asset is expected to be realized, sold or consumed in the normal business cycle.
- (2) Mainly for trading purpose.
- (3) Expected to be realized within 12 months after the balance sheet date.
- (4) Cash or cash equivalents, except for those to be exchanged or used to settle liabilities in at least 12 months after the balance sheet date.

The Group classifies all assets not meeting the above conditions as non-current.

2. Liabilities that meet one of the following conditions are classified as current liabilities:

- (1) Expected to be settled in the normal business cycle.
- (2) Mainly for trading purpose.
- (3) Expected to be settled within 12 months after the balance sheet date.
- (4) The repayment period cannot be unconditionally deferred to at least 12 months after the balance sheet date.
If the terms about liabilities can be paid off by issuing equity instruments as per the choice of the counterparty, the categorization is not affected.

The Group classifies all liabilities that do not meet the above conditions as non-current.

(VI) Cash equivalents

Cash equivalents refer to short-term and highly liquid investments that can be converted into a fixed amount of cash at any time with little risk of changes in value. Time deposits that meet the definition above and mature within three months from the date of acquisition and are held to meet short-term cash commitments in operations are classified as cash equivalents.

(VII) Financial assets at fair value through profit or loss (FVTPL)

1. Financial assets that are not measured at amortized cost or at fair value through other comprehensive income.
2. The Group adopts transaction day accounting for financial assets measured at fair value through profit and loss in conformity with trading practices.
3. The Group measures their fair values at the time of initial recognition, and the relevant transaction costs are recognized in profit or loss; subsequently, they are measured at fair value, and the profits or losses are recognized in profit or loss.

(VIII) Financial assets at FVTOCI

1. Refers to an irrevocable choice made at the time of original recognition to recognize the changes in the fair value of the equity instrument investment held not for trading in other comprehensive profit or loss.
2. The Group adopts the transaction day accounting for financial assets measured at fair value through other

comprehensive income in conformity with trading practices.

3. The group measures their fair value plus transaction costs at the time of original recognition, and is subsequently measured at fair value:

Changes in the fair value of equity instruments are recognized in other comprehensive income. At the time of derecognition, the cumulative gain or loss previously recognized in other comprehensive income shall not be reclassified to profit or loss but transferred to retained earnings. When the right to receive dividends is established, the economic benefits related to the dividends are very likely to inflow, and the dividend amount can be measured reliably, the Group recognizes dividend income in profit or loss.

(IX) Accounts and notes receivable

1. Refer to the accounts and notes for which the contract provides for the unconditional right to receive the amount of consideration obtained from the transfer of goods or services.
2. For short-term accounts and notes receivable without interest payment, due to the insignificant discount effect, the Group measured the value based on the original invoice amount.
3. The business model of the accounts receivable that the Group expects to sell is for the purpose.

(X) Impairment of financial assets

On each balance sheet date, the Group, with respect to financial assets measured at amortized cost and accounts receivable containing major financial components, considers all reasonable and supporting information (including forward-looking ones). Where the credit risk has not increased significantly since the original recognition, the loss allowance shall be measured at the 12-month expected credit loss amount; where the credit risk has increased significantly since the original recognition, the loss allowance shall be measured at the expected credit loss amount throughout the duration. For the accounts receivable that do not contain significant financial components, the allowance for loss is measured at the expected credit losses throughout the duration.

(XI) Derecognition of financial assets

The Group will de-recognize financial assets when one of the following conditions is met:

1. Invalidation of the contractual right to receive cash flows from financial assets.
2. The contractual rights over the cash flows of financial assets are transferred, and almost all risks and rewards of ownership of the financial assets have been transferred.
3. The Company has transferred the contractual rights over the cash flows of financial assets, but has not retained control over the financial assets.

(XII) Inventory

Inventories are measured at the lower of cost or net realizable value, and the cost is determined in accordance with the weighted average method. The cost of finished goods and work-in-progress includes raw materials, direct labor, other direct costs, and production-related manufacturing expenses (allocated according to normal production capacity), but does not include borrowing costs. Where the lower cost and net realizable value, the itemized comparison method is adopted. Net realizable value is the balance from the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs required to complete the sale.

(XIII) Investment under equity method - Affiliated companies

1. Affiliated companies are entities over which the Group has significant influence but no control. Generally, the Group holds more than 20% of their shares with voting rights directly or indirectly. The Group's investment in an affiliated company is accounted for under the equity method and is recognized at time of acquisition at cost.
2. The Group recognizes the share of profit or loss of the affiliated company as the current profit and loss, and recognizes the share of other comprehensive income after the acquisition as other comprehensive income. If the Group's share of losses on any affiliated company equals or exceeds its equity in the said affiliated company (including any other unsecured receivables), the Group will not recognize further losses, unless the Group incurs statutory obligations, constructive obligations, or payments made on behalf of them.
3. When there is an equity change in the non-profit and loss and other comprehensive income in the affiliated company with no impact on the shareholding ratio of the affiliated company, the group will recognize all

the equity changes as "capital reserve" according to the shareholding ratio.

4. The unrealized profits or losses arising from transactions between the Group and an affiliate have been written off proportionally to the equity the Group holds in the said affiliate. Unless evidence shows that assets transferred through the said transaction are impaired, unrealized losses are written off, too. Accounting policies of affiliated companies have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
5. If the Group fails to subscribe or acquire new shares in proportion to the issuance of new shares, resulting in a change in the investment proportion but still a significant influence on the affiliate, the increase or decrease in the change in the net value of equity shall be the adjustment of the "Capital Surplus" and "Equity-Method Investment." If the proportion of investment decreased as a result, except for the above adjustment, related to the decrease in ownership interest and has been recognized in the profit or loss of other comprehensive income before, and the profit or loss must be reclassified to profit and loss during the disposal of related assets or liabilities, if any, is reclassified to profit or loss proportionally .
6. When the Group disposes of an associate, if it loses its material influence on the associate, for all amounts recognized in other comprehensive income related to the associate, its accounting treatment will be the same as if the group directly disposes of the relevant assets or liabilities. On the same basis, i.e. if the gain or loss previously recognized as other comprehensive income will be reclassified as profit or loss when the related assets or liabilities are disposed, losing material influence on the affiliates, the profit or loss is reclassified from equity to profit or loss. If it still has significant influence on the affiliated company, only the amount recognized previously in other comprehensive income shall be transferred out proportionally.

(XIV) Property, plant, and equipment

1. Property, plant, and equipment are recorded at the acquisition cost.
2. Subsequent costs are included in the book value of assets or recognized as a separate asset only when the future economic benefits related to the project are likely to flow into the Group and the cost of the project can be measured reliably. The book value of replacements shall be de-recognized. All other maintenance expenses are recognized as income at the time of occurrence.
3. Property, plant, and equipment are subsequently measured at cost. Except for land, no depreciation is made, whereas depreciation is calculated using the straight-line method over the estimated useful years. If the components of property, plant and equipment are significant, they are separately depreciated.
4. The Group examines the residual value, useful lives and depreciation methods of each asset at the end of each fiscal year. If the residual value and useful lives are different from the estimates, or if there is a material change in the expected consumption pattern of future economic benefits of the asset, the effect shall be treated in accordance with the provisions of IAS 8 "Accounting Policies, Changes and Errors in Accounting Estimates" from the date of the occurrence of the changes.

The durability of each asset is as follows:

Houses and buildings 5 to 25 years

Machinery and equipment 5 to 10 years

Office equipment 3 ~ 5 years

Other equipment 1 to 6 years

(XV) Lease transactions with lessees - right-of-use assets/lease liabilities

1. Lease assets are recognized as right-of-use assets and lease liabilities on the date they are available for use by the Group. When the lease contract is a short-term lease or lease of a low-value target asset, the lease payment shall be recognized as expenses during the lease period using the straight-line method.
2. Lease liabilities are recognized at the present value of the lease payments that have not been paid at the beginning of the lease at the discounted current value of the Group's incremental borrowing rate. Lease payments include fixed payments, less any lease incentives receivable.

Subsequently, the interest method is adopted and measured by the after-amortization cost, and interest expenses are provided during the lease period. When the lease period or lease payment changes other than contract modification, the lease liabilities will be reassessed and the right-of-use assets will be re-measured.

3. The right-of-use assets are recognized at cost on the lease start date, and the cost includes the initially measured amount of the lease liabilities.

The subsequent measurement is based on the cost model, and the depreciation expense is recognized when the service life of the right-of-use assets expires or the lease term expires, whichever is earlier. When the lease liabilities are reassessed, the right-of-use assets will adjust any re-measurement of the lease liabilities.

4. For the lease modification that reduces the scope of the lease, the lessee will reduce the book value of the right-of-use assets to reflect the partial or full termination of the lease, and recognize the difference between the re-measured amount of the leasehold and the lease liabilities in profit or loss.

(XVI) Intangible assets

1. The royalty is recognized at the acquisition cost and amortized over the effective years of the contract.
2. Computer software is recognized at the cost of acquisition and amortized using the straight-line method over 1 to 6 years of estimated durability.

(XVII) Impairment of non-financial assets

On the Balance Sheet date, the Group estimates the recoverable value of assets with signs of impairment. When the recoverable value is less than the book value, the impairment loss is recognized. Recoverable amount is the higher of the fair value of an asset less the disposal cost or the use value, whichever is higher. When the impairment of assets recognized in the previous year does not exist or decrease, the impairment loss will be reversed. However, the increase in the book value of the assets due to the reversal of the impairment loss shall not exceed the book value of the asset without the impairment loss recognized less the amount of the depreciation or amortization of the asset.

(XVIII) Borrowings

Refers to short-term borrowings from banks. The group measures their fair value less transaction costs at the time of initial recognition, and subsequently, for any difference between the price after deducting transaction costs and the redemption value, the effective interest method is used to recognize interest expenses during the outstanding period according to the amortization procedure in profit or loss.

(XIX) Accounts payable

1. Refers to liabilities arising from the purchase of raw materials, commodities, or labor services on credit and accounts payable arising from business and non-business reasons.
2. For short-term accounts payable with unpaid interest, the impact of discounting is small, and the Group measures them at the original invoice amount.

(XX) Financial liabilities measured at fair value through profit or loss

1. Financial liabilities held for trading with the main purpose of repurchasing in the near future and derivatives other than those designated as hedging instruments according to hedge accounting.
2. The Group measures their fair values at the time of initial recognition, and the relevant transaction costs are recognized in profit or loss; subsequently, they are measured at fair value, and the profits or losses are recognized in profit or loss.

(XXI) Derecognition of financial liabilities

The Group will derecognize financial liabilities when the contractual obligation is fulfilled, canceled or expired.

(XXII) Non-hedging derivative instruments

Non-hedging derivatives are measured at the fair value on the contract signing date at the time of original recognition, and recognized as financial assets or liabilities measured at fair value through income; subsequently, they are measured at fair value, and the profit or loss is recognized in profit or loss.

(XXIII) Employee benefit

1. Short-term employee benefits

Short-term employee benefits are measured by the non-discounted amount expected to be paid, and stated as expenses when the related services are provided.

2. Pension fund

(1) Determined contribution plan

For the defined contribution plan, the amount to be allocated to the pension fund is recognized as the pension cost in the current period on an accrual basis. Prepaid contribution is recognized as assets to the extent of refundable in cash or reduced in future payments.

(2) Defined benefit plan

A. The net obligation under the defined benefit plan is calculated by discounting the future benefit amount earned by the employee in the current period or in the past, and the fair value of the plan asset is deducted from the present value of the defined benefit obligation on the balance sheet date. An actuary using the Projected Unit Credit Method estimates defined benefit obligations each year. The discount rate is the market yield rate of the government bonds (at the balance sheet date) with the same currency and duration as the defined benefit plan on the balance sheet date.

B. The re-measurement generated from the defined benefit plan shall be stated as other comprehensive income in the current period and presented in the retained earnings.

3. Termination benefits

Termination benefits are the benefits provided upon termination of employment before a normal retirement date or provided by employees upon acceptance of an offer of benefits in exchange for the termination of employment. The Group will not state the benefits as expenses until the offer of benefits cannot be withdrawn or the related reorganization cost is stated, whichever earlier. It is not expected that benefits in full 12 months after balance sheet date will be discounted.

4. Remuneration to employees and directors

The remuneration of employees and directors is recognized as expenses and liabilities when they have legal or constructive obligations and the value can be reasonably estimated. Subsequently, if the actual distributed amount resolved is different from the estimate, the difference shall be treated as a change in accounting estimate.

(XXIV) Income tax

1. Income tax expenses include current and deferred income tax. Income tax is recognized in profit or loss, except for the income tax related to the items recognized in other comprehensive profit or loss or recognized directly in equity and recognized in other comprehensive profit or loss or directly recognized in equity, respectively.

2. The current income tax is calculated according to the tax rate that has been enacted or substantially enacted in the countries where the Group is operating and generating taxable income on the balance sheet date. The management regularly evaluates the status of income tax filings for applicable income tax laws and regulations, and estimates income tax liabilities based on the taxes expected to be paid to the tax authorities, if applicable. The income tax for undistributed earnings that is levied in accordance with the Income Tax Act is to be recognized in undistributed earnings income tax expenses in accordance with the actual distribution of earnings in the year following the year in which the earnings are generated, after the proposal for distribution of earnings is passed at the shareholders' meeting.

