Stock Code：4979

LUXNET CORPORATION

2022 Annual Report

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

Annual report is available at
Market Observation Post System: **https://mops.twse.com.tw** and
LuxNet website: **http://www.luxnetcorp.com.tw**

Published on May 4, 2023

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   Name: Ya Yu Wang
   Title: Advisory Specialist
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   Name: Chien Chu Chih
   Title: Chief Financial Officer
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3. Name, address, website and contact number of Stock transfer agency
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   Address：5F, No. 83, Section 1, Chongqing South Road, Taipei City
   Tel：(02)6636-5566
   Website：www.ecorp.chinatrust.com.tw/cts/index.jsp

4. Name, Firm, address, and contact number of the acting independent Auditors
   Auditors: Cheng, Ching-Piao 、Chen, Kuo-Shuai
   CPA Firm：Ernst & Young
   Address: 27F., No.1088, Zhongzheng Rd., Taoyuan Dist., , Taoyuan City 33045, Taiwan, R.O.C, Taiwan
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   Tel：886-3- 319-8888

5. Name of any exchanges where the Company's securities are traded offshore, and the method by which to access information on said offshore securities: N/A

6. Corporate Website：http://www.luxnetcorp.com.tw

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I. Letter to Shareholders

Dear Shareholders,

In 2022, the world experienced the Russia-Ukraine conflict, inflation pressure, and tightening monetary policies in major economies, which led to a decline in economic growth quarter by quarter. However, our company benefited from the two-digit growth in demand for high-speed products in global data centers, driving steady growth in performance and capacity utilization. In addition, the company's internal deepening of lean management strategies resulted in significant improvements in revenue and profits in 2022.

Overview of Business 2022：

1. The company upholds the corporate culture of "integrity, harmony, performance orientation, and sustainable management," and adheres to the management belief of "being accountable and continuously innovative." We are committed to the business goal of new product development and continuous improvement of product quality.

   In recent years, the company's core development has been focused on the manufacturing technology and services of high-speed products for data centers. We strive for market differentiation through independent development and manufacturing services while implementing systematic operational management to enhance the company's performance.

2. Implementation Results of Business Plans:

   The company achieved a revenue of NT$1,319 million in the fiscal year 2022, an increase of 52% compared to NT$866 million in fiscal year 2021. The net profit after tax for the fiscal year 2022 was NT$271 million, with a basic earnings per share of NT$2.05.

3. Financial Income and Profitability Analysis:

   The cash inflow for the year 2022 was NT$115 million (including a cash inflow from operating activities of NT$256 million, cash outflow from investment activities of NT$5.85 million, and cash outflow from financing activities of NT$135 million). The ending cash balance was NT$484 million, with a debt ratio of 32%. In the fiscal year 2022, the company's operating performance improved from a loss to a profit due to the growth in operating revenue from the North American region, lean management, and optimization of product portfolio. For other financial details, please refer to the attached financial statements.

4. Research and development status:

   The company's total investment in research and development for the fiscal year 2022 was NT$66.64 million, a decrease of 16% compared to NT$79.36 million in fiscal year 2021. This decrease was due to prudent evaluation and efficient resource utilization.

   The products developed by the Company are mainly used in 5G transmission and data center, with transmission distance ranging from 300m to 40km. The current development focus is on the 70mW CW LD and advanced packaging technology for 400G and above applications.

   The products developed by the company are mainly used in 5G transmission and data centers, with transmission distances ranging from 300m to 40km. The completed transmitter components include

10G/25G DFB LD for 5G forward transmission and 20-50mW CW LD for 400G data transmission. The optical receiver components include PD products such as TO and ROSA. The current focus is on the development of 70mW CW LD for applications above 400G and advanced packaging technology.

Given the uncertainties caused by global economic and trade factors such as inflation, interest rate hikes, the Russia-Ukraine war, and the US-China technology war, it is difficult to predict the compound annual growth rate (CAGR) of the optical communications industry. The company will actively leverage its vertical integration capabilities to develop high-speed products and expand its contract manufacturing business.

We will continue to improve customer satisfaction through lean management, deepen customer relationships, and strive for better business performance in 2023 to reward the support of our shareholders. We would like to express our special thanks to the shareholders for their support and trust in the company and ask for their continued encouragement. Thank you.

Chairman
Huei Ming Chien

II. Company Profile

2.1 Date of Incorporation: November 15, 2001.

2.2 Corporate Milestones：

1999	Dr. Hsien Hsing Kung formally established Luxnet Corporation in Silicon Valley, with a capital of 8 million US dollars, as a photoelectric semiconductor company, focusing on the development of LED, founder Dr. Hsien Hsing Kung as the chairman.
2000	Invest in the development of optical communication components with existing optoelectronic semiconductor technology. The capital was increased by US$18 million.
2001	Luxnet Corporation invested by 華星光通科技有限公司 with a paid-up capital of NT$90,000 thousand.
2002	Changed registration to a company limited by shares---華星光通科技股份有限公司
2003	In order to fully develop the production and sales of optical communication components, Luxnet U.S.A. transferred all business and technology back to Taiwan Luxnet., with Dr. James Chang as the general manager. The capital was increased by NT$20,500 thousand and the paid-up capital reached NT$110,500 thousand.
2004	In order to build new optical communication sub-module packaging (TO & ROSA) production line, Capital increased by NT$147,103 thousand, and paid-up capital was NT$257,603 thousand . Luxnet Corporation began to transfer its shares, which were transferred by the investors who originally held Luxnet Corporation. A total of 7,663,089 shares were transferred with the approval of the Investment Review Committee.
2005	Luxnet Corporation continued to transfer its shares, which were transferred by the investors who originally held Luxnet Corporation. A total of 18,931,311 shares were transferred with the approval of the Investment Review Committee.
2006	Luxnet Corporation continued to transfer its shares, which were transferred by the investors who originally held Luxnet Corporation. A total of 723,508 shares were transferred with the approval of the Investment Review Committee.
2007	Venglobal Capital Fund III, L.P. transferred its equity interest to a significant shareholder, Fuding Venture Capital Co., Ltd.
2008	In order to expand production capacity demand, the factory was leased in Zhongli Industrial Park to produce packaging and optical sub-module components, and the former Longtan plant mainly produced wafers and entered the FTTH PON market. Established a mainland subsidiary Suzhou Toptrans Optoelectronics Co., Ltd. In January, due to the execution of employee stock options, the capital was increased by NT$7,070 thousand, and the paid-up capital reached NT$264,673 thousand. In order to expand production capacity demand and enhance working capital, the capital was increased by NT$40,000 thousand, and the paid-up capital reached NT$304,673 thousand in August.
2009	The Zhongli plant added a new packaging (TO56) production line and a sub-module packaging (BOSA) production line. In February, due to the execution of employee stock options, the capital was increased by NT$8,775 thousand, and then the paid-in capital reach NT$313,448 thousand.
2010	Executed employee stock options, increased capital by NT$9,675 thousand in January and NT$9,310 thousand in July, respectively, and the paid-up capital reached NT$332,433 thousand.
2011	In February of the 100th year of the Republic of China, due to the implementation of employee stock options, the capital increased by NT$ 9,765 thousand n, and the total paid-in capital reached NT$ 342,198 thousand . In August, the surplus and employee dividends were converted into a capital increase of NT$13,366 thousand , and the total paid-in capital

reached NT$355,564 thousand. In October, the capital of the executive employee was increased by NT$22,950 thousand, and the total paid-in capital reached NT$378,514 thousand . In December, the cash capital increase plan issued new shares and increased the capital by NT$37,220 thousand for the initial OTC public underwriting, with a total paid-in capital of NT$415,734 thousand .