3. The balance sheet method is adopted for deferred income tax, and the temporary difference generated between the tax bases of assets and liabilities and the book value in the consolidated balance sheet is recognized. If the deferred income tax arises from the initial recognition of assets or liabilities in a transaction (excluding business merger), and the accounting profit or taxable income (taxable loss) is not affected by the transaction, the deferred income tax shall not be recognized. Taxable temporary difference generated from investment in subsidiaries and affiliates, of which the time of reverse is controllable by the Group and which is not likely to be reversed in the foreseeable future, shall not be recognized. Deferred income tax is subject to the tax rate (and tax law) that has been enacted or substantively enacted on the balance sheet date and is expected to apply when the relevant deferred income tax assets are realized or the deferred income tax liabilities are settled.

4. Deferred income tax assets shall be recognized, insofar as temporary difference is very likely to offset against future taxable income, and the unrecognized and recognized deferred income tax assets shall be re-evaluated on each balance sheet date.
5. Current income tax assets and liabilities are offset against each other when the Company has the legally enforceable right to offset the recognized amounts and the Company intends to settle on a net basis or realize assets and settle liabilities simultaneously. When there is a legally enforceable right to offset current income tax assets against current income tax liabilities, and the deferred income tax assets and liabilities are levied by the same tax authority for the same tax subject, or different tax subjects resulted, but each tax subject intends for the deferred income tax assets and liabilities to offset against each other when they are settled on a net basis or the assets and liabilities are realized at the same time.

(XXV) Share capital

Common shares are classified as equity. The incremental cost directly attributable to the issuance of new shares or stock warrants, net of income tax, is stated as a deduction in equity.

(XXVI) Distribution of dividends

Dividends distributed to the Company's shareholders are recognized in the financial statements when the Company's shareholders' meeting decides to distribute such dividends. Cash dividends are recognized as liabilities, and stock dividends are recognized as stock dividends to be distributed and recognized as common stock on the base date of issuance of new shares.

(XXVII) Recognition of income

Sales of goods

1. The Group manufactures and sells LED and other related products. The sales revenue is recognized when the control of the product is transferred to the customer, that is, when the product is delivered to the customer and the Group has no outstanding performance obligation that may affect the customer in accepting the product. When the product is delivered to the designated location, the risk of obsolescence and loss has been transferred to the customer, and the customer accepts the product according to the sales contract, or there is objective evidence to prove that all acceptance criteria have been met.
2. Accounts receivable are recognized when the goods are delivered to the customer. Since then, the group has unconditional rights to the contract price, and the consideration can be collected from the customer after a certain period of time.

(XXVIII) Government grants

Government grants are recognized at fair value when it is reasonably certain that the enterprise will comply with the conditions attached to the government grant and will receive the grant. If the government subsidies, in nature, are intended to compensate the expenses incurred by the Group, the government subsidies shall be recognized as current profit or loss on a systematic basis during the period when the relevant expenses are incurred.

(XXIX) Operational department

The information of the Group's operating segments is reported consistently with the internal management reports provided to major operational decision-makers. The chief operational decision-makers are responsible for allocating resources to operating departments and evaluating their performance.

V. Major sources of significant accounting judgments, estimates, and assumptions uncertainty

When the Group prepared this consolidated financial report, the management has used its judgment to determine the adopted accounting policies, and made accounting estimates and assumptions based on the reasonable expectation of future events based on the situation on the balance sheet date. The significant accounting estimates and assumptions made may differ from the actual results. Historical experience and other factors will be considered for continuous evaluation and adjustment. These estimates and assumptions contain risks that may result in significant adjustments to the book values of assets and liabilities in the next fiscal year. Please see below for a detailed description of the uncertainty of significant accounting judgments, estimates, and assumptions:

(I) Important judgments adopted for accounting policies

None.

(II) Important accounting estimates and assumptions

Valuation of inventories

Because inventories must be priced at the lower of the cost and net realizable value, the Group must use judgment and estimation to determine the net realizable value of inventories on the balance sheet date. Due to the large number of competitors in mainland China, commodity prices are susceptible to fluctuations or product sales are not as good as expected. The Group assesses the amount of inventory on the balance sheet date due to normal wear and tear, obsolescence, or no market sales value, and writes off the cost of the inventories against it to net realizable value. This inventory evaluation is mainly based on the estimated product demand in a specific period in the future, so significant changes may occur.

On December 31, 2022, the book value of the Group's inventories amounted to NT\$163,734.

VI. Description of important accounting items

(I) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash in stock and petty cash	\$ 25	\$ 33
Checking and demand deposits	321,966	329,990
Time deposit	<u>1,061,065</u>	<u>1,073,040</u>
	<u>\$ 1,383,056</u>	<u>\$ 1,403,063</u>

1. The financial institutions that the Group does business with have good credit quality, and the Group does business with multiple financial institutions to diversify credit risk, and the possibility of expected default is very low.

2. The Group does not put cash and cash equivalents up for pledge.

(II) Financial assets and liabilities at FVTPL

<u>Assets items</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Derivatives		
-Forward Exchange Contract	\$ 3,980	\$ 1,769
-Foreign Exchange Swaps Contract	<u>-</u>	<u>304</u>
	<u>\$ 3,980</u>	<u>\$ 2,073</u>
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Non-listed, OTC, or emerging stocks	\$ 40,619	\$ 40,619
Adjustment of evaluation	<u>(40,619)</u>	<u>(40,619)</u>
	<u>\$ -</u>	<u>\$ -</u>
<u>Liabilities items</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>

Current items:

Financial liabilities held for trading

Derivatives

-Forward Exchange Contract	(\$ <u>1,714</u>)	(\$ <u>3,905</u>)
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1. The details of financial assets and liabilities measured at fair value through profit and loss recognized in profit and loss are as follows:

	<u>2022</u>	<u>2021</u>
Financial assets mandatorily measured at fair value through profit or loss and available-for-sale financial liabilities		
Derivatives	(\$ <u>16,879</u>)	(\$ <u>720</u>)

2. The transaction and contract information of derivative financial assets and liabilities not subject to hedging accounting are explained as follows:

	<u>December 31, 2022</u>		
<u>Derivative financial assets (liabilities)</u>	<u>Contract amount (Nominal principal amount) (\$ in Thousand)</u>		<u>Duration of the contract</u>
Current items:			
Forward Exchange Contract			
Sell USD and buy NTD	US Dollars	8,000	2022/09/16~2023/04/24
Sell USD and buy JPY	Japanese Yen	24,300	2022/12/22~2023/02/08
Sell CNY to buy NTD	CNY	2,000	2022/12/05~2023/01/30
Sell CNY and buy USD	CNY	21,500	2022/07/12~2023/05/25
	<u>December 31, 2021</u>		
<u>Derivative financial assets (liabilities)</u>	<u>Contract amount (Nominal principal amount) (\$ in Thousand)</u>		<u>Duration of the contract</u>
Current items:			
Forward Exchange Contract			
Sell USD and buy NTD	US Dollars	14,000	2021/09/29~2022/03/23
Sell USD and buy JPY	Japanese Yen	40,800	2021/11/24~2022/03/08
Sell CNY to buy NTD	CNY	21,300	2021/09/10~2022/05/25
Sell CNY and buy USD	CNY	35,900	2021/08/12~2022/06/17
Foreign Exchange Swaps Contract			
Sell JPY and buy NTD	Japanese Yen	200,000	2021/12/27~2022/01/21

The foreign exchange forward transactions entered into by the Group are pre-sale forward transactions to avoid the exchange rate risk of export proceeds; the foreign exchange swaps contract is for currency exchange

at a fixed exchange rate, and hedge accounting is not applied to meet the need for capital dispatch.

3. For information on the credit risk of financial assets and liabilities at fair value through profit and loss, please refer to Note XII (II).

(III) Notes and accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable	\$ 25,179	\$ 3,708
Accounts receivable	\$ 332,920	\$ 957,394
Less: allowance for losses	(2,500)	(8,667)
	<u>\$ 330,420</u>	<u>\$ 948,727</u>
Accounts receivable- related party	\$ 123,967	\$ 305,195
Less: Allowance for losses	(1,043)	(3,153)
	<u>\$ 122,924</u>	<u>\$ 302,042</u>

1. Ageing analysis of notes receivable and accounts receivable (including related parties):

	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>
Not overdue	\$ 438,401	\$ 25,179	\$ 1,218,054	\$ 3,708
Within 30 days of overdue	2,277	-	27,039	-
Past Due 31-60 Days	869	-	17,496	-
Past due 61-90 days	<u>15,340</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 456,887</u>	<u>\$ 25,179</u>	<u>\$ 1,262,589</u>	<u>\$ 3,708</u>

The above is an aging analysis based on the number of overdue days.

2. The balance of notes and accounts receivable (including related parties) as of December 31, 2022 and 2021 were generated from contracts with customers and the balance and allowance for loss of the accounts receivable (including related parties) from contracts on January 1, 2021 amounted to NT\$1,695,089 and NT\$8,178, respectively.
3. Without considering the collateral or other credit-enhancing collaterals held, the measure that best represents the exposure to the Group's notes and accounts receivable (including related parties) with the highest credit risk, the risk exposure amounted to NT\$478,523 and NT\$1,254,477 respectively.
4. As of December 31, 2022 and 2021, the amount of accounts receivable transferred to collection (stated as other non-current assets) amounted to NT\$483,948 and NT\$483,978 respectively, which had been fully provided against loss; and in 2022 and 2021, the provision (reversal) of allowance for losses collection (stated as other non-current assets) was (\$30) and \$0, respectively.
5. In order to increase the credit limit of some customers, the Group obtained guarantee letters of credit and guarantee deposits from some customers.
6. For credit risk information of notes and accounts receivable (including related parties), please see Note XII (II).

(IV) Transfer of financial assets

The Company signed an accounts receivable transfer contract with Taipei Fubon Bank on November 3, 2020. According to the contract, the Company does not have to bear the risk of uncollectible accounts receivable, but only needs to bear the losses resulting from commercial disputes. The Company has not had any continuing involvement in the transferred accounts receivable. Therefore, the Company de-recognized the selling accounts receivable and the relevant information not due yet is as follows:

Unit: NTD thousand

December 31, 2022

<u>Target for sale</u>	<u>Amount of selling accounts receivables</u>	<u>Derecognition amount</u>	<u>Amount paid in advance</u>	<u>Permissible advance payment</u>	<u>The interest rate range of the prepaid amount</u>
Taipei Fubon Bank	USD 2,997	USD 2,997	USD 2,548	US Dollar -	5.34%~5.84%

December 31, 2021

<u>Target for sale</u>	<u>Amount of selling accounts receivables</u>	<u>Derecognition amount</u>	<u>Amount paid in advance</u>	<u>Permissible advance payment</u>	<u>The interest rate range of the prepaid amount</u>
Taipei Fubon Bank	USD 7,185	USD 7,185	USD 6,034	US Dollar -	0.67%~0.85%

As of December 31, 2022 and 2021, the selling accounts receivable assigned by the Company included retentions of NT\$13,802 and NT\$31,865, respectively, which had been transferred to other receivables.

(V) Inventory

	<u>December 31, 2022</u>		
	<u>Cost</u>	<u>Allowance for devaluation losses</u>	<u>Book value</u>
Raw materials	\$ 61,161	(\$ 28,926)	\$ 32,235
Work-in-progress	87,584	(32,681)	54,903
Finished goods	104,811	(39,860)	64,951
Merchandise inventory	<u>13,444</u>	<u>(1,799)</u>	<u>11,645</u>
	<u>\$ 267,000</u>	<u>(\$ 103,266)</u>	<u>\$ 163,734</u>

	<u>December 31, 2021</u>		
	<u>Cost</u>	<u>Allowance for devaluation losses</u>	<u>Book value</u>
Raw materials	\$ 88,143	(\$ 27,371)	\$ 60,772
Work-in-progress	141,509	(17,226)	124,283
Finished goods	140,630	(34,884)	105,746
Merchandise inventory	<u>34,333</u>	<u>(7,093)</u>	<u>27,240</u>
	<u>\$ 404,615</u>	<u>(\$ 86,574)</u>	<u>\$ 318,041</u>

Inventory cost recognized as expenses and losses by the Group in the current period:

	<u>2022</u>	<u>2021</u>
Cost of sold inventory	\$ 2,026,026	\$ 3,771,049
Loss of idle capacity	70,340	26,041
Loss on devaluation (gain on recovery) (Note)	17,488	(484)

Income from sale of scraps	(10,550)	(22,618)
	<u>\$ 2,103,304</u>	<u>\$ 3,773,988</u>

Note: The recovery of gains in 2021 was mainly due to the fact that the Group actively disposed of idle inventories.