2012 In September, surplus and employee bonuses were increased by NT$14,027 thousand, resulting in a total paid-in capital of NT$429,761 thousand, and in November, new shares were issued to increase capital by $70,000 thousand, resulting in a total paid-in capital of NT$499,761 thousand.

2013 In March, the merger of Zhongli and Longtan 2 plants into the new Hejiang plant was completed, and the surplus and employee dividends in September were converted into a capital increase of NT$104,948 thousand, with a total paid-in capital of NT$604,709 thousand. In October, the issuance of new shares restricting employee rights increased by NT$3,300 thousand, and the total paid-in capital reached NT$608,009 thousand.

2014 In September, surplus and employee bonuses were increased by $14,027 thousand, resulting in a total paid-in capital of NT$429,761 thousand, and in November, new shares were issued to increase capital by NT$70,000 thousand, resulting in a total paid-in capital of NT$499,761 thousand.

2015 In March, $240 thousand of new shares with restricted employee rights were cancelled, resulting in a total paid-in capital of NT$672,469 thousand.

In July, the Company issued NT$890 thousand of new shares with restricted employee rights and cancelled NT$617 thousand of new shares with restricted employee rights, resulting in a total paid-in capital of NT$672,742 thousand.

In September, the Company increased its capital by NT$67,247 thousand by transferring surplus and $3,730 thousand by issuing new shares with restricted employee rights, resulting in a total paid-in capital of NT$743,719 thousand.

Ranked in the top 5% of the 2014 corporate governance evaluation.

2016 In March, 131 thousand of new shares restricting employee rights were cancelled, and the total paid-in capital decreased to NT$743,588 thousand.

In June, 101 thousand of new shares with restricted employee rights were cancelled, and the total paid-in capital decreased to NT$743,487 thousand. In October, new shares restricting employee rights were issued to increase capital by NT$3,690 thousand, and treasury shares were cancelled by NT$8,600 thousand, bringing the total paid-in capital to NT$738,577 thousand.

Ranked in the top 5% of 2015 corporate governance evaluation.

2017 In June, the Company issued new shares restricting employee rights by NT$2,080 and cancelled new shares restricting employees' rights by NT$441,000, resulting in the total paid-in capital of NT$740,216 thousand.

In July, the Company issued the private placement of ordinary sharesby NT$170,000, and a total paid-up capital reached NT$910,216 thousand.

In November, NT$500 thousand of new shares restricting employee rights were cancelled, and the total paid-in capital was decreased to NT$909,716 thousand.

Ranked in the top 5% of 2016 corporate governance evaluation.

2018 In February, the Company issued the private placement of ordinary shares by NT$19,500 thousand, and the total paid-up capital reached NT$929,216 thousand.

In April, the Company issued common shares by NT$100,000 thousand, with a total paid-in capital of NT$1,029,216 thousand.

Ranked in the top 5% of 2017 Corporate Governance Evaluation.

In September, NT$510 thousand of Restricted Employee Shares was cancelled, and the total paid-up capital was decreased to NT$1,028,706 thousand.

2019 In January, Director Gong Xingxian resigned as the chairman of the Company due to his personal career planning, and the board of directors resolved to request Director Gong Xingxian to serve as the honorary chairman of the Company, and elected Director Zheng Dunqian to succeed him as the chairman of the Company.

In February, the corporate bonds were converted into ordinary shares of NT$267 thousand, and the total paid-up capital reached NT$1,028,973 thousand.

In April, Restricted Employee Shares of NT$170 thousand was cancelled, and the total paid-up capital was down to NT$1,028,803 thousand

In August, the issuance of Restricted Employee Shares increased by NT$26,460 thousand, and the total paid-in capital reached NT$1,055,263 thousand.

2020 In January, the Company issued new shares to increase the capital by NT$147,000 thousand, with a total paid-up capital of NT$1,202,263 thousand.

In February, Restricted Employee Shares of NT$2,460 was cancelled, and the total paid-in capital was reduced to NT$1,199,803 thousand.

In June, the company issued Restricted Employee Shares by NT$3,540 thousand, and Restricted Employee Shares of NT$730 thousand was cancelled as well, a total paid-in capital was increased to NT$1,202,613 thousand.

In September, Restricted Employee Shares of NT$1,370 housand was cancealed, the total paid-in capital was down to $ NT 1,201,243 thousand.

2021 In February, Restricted Employee Shares of NT$880 thousand was cancelled, and the total paid-in capital was down to NT$1,200,363 thousand.

In May, the Company issued the private placement of ordinary shares by NT$130,000 thousand, and Restricted Employee Shares of NT$1,060 thousand was cancealed, and the total paid-up capital was increased to NT$1,329,303 thousand.

In July, the 7th Board of Directors elected Ms. Kan Huimin as the chairman of the Company.

In September, Restricted Employee Shares of NT$$2,040 thousand was cancelled, the total paid-up capital was decreased to NT$1,327,263 thousand.

In November, Restricted Employee Shares of NT$2,148 thousand was cancelled, and the total paid-up capital was down to NT$1,325,115 thousand.

2022 In April, Restricted Employee Shares of NT$580 thousand was cancelled, and the total paid-up capital was down to NT$1,324,535 thousand.

In May, Restricted Employee Shares of NT$757 thousand was cancelled, and the total paid-in capital was decreased to NT$1,323,778 thousand.