(VI) Financial assets at FVTOCI

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Non-current items:		
Equity instruments		
Listed company stock	\$ 171,100	\$ 114,218
Non-listed, OTC, or emerging stocks	<u>20,032</u>	<u>-</u>
	191,132	114,218
Adjustment of evaluation	(50,200)	<u>25,407</u>
	<u>\$ 140,932</u>	<u>\$ 139,625</u>

1. The Group chose to classify the equity instrument investment that is a strategic investment into financial assets measured at fair value through other comprehensive income. The fair value of these investments as of December 31, 2022 and 2021 were NT\$140,932 and NT\$139,625, respectively.
2. The Group sold its investment in equity instruments with a fair value of NT\$184,245 in 2021 due to the business planning of the Company, and the accumulated disposal gains were NT\$104,245.
3. The details of financial assets measured at fair value through other comprehensive income recognized in profit or loss and comprehensive income are as follows:

	<u>2022</u>	<u>2021</u>
<u>Equity instruments at FVTOCI</u>		
Changes in fair value recognized in other comprehensive income	(\$ 75,607)	<u>\$ 59,244</u>
De-recognition of accumulated gains transferred to retained earnings	<u>\$ -</u>	<u>\$ 104,245</u>
Dividend income recognized in profit or loss held at the end of the period	<u>\$ 3,075</u>	<u>\$ 219</u>

4. For information on the credit risk of financial assets at fair value through other comprehensive income, please refer to Note XII (II).

(VII) Investment under equity method - Affiliated enterprise

1. Statement of changes and details are as follows:

	<u>2022</u>	<u>2021</u>
January 1	\$ 11,257	\$ 17,167
Increase in investment under equity method	-	879
Disposal of investment under equity method	(4,577)	-

Gains on bargain purchase	-	1,612
Share of investment income accounted for using equity method	3,059	(7,141)
Investment earnings distribution under equity method	(4,423)	(1,403)
Additional paid-in capital - not based on changes to shareholding percentage	-	(295)
Other changes in equity	<u>238</u>	<u>438</u>
December 31	<u>\$ 5,554</u>	<u>\$ 11,257</u>

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
ELUX, Inc. (ELUX)	\$ 24,953	\$ 24,953
An Qing Xin Kairong Optoelectronics Material Technology Co., Ltd. (An Qing Xin Kairong)	-	5,252
Guangdong Kai Chuang Display Technology Co., Ltd. (Guangdong Kai Chuang)	5,554	6,005
Accumulated impairment	<u>(24,953)</u>	<u>(24,953)</u>
	<u>\$ 5,554</u>	<u>\$ 11,257</u>

- (1) The Company participated in the capital increase in cash of ELUX, Inc. for NT\$60,920 on July 26, 2018 to acquire 25% of equity, and participated in capital increase in cash for NT\$30,268 on March 1, 2020 for 32% of equity in total; the net equity value of the investment increased/decrease due to failure to subscribe new shares according to the ownership percentage, resulting in an increase/decrease in the net equity value of the investment, and thus a decrease in the retained earnings by NT\$18,344. In addition, ELUX, Inc. issued new shares in cash for capital increase in April 2020, the Company's shareholding declined from 32% to 27.87% resulting from the Company's non-participation in the capitalization. The failure to subscribe for new shares proportional to the ownership, resulting in the increase or decrease in the net value of the invested equity, increased the capital reserve by NT\$10,976. In addition, Elux, Inc.'s shareholding ratio decreased from 27.87% to 25.94% in January 2021 due to the exercising of employee share subscription warrant. This has resulted in an increase or decrease in the net equity value of the investment, and a reduction of NT\$295 to the additional paid-in capital.
- (2) The Company's subsidiary, ZHAN JING Technology (Shen ZHEN) Co., Ltd. participated in the capital increase in cash of Guangdong Kai Chuang Display Technology Co., Ltd. for \$879 on February 4, 2021 and acquired a 20% equity.
- (3) Due to the poor operation of ELUX, Inc., the value of investment had indeed been impaired, so the Company recognized impairment loss of \$24,953 in 2019.
- (4) The Company disposed of the equity of the Company's affiliated enterprise, An Qing Xin Kairong Optoelectronics Material Technology Co., Ltd., in December 2022. The shareholding ratio was reduced from 20% to 0%. The disposal consideration was NT\$5,089.

2. Share of profit or loss on affiliates accounted for using the equity method:

	<u>2022</u>	<u>2021</u>
ELUX	\$ -	(\$ 14,128)
An Qing Xin Kairong	(822)	2,063
Guangdong Kai Chuang	<u>3,881</u>	<u>4,924</u>
	<u>\$ 3,059</u>	<u>(\$ 7,141)</u>

3. The book value and operating result share of the Group's individual non-material affiliates are summarized as follows:

As of December 31, 2022 and 2021, the book values of the individual non-material associates of the Group amounted to NT\$5,554 and NT\$11,257, respectively.

	<u>2022</u>		<u>2021</u>
Net income (loss)	\$ 3,059		(\$ 7,141)
Other comprehensive income (net amount after tax)	<u>238</u>		<u>438</u>
Total comprehensive income (loss)	<u>\$ 3,297</u>		<u>(\$ 6,703)</u>

(VIII) Property, plant, and equipment

	<u>2022</u>						
	<u>Land</u>	<u>Housing and construction</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Unfinished construction and equipment pending inspection</u>	<u>Total</u>
January 1							
Cost	\$ 160,357	\$ 766,401	\$ 1,964,997	\$ 74,504	\$ 280,221	\$ 48,818	\$ 3,295,298
Accumulated depreciation and impairment	-	(368,259)	(1,712,795)	(54,408)	(244,868)	-	(2,380,330)
	<u>\$ 160,357</u>	<u>\$ 398,142</u>	<u>\$ 252,202</u>	<u>\$ 20,096</u>	<u>\$ 35,353</u>	<u>\$ 48,818</u>	<u>\$ 914,968</u>
January 1	\$ 160,357	\$ 398,142	\$ 252,202	\$ 20,096	\$ 35,353	\$ 48,818	\$ 914,968
Increase	-	-	-	-	-	104,339	104,339
Disposal	-	-	(535)	-	-	-	(535)
Reclassified (Note)	-	23,687	74,505	1,107	27,712	(128,720)	(1,709)
Depreciation expenses	-	(50,512)	(95,343)	(6,768)	(33,856)	-	(186,479)
Impairment loss	-	-	(6,197)	-	-	-	(6,197)
Net exchange difference	-	-	3	2	114	11	130
December 31	<u>\$ 160,357</u>	<u>\$ 371,317</u>	<u>\$ 224,635</u>	<u>\$ 14,437</u>	<u>\$ 29,323</u>	<u>\$ 24,448</u>	<u>\$ 824,517</u>
December 31							
Cost	\$ 160,357	\$ 790,087	\$ 1,906,115	\$ 74,369	\$ 305,789	\$ 24,448	\$ 3,261,165
Accumulated depreciation and impairment	-	(418,770)	(1,681,480)	(59,932)	(276,466)	-	(2,436,648)
	<u>\$ 160,357</u>	<u>\$ 371,317</u>	<u>\$ 224,635</u>	<u>\$ 14,437</u>	<u>\$ 29,323</u>	<u>\$ 24,448</u>	<u>\$ 824,517</u>

	<u>2021</u>						
	<u>Land</u>	<u>Housing and construction</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Unfinished construction and equipment pending inspection</u>	<u>Total</u>
January 1							
Cost	\$ 160,357	\$ 756,024	\$ 2,014,692	\$ 67,273	\$ 290,222	\$ 87,748	\$ 3,376,316
Accumulated depreciation and impairment	- (317,752)	(1,736,911)	(46,448)	(265,558)	-	(2,366,669)	
	<u>\$ 160,357</u>	<u>\$ 438,272</u>	<u>\$ 277,781</u>	<u>\$ 20,825</u>	<u>\$ 24,664</u>	<u>\$ 87,748</u>	<u>\$ 1,009,647</u>
January 1	\$ 160,357	\$ 438,272	\$ 277,781	\$ 20,825	\$ 24,664	\$ 87,748	\$ 1,009,647
Increase	-	-	-	-	-	109,717	109,717
Reclassified (Note)	-	10,376	80,935	7,282	38,623	(148,641)	(11,425)
Depreciation expenses	- (50,506)	(106,512)	(8,009)	(27,923)	-	(192,950)	
Net exchange difference	-	-	(2)	(2)	(11)	(6)	(21)
December 31	<u>\$ 160,357</u>	<u>\$ 398,142</u>	<u>\$ 252,202</u>	<u>\$ 20,096</u>	<u>\$ 35,353</u>	<u>\$ 48,818</u>	<u>\$ 914,968</u>
December 31							
Cost	\$ 160,357	\$ 766,401	\$ 1,964,997	\$ 74,504	\$ 280,221	\$ 48,818	\$ 3,295,298
Accumulated depreciation and impairment	- (368,259)	(1,712,795)	(54,408)	(244,868)	-	(2,380,330)	
	<u>\$ 160,357</u>	<u>\$ 398,142</u>	<u>\$ 252,202</u>	<u>\$ 20,096</u>	<u>\$ 35,353</u>	<u>\$ 48,818</u>	<u>\$ 914,968</u>

Note: The reclassifications in 2022 and 2021 were mainly of the transfer out to intangible assets and the recognition of expenses.

1. The properties, plants, and equipment referred to above are assets held for own use.
2. The Group did not pledge any property, plant and equipment or capitalize the interest thereof.
3. Please refer to Note VI(XI) for the status of impairment of property, plant and equipment.

(IX) Lease transaction - Lessee

1. The underlying assets of the Group include land, buildings, machinery and equipment. The lease contract is usually for a period of 1 to 5 years. The lease contracts are negotiated individually and contain various terms and conditions. There are no other restrictions except that the leased assets may not be used as a loan guarantee.
2. The machinery and equipment leased by the Group with the lease period not exceeding 12 months and the target assets leased of low value are machinery and equipment and are not included in the right-of-use assets.
3. The information about the book value of the right-of-use assets and the recognized depreciation expenses is as follows:

	<u>December 31, 2022</u>		
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Book value</u>
Land	\$ 3,160	(\$ 702)	\$ 2,458
House	<u>36,065</u>	<u>(4,214)</u>	<u>31,851</u>
	<u>\$ 39,225</u>	<u>(\$ 4,916)</u>	<u>\$ 34,309</u>

	<u>December 31, 2021</u>		
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Book value</u>
Land	\$ 2,121	(\$ 1,768)	\$ 353
House	<u>2,063</u>	<u>(1,111)</u>	<u>952</u>
	<u>\$ 4,184</u>	<u>(\$ 2,879)</u>	<u>\$ 1,305</u>

	<u>2022</u>	<u>2021</u>
	<u>Depreciation expenses</u>	<u>Depreciation expenses</u>
Land	\$ 1,056	\$ 1,061
House	<u>4,133</u>	<u>1,090</u>
	<u>\$ 5,189</u>	<u>\$ 2,151</u>

4. The increase in the Group's right-of-use assets in 2022 and 2021 were NT\$38,182 and NT\$1,160, respectively.
5. The information on profit and loss items related to lease contracts is as follows:

	<u>2022</u>	<u>2021</u>
<u>Items affecting current profit and loss</u>		
Interest expense of lease liabilities	\$ 364	\$ 54
Expenses of short-term lease contracts	937	904
Expenses of low-value asset lease	449	638
Gains on lease modification	-	3

6. The total cash outflow from the leases of the Group in 2022 and 2021 amounted to NT\$6,515 and NT\$3,791, respectively.

(X) Intangible assets

	<u>2022</u>		
	<u>Royalties</u>	<u>Computer software</u>	<u>Total</u>
January 1			
Cost	\$ 107,611	\$ 69,745	\$ 177,356
Accumulated amortization	(87,423)	(55,775)	(143,198)
	<u>\$ 20,188</u>	<u>\$ 13,970</u>	<u>\$ 34,158</u>
January 1	\$ 20,188	\$ 13,970	\$ 34,158
Reclassification	-	1,157	1,157
Amortized expenses	(20,188)	(6,140)	(26,328)
December 31	<u>\$ -</u>	<u>\$ 8,987</u>	<u>\$ 8,987</u>
December 31			
Cost	\$ -	\$ 70,902	\$ 70,902
Accumulated amortization	-	(61,915)	(61,915)
	<u>\$ -</u>	<u>\$ 8,987</u>	<u>\$ 8,987</u>
	<u>2021</u>		
	<u>Royalties</u>	<u>Computer software</u>	<u>Total</u>
January 1			
Cost	\$ 107,611	\$ 58,503	\$ 166,114
Accumulated amortization	(67,234)	(49,840)	(117,074)
	<u>\$ 40,377</u>	<u>\$ 8,663</u>	<u>\$ 49,040</u>
January 1	\$ 40,377	\$ 8,663	\$ 49,040
Reclassification	-	11,242	11,242
Amortized expenses	(20,189)	(5,935)	(26,124)
December 31	<u>\$ 20,188</u>	<u>\$ 13,970</u>	<u>\$ 34,158</u>
December 31			
Cost	\$ 107,611	\$ 69,745	\$ 177,356
Accumulated amortization	(87,423)	(55,775)	(143,198)
	<u>\$ 20,188</u>	<u>\$ 13,970</u>	<u>\$ 34,158</u>

The details of amortization of intangible assets are as follows:

	<u>2022</u>	<u>2021</u>
Operating cost	\$ 407	\$ 310

Sales and marketing expenses	20,188	20,189
Administrative expenses	4,900	4,931
R&D expenses	<u>833</u>	<u>694</u>
	<u>\$ 26,328</u>	<u>\$ 26,124</u>

(XI) Impairment of non-financial assets

The total amount of impairment loss recognized by the Group in 2022 was NT\$6,197 and the details are as follows:

	<u>2022</u>	
	<u>Recognized in current profit and loss</u>	<u>Recognized in other comprehensive income</u>
Impairment loss - machinery and equipment	<u>(\$ 6,197)</u>	<u>\$ -</u>

(XII) Short-term borrowings

<u>Nature of the loan</u>	<u>December 31, 2021</u>	<u>Interest rate range</u>	<u>Collaterals</u>
Borrowings from banks			
Credit loans	<u>\$ 52,003</u>	0.60%	-

1. This did not happen on December 31, 2022.
2. The interest expenses recognized in profit and loss in 2022 and 2021 were NT\$129 and NT\$2,014, respectively.