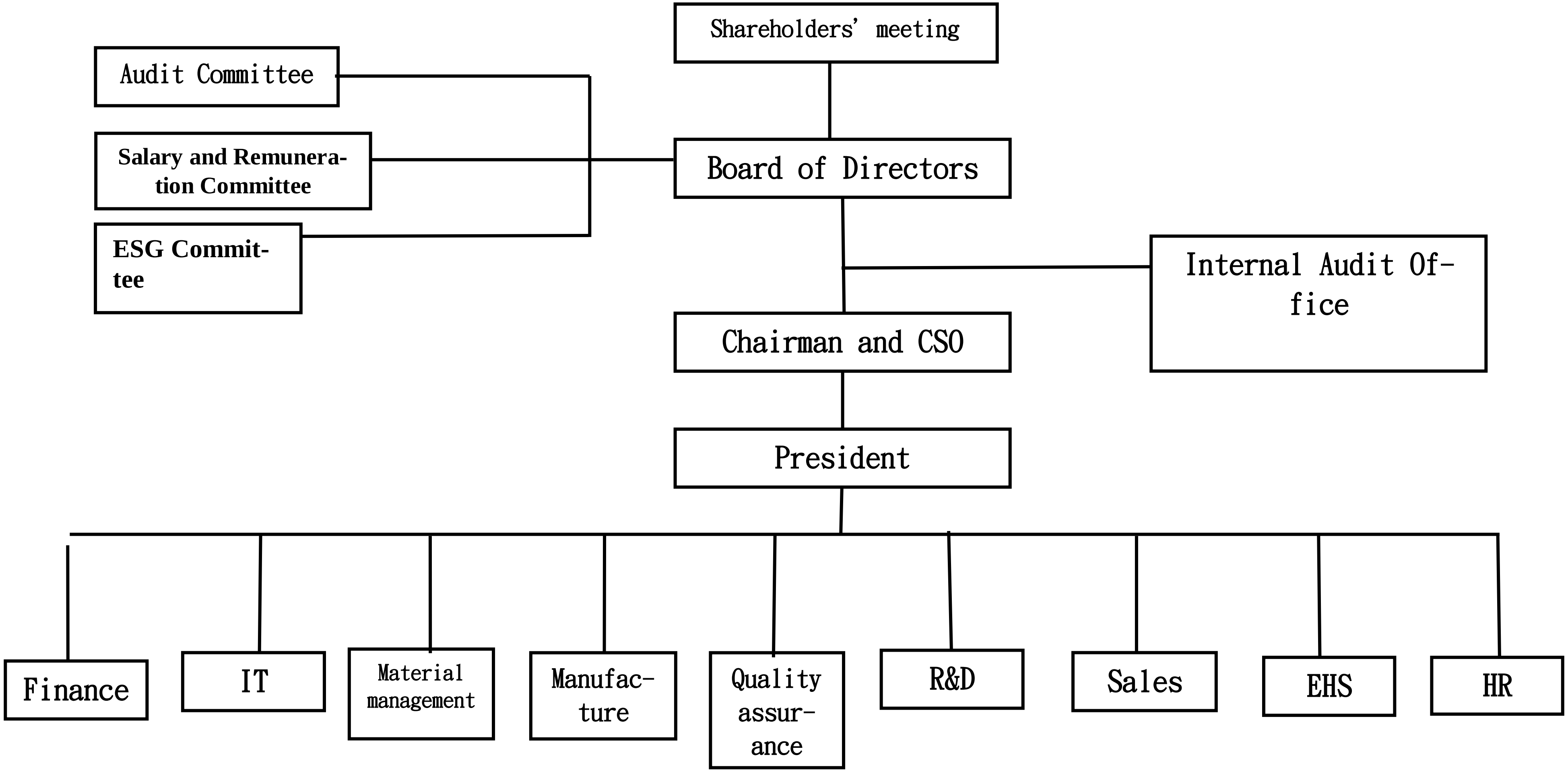
In August, Restricted Employee Shares of NT$200 thousand was cancelled, and the total paid-up capital was down to NT$1,323,578 thousand.

2023 In April, Restricted Employee Shares of NT$180 thousand was cancelled, and the total paid-up capital was decreased to NT$1,323,398 thousand.

III. Corporate Governance Report

3.1 Organization

3.1.1Organization



3.1.2 Major Corporate main Duties

Department	Main Duties
Audit Department	To perform internal audit services of the Company and its subsidiaries. Supervise compliance with internal controls and ensure improvement.
Finance	Accounting processing, cost control, tax treatment, data analysis and report preparation, cashier, capital planning and financial institution transactions, foreign currency hedging operations. Investor relationship maintenance, stock operations.
Quality assurance	Incoming material inspection, shipment inspection, product quality control, RMA processing, quality concept education and publicity, quality system operation, cultural management center.
Material management	Equipment/raw materials and general goods procurement, supplier management, warehousing management, material sending and receiving, product shipment, production planning scheduling, capacity allocation, material requirements planning, etc.
Manufacture	Process management: mass production introduction, process improvement, yield improvement.Equipment management: planning, installation and maintenance of production equipment.Production management: implementation of production plan, production cost control, personnel scheduling management.
Sales	Responsible for domestic and foreign business development, marketing, shipment arrangement, customer management, collection management, etc. Market research and analysis, product marketing, pricing strategy, etc.
R&D	Die product design and development, packaging technology and product development, packaging and sub-module packaging component design and development, module design and development, product verification, sample production, etc.
EHS	1. Plan and implement ISO14001/ISO45001 and other management systems. 2. Planning, application and change of air/water/waste/toxic permits. 3. Process-related environmental/occupational safety regulations control 4. Planning and implementation of occupational safety/environmental protection education and training. 5. Factory environmental safety inspection and management. 6. Contractor safety management mechanism, supervision and management. 7. Emergency response training and implementation in the factory. 8. Water, electricity, air conditioning, related system equipment management and general/general affairs management in the factory.
IT	Computer network software and hardware management, maintenance and integration of various systems of the company.
HR	Planning, operation and management of compensation, attendance, recruitment, development, performance, etc.

3.2 Information on the Company’s Directors, Supervisors, President, Vice President and Management of all company’s divisions and branch units

3.2.1 Directors

3.2.1.1 Information of Directors

2023/4/22：Unit: shares; %

Title	National	Name	Gender Age	Date of election	Term (Years)	Date (First Elected)	Shareholding when elected		Number of shares currently held		Current shareholding of spouse and minor children		Shareholding by nominee arrangement		Main experience (educational background)	Current adjunct positions at the Company and other companies	Other managers, directors or supervisors with relationship of spouse or within second degree of kinship			Note
							Shares	(%)	Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relation	
Chairman	R.O.C	Huei Ming Chien	Female 51~60	2021/7/7	3	2021/7/7	12,000	0.01	30,000	0.02	1,678,000	1.27	0	0	University of Central Oklahoma Master President Optoway Technology Inc	CSO LUXNET Corp. Chirman Optoway Technology Inc	—	—		—
Vice Chairman	R.O.C	TriKnight Capital Corporation	—	2021/7/7	3	2017/10/5	14,680,990	11.04	14,680,990	11.09	0	0	0	0	—	—	—	—	—	—

Title	National	Name	Gender Age	Date of election	Term (Years)	Date (First Elected)	Shareholding when elected		Number of shares currently held		Current shareholding of spouse and minor children		Sharehold-ing by nominee arrangement		Main experience (educational back-ground)	Current adjunct positions at the Company and other companies	Other managers, direc-tors or supervisors with relationship of spouse or within second degree of kinship			Note
							Shares	(%)	Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relation	
	R.O.C	Repre-senta-tive:：Du-en-Chian Cheng	Male 61~70	2021/7/7	3	2018/6/29	70,000	0.05	70,000	0.05	0	0	0	0	MBA, Columbia University, USA President, Director, Appier Holdings Inc. Independent Director, TA YA ELECTRIC WIRE & CABLE CO., LTD Chairman, LuxNet Corp Chairman, Clientron President, UMC Capital Corporation	Chairman, TGVest Capital Co., Ltd. Chairman, TriKnight Capital Co., Ltd. Director FuSheng Precision Co., Ltd. Director Minson Integration, Inc Independent Director EDOM TECHNOLOGY CO., LTD. Independent DirectorASIA POLY-MER CORPORATION Independent Director ELITE MA-TERIAL CO., LTD. Director AcSiP Technology Corp Director Advanced Energy Solu-tion Holding Co., Ltd. Director uPI semiconductor corp	—	—	—	—
Director	R.O.C	Chih Cheng Chien	Male 71~80	2021/7/7	3	2021/7/7	0	0	0	0	0	0	0	0	Da Lin High School Undergraduate Chairman Optoway Technology Inc Founder EZCONN CORPORATION	Director Optoway Technology Inc	—	—	—	—
Director	R.O.C	Hsing Hsien Kung	Male 71~80	2021/7/7	3	2002/6/12	1,910,284	1.44	1,478,284	1.12	102,900	0.08	0	0	UC - Berkeley Ph.D. in Electrical Engineering Co-founder SDL Inc., VP manufactur-ing Pine photonics founder & CEO	—	—	—	—	—

Title	National	Name	Gender Age	Date of election	Term (Years)	Date (First Elected)	Shareholding when elected		Number of shares currently held		Current shareholding of spouse and minor children		Sharehold-ing by nominee arrangement		Main experience (educational back-ground)	Current adjunct positions at the Company and other companies	Other managers, direc-tors or supervisors with relationship of spouse or within second degree of kinship			Note
							Shares	(%)	Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relation	
Director	R.O.C	YSI Invest-ment Corpo-ration	—	2021/7/7	3	2018/6/29	1,878,579	1.41	1,368,579	1.03	0	0	0	0	—	—	—	—	—	—
	R.O.C	Repre-senta-tive: ：Ming Shi	Male 61~70	2021/7/7		2021/7/7	0	0	0	0	0	0	0	0	Master of Civil Engineering, Illinois Institute of Technology, USA Master of Computer Science, Florida Poly-technic University Vice Chairman KINGSTATE ELEC-TRONICS CORPORATION	President and Chairman Infostone Communication Consultant (Shen-zhen) Co.Ltd. Director MOSEL VITELIC INC.	—	—	—	—
Director	R.O.C	Chih Ping Kuo	Male 61~70	2021/7/7	3	2012/6/22	579,042	0.44	330,709	0.25	43,698	0.08	0	0	Ph.D. in Electrical Engineering, Uni-versity of Utah HP III-V Optoelectronics material manager CTO Luxnet corp.	—	—	—	—	—
Independent Director	R.O.C	Yung Sheng Liu	Male 71~80	2021/7/7	3	2010/12/16	0	0	0	0	0	0	0	0	PhD in Applied Physics, Cornell University, USA Academician, Russian Academy of Engineering Bachelor of Physics, National Taiwan University Director of GE Research Center and Chief Director of DARPA's Optical	Vice President, National Tsing Hua University Professor Emeritus, National Tsing Hua University Conference consultant, Taiwan Electrical and Electronic Manufacturers' Association Honorary Advisor, Taiwan	—	—	—	—

Title	National	Name	Gender Age	Date of election	Term (Years)	Date (First Elected)	Shareholding when elected		Number of shares currently held		Current shareholding of spouse and minor children		Shareholding by nominee arrangement		Main experience (educational background)	Current adjunct positions at the Company and other companies	Other managers, directors or supervisors with relationship of spouse or within second degree of kinship			Note
							Shares	(%)	Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relation	
															Communication Research Program Vice President of Industrial Technology Research Institute and Director of Institute of Optoelectronics Director of the Institute of Optoelectronics and Director of the Optoelectronics Center of Tsinghua University Wanghong Chair Professor of Electronics, Tsinghua University Vice President of Tsinghua University and Vice President of Taiwan Union University System (Tsinghua, Jiaotong University, Central Committee, Yangming).	Independent Director LEDTECH ELECTRONICS CORP. Honorary Chair Professor of Tsinghua University Member of the Supervisory Committee of the School of Semiconductors, Tsinghua University Executive Director and Chief Consultant of Optoelectronic Industry Association Executive Director of China Independent Directors Association 台灣 Consultant of Industrial Technology Research Institute Honorary Advisor of Taiwan Optoelectronic Semiconductor Association Member of the Intellectual Property Committee of the Federation of Taiwan Industries Advisor of Taiwan Electrical Association Technology Consultant of Taiwan Lighting Association				

Title	National	Name	Gender Age	Date of election	Term (Years)	Date (First Elected)	Shareholding when elected		Number of shares currently held		Current shareholding of spouse and minor children		Sharehold-ing by nominee arrangement		Main experience (educational back-ground)	Current adjunct positions at the Company and other companies	Other managers, direc-tors or supervisors with relationship of spouse or within second degree of kinship			Note
							Shares	(%)	Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relation	
Independent Director	R.O.C	Ruei Ming Jamp	Male 71~80	2021/7/7	3	2017/5/26	0	0	0	0	0	0	0	0	Ph.D. in Computer Science, Pennsyl-vania State University, US Partner Acorn Campus	Partner Acorn Campus Director WINCOMM CORP. Director Toplogis,Inc Director STRATEGY COMPAN-ION TAIWAN CORP. Director LIQUIDLEDS LIGHTING CORP.) Director Leading Group Biotech-nology Limited Director Alliance Materials Virtual Man Director Aidmics Biotechnology Director Rob Web Tech Co. Ltd Director H3 Platform, Inc.	—	—	—	None
Independent Director	R.O.C	Yi Hua Chung	Male 61~70	2021/7/7	3	2018/6/29	0	0	0	0	0	0	0	0	Bachelor of Electrical Engineering, National Tsing Hua University President & CEO TPK President DaShenInvestment Corp. Idpbg VP & / BG President Foxcon	Director FENG TAY ENTER-PRISES CO., LTD Chairman cP Technology Corp Director SAVITECH CORP. Independent Director Universal Scientific Industrial Co., Ltd. Di-rector LOROM INDUSTRIAL CO., LTD.	—	—	—	None

3.2.1.2 Major Shareholders of Corporate Shareholders

Name of corporate	Name of corporate	Shareholding ratio%
YSI In-vestment Corporation	TriKnight Capital Corporation	100.00
TriKnight Capital Corporation	United Microelectronics Corporation	40.00
	Taiwan Life Insurance Co., Ltd.	15.00
	Mercuries Life Insurance Co., Ltd.	7.50
	WIN CHANNEL LIMITED	6.00
	SUNPLUS TECHNOLOGY CO., LTD	5.00
	SIMPLO TECHNOLOGY CO., LTD.	5.00
	UNIVERSAL GLOBAL SCIENTIFIC INDUSTRIAL CO., LTD	5.00
	ITE TECH. INC	5.00
	NOVATEK MICROELECTRONICS CORP.	4.67
	PixArt Imaging Inc.	2.50

3.2.1.3 Major Shareholders of Major Corporate Shareholders

Name of Institutional shareholder	Major shareholders of institutional shareholders and	Shareholding ratio%
United Microelectronics Corporation	JPMorgan Chase Bank, N.A. acting in its capacity as depositary and representative to the holders of ADRs	4.75
	Hsun Chieh Investment Co., Ltd	3.54
	Silicon Integrated Systems Corp.	2.29
	Taiwan Life Insurance Co., Ltd.	1.76
	CTBC Bank Employee Stock Ownership Trust Account of UNITED MICROELECTRONICS CORP.	1.55
	Yann Yuan Investment Co., Ltd.	1.52
	Labor Pension Fund	1.40
	Fubon Life Insurance Co., Ltd.	1.38
	China Life Insurance Co., Ltd.	1.34
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.13
Taiwan Life Insurance Co., Ltd.	CTBC Financial Holding Co., Ltd.	100.00