(XIII) Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Salary and bonus payable	\$ 101,218	\$ 127,685
Payable outsourcing fees	26,238	59,987
Payables for equipment	22,005	30,081
Labor and health insurance and pension payable	17,992	18,468
Payable commission	11,534	21,684
Premiums payable	8,513	39,720
Others	<u>61,066</u>	<u>55,089</u>
	<u>\$ 248,566</u>	<u>\$ 352,714</u>

(XIV) Long-term notes and payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Premiums payable	\$ -	\$ 16,608
Less: Due within one year	<u>-</u>	<u>(16,608)</u>
	<u>\$ -</u>	<u>\$ -</u>

The Group signed a phosphor powder licensing agreement with a foreign manufacturer in 2017. The contract term is 5.5 years. According to the contract, the Group is required to pay a certain percentage of the sales value and the royalty amounted to the sales volume in each year.

(XV) Pension fund

- 1.(1) The Company has established the retirement policy with defined welfare in accordance with the "Labor Standards Act", which is applicable to the years of service of all regular employees before the "Labor Pension Act" went into effect on July 1, 2005; and the years of service of employees who elect to continue applying the Labor Standards Act after the implementation of the "Labor Pension Act." If an employee is eligible for retirement, the pension payment is based on the service years and the average salary of 6 months prior to retirement. Two base figures are given for each full year of service within 15 years, and one base figure will be granted after completing one year, but the cumulative maximum shall be limited to 45 base figures. The Company appropriates 2% of the total salary on a monthly basis to the pension fund, which is deposited with the Bank of Taiwan in the name of the Labor Pension Fund Supervisory Committee. In addition, the Company estimates the balance of the aforementioned special accounts for labor pension before the end of each year. If the balance is not sufficient to pay the amount of pension benefits to employees eligible for retirement in the following year, the Company will make a lump-sum appropriation for the difference by the end of March of the following year.
- (2) The Company agreed with employees to settle all defined benefit retirement liabilities in October 2022, settled the old system tenure and re-actuarial valuation, recognized related gain or loss on settlement and net re-measurement of defined benefit assets.
- (3) The amounts recognized in the balance sheet are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligation	\$ -	(\$ 19,972)
Fair value of planned assets	<u>20,757</u>	<u>32,299</u>
Net defined benefit assets	<u>\$ 20,757</u>	<u>\$ 12,327</u>

- (4) Changes in net defined benefit assets are as follows:

	<u>2022</u>		
	<u>Present value of defined benefit obligation</u>	<u>Fair value of planned assets</u>	<u>Net defined benefit assets</u>
January 1	(\$ 19,972)	\$ 32,299	\$ 12,327
Interest (expense) income	(139)	226	87
Gains or losses on settlement	<u>2,021</u>	<u>-</u>	<u>2,021</u>
	<u>(18,090)</u>	<u>32,525</u>	<u>14,435</u>
Re-measurement:			
Return on planned assets (excluding the amount included in the interest income)	-	2,391	2,391
Adjustment of experience	<u>3,092</u>	<u>-</u>	<u>3,092</u>
	<u>3,092</u>	<u>2,391</u>	<u>5,483</u>
Appropriation of pension fund	-	839	839
Payment of pension	<u>14,998</u>	<u>(14,998)</u>	<u>-</u>
December 31	<u>\$ -</u>	<u>\$ 20,757</u>	<u>\$ 20,757</u>

	<u>2021</u>		
	<u>Present value of defined benefit obligation</u>	<u>Fair value of planned assets</u>	<u>Net defined benefit assets</u>
January 1	(\$ 21,817)	\$ 30,686	\$ 8,869
Interest (expense) income	(87)	123	36
	<u>(21,904)</u>	<u>30,809</u>	<u>8,905</u>
Re-measurement:			
Return on planned assets (excluding the amount included in the interest income)	-	445	445
Effect of changes in demographic assumptions	(22)	-	(22)
Effect of changes in financial assumptions	769	-	769
Adjustment of experience	<u>1,185</u>	<u>-</u>	<u>1,185</u>
	<u>1,932</u>	<u>445</u>	<u>2,377</u>
Appropriation of pension fund	<u>-</u>	<u>1,045</u>	<u>1,045</u>
December 31	<u>(\$ 19,972)</u>	<u>\$ 32,299</u>	<u>\$ 12,327</u>

- (5) The assets of the Company's defined benefit pension plan are invested by the Bank of Taiwan according to the fund's annual investment and utilization plan and within the scope of the ratio and amount of money, and are approved pursuant to Article 6 of the "Regulations Governing the Revenues, Expenditures, Custodianship and Utilization of Labor Pension Funds" (i.e. deposit in domestic and foreign financial institutions, investment in domestic and foreign listed, over-the-counter, or privately placed equity securities, and investment in domestic and foreign real estate securitization products), the related utilization is supervised by the Labor Pension Fund Supervisory Committee. In using the Fund, the minimum return from annual account settlement shall not fall below the return from interest paid by local banks on 2-year time deposits. If there are deficiencies, the national treasury shall make up the difference after approval by the competent authority. As the Company was not entitled to participate in the operation and management of the fund, it was impossible for the Company to disclose the classification of the fair value of the planned assets in accordance with IAS 19 and paragraph 142. The fair value comprising the total assets of the fund as of December 31, 2022 and 2021, is stated in the labor pension fund utilization report announced by the government for the respective years.
- (6) The actuarial hypotheses about pension fund are summarized as follows:

	<u>2022</u>	<u>2021</u>
Discount rate	<u>0.00%</u>	<u>0.70%</u>
Increase in salary in the future	<u>0.00%</u>	<u>3.50%</u>

The assumption of future mortality was estimated in accordance with the sixth round of Taiwan life insurance industry's empirical life table.

The analysis of the impact on the present value of the defined benefit obligation due to the change of the main actuarial assumptions is as follows:

	<u>Discount rate</u>		<u>Increase in salary in the future</u>	
	<u>Increase by 0.25%</u>	<u>Decrease by 0.25%</u>	<u>Increase by 0.25%</u>	<u>Decrease by 0.25%</u>
December 31, 2022				
Effect on the present value of defined benefit obligation	\$ -	\$ -	\$ -	\$ -
December 31, 2021				
Effect on the present value of defined benefit obligation	\$ 596	(\$ 620)	(\$ 552)	\$ 535

The sensitivity analysis referred to above is based on the analysis of the effect of a change in a single assumption under the circumstance that other assumptions remain unchanged. In practice, changes in many assumptions may be linked. The analysis of sensitivity adopted the same method used to calculate the net pension liability on the balance sheet.

The methods and hypotheses used by the sensitivity analysis prepared in the current period are the same as those used in the previous period.

(7) The Company expects to contribute NT\$0 to the pension plan in 2023.

(8) As of December 31, 2022, the weighted average duration of the pension plan was 0 year.

2. (1) Since July 1, 2005, the Company has established the regulation for defined contribution plan in accordance with the "Labor Pension Act", which is applicable to employees of Taiwan nationality. For employees choosing the labor pension system under the "Labor Pension Act", the Company contributes 6% of the monthly salary to the personal accounts of the employees with the Labor Insurance Bureau. The pension is paid according to the individual pensions of the employees. The amount of accumulated income and accumulated income is withdrawn as monthly pension or lump sum.
- (2) For the subsidiaries in Mainland China, according to the endowment insurance system stipulated by the People's Republic of China, the Company contributes a certain percentage of the total salary of the local employees to the endowment insurance on a monthly basis. The pension fund of each employee is managed and arranged by the local government, and the subsidiaries have no further obligation other than the monthly contribution.
- (3) In 2022 and 2021, the Group recognized pension cost amounting to \$27,898 and \$29,777, respectively, in accordance with the above regulations governing the recognition of pension fund.

(XVI) Share capital

1. As of December 31, 2022, the Company's rated capital was NT\$2,400,000 and the paid-in capital was NT\$1,445,480 with a par value of NT\$10 per share. All issues paid for the Company's shares have been received.
2. The outstanding common stock (in thousands) at the beginning and end of the term is adjusted as follows:

	<u>2022</u>	<u>2021</u>
January 1 (i.e. December 31)	<u>144,548</u>	<u>144,548</u>

(XVII) Capital Surplus

Pursuant to the Company Act, the premium from the issuance of shares above par value and the additional paid-in capital from the receipt of gifts may be used to make up for the losses. When the Company has no accumulated losses, new shares or cash are issued to shareholders in proportion to their existing shares. In addition, the Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above shall not exceed 10% of the paid-in capital each year. The company shall not use the capital reserve to make good its capital loss, unless the surplus reserve is insufficient to make good such loss.

(XVIII) Retained earnings

1. According to the Company's Articles of Incorporation, if the Company has earnings concluded each year, after paying taxes, the losses from previous years shall first be offset and then 10% of the remaining earnings shall be appropriated as legal reserves. The Company also makes provision or reversal of special reserve, if any, along with the accumulated undistributed earnings of the previous year in accordance with Article 41 of the Securities and Exchange Act.
2. The Company determines its future development and growth stage; establishes a sound financial structure; and protects the rights and interests of shareholders. The dividend distribution policy adopts cash and share method. The share dividend accounts for not more than half of all dividends in principle. The above ratio is adjusted according to the circumstances.
3. The legal reserve cannot be used for purposes other than to cover the accumulated losses of the company and for issuance of new shares or cash to shareholders in proportion of their original shareholding percentage, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.
4. When the Company distributes earnings, it is required by laws and regulations to set aside a special reserve for the debit balance of other equity items on the balance sheet date of the current year before distribution. When the debit balance of other equity items is subsequently reversed, the amount of reversal may be included in the earnings available for distribution.
5. The Company's shareholders' meeting on June 29, 2022 resolved the 2021 profit distribution proposal as follows:

	<u>2021</u>		
	<u>Amount</u>		<u>Dividend per share (NTD)</u>
Legal reserves	\$ 19,446		
Cash dividends	65,047	\$	0.45

6. The Company passed the motion for offsetting deficits in 2020 at the shareholders' meeting on July 20, 2021. NT\$45,825 of the special reserve was reversed and NT\$18,617 was made up for the losses with legal reserve.

(XIX) Operating revenue

	<u>2022</u>	<u>2021</u>
Revenue from customer contracts	<u>\$ 2,410,672</u>	<u>\$ 4,396,109</u>

1. Breakdown of revenue from contracts with customers

The income of the Group comes from the transfer of goods at a certain point in time. The income can be subdivided into the following geographical regions:

	<u>2022</u>	<u>2021</u>
Revenue from contracts with external customers		
China	\$ 1,889,966	\$ 3,700,920
Taiwan	131,747	199,234
Vietnam	129,728	126,201
Hong Kong	108,746	164,334
USA	78,852	94,718
South Korea	34,638	61,509
Others	<u>36,995</u>	<u>49,193</u>
	<u>\$ 2,410,672</u>	<u>\$ 4,396,109</u>

2. Contract liabilities

The contractual liabilities related to the contractual income recognized by the Group are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Contract liabilities:			
Sales contract	<u>\$ 112</u>	<u>\$ 63</u>	<u>\$ 994</u>

(XX) Other income

	<u>2022</u>	<u>2021</u>
Rent income	\$ 1,771	\$ 1,618
Income from government subsidies	34	8,104
Gains on bargain purchase	-	1,612
Dividend income	3,075	219
Other income	<u>12,531</u>	<u>20,543</u>
	<u>\$ 17,411</u>	<u>\$ 32,096</u>

(XXI) Other gains and losses

	<u>2022</u>	<u>2021</u>
Gain on foreign currency exchange	\$ 27,914	\$ 13,609
Gains (losses) from the disposal of property, plant and equipment	(461)	6,685
Gains on disposal of investment accounted for using equity method	636	-
Losses on financial assets and liabilities at FVTPL	(16,879)	(720)

Impairment losses of property, plant and equipment	(6,197)	-
Gains on lease modification		-	3
Other losses		-	(
			7)
	\$	5,013	\$
			19,570

(XXII) Financial cost

	<u>2022</u>	<u>2021</u>
Interest expense:		
Borrowings from banks	\$ 129	\$ 2,014
Lease liabilities	364	54
Others	3,057	834
	\$ 3,550	\$ 2,902

(XXIII) Employee benefits, depreciation and amortization expenses

	<u>2022</u>			
	<u>Attributable to</u>	<u>Attributable to</u>	<u>Total</u>	
	<u>operating cost</u>	<u>operating expenses</u>		
Employee benefit expenses				
Salary expenses	\$ 353,231	\$ 193,695	\$	546,926
Labor and national health insurance expenses	38,157	16,624		54,781
Pension expense	16,202	9,588		25,790
Other employee expenses	36,001	13,011		49,012
Depreciation expenses	149,905	41,763		191,668
Amortized expenses	407	25,921		26,328

	<u>2021</u>			
	<u>Attributable to</u>	<u>Attributable to</u>	<u>Total</u>	
	<u>operating cost</u>	<u>operating expenses</u>		
Employee benefit expenses				
Salary expenses	\$ 422,008	\$ 200,380	\$	622,388
Labor and national health insurance expenses	44,493	17,853		62,346
Pension expense	19,330	10,411		29,741
Other employee expenses	41,411	11,829		53,240
Depreciation expenses	162,980	32,121		195,101
Amortized expenses	310	25,814		26,124

1. According to the Company's Articles of Incorporation, if the Company makes a profit at the end of the year, it shall allocate no less than 5% as the remuneration to employees and no more than 0.1% as the remuneration to directors. When the company has accumulated losses, it shall set aside amount to cover the losses first.
2. The estimated remuneration to the employees and directors of the Company is as follows:

	<u>2022</u>		<u>2021</u>	
Remuneration to employees	\$	-	\$	5,346
Remuneration to Directors		-		<u>107</u>
	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>5,453</u>

The above amount was transferred to salary expense accounting title.