Name of Institutional shareholder	Major shareholders of institutional shareholders and	Shareholding ratio%
Mercuries Life Insurance Co., Ltd.	Mercuries & Associates Holding Ltd.	38.49
	Shanglin Investment Co., Ltd.	5.82
	Shuren Investment Co., Ltd.	5.11
	Mercury Fu Bao Co., Ltd.	2.36
	Mercuries & Associates Co., Ltd.	1.34
	J.P. Morgan Chase Bank as Custodian of Vanguard Emerging Market Stock Index Fund Account	0.66
	Chase as Custodian of Advanced Starlight Advanced Aggregate International Stock Index	0.65
	First Bank is entrusted with the investment account of Ya-Fei Co., Ltd.	0.64
	New Workers' PensionFund	0.59
	Kan, Chien-Fu	0.48
SUNPLUS TECHNOLOGY CO., LTD	Chou-Chye Huang	15.66
	De-Zhong Liu	2.20
	Global View Co., Ltd.	1.70
	Chih-Hao Gong	1.31
	Polunin Emerging Markets Small Cap Fund, LLC	1.20
	Wen-Qin Lee	1.18
	JPMorgan Chase Bank Taipei Branch is entrusted with the custody of the Van Gard Emerging Markets Stock Index Fund Investment Account of the Manager of the Van Gard Group	0.99
	JPMorgan Chase Bank, Taipei Branch is entrusted with the custody of Advanced Starlight Fund Company's series of funds Advanced Aggregate International Stock Index Fund Investment Account	0.94
	The Business Department of Standard Chartered International Commercial Bank is entrusted to keep the New York City Group Trust Investment Account	0.77
	Lingxu Investment Co., Ltd	0.60
SIMPLO TECHNOLOGY CO., LTD.	Fubon Life Insurance Co., Ltd	5.00
	Hyield Venture Capital Co., Ltd.	4.44
	Bon Shin International Investment Co.,	4.18
	Standard Chartered Bank (“Fidelity”) as custodian of Fidelity Education: Fidelity Investment Account Investment	3.03

Name of Institutional shareholder	Major shareholders of institutional shareholders and	Shareholding ratio%
	Account	
	JP Morgan Chase Bank Taipei Branch as custodian of STICHTING Depositary APG Emerging Markets Equity Pool	2.69
	Chunghwa Post Co., Ltd	2.47
	China Life Insurance Co., Ltd.	2.35
	Standard Chartered Bank (Department of Business) as custodian of Fidelity North Star Fund Account	2.27
	Standard Chartered Bank (Department of Business) as custodian of Swedbank's Robotech Investment Account	1.89
	Standard Chartered Bank (Department of Business) as custodian of Global X Lithium & Battery Technology ETF Investment Account	1.83
UNIVERSAL GLOBAL SCIENTIFIC INDUS-TRIAL CO., LTD	Universal Global Technology Co., Limited HK	100.00
ITE TECH. INC	United Microelectronics Corp	8.66
	Hu, Chun-yang	1.23
	BANK TAIWAN LIFE INSURANCE CO., LTD.	1.12
	Vanguard Emerging Markets Stock Index Fund Account in custody of J.P. Morgan Asset Management	1.07
	Hsien-Jin Star Fund Series – Advanced International ETF Investment Account in custody of JP Morgan Chase Bank Taipei Branch	1.03
	Taipei Fubon Commercial Bank Co., Ltd	0.89
	Tong-An Investment Co., Ltd	0.67
	Rui Meng Financial Advisory Co., Ltd.	0.66
	JIA YUAN Investment Co., Ltd	0.62
	Hsun Chieh Investment Co., Ltd	0.62
NOVATEK MICROE-LECTRONICS CORP.	Fubon Life Insurance Co., Ltd	3.69
	United Microelectronics Corp.	2.70
	Government of Singapore	1.64
	Tai-Shung ,Ho	1.40
	Cathay Life Insurance Co., Ltd	1.32
	Yuanta/P-shares Taiwan Dividend Plus ETF	1.22

Name of Institutional shareholder	Major shareholders of institutional shareholders and	Shareholding ratio%
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.21
	New Labor Pension Fund	1.13
	Tommy Chen	1.02
	Vanguard Emerging Markets Stock Index Fund	0.95
PixArt Imaging Inc.	Swedbank Robur Technology	3.13
	Hsun Chieh Investment Co., Ltd	2.74
	Taiwan Life Insurance Co., Ltd	2.69
	Sen-Huang Huang	2.18
	Yuan Ting Investment Co., Ltd.	1.46
	PixArt International (Samoa)Ltd. Overseas Foreign Employees Colletive	1.24
	China Trust in custody of PixArt Imaging Inc. of employee stock trust account	1.18
	United Microelectronics Corp	1.11
	Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Fund	1.09
	Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.07

3.2.2.The expertise of the directors, the diversity policy of the board and the independence of the board

3.2.2.1 Disclosure of professional qualifications of directors and independence of independent directors .

2023/5/4

Criteria / Name	Professional Qualifications and Experience	Independence Criteria	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Huei Ming Chien	1. Professional qualifications and experience of directors please refer to pages8-12and page18. 2. None of directors is under any of the following circumstances of Company Act article 30.	Not applicable	-
Duen-Chian Cheng			3
Chih Cheng Chien			-
Hsing Hsien			-

Kung			
Ming Shi			-
Chih Ping Kuo			-
Yung Sheng Liu		(Note)	1
Ruei Ming Jamp			-
Yi Hua Chung			-

Note：All independent directors qualify for independence as follows：

1. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.
2. No more than three independent directors of other public companies.
3. During the two years prior to the election and during the term of office, there has been no of the following circumstances：

1. To be an employee of the company or any of its affiliates.
2. A director or supervisor of the company or any of its affiliates. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
3. A natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
4. A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.
5. A director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
6. If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
7. If the chairman, president, or person holding an equivalent position of the Company and a person in any of those positions at another company or institution are the same person or are spouses: not a director (or governor), supervisor, or employee of that other company or institution.
8. A director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Company.
9. A professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee.

3.2.2.2 Diversity of the Board of Directors:

Board Diversity: The Company implements a policy of board diversity by setting forth in the "Code of Corporate Governance Practices" guidelines for board diversity, including but not limited to the following two major criteria:

(A) Basic qualifications and values: gender, age, nationality, race and culture, etc.

(B) Professional knowledge and skills: professional background (e.g., law, accounting, industry, finance, marketing or technology), professional skills and industry experience, etc.

At the 2021 Annual General Meeting of Shareholders (2021/7/7), nine directors (including three independent directors) were elected to the Board of Directors.

Management Objectives：

(A) The board of directors shall include at least one female director.

(B) The number of directors who are also managers of the Company shall not exceed one-third of the number of directors.

(C) No more than two of the directors shall be related to each other by consanguinity or affinity within two degrees.

Target achievement:

(A) The Board of Directors includes one female director.

(B) One of the directors of the Company is also a manager of the Company.

(C) There is no spouse or relative within two degrees of kinship among the directors.

The Company has established a Code of Corporate Governance Practices, which stipulates that the Board of Directors shall determine the appropriate number of directors based on the scale of the Company's operations and development and the shareholdings of its major shareholders, taking into account the practical operational needs. The composition of the Board of Directors shall be based on the needs of the Company's operation and business development in order to formulate an appropriate diversification policy, with the following two major criteria: basic qualifications and values (gender, age, nationality and culture, etc.), and professional knowledge and skills (professional background, expertise and industry experience, etc.). In addition, board members should generally possess the necessary knowledge, skills and education to perform their duties. At the 2021 Annual General Meeting of Shareholders (2021.7.7), the Company elected 9 directors (including 3 independent directors), of which 33.33% were independent directors, 11.11% were employee directors, and 11.11% were female directors. More than half of the members have industrial experience, and they have extensive experience and expertise in business and management fields, as well as different fields and work backgrounds, so that they can effectively perform the duties of board members and complement each other in a diversified manner, which is in line with the policy management objective of diversified board members.

The members of the Board of Directors are diversified according to their academic experience, areas of expertise and relevant backgrounds：

Core Diversity Item / Name of Director	Basic information			Industry Experience/ Professional Skill							
	Gender	Age	Employee	Judgment of Operation	Analysis of accounting and finance	Business management	Crisis management	Industry Knowledge	Perspective of International Market	Leadership	Decision Making
Huei Ming Chien	Female	51~60	V	v	v	v	v	v	v	v	v

			(note)								
Duen-Chian Cheng	Male	61~70		v	v	v	v		v	v	v
Chih Cheng Chien	Male	71~80		v	v	v	v	v	v	v	v
Hsing Hsien Kung	Male	71~80		v	v	v	v	v	v	v	v
Ming Shi	Male	71~80		v	v	v	v	v	v	v	v
Chih Ping Kuo	Male	71~80	V (note)	v		v	v	v	v	v	v
Yung Sheng Liu	Male	71~80		v			v	v	v	v	v
Ruei Ming Jamp	Male	71~80		v	v	v	v		v	v	v
Yi Hua Chung	Male	61-70		v	v	v	v		v	v	v

Note：The CSO, Mr. Kuo, retired on 2022/8/31, and the chairman , was newly appointed as the chief strategy officer on 2023/3/16.

3.2.2.3 Independence of the Board of Directors:

There are nine directors, of which three are independent directors (33.33%). One independent director has served more than three consecutive terms, but continues to serve because of his ability to provide forward-looking guidance to the Company's industry and his familiarity with related corporate governance, which is beneficial to the Company.

There is no spouse or relative within the second degree among the directors and there is no Article 26-3, Paragraph 3 and Paragraph 4 of the Securities and Exchange Act).

The directors shall exercise with a high degree of self-discipline and shall not participate in the discussion of or vote on any resolution proposed by the board of directors if they have an interest in the resolution or the legal entity they represent, and shall recuse themselves from the discussion of or vote on the resolution if it is harmful to the interests of the Company.).

3.2.2 Information on the Company’s Directors, Supervisors, President, Vice President and Management ofall company’s divisions and branch units

2023/4/22：Unit：Share：%

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remark(s) (Note)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
President	R.O.C	Chun Lin Tseng (Note1)	Male	110/8/5	0	0	0	0	0	0	Master of Physics, National Tsing Hua University Optical Module VP, Taclink Optoelectronics Technology Co., Ltd	–	–	–	–	None
CSO	R.O.C	Huei Ming Chien (Note1)	Female	112/3/16	12,000	0.01	30,000	0.02	1,678,000	1.27	University of Central Oklahoma Master Chairman, Optoway Technology Inc Chairman, Luxnet corp.	–	–	–	–	None
Vice President	R.O.C	Ta Tsung Lin	Male	110/8/5	0	0	0	0	0	0	Master of Optoelectronic Engineering, National Chiao Tung University Associate Director of Product R&D Department, Zhengji Technology (shares).	–	–	–	–	None
CFO	R.O.C	Chien Chu Chih	Male	112/3/16	0	0	0	0	0	0	Master of Accounting, National Cheng Kung University CFO,MIKOBEAUTE INTERNATIONAL CO.,LTD	–	–	–	–	None

Note1：The Board of Directors of the Company approved the appointment of Chun Lin Tseng, Vice President, to act as President from March 18, 2022, and the Board of Directors of the Company approved the appointment of Huei Ming Chien, Chairman, to act as CSO from March 16, 2023.

Note2：Separation/retirement/dismissal：CSO Chih Ping Kuo (2022/9/1)、VP Ting An Dai (2023/3/3)、Finance assistant vice president Chih Chieh Kuo CHIEH KUO(2022/8/4).

3.3 Remuneration of Directors, President and Vice President within the most recent year

3.3.1 Remuneration paid to Directors and Independent Directors

Unit: NT$ thousands

Title	Name	Remuneration to Directors								The sum of A, B, C and D in proportion to Earnings After Tax (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Perceived from invested companies other than subsidiaries or the parent
		Remuneration(A) Pension(B)		Remuneration(A) Pension(B)		Remuneration(A) Pension(B)		Remuneration(A) Pension(B)				Salaries, bonus and special subsidies(E))		Pension(F)		Repay for employee(G)						
		The Company	All companies included into the financial	The Company	All companies included into the financial	The Company	All companies included into the financial	The Company	All companies included into the financial	The Company	All companies included into the financial	The Company	All companies included into the financial	The Company	All companies included into the financial	The Company: Cash divi-	The Company: Stock divi-	All companies included into the financial: Cash divi-	All companies included into the financial: Stock divi-	The Company	All companies included into the financial	
Chairman	Huei Ming Chien																					None
Vice Chairman	TriKnight Capital Corporation：Duen-Chian Cheng																					None
Director	Chih Cheng Chien	1,500	1,500	0	0	1,633	1,633	93	93	1.19	1.19	2,603	2,603	72	72	0	0	0	0	2.18	2.18	None
Director	Hsing Hsien Kung																					None
Director	YSI Investment Corporattion：Ming Shi																					None
Director	Chih Ping Kuo																					None
Independent	Yung Sheng Liu	1,800	1,800	0	0	700	700	552	552	1.13	1.13	0	0	0	0	0	0	0	0	1.13	1.13	None

Title	Name	Remuneration to Directors								The sum of A, B, C and D in proportion to Earnings After Tax (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Perceived from invested companies other than subsidiaries or the parent
		Remuneration(A) Pension(B)		Remuneration(A) Pension(B)		Remuneration(A) Pension(B)		Remuneration(A) Pension(B)				Salaries, bonus and special subsidies(E))		Pension(F)		Repay for employee(G)						
																The Company		All companies included into the financial				
		The Company	All companies included into the financial	The Company	All companies included into the financial	The Company	All companies included into the financial	The Company	All companies included into the financial	The Company	All companies included into the financial	The Company	All companies included into the financial	The Company	All companies included into the financial	Cash divi-	Stock divi-	Cash divi-	Stock divi-	The Company	All companies included into the financial	
Director																						
Independent Director	Ruei Ming Jamp																					None
Independent Director	Yi Hua Chung																					None

Note 1: The policy, system, standards and structure for the remuneration of independent directors, and the relevance to the amount of remuneration according to the responsibilities, risks and time commitment of the directors: According to the Company's Articles of Incorporation, the directors of the Company are entitled to receive recurring remuneration such as carriage and salary, regardless of operating profit or loss, and the amount is authorized to be determined by the Board of Directors based on their participation in the Company's operations and the value of their contributions, taking into account domestic and international industry standards. The Board of Directors is authorized to determine the amount of recurring compensation, regardless of operating profit or loss, based on the degree of participation and contribution to the Company's operations and taking into account domestic and international industry standards.