The Company did not record the net loss after tax for 2022, so remuneration to employees and directors was not recognized.

3. As resolved by the board of directors, the company's remuneration to employees of NT\$5,700 and remuneration to directors of NT\$100 in 2021 and the remuneration to employees of \$5,346 and to directors of NT\$107 in 2021 recognized in the financial report of 2021 differed by an underestimation of NT\$347. The difference was deemed as a change in accounting estimate and adjusted in the profit or loss of 2022. Employees' remuneration for 2021 was paid in cash.

Information on the employees' and directors' remuneration approved by the Company's Board of Directors is available on the Market Observation Post System.

(XXIV) Income tax

1. Income tax expenses

(1) Components of income tax expense:

	<u>2022</u>		<u>2021</u>	
Income tax for the current period:				
Income tax arising from current income	\$	1,033	\$	12,449
Underestimated (over) estimated amount of income tax in previous years		<u>32</u>	(<u>221</u>)
Total income tax for the current period		1,065		12,228
Deferred income tax:				
Original occurrence and reversal of temporary difference		<u>107</u>		<u>6,374</u>
Income tax expenses	<u>\$</u>	<u>1,172</u>	<u>\$</u>	<u>18,602</u>

(2) Income tax related to other comprehensive income:

	<u>2022</u>		<u>2021</u>	
Re-measurement of defined benefit obligation	<u>\$</u>	<u>1,097</u>	<u>\$</u>	<u>475</u>

2. Relationship between income tax expenses and accounting profit:

	<u>2022</u>		<u>2021</u>	
Income tax calculated at statutory rate for net (loss) profit (Note)	(\$	28,360)	\$	21,383
Income tax effect under minimum tax system		-		12,449
Income tax effect of items adjusted in accordance with the tax law		7,070		240
Changes in realizable assessment of deferred income tax assets		21,388	(15,249)

Underestimated (over) estimated amount of income tax in previous years	32	(221)
Taxable loss not recognized as deferred income tax assets	<u>1,042</u>	<u>-</u>
Income tax expenses	<u>\$ 1,172</u>	<u>\$ 18,602</u>

Note: The applicable tax rate is based on the tax rate applicable to the income in the relevant country.

3. The amounts of deferred income tax assets or liabilities arising from the temporary difference and taxation loss are as follows:

	<u>2022</u>		Recognized in other comprehensive income	<u>December 31</u>
	<u>January 1</u>	<u>Recognized in profit or loss</u>		
Temporary difference:				
- Deferred income tax assets:				
Unrealized gains on sales	\$ 1,614	(\$ 829)	\$ -	\$ 785
Inventory devaluation losses	16,332	1,732	-	18,064
Allowance for loss beyond threshold	3,040	454	-	3,494
Cost of goods sold to be replaced	52	(6)	-	46
Unrealized exchange losses	-	318	-	318
Valuation loss on unrealized financial assets and liabilities	366	(366)	-	-
Income from government subsidies	1,174	(469)	-	705
Impairment of investments accounted for using the equity method	4,990	-	-	4,990
Impairment of non-financial assets	10,999	1,069	-	12,068
Bonus payable for unused leave of absence	4,766	(886)	-	3,880
Premiums payable	1,018	(1,018)	-	-
Set off of losses	<u>36,549</u>	<u>(74)</u>	<u>-</u>	<u>36,475</u>
	<u>80,900</u>	<u>(75)</u>	<u>-</u>	<u>80,825</u>
- Deferred income tax liabilities:				
Unrealized exchange gain	(1,010)	1,010	-	-
	-	(453)	-	(453)
Unrealized gains on valuation of financial assets and liabilities				
Defined benefit obligation	<u>(2,465)</u>	<u>(589)</u>	<u>(1,097)</u>	<u>(4,151)</u>
	<u>(3,475)</u>	<u>(32)</u>	<u>(1,097)</u>	<u>(4,604)</u>
	<u>\$ 77,425</u>	<u>(\$ 107)</u>	<u>(\$ 1,097)</u>	<u>\$ 76,221</u>

	<u>2021</u>			
	<u>January 1</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>December 31</u>
Temporary difference:				
- Deferred income tax assets:				
Unrealized gains on sales	\$ 401	\$ 1,213	\$ -	\$ 1,614
Inventory devaluation losses	16,910	(578)	-	16,332
Allowance for loss beyond threshold	2,846	194	-	3,040
Cost of goods sold to be replaced	29	23	-	52
Valuation loss on unrealized financial assets and liabilities	1,324	(958)	-	366
Income from government subsidies	-	1,174	-	1,174
Impairment of investments accounted for using the equity method	4,990	-	-	4,990
Impairment of non-financial assets	12,026	(1,027)	-	10,999
Bonus payable for unused leave of absence	4,998	(232)	-	4,766
Premiums payable	2,035	(1,017)	-	1,018
Set off of losses	44,221	(7,672)	-	36,549
	<u>89,780</u>	<u>(8,880)</u>	<u>-</u>	<u>80,900</u>
- Deferred income tax liabilities:				
Unrealized exchange gain	(3,732)	2,722	-	(1,010)
Defined benefit obligation	(1,774)	(216)	(475)	(2,465)
	<u>(5,506)</u>	<u>2,506</u>	<u>(475)</u>	<u>(3,475)</u>
	<u>\$ 84,274</u>	<u>(\$ 6,374)</u>	<u>(\$ 475)</u>	<u>\$ 77,425</u>

4. The effective term of the Group's unused taxation losses and the relevant amount of unrecognized deferred income tax assets are as follows:

December 31, 2022

<u>Year of occurrence</u>	<u>Amount declared/authorized</u>	<u>Amount yet to be offset</u>	<u>Unrecognized amount of deferred income tax assets</u>	<u>Last year of credit</u>
2018	\$ 222,996	\$ 222,996	\$ 222,996	2028
2019	205,350	205,350	205,350	2029
2020	161,644	161,644	118,781	2030
2022	<u>140,555</u>	<u>140,555</u>	<u>1,042</u>	2032
	<u>\$ 730,545</u>	<u>\$ 730,545</u>	<u>\$ 548,169</u>	

December 31, 2021

<u>Year of occurrence</u>	<u>Amount declared/authorized</u>	<u>Amount yet to be offset</u>	<u>Unrecognized amount of deferred income tax assets</u>	<u>Last year of credit</u>
2018	\$ 347,147	\$ 238,225	\$ 238,225	2028
2019	209,042	209,042	188,184	2029
2020	<u>161,889</u>	<u>161,889</u>	<u>-</u>	2030
	<u>\$ 718,078</u>	<u>\$ 609,156</u>	<u>\$ 426,409</u>	

5. Deductible temporary differences of unrecognized deferred income tax assets:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Deductible temporary difference	<u>\$ 237,297</u>	<u>\$ 211,802</u>

6. The tax collection authority has approved the Company's income tax for profit-seeking businesses up to 2020.

(XXV) Earnings per share (Loss)

	<u>2022</u>		
	<u>Amount after tax</u>	<u>Weighted average outstanding shares (thousand shares)</u>	<u>Loss per share (NTD)</u>
<u>Basic loss per share</u>			
Net loss for the period attributable to the parent company's common stock shareholders	(\$ 141,204)	<u>144,548</u>	<u>(\$ 0.98)</u>
	<u>2021</u>		
	<u>Amount after tax</u>	<u>Weighted average outstanding balance Outstanding shares (thousand shares)</u>	<u>Earnings per share (NTD)</u>
<u>Basic earnings per share</u>			
Net income attributable to the parent company's common stock shareholders	\$ 88,311	<u>144,548</u>	<u>\$ 0.61</u>
<u>Diluted earnings per share</u>			
Net income attributable to the parent company's common stock shareholders	\$ 88,311	144,548	
Effect of potential dilutive ordinary shares			
Remuneration to employees	<u>-</u>	<u>181</u>	
Net income attributable to common shareholders of the parent company plus effect of potential common shares	<u>\$ 88,311</u>	<u>144,729</u>	<u>\$ 0.61</u>

(XXVI) Transactions with non-controlling interests

Capital increase in cash by subsidiaries, but not subscribed by the Group according to the shareholding ratio

The Group's subsidiary, Asphetek Solution Inc., issued new shares to increase capital by cash in December 2022. The Group did not subscribe according to the shareholding ratio, so the equity was reduced by 20%. The transaction reduced non-controlling interests by NT\$1,042, and the equity attributable to owners of the parent increased by NT\$1,042. The impacts of changes in the equity of Asphetek Solution Inc. in 2022 on the equity attributed to the parent company are as follows:

	<u>2022</u>
Cash contribution from non-controlling equity	\$ 22,000
Increase in the book value of non-controlling interests	<u>(20,958)</u>
Capital surplus - recognition of change in equity of subsidiaries	<u>\$ 1,042</u>

(XXVII) Supplementary information on cash flow

Investment activities with partial cash payment:

	<u>2022</u>	<u>2021</u>
Acquisition of property, plant and equipment	\$ 104,339	\$ 109,717
Add: Payables for equipment, beginning	30,081	40,476

Less: Payables for equipment, ending	(<u>22,005</u>)	(<u>30,081</u>)
Cash paid in current period	<u>\$ 112,415</u>	<u>\$ 120,112</u>

	<u>2022</u>	<u>2021</u>
Acquisition of intangible assets	\$ -	\$ -
Add: Premium payable, beginning	16,608	17,088
Long-term notes and accounts payable, beginning	-	17,088
Less: royalty payable, ending	<u>-</u>	<u>(16,608)</u>
Cash paid in current period	<u>\$ 16,608</u>	<u>\$ 17,568</u>

(XXVIII) Changes in liabilities from financing activities

	<u>2022</u>	<u>Lease</u>	<u>Total liabilities from financing</u>
	<u>Short-term</u>	<u>liabilities</u>	<u>activities</u>
	<u>borrowings</u>		
January 1	\$ 52,003	\$ 1,319	\$ 53,322
Net decrease in short-term borrowings	(52,003)	-	(52,003)
Repayment of lease principal	-	(4,765)	(4,765)
Other non-cash changes	<u>-</u>	<u>38,194</u>	<u>38,194</u>
December 31	<u>\$ -</u>	<u>\$ 34,748</u>	<u>\$ 34,748</u>

	<u>2021</u>	<u>Lease</u>	<u>Total liabilities from financing</u>
	<u>Short-term</u>	<u>liabilities</u>	<u>activities</u>
	<u>borrowings</u>		
January 1	\$ 439,452	\$ 2,428	\$ 441,880
Net decrease in short-term borrowings	(387,449)	-	(387,449)
Repayment of lease principal	-	(2,195)	(2,195)
Other non-cash changes	<u>-</u>	<u>1,086</u>	<u>1,086</u>
December 31	<u>\$ 52,003</u>	<u>\$ 1,319</u>	<u>\$ 53,322</u>

VII. Related party transactions

(I) Related party's name and relationship

<u>Name of Related Party</u>	<u>Relationship with the Group</u>
HON HAI PRECISION IND. CO., LTD.	Entities with significant influence on the Group (Investment company with the Company evaluated under the equity method)
Hong Fu Tai Precision Electronics (Yantai) Co., Ltd. (Hong Fu Tai Yantai)	Entities with significant influence on the Group (Consolidated entity of an investment company that evaluates the Company under the equity method)
Kunshan Fu Cheng Ke Precision Electronics Co., Ltd. (Kunshan Fu Cheng Ke)	"
Sharp Corporation (Sharp)	Other related party (same major shareholders)
Sharp Hong Kong Limited. (SHK)	"
Sharp Manufacturing Corporation (M) Sdn. Bhd. (SMM)	"
Nanjing Sharp Electronics Co., Ltd. (Nanjing Sharp)	"
Epileds Technologies, Inc. (Epileds Technologies)	Other related party (The chairman of the Company is a director of the company)
SDP Global (China) Co.,Ltd. (SDP Global) (formerly known as SDP Global International Technology (Guangzhou) Co., Ltd.)	Other related parties (investment companies with significant influence on the Group and adopting the equity method to evaluate)
ELUX, Inc.	Affiliated companies - investee company evaluated by the Company under the equity method

(II) Significant transactions with related parties

1. Operating revenue

	<u>2022</u>	<u>2021</u>
Sales of goods:		
- Entity with significant influence on the Group		
Hon Hai	\$ 263,114	\$ 293,651
Other related party	<u>226,447</u>	<u>319,703</u>
	<u>\$ 489,561</u>	<u>\$ 613,354</u>

The price of the Group's sale to the above-mentioned related parties is similar to that of general customers, except when there is no similar transaction to follow, and the terms of the transaction are to be determined by both parties; the payment term to the related parties is 90~ 120 days; for general customers, 30~120 days after settlement of the current month.

2. Purchase stock

	<u>2022</u>	<u>2021</u>
Purchase of goods:		
- Entity with significant influence on the Group	\$ 9,634	\$ 13,867
Other related party	<u>14,669</u>	<u>52,141</u>
	<u>\$ 24,303</u>	<u>\$ 66,008</u>

Except for the fact that there is no similar transaction to follow, the terms of the transaction are determined by both parties through negotiation. For the rest, the Group bills the purchase to the related party at the prevailing price; the terms of payment to the related party, except for some materials, is payment at sight, and the rest are purchased within 90 to 120 days after settlement of the current month, or within 30 to 120 days after settlement of the current month for suppliers.

3. Receivables from related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable:		
- Entity with significant influence on the Group		
Hon Hai	\$ 67,138	\$ 110,250
Other related party		
SDP Global	-	102,841
Nanjing Sharp	48,009	52,841
Others	<u>8,820</u>	<u>39,263</u>
	123,967	305,195
Less: Allowance for losses	<u>(1,043)</u>	<u>(3,153)</u>
	<u>\$ 122,924</u>	<u>\$ 302,042</u>
Other receivables:		
Other related party	<u>\$ 194</u>	<u>\$ 74</u>

4. Payables to related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts payable:		
- Entity with significant influence on the Group	\$ 1,108	\$ 2,259
Other related party	<u>3,148</u>	<u>18,631</u>
	<u>\$ 4,256</u>	<u>\$ 20,890</u>
Other payable:		
- Entity with significant influence on the Group	\$ 5,702	\$ 5,688

Other related party	<u>1,211</u>	<u>246</u>
	<u>\$ 6,913</u>	<u>\$ 5,934</u>

5. Outsourcing fees (stated as operating cost)

	<u>2022</u>	<u>2021</u>
Entities with significant influence on the Group	<u>\$ 15,846</u>	<u>\$ 19,285</u>

6. Research expenses (listed R&D expenses)

	<u>2022</u>	<u>2021</u>
Other related party	<u>\$ 1,154</u>	<u>\$ -</u>

7. Rental income (stated as other income)

	<u>2022</u>	<u>2021</u>
Affiliated companies	<u>\$ 795</u>	<u>\$ 771</u>
Other related party	<u>840</u>	<u>840</u>
	<u>\$ 1,635</u>	<u>\$ 1,611</u>

The Group rents some offices, machinery and equipment for use by affiliates and other related parties. The rent is negotiated and collected on a monthly basis as agreed by both parties.

(III) Remuneration to the management

	<u>2022</u>	<u>2021</u>
Salary and other short-term employee benefits	<u>\$ 10,492</u>	<u>\$ 11,726</u>
Benefits after retirement	<u>144</u>	<u>108</u>
	<u>\$ 10,636</u>	<u>\$ 11,834</u>

VIII. Pledged assets

None.

IX. Significant Contingent Liabilities and Unrecognized Commitments

(I) Contingencies

None.

(II) Commitments

1. Capital expenditure contracted but not incurred

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Property, plant, and equipment	<u>\$ 9,126</u>	<u>\$ 33,511</u>

2. In order to respond to future business and market changes, the Company signed a LED patent licensing contract with Cree Inc. in December 2019. The contract term is 3 years, and the Company will pay a certain percentage of the royalty based on the sales value. Both parties failed to give written notice to the other party to terminate the contract 6 months prior to the expiry date, and the contract was automatically renewed for another 2 years.
3. The Company signed a phosphor powder licensing contract with a foreign manufacturer in December 2022. According to the agreement, the Company shall pay a certain percentage of the sales amount each year during the contract period as royalty and the royalty when the sales quantity reaches the target.

X. Significant losses from disasters

None.

XI. Materiality after the period

None.

XII. Others

(I) Capital management

The Group's capital management objective is to ensure the Group's sustainable operation, maintain the optimal capital structure, reduce the cost of capital, and provide returns to shareholders.

(II) Financial instruments

1. Types of financial instruments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss (FVTPL)		
Financial assets mandatorily measured at fair value through profit or loss	<u>\$ 3,980</u>	<u>\$ 2,073</u>
Financial assets at FVTOCI		
Investment in selected equity instruments	<u>\$ 140,932</u>	<u>\$ 139,625</u>
Financial assets at amortized cost		
Cash and cash equivalents	\$ 1,383,056	\$ 1,403,063
Notes receivable	25,179	3,708
Accounts receivable	330,420	948,727
Accounts receivable - related parties	122,924	302,042
Other receivables	<u>54,459</u>	<u>49,101</u>
	<u>\$ 1,916,038</u>	<u>\$ 2,706,641</u>
<u>Financial liabilities</u>		
Financial liabilities measured at fair value through profit or loss		
Financial liabilities held for trading	<u>\$ 1,714</u>	<u>\$ 3,905</u>
Financial liabilities measured at amortized cost		
Short-term borrowings	\$ -	\$ 52,003
Accounts payable	331,828	991,065

Accounts payable - related parties	4,256	20,890
Other payables	248,566	352,714
Other payables - related parties	<u>6,913</u>	<u>5,934</u>
	<u>\$ 591,563</u>	<u>\$ 1,422,606</u>
Lease liabilities	<u>\$ 34,748</u>	<u>\$ 1,319</u>

2. Risk management policies

- (1) The daily operations of the Group are affected by multiple financial risks, including market risk (including exchange rate risk, interest rate risk, and price risk), credit risk, and liquidity risk. In order to reduce the adverse effect on the Group's financial performance resulting from uncertainty, the Group enters into forward exchange contracts and foreign exchange swaps contracts to avoid exchange rate risks.
- (2) For risk management, the Group's finance unit works closely with various operating units within the Group to be responsible for identifying, evaluating and hedging financial risks.
- (3) For information on derivative instruments to avoid financial risks, please see Note VI (II).

3. Nature and extent of significant financial risk

(1) Market risk

Exchange rate risk

- A. The Group operates as a multinational company. Therefore, it is subject to the exchange rate risk arising from transactions that are functionally different from the Company and its subsidiaries, which are mainly USD, Japanese Yen, and RMB. The relevant exchange rate risk comes from future business transactions and recognized assets and liabilities.
- B. The group hedges the overall exchange rate risk through the Group Finance Department. Foreign exchange risk is measured with the use of forward exchange contracts and exchange rate swap contracts to minimize the effect of fluctuating exchange rates on the anticipated transactions of USD, Japanese Yen, and CNY which are highly probable.
- C. The Group uses forward exchange rates to hedge against exchange rate risks, but does not apply the hedge accounting to financial assets or liabilities measured at fair value through profit and loss. Please refer to Note 6 (2).
- D. The Group's business involves several non-functional currencies (the functional currency of the Company and some subsidiaries is NTD, and the functional currency of some subsidiaries is RMB). Therefore, it is affected by exchange rate fluctuations, and there are significant exchange rate fluctuations. The information about assets and liabilities denominated in foreign currencies affected is as follows:

	<u>December 31, 2022</u>			<u>Book value</u>
	<u>Foreign currency (\$ in</u>		<u>Exchange rate</u>	<u>NTD</u>
(Foreign currency: Functional	<u>thousand)</u>			<u>Thousands</u>
currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD: NTD	\$ 13,828	30.7100	\$	424,658
RMB: NTD	825	4.4080		3,637
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD: NTD	\$ 6,579	30.7100	\$	202,041
Japanese Yen: NTD	30,950	0.2324		7,193

<u>December 31, 2021</u>			
(Foreign currency: Functional currency)	<u>Foreign currency (\$ in thousand)</u>	<u>Exchange rate</u>	<u>Book value NTD Thousands</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ 35,370	27.6800	\$ 979,042
Japanese Yen: NTD	440,612	0.2405	105,967
<u>Non-monetary items</u>			
RMB: NTD	1,209	4.3440	5,252
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	\$ 23,718	27.6800	\$ 656,514
Japanese Yen: NTD	283,076	0.2405	68,080

E. All exchange gains and losses (including realized and unrealized) on the Group's monetary items due to exchange rate fluctuations were aggregated for NT\$27,914 and NT\$13,609 in 2022 and 2021, respectively.

F. The risk analysis of the Group's foreign currency market due to the impact of significant exchange rate fluctuations is as follows:

<u>2022</u>			
<u>Sensitivity analysis</u>			
(Foreign currency: Functional currency)	<u>Range of change</u>	<u>Impact on profit and loss</u>	<u>Impact on other comprehensive income</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	1%	\$ 4,247	\$ -
RMB: NTD	1%	36	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	1%	\$ 2,020	\$ -
Japanese Yen: NTD	1%	72	-
 <u>2021</u>			
<u>Sensitivity analysis</u>			
(Foreign currency: Functional currency)	<u>Range of change</u>	<u>Impact on profit and loss</u>	<u>Impact on other comprehensive income</u>
<u>Financial assets</u>			

Monetary items

USD: NTD	1%	\$	9,790	\$	-
Japanese Yen: NTD	1%		1,060		-

Financial liabilities

Monetary items

USD: NTD	1%	\$	6,565	\$	-
Japanese Yen: NTD	1%		681		-

Price risk

- A. The Group's equity instruments exposed to price risk are financial assets measured at fair value through profits or losses and financial assets measured at fair value through other comprehensive income. In order to manage the price risk of equity instrument investment, the group diversifies its investment portfolio according to the limit set by the group.
- B. The Group mainly invests in equity instruments issued by domestic companies. The prices of these equity instruments will be affected by the uncertainty of the future values of the investment objects. If the prices of these equity instruments rose or fell by 1%, with all other factors remaining unchanged, other comprehensive income in 2022 and 2021 would be classified as gains of equity investment measured at fair value through other comprehensive income. The contingent loss would increase or decrease by NT\$1,409 and NT\$1,396, respectively.

Cash flow and fair value interest rate risk

- A. The interest rate risk of the Group mainly comes from short-term loans issued at floating interest rates, which expose the Group to cash flow interest rate risk. Borrowings issued by the Group at floating interest rates were denominated in US dollars as of December 31, 2021.
- B. If the borrowing rate increased or decreased by 1%, and all other factors remained unchanged, the net income after tax in 2021 would be decreased or increased by NT\$416. This is mainly due to the consequential changes in interest expenses caused by floating interest rate borrowings.

(2) Credit risk

- A. The credit risk of the Group is the risk of financial loss due to the failure of customers or counterparties of financial instrument transactions to fulfill contractual obligations, which mainly comes from the inability of counterparties to pay off accounts receivable according to the collection terms.
- B. The Group establishes credit risk management from the group perspective. According to the internal credit policy, each operating entity within the Group and each new customer shall determine the payment and delivery terms and conditions before establishing the terms and conditions for payment and delivery and credit risk analysis. Internal risk control is to evaluate the credit quality of customers by considering their financial position, past experience and other factors. The limit of individual risk is set by the Board of Directors according to the internal or external rating. The usage of the credit limit is monitored regularly.
- C. The Group adopts IFRS 9 to provide the hypotheses. When the contract payment is overdue for more than 90 days according to the agreed payment terms, it is deemed that a default has occurred.
- D. The Group provides the following hypotheses in IFRS 9 as the basis for judging whether the credit risk of financial instruments has increased significantly after the initial recognition:
When the contract payment is overdue for more than 30 days according to the agreed payment terms, it is deemed that the credit risk of the financial asset has increased significantly since the original recognition.
- E. The Group classifies notes receivable and accounts receivable (including related parties) of customers according to the characteristics of trade credit risk, and estimates the expected credit loss based on the provision matrix and loss rate method.
- F. After the recourse procedure, the Group will write off the amount of the financial assets for which the recovery cannot be reasonably expected. However, the Group will continue the recourse procedure to preserve the rights of the claims. As of December 31, 2022 and 2021, the Group did not have any creditor's rights that were written off but were still subject to recourse.
- G. The expected loss rate of customers with good credit standing was 0.2%. The total book value of accounts receivable as of December 31, 2022 and 2021 were NT\$56,803 and NT\$166,541, respectively, and the loss allowance was NT\$114 and NT\$248, respectively.