Note 2: Except for the disclosure of the above table,there were not the remuneration received by the directors of the Company for services rendered to all companies in the financial statements (such as serving as consultants to non-employees) in the most recent year: .

Range of Remuneration

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements (I)
Less than NT$ 1,000,000	TriKnight Capital Corporation：Duen-Chian Cheng	TriKnight Capital Corporation：Duen-Chian Cheng	TriKnight Capital Corporation：Duen-Chian Cheng	TriKnight Capital Corporation：Duen-Chian Cheng
	Chih Cheng Chien	Chih Cheng Chien	Chih Cheng Chien	Chih Cheng Chien
	Hsing Hsien Kung	Hsing Hsien Kung	Hsing Hsien Kung	Hsing Hsien Kung
	YSI Investment Corporattion：Ming Shi	YSI Investment Corporattion：Ming Shi	YSI Investment Corporattion：Ming Shi	YSI Investment Corporattion：Ming Shi
	Chih Ping Kuo	Chih Ping Kuo		
NT$1,000,000 ~ NT$1,999,999	Huei Ming Chien	Huei Ming Chien	Huei Ming Chien	Huei Ming Chien
	Yung Sheng Liu	Yung Sheng Liu	Yung Sheng Liu	Yung Sheng Liu
	Ruei Ming Jamp	Ruei Ming Jamp	Ruei Ming Jamp	Ruei Ming Jamp
	Yi Hua Chung	Yi Hua Chung	Yi Hua Chung	Yi Hua Chung
NT$2,000,000 ~ NT$3,499,999	0	0	Chih Ping Kuo	Chih Ping Kuo
NT$3,500,000 ~ NT$4,999,999	0	0	0	0
NT$5,000,000 ~ NT$9,999,999	0	0	0	0
NT$10,000,000 ~ NT$14,999,999	0	0	0	0
NT$15,000,000 ~ NT$29,999,999	0	0	0	0
NT$30,000,000 ~ NT$49,999,999	0	0	0	0
NT$50,000,000 ~ NT$99,999,999	0	0	0	0
Greater than or equal to NT$100,000,000	0	0	0	0
Total	9	9	9	9

3.3.2Remuneration of Supervisors：

Since the Company has established the Audit Committee in replacement of the supervisors, this is not applicable.

3.3.3 Remuneration of the President and Vice Presidents

Unit: NT$ thousands

Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Compensation (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Remuneration from ventures other than subsidiaries or from the parent company (Note)
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
President	Chun Lin Tseng	8,286	8,286	379	379	3,446	3,446	1,156	0	1,156	0	4.90	4.90	None
CSO	Chih Ping Kuo													
Vice President	Ta Tsung Lin													
Vice President	Ting An Dai													

Note 1：The Board of Directors of the Company approved the appointment of Chun Lin Tseng, Vice President on 3/18,2022.

Note 2：Separation/retirement/dismissal：CSO Chih Ping Kuo (2022/9/1)、VP Ting An Dai (2023/3/3).

Note 3: The Board of Directors approved the employee compensation of NT$5,831,760 for 2022, and the amount of employee compensation in this table represents the 2022 actual amount distributed

Range of Remuneration

Range of Remuneration	Name of President and Vice Presidents	
	The company	Companies in the consolidated financial statements (E)
Less than NT$ 1,000,000	-	-
NT$1,000,000 ~ NT$1,999,999	Ting An Dai	Ting An Dai
NT$2,000,000 ~ NT$3,499,999	Chih Ping Kuo Ta Tsung Lin	Chih Ping Kuo Ta Tsung Lin
NT$3,500,000 ~ NT$4,999,999	Chun Lin Tseng	Chun Lin Tseng
NT$5,000,000 ~ NT$9,999,999	-	-
NT$10,000,000 ~ NT$14,999,999	-	-
NT$15,000,000 ~ NT$29,999,999	-	-
NT$30,000,000 ~ NT$49,999,999	-	-
NT$50,000,000 ~ NT$99,999,999	-	-
Greater than or equal to NT$100,000,000	-	-
Total	4	4

3.3.4 The name of the manager who distributes the employee's remuneration and the distribution：

2022/12/31 Unit: NT$ thousands

	Title	Name	Employee Compensation - in Stock (Fair Market Value)	Employee Compensation - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	President	Chun Lin Tseng	0	1,156	1,156	0.43
	Vice President	Ta Tsung Lin				

Note 1：The Board of Directors of the Company approved the appointment of Chun Lin Tseng, Vice President.

Note 2：The following managers were dismissed: President, Mr. Ding-Hang Hu (2022/3/18); Chief Strategy Officer, Mr. Chi-Ping Kuo (2022/9/1); Assistant vice president Mr. Chi-Chieh Kuo (2022/8/15); Vice President, Mr. Ting-An Dai (2023/3/3); Senior Manager, Mr. Ya-Qin Chen, Head of Finance and Corporate Governance (2022/8/4~112/3/16); Senior Manager, Mr. Ya-Qin Chen, Head of Accounting (2022/8/4~2022/11/3); Head of Accounting Division, Ms. Fang-Yu Luo (2022/11/3~2023/3/16).

Note 3:The Board of Directors approved the employee compensation of NT$5,831,760 for 2022, and the amount of employee compensation in this table rep-resents the 2022 actual amount distributed

3.3.5 An analysis of the total compensation paid to the Company's directors, president and vice president as a percentage of net income after tax for the last two years of the Company's and all consolidated companies' financial statements, respectively, and a description of the policy, criteria and composition of compensation payments, the process for determining compensation, and the relationship to operating performance and future risks.

3.3.5.1 The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, president and vice presidents of the Company, to the net income.

Unit: NT$ thousands

Annual / Item	2022	2021
The Company-Profit after tax	270,795	(284,964)
The Company- Paid to Directors (%) (Note.1)	3.31	(3.94)
Companies in the Consolidated Financial Statements- Paid to Directors (%)(Note.1)	3.31	(3.94)
The Company- Paid to presidents and vice presidents (%)	4.90	(5.61)
Companies in the Consolidated Financial Statements- Paid to presidents and vice presidents (%)	4.90	(5.61)

Note 1: Including the remuneration of directors who were employees of the Company.

3.3.5.2 The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with risks and business performance.

(1) The remuneration of the Company's directors is based on the extent of their participation in the Company's operating policies and the Company's profitability. The remuneration of directors includes directors' compensation, directors' remuneration and business execution expenses (including carriage expenses). In accordance with Article 23 of the Company's Articles of Incorporation, the remuneration of directors and supervisors shall be no more than 5% of the Company's profit for the year. In addition, the performance evaluation of the Board of Directors is conducted regularly in accordance with the "Board of Directors' Performance Evaluation Regulations", and the results of the Board of Directors' performance evaluation will be used as a reference basis for setting their individual remuneration.