H. The group incorporates economic countermeasures from the National Development Commission into its forward-looking considerations, and adjusts the loss rate based on historical and current information in a specific period to estimate the value of the allowance for loss of the notes and accounts receivable (including related parties) of general credit customers. The preparation matrix as of December 31, 2022 and 2021, is as follows:

<u>December 31, 2022</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Allowance for losses</u>
Not overdue	0.74%~0.96%	\$ 425,150	\$ 3,390
Within 30 days of overdue	29.89%~34.49%	96	31
Past due by 31 to 60 days	50%	<u>17</u>	<u>8</u>
		<u>\$ 425,263</u>	<u>\$ 3,429</u>

<u>December 31, 2021</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Allowance for losses</u>
Not overdue	0.43%~0.90%	\$ 1,055,221	\$ 8,701
Within 30 days of overdue	19.30%~29.36%	27,039	2,486
Past due by 31 to 60 days	50%	<u>17,496</u>	<u>385</u>
		<u>\$ 1,099,756</u>	<u>\$ 11,572</u>

I. The Group's simplified statement of changes in the allowance for loss of notes and accounts receivable (including related parties) is as follows:

	<u>2022</u>	<u>2021</u>
January 1	\$ 11,820	\$ 8,178
Provision (reversal) of impairment loss	(8,391)	3,656
Reversal of impairment loss on collections	30	-
Foreign exchange rate effect	<u>84</u>	<u>(14)</u>
December 31	<u>\$ 3,543</u>	<u>\$ 11,820</u>

Among the provisions (reversed) of losses in 2022 and 2021, the (reversed) provision for impairment of receivables generated from contracts with customers amounted to (NT\$8,361) and NT\$3,656, respectively.

(3) Liquidity risk

- A. The cash flow forecast is carried out by each operating entity within the Group and summarized by the Group's financial unit. The Group's financial unit monitors the forecast of the Group's liquidity requirements to ensure that it has sufficient funds to meet operating needs.
- B. The following table shows the Group's non-derivative financial liabilities and derivative financial liabilities settled on a net or gross basis, which are classified according to the relevant maturity dates. Non-derivative financial liabilities are based on the residual period from the balance sheet date to the contract maturity date. Derivative financial liabilities are analyzed based on the residual period from the balance sheet date to the expected maturity date. The contractual cash flows disclosed in the table below are the undiscounted amounts.

<u>December 31, 2022</u>	<u>Less than 1 year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>Total</u>
<u>Non-derivative financial liabilities:</u>				
Accounts payable (including related parties)	\$ 336,084	\$ -	\$ -	\$ 336,084
Other payable accounts (including related party)	255,479	-	-	255,479

Lease liabilities	11,645	11,734	12,744	36,123
<u>Derivative financial liabilities:</u>				
Forward Exchange Contract	\$ 1,714	\$ -	\$ -	\$ 1,714
December 31, 2021	<u>Less than 1 year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>Total</u>
<u>Non-derivative financial liabilities:</u>				
Short-term borrowings	\$ 52,003	\$ -	\$ -	\$ 52,003
Accounts payable (including related parties)	1,011,955	-	-	1,011,955
Other payable accounts (including related party)	358,648	-	-	358,648
Lease liabilities	725	363	271	1,359
<u>Derivative financial liabilities:</u>				
Forward Exchange Contract	\$ 3,905	\$ -	\$ -	\$ 3,905

(III) Information on fair value

1. The levels of the evaluation techniques used to measure the fair value of financial and non-financial instruments are defined as follows:

- Class I: The quoted price (unadjusted) is available to the enterprise in an active market for the same assets or liabilities on the measurement date. An active market refers to a market in which assets or liabilities are traded in sufficient frequency and quantity to provide pricing information on an ongoing basis. The fair value of the listed and OTC stocks invested by the Group belongs to this.
- Class II: Direct or indirect observable inputs for assets or liabilities, except for quoted prices included in Class I. The fair value of the derivative instruments invested by the Group belongs to this.
- Class III: The unobservable input value of assets or liabilities includes the equity instrument investment that the Group invests in and for which there is no active market.

2. Financial instruments not measured at fair value

Includes cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables (including related parties), short-term borrowings, accounts payable (including related parties), other) (including related parties) and the book value of lease liabilities are the reasonable approximation of the fair value.

3. The financial and non-financial instruments measured at fair value are classified according to the nature, characteristics, risk, and fair value level of the assets and liabilities. Relevant information is as follows:
- (1) The information is classified according to the nature of the Group's assets and liabilities. The relevant information is as follows:

December 31, 2022	<u>Class I</u>	<u>Class II</u>	<u>Class III</u>	<u>Total</u>
Assets				
<u>Repeated fair value</u>				
Financial assets at fair value through profit or loss (FVTPL)				
Forward Exchange Contract	\$ -	\$ 3,980	\$ -	\$ 3,980
Financial assets at FVTOCI				
Equity securities	<u>122,036</u>	<u>-</u>	<u>18,896</u>	<u>140,932</u>
	<u>\$ 122,036</u>	<u>\$ 3,980</u>	<u>\$ 18,896</u>	<u>\$ 144,912</u>
Liabilities				
<u>Repeated fair value</u>				
Financial liabilities measured at fair value through profit or loss				
Forward Exchange Contract	<u>\$ -</u>	<u>\$ 1,714</u>	<u>\$ -</u>	<u>\$ 1,714</u>

December 31, 2021	<u>Class I</u>	<u>Class II</u>	<u>Class III</u>	<u>Total</u>
Assets				
<u>Repeated fair value</u>				
Financial assets at fair value through profit or loss (FVTPL)				
Forward Exchange Contract	\$ -	\$ 1,769	\$ -	\$ 1,769
Foreign Exchange Swaps Contract	-	304	-	304
Financial assets at FVTOCI				
Equity securities	<u>139,625</u>	<u>-</u>	<u>-</u>	<u>139,625</u>
	<u>\$ 139,625</u>	<u>\$ 2,073</u>	<u>\$ -</u>	<u>\$ 141,698</u>
Liabilities				
<u>Repeated fair value</u>				
Financial liabilities measured at fair value through profit or loss				
Forward Exchange Contract	<u>\$ -</u>	<u>\$ 3,905</u>	<u>\$ -</u>	<u>\$ 3,905</u>

- (2) The methods and hypotheses used by the Group to measure fair value are as follows:
- A. If the Group adopts market quotation as the input value of fair value (i.e. Class 1), the characteristics of the instruments are as follows:

	<u>Listed company stock</u>
Market quotation	Closing price

- B. Except for the financial instruments in the active market, the fair value of other financial instruments is based on the evaluation technology or with reference to the quotation of the counterparty.
- C. When evaluating non-standardized and less complicated financial instruments, the Group adopts the evaluation techniques widely used by market participants. The parameters used in the evaluation model of this kind of financial instrument are usually the information that is observable in the market.
- D. The derivative financial instruments were evaluated according to the evaluation models widely accepted by the market users, such as the discount method. Foreign exchange forward contracts are usually evaluated based on the current forward exchange rate.
- E. The output of the evaluation model is the estimated value, and the evaluation technique may not reflect all the factors related to the financial and non-financial instruments held by the Group. Therefore, the estimated value of the evaluation model will be adjusted according to additional parameters, such as model risk or liquidity risk. According to the Group's fair value evaluation model management policies and related control procedures, the management believes that the evaluation adjustment is appropriate and necessary to properly express the fair value of the financial and non-financial instruments in the consolidated balance sheet. The price information and parameters used in the evaluation process have been carefully evaluated and adjusted according to the current market conditions.
4. There were no transfers between Class I and II in 2022 and 2021.
5. The following table shows the changes in Class III in 2022 and 2021:

	<u>2022</u>	<u>2021</u>
	<u>Equity instruments</u>	<u>Equity instruments</u>
January 1	\$ -	\$ 144,954
Profit or loss recognized in other comprehensive income		
Unrealized gains (losses) on investments in equity instruments measured at fair value through other comprehensive income	(1,136)	39,291
Purchases in the current period	20,032	-
Sold in the current period	-	(184,245)
December 31	<u>\$ 18,896</u>	<u>\$ -</u>

6. There was no transfer in or out from Class III in 2022 and 2021.
7. In the evaluation process for the Group's fair value classified to Class III, the Finance Department is responsible for verifying the independent fair value of the financial instrument. The data from independent sources are used to approximate the evaluation results to the market status, and to confirm that the data sources are independent, reliable, and resources and any necessary fair value adjustment to ensure that the evaluation result is reasonable.

In addition, the finance department determines the fair value evaluation policies, evaluation procedures, and confirmation of financial instruments in accordance with relevant International Financial Reporting Standards.

8. The quantitative information about the significant unobservable input value of the evaluation model used for Class III fair value measurement and the sensitivity analysis of the significant unobservable input value changes are as follows:

December 31, 2022		Significant unobservable input value	Range	Relationship between input value and fair value	
<u>Fair value</u>	<u>Evaluation technology</u>		<u>(weighted average)</u>		
Non-derivative equity instruments: Non-listed stocks of TWSE/GTSM	\$18,896	Discounted cash flow method	Note 1	1.8	Note 2
December 31, 2021		Significant unobservable input value	Range	Relationship between input value and fair value	
<u>Fair value</u>	<u>Evaluation technology</u>		<u>(weighted average)</u>		
Non-derivative equity instruments: Non-listed stocks of TWSE/GTSM	\$ -	Discounted cash flow method	Note 1	Not applicable	Note 2

Note 1: Long-term revenue growth rate, weighted average cost of capital, long-term pre-tax operating income, discount for lack of market liquidity, and minority discount.

Note 2: The higher the weighted average capital cost, the discount for lack of market liquidity, and the minority discount, the lower the fair value. The higher the long-term revenue growth rate and the long-term net operating profit before tax, the higher the fair value.

9. The Group carefully selects the evaluation model and evaluation parameters; however, different evaluation models or parameters may result in different evaluation results.

XIII. Disclosures in notes

(I) Information about significant transactions

1. Loaning of funds to others: None.
2. Making endorsements/guarantees for others: None.
3. Marketable securities held at the end of the period (excluding investment in subsidiaries, associates, and jointly controlled entities): Please refer to Table 1.
4. The cumulative amount of buying or selling the same securities reaches NT\$300 million or more, or 20% of the paid-in capital: None.
5. The amount of acquired real estate reaches NT\$300 million or more, or 20% of the paid-in capital: None.
6. Disposal of real estate properties amounting to NT\$300 million or more, or 20% of the paid-in capital: None.
7. The total purchase from and sale to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please refer to Table 2.
8. Accounts receivable from related parties amounting to at least NT\$100 million, or 20% of the paid-in capital: Please refer to Table 3.
9. Trading of derivatives: Please refer to Note VI (II).
10. Information on the business relationship between the parent company and its subsidiaries and between each subsidiary and the circumstances and amounts of any important transactions between them: Please refer to Table 4.

(II) Information on reinvested businesses

The name and location of the investee company and other relevant information (excluding mainland China investee companies): Please refer to Table 5.

(III) Investment in Mainland China

1. Basic information: Please refer to Table 6.
2. Significant transactions with investee companies in mainland China directly or indirectly through enterprises in a third region: Please refer to Table 4.

(IV) Information of major shareholders

Information of major shareholders: Please refer to Table 7.

XIV. Departmental Information

(I) General information

The Group only operates in a single industry, and the major operating decision-makers have identified the Group as the single reportable department based on the overall evaluation and the resource allocation of the Group.

(II) Assessment of departmental information

The Group acts as a single reporting unit and reports the group net income before tax to the major operating decision-makers. The measurement method is consistent with the income and expenses in the comprehensive income statement, and the performance of operating departments is evaluated according to the net profit before tax. The Group does not provide the total assets and total liabilities for the main operating decision-maker for operating decision-making.

(III) Information about departmental profit and loss

Information on the reportable departments as provided to major operational decision-makers is as follows:

	<u>2022</u>	<u>2021</u>
Departmental revenue	\$ <u>2,410,672</u>	\$ <u>4,396,109</u>
Departmental profit or loss	(\$ <u>141,074</u>)	\$ <u>106,913</u>
Departmental income includes:		
Interest income	\$ <u>9,805</u>	\$ <u>4,172</u>
Interest expense	\$ <u>3,550</u>	\$ <u>2,902</u>
Depreciation and amortization expenses	\$ <u>217,996</u>	\$ <u>221,225</u>
Income tax expenses	\$ <u>1,172</u>	\$ <u>18,602</u>

(IV) Reconciliation of departmental profit and loss

There is no difference between the statements that provide the chief operating decision maker for department operating decisions and the department income statements, so no adjustment is required.

(V) Information on product type and service type

The revenue of external customers mainly comes from the R&D, testing, manufacturing and sales of LED.
The balance of revenue is as follows:

	<u>2022</u>	<u>2021</u>
LED - Self-made	\$ 2,153,476	\$ 3,469,528
LED - commodity	255,572	294,435
Others	<u>1,624</u>	<u>632,146</u>
	<u>\$ 2,410,672</u>	<u>\$ 4,396,109</u>

(VI) Information by geographical location

The information by territory of the Group in 2022 and 2021 is as follows:

	<u>2022</u>		<u>2021</u>	
	<u>Income</u>	<u>Non-current assets</u>	<u>Income</u>	<u>Non-current assets</u>
Taiwan	\$ 131,747	\$ 862,487	\$ 199,234	\$ 943,095
China	1,889,966	5,326	3,700,920	16,312
Hong Kong	108,746	-	164,334	-
Vietnam	129,728	-	126,201	-
USA	78,852	-	94,718	-
South Korea	34,638	-	61,509	-
Others	<u>36,995</u>	<u>-</u>	<u>49,193</u>	<u>-</u>
	<u>\$ 2,410,672</u>	<u>\$ 867,813</u>	<u>\$ 4,396,109</u>	<u>\$ 959,407</u>

Non-current assets refer to non-current items excluding financial instruments, deferred income tax assets, net defined benefit assets, and refundable deposits (stated as other non-current assets).

(VII) Important Customer Information

Important customers accounted for more than 10% of the Group's consolidated revenue in 2022 and 2021:

	<u>2022</u>		<u>2021</u>	
	<u>Income</u>	<u>Percentage</u>	<u>Income</u>	<u>Percentage</u>
Customer A	\$ 794,241	33	\$ 1,374,347	31
Customer B	314,171	13	383,647	9
Customer C	263,114	11	293,651	7
Customer D	<u>-</u>	<u>-</u>	<u>627,431</u>	<u>14</u>
	<u>\$ 1,371,526</u>	<u>57</u>	<u>\$ 2,679,076</u>	<u>61</u>

Advanced Optoelectronic Technology Inc. and Subsidiaries

Marketable securities held at the end of the period (excluding investment in subsidiaries, associates, and jointly controlled entities)

December 31, 2022

Table 1

Unit: NT\$ Thousand
(unless otherwise stated)

Companies held	Type and name of securities (Note 1)	Relationship with issuer of securities	Account titles in book	End of period				Remark
				Shares (Thousand Shares)	Book value (Note 2)	Shareholding ratio (%)	Fair value	
Advanced Optoelectronic Technology Inc.	Northern Lights Semiconductor Corporation stock	None	Financial assets mandatorily measured at fair value through profit or loss - non-current	2,033	\$ -	10.27%	\$ -	None
Advanced Optoelectronic Technology Inc.	Shares of Excellence Optoelectronics Inc	None	Financial assets at fair value through other comprehensive income - non-current	312	7,016	0.17%	7,016	None
Advanced Optoelectronic Technology Inc.	Shares of Epileds Technologies, Inc.	The chairman of the Company is a director of the company	Financial assets at fair value through other comprehensive income - non-current	8,100	115,020	8.07%	115,020	None
Advanced Optoelectronic Technology Inc.	Shares in Hua Yang Precision Machinery Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	773	18,896	5.12%	18,896	None

Note 1: Marketable securities in this table refer to stocks, bonds, beneficiary certificates and marketable securities derived from the aforementioned items within the scope of IFRS 9 "Financial Instruments."

Note 2: If the measurement is based on fair value, please fill in the book balance after adjustment for fair value evaluation and net of accumulated impairment. For the book value not measured at fair value, please fill in the book value of the original acquisition cost or cost after amortization deducting the accumulated impairment in the book value column.

Advanced Optoelectronic Technology Inc. and Subsidiaries

The total purchase from and sale to related parties amounting to at least NT\$100 million or 20% of the paid-in capital

January 1 to December 31, 2022

Table 2

Unit: NT\$ Thousand
(unless otherwise stated)

Purchase (sales) company	Name of counterparty	Relationship	Status of transactions			Trading terms different from general trade and reasons		Notes and accounts receivable (payable)		Percentage in total accounts/notes receivable (payable) (%)	Remarks
			Purchase (sales)	Amount	% of total purchase (sale)	Period of credit extension	Unit price	Period of credit extension	Balance		
Advanced Optoelectronic	ZHAN JING Technology (Shen	Subsidiary of the Company	Sales volume	\$ 326,949	15	O/A with net 120	-	-	\$ 173,105	33	Note 1
Advanced Optoelectronic	HON HAI PRECISION IND. CO.,	Entities with significant influence	Sales volume	263,114	12	O/A with net 120	-	-	67,138	13	Note 1
Advanced Optoelectronic	ZHAN JING Technology (Shen	Subsidiary of the Company	Purchase volume	102,004	9	O/A with net 120	-	-	37,223	13	Note 1
ZHAN JING Technology (Shen	Nanjing Sharp Electronics Co., Ltd.	Other related party	Sales volume	134,633	21	O/A with net 90	-	-	48,009	24	Note 1

Note 1: The price of the Company's sale to the above-mentioned related parties is similar to that of general customers, except when there is no similar transaction to follow, and the terms of the transaction are to be determined by both parties.

Advanced Optoelectronic Technology Inc. and Subsidiaries

Accounts receivable from related parties amounting to more than NT\$100 million or 20% of the paid-in capital

December 31, 2022

Table 3

Unit: NT\$ Thousand
(unless otherwise stated)

The company that accounts for the accounts receivable	Name of counterparty	Relationship	Receivables from related parties	Turnover (times)	Overdue accounts receivable - related		Subsequent recovery of receivables from related parties	Provision for loss allowance
					Amount	Treatment method		
Advanced Optoelectronic Technology Inc.	ZHAN JING Technology (Shen ZHEN) Co., Ltd.	Subsidiary of the Company	\$ 173,105	1.21	\$ 69,937	Enhancement of collection service	\$ 81,897	\$ -

Advanced Optoelectronic Technology Inc. and Subsidiaries

Information on the business relationship between the parent company and its subsidiaries and between each subsidiary and the circumstances and amounts of any important transactions between them

January 1 to December 31, 2022

Table 4

Unit: NT\$ Thousand
(unless otherwise stated)

No. (Note 1)	Name of Transaction Party	Counterparty of transactions	Relationship with the counterparty (Note 2)	Status of transactions			Percentage to consolidated total revenue or total assets (%) (Note 3)
				Accounts	Amount	Trading terms and conditions	
0	Advanced Optoelectronic Technology Inc.	ZHAN JING Technology (Shen ZHEN) Co., Ltd.	1	Sales volume	\$ 326,949	Note 4	13.56
0	Advanced Optoelectronic Technology Inc.	ZHAN JING Technology (Shen ZHEN) Co., Ltd.	1	Purchase volume	102,004	Note 4	4.23
0	Advanced Optoelectronic Technology Inc.	ZHAN JING Technology (Shen ZHEN) Co., Ltd.	1	Accounts receivable	173,105	Note 4	5.38
0	Advanced Optoelectronic Technology Inc.	ZHAN JING Technology (Shen ZHEN) Co., Ltd.	1	Accounts payable	37,223	Note 4	1.16

Note 1: Information on business transactions between the parent company and its subsidiaries shall be specified in the numbered column. The number is to be entered as follows:

- (1) "0" for the parent company.
- (2) Subsidiaries are numbered sequentially from 1 onwards.

Note 2: There are three types of relationship with transaction parties, and it is sufficient to indicate the relationship:

- (1) Between the parent company and its subsidiaries.
- (2) Subsidiary to parent company.
- (3) Subsidiaries to subsidiaries.

Note 3: In employing the ratio of transaction amount to consolidated revenue or assets, if it belongs as an asset and liability item, the ratio is calculated by taking the ending balance to the consolidated total assets. If it belongs as a profit and loss item, the ratio is calculated by taking the interim accumulated amount to the consolidated total revenue.

Note 4: The payment deadline for sales to related parties is 120 days after the shipment. The payment term for purchases with related parties, except for some materials, which is sight payment, is 120 days after purchase.

Note 5: List the ratios of transaction amount to total consolidated revenue or total assets that reach 1%.

Advanced Optoelectronic Technology Inc. and Subsidiaries

The name and location of the investee company and other relevant information (excluding mainland China investee companies)

January 1 to December 31, 2022

Table 5

Unit: NT\$ Thousand
(unless otherwise stated)

Name of investment company	Name of investee company (Note 1, 2)	Location of the Company	Main Business	Initial investment amount		Held at end of period			Profit or loss of the investee	Investment income recognized in the current period	Remarks
				End of current period	End of last year	Shares (Thousand Shares)	Percentage (%)	Book value			
Advanced Optoelectronic Technology Inc.	Advanced Optoelectronic Technology Holding Ltd.	Samoa	Investments in various businesses	\$ 99,811	\$ 99,811	3,250	100	\$ 74,584	\$ 3,411	\$ 3,411	Subsidiary
Advanced Optoelectronic Technology Inc.	Asphetek Solution Inc.	Taiwan	Manufacture and sale of electronic components	42,000	-	4,200	60	38,874	(5,210)	(4,168)	Subsidiary
Advanced Optoelectronic Technology Inc.	ELUX, Inc.	USA	Development of micro LED displays	91,188	91,188	283	25.94	-	70,879	-	Investee companies
Advanced Optoelectronic Technology Holding Ltd.	AOT Holding Ltd.	Samoa	Investments in various businesses	67,632	67,632	2,250	100	78,425	3,402	-	Sub-subsidiaries

Note 1: If the public company that has a foreign holding company and complies with local laws and regulations, mainly rely on the consolidated financial statements in its financial statements, the relevant information about the foreign invested company may be disclosed only to the relevant information of the holding company.

Note 2: Please fill in the information as follows for situations other than those described in Note 1:

(1) The columns of "Name of investee company," "Location," "Main business," "Original investment amount" and "Ownership at end of the period" must be filled out based on the (public) Company's investment status and the re-investment situation of each investee directly or indirectly controlled in order, and the relationship between each investee and the (public) Company (e.g., a subsidiary or a sub-subsidiary) must be indicated in the remarks column.

(2) Fill in the amount of current profit or loss of the investee in the column of "Profit or loss of investee for the current period."

(3) The column, Gains and losses on investment recognized for the current period, must be filled out with the (public) Company's recognized subsidiaries through direct investments and the gain or loss amount for each of the equity-method investee company, and the rest is not required. When filling in the "Recognized amount of current profit or loss on each subsidiary directly invested," it must be confirmed that the amount of the current profit or loss on each subsidiary includes

Advanced Optoelectronic Technology Inc. and Subsidiaries

Investment in Mainland China - Basic Information

January 1 to December 31, 2022

Table 6

Unit: NT\$ Thousand
(unless otherwise stated)

Name of investees in Mainland China	Main Business	Paid-in capital	Method of investment (Note 1)	Investment	Investment amount exported or recovered in the current period		Investment	Profit or loss of the investee	The Company's direct or indirect shareholding (%)	recognized in the current period Note 2	Book value of investment at ending period	Investment income received in the current period	Remarks
				Amount from Taiwan at	Export	Recovered	Amount from Taiwan at End of						
ZHAN JING Technology (Shen ZHEN) Co., Ltd.	Technology development, wholesale, import/export and related ancillary services of new electronic components and electronic products	\$ 63,698	(2)	\$ 63,698	\$ -	\$ -	\$ 63,698	\$ 3,338	100%	\$ 3,338((2)B)	\$ 77,789	\$ -	
An Qing Xin Kairong Optoelectronics Material Technology Co., Ltd.	Technology development of optoelectronic materials, and wholesale of chemical raw materials and products.	21,685	(1)	4,337	-	-	4,337	974	20%	(822)((2)B)	-	-	
Guangdong Kai Chuang Display Technology Co., Ltd.	R&D, production and sales of liquid crystal materials; self- operation and agency of the import/export of various commodities and technologies	4,309	(3)	-	-	-	-	20,056	20%	3,881((2)B)	5,554	-	
	Accumulated investment from Taiwan to Mainland China at end of period	Investment Amount Approved by Investment Commission, MOEA	Upper limit of investment to Mainland China approved by the Investment Commission, MOEA										
Advanced Optoelectronic Technology Inc.	\$ 68,035	\$ 69,820	\$ 1,523,773										

(USD: \$2,130 thousand)
(RMB: \$1,000 thousand)

Note 1: Investment methods are divided into the following three types. It is sufficient to indicate the types of investments:

- (1) Direct investment in mainland China.
- (2) Reinvestment in Mainland China through a third country company (please specify the investment company in the third country): Reinvest in China through AOT Holding Ltd.
- (3) The Company was directly invested by ZHAN JING Technology (Shen ZHEN) Co., Ltd.

Note 2: Recognized in the investment income column for the current period:

- (1) It shall be specified if the investment is in preparation without any investment income.
- (2) The recognition bases of investment income are classified into the following three categories, which shall be specified:
 - A. Financial statements audited and verified by the international accounting firm associated with the auditing firm of the Republic of China.
 - B. The financial statements audited and verified by the CPAs of the parent company in Taiwan.
 - C. Others.

Note 3: Figures in this table shall be stated in NTD.

Advanced Optoelectronic Technology Inc. and Subsidiaries

Information of major shareholders

December 31, 2022

Table 7

Name of major shareholder	Shares	
	Number of shares held	Shareholding ratio
BAO XIN INTERNATIONAL INVESTMENTS LIMITED	9,853,000	6.81%
Hua Zhun Investment Co., Ltd.	7,672,000	5.30%

Note 1: The information on major shareholders in this table is based on data of above 5% in total of common stock and preferred stock of the companies held by shareholders have completed dematerialized registration and delivery (including treasury shares) and is calculated each quarter on the final business day, by the Taiwan Depository & Clearing Corporation.

The capital stock reported in the Company's financial statements and the number of shares that the Company has completed dematerialized registration and delivery, may show discrepancies due to different basis in calculation.

Note 2: If any of the above-mentioned entities has transferred control of shareholdings to a trustee, then disclosure of information regarding the entity will be in the form of the Settler's account of trust opened by the trustee. According to the Securities and Exchange Act, insiders or shareholders holding more than 10% of shares must file if any changes in stocks held, which include shareholdings that have been transferred to trustee and trust assets that the shareholder may determine the usage of shares; for filed information of insiders' shares, please refer to the Market Observation Post System website.