(2) The remuneration of the president, vice president and manager includes salary, bonus, and employee compensation; in addition, if the Company makes a profit in the current year, 5% to 15% of the profit shall be allocated as employee compensation in accordance with the Company's Articles of Incorporation. The remuneration policy for the General Manager and Vice President is based on the Company's "Regulations Governing the Salary and Compensation of Managers" and "Regulations Governing Performance Evaluation and Year-end Bonus", the salary level of the position in the industry, the scope of authority and responsibility of the position in the Company, and the degree of contribution to the Company's operational objectives. The reasonableness of the performance assessment and remuneration is reviewed by the Compensation Committee and the Board of Directors, and the remuneration system is reviewed from time to time in light of the actual operating conditions and relevant laws and regulations, in order to strike a balance between sustainable operation and risk control of the Company. (3) Relationship to operating performance and future risks: The Company's compensation policy is reviewed based on the Company's overall operating conditions and the criteria for payment based on performance achievement and contribution, in order to enhance the effectiveness of the Board of Directors and the managerial team as a whole. In addition, we make reference to industry salary standards to ensure that the Company's management salaries are competitive in the industry and to retain outstanding management personnel. The performance objectives of the Company's managers are integrated with "risk management" to ensure that possible

risks within the scope of responsibilities are managed and prevented, and the results of the actual performance evaluation are linked to the relevant human resources and related salary and compensation policies. The performance of the relevant decisions is reflected in the profitability of the Company, and the compensation of the operating level is related to the performance of risk management.

3.4 Implementation of Corporate Governance

3.4.1 Operations of the Board of Directors

The shareholders' meeting of the Company completed the re-election of the seventh term of directors on July 7, 2021 and took office on the same day for a term ending on July 6, 2024.

A total of 7(A) meetings of the Board of Directors were held in the previous year(2022). The attendance of director were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%)【B/A】	Remarks
Chairman	Huei Ming Chien	7	0	100	-
Vice Chairman	TriKnight Capital Corporation：Duen-Chian Cheng	6	1	85.71	-
Director	Chih Cheng Chien	6	0	100	-
Director	Hsing Hsien Kung	5	2	71.43	-
Director	YSI Investment Corporattion：Ming Shi	7	0	100	-
Director	Chih Ping Kuo	6	1	85.71	-
Independent Director	Yung Sheng Liu	7	0	100	-
Independent Director	Ruei Ming Jamp	7	0	100	-
Independent Director	Yi Hua Chung	7	0	100	-

The attendance of the independent directors at each board meeting for the most recent year (2022) is as follows：

Date	Yung Sheng Liu	Ruei Ming Jamp	Yi Hua Chung	Attendance in Person (B)
2022/1/13	v	v	v	3
2022/3/17	v	v	v	3
2022/5/4	v	v	v	3
2022/8/4	v	v	v	3
2022/10/11	v	v	v	3
2022/11/4	v	v	v	3
2022/12/15	v	v	v	3
Total	7	7	7	21
v： Attendance ◎： By Proxy —： Absence				

Other mentionable items：

1、Where the operation of a board meeting is subject to one of the following, the board meeting date, session, proposal content, opinion of all independent directors and Company's handling for the opinions of independent directors shall be described:：

(1) (1) Matters listed in Article 14-3 of the Securities and Exchange Act: The Company has established an Audit Committee, so it is not applicable. For related information, please refer to the operation of the Audit Committee of the Annual Report "Opinions or Resolutions of Independent Directors on Material Motions".

(2) Resolutions of the Board of Directors that were opposed or qualified by the independent directors and were recorded or stated in writing: None.

2、The execution of directors' recusal from stakeholder proposals：

Date	Proposal content	The measure for directors' withdrawal from conflict of interest
2022/3/17	Cases in which the related person provides technical services	The directors attending the meeting, Huei Ming Chien and Chih Cheng Chien, left the meeting after explaining the important content of their interests in this case and did not participate in the discussion and resolution, and Shi Ming, the representative of YSI Investment Corporattion Ming Shi, acted as the chairman.
	Chairman's remuneration case	The directors attending the meeting, Huei Ming Chien left the meeting after explaining the important content of their interests in this case and did not participate in the discussion and resolution, and Shi Ming, the representative of YSI Investment Corporattion Ming Shi, acted as the chairman.
2023/3/16	Chairman's remuneration case	The directors attending the meeting, Huei Ming Chien left the meeting after explaining the important content of their interests in this case and did not participate in the discussion and resolution, and Shi Ming, the representative of TriKnight Capital Corporation：Duen-Chian Cheng, acted as the chairman.
	The appointment and special awards of the chairman concurrently serving as the chief strategy officer	
	Lifting the restrictions on non-compete for managers	

3、 Implementation Status of Board Evaluations：

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation items
Once a year.	2022/1/1~2022/12/31	Board of Directors,	internal self-evaluation by the Board of Directors,	There are five major areas: participation in the company's operation, improvement of the quality of board decisions, board composition and structure, selection and continuing education of directors, and internal control.

Once a year.	2022/1/1~2022/12/31	Individual directors,	self-assessment by directors	There are six major areas: mastery of corporate goals and tasks, awareness of directors' responsibilities, participation in corporate operations, internal relations and communication, professional and continuing education of directors, and internal control.
Once a year.	2022/1/1~2022/12/31	Audit /c Salary and Remuneration Committee	internal self-evaluation by the Committee	There are five major aspects: participation in the company's operation, awareness of functional committee responsibilities, improvement of the quality of functional committee decisions, composition and selection of functional committee members, and internal control.

4、Evaluation of the current and most recent year's goals for enhancing the functions of the Board of Directors (e.g., establishing an audit committee, enhancing information transparency, etc.) and their implementation：

(1) The Audit Committee was established to strengthen the independent and objective functions of the professional directors and to supervise the operations of the Board of Directors. July 7, 2011, the shareholders' meeting held a re-election of directors, and the elected independent directors, Liu Yung-sheng, Cheng Shui-ming and Chung Yee-wah, were appointed as members of the 5th Audit Committee for the term ending July 6, 2024, to perform the duties of supervisors as required by the relevant laws and regulations. At least two of the independent directors have not served for more than nine consecutive years as of the date of printing of the annual report.

(2) The Company appointed new independent directors Liu Yung-sheng, Cheng Shui-ming and Chung Yee-wah as members of the Fifth Remuneration Committee upon the completion of the re-election of directors at the shareholders' meeting on July 7, 2021 to assist the Board in formulating and regularly reviewing the policies, systems, standards and structures of performance evaluation and remuneration of directors and managers and their remuneration.

(3) The number of attendance of board meetings for all directors in 2022 shall be 63, but the actual number of attendance was 59, representing an actual attendance rate of 93.65%.

(4) In order to continuously improve the transparency of information, the Company continuously updates the information on the Company's website and establishes an investor zone to provide financial and business information, as well as a stakeholder zone to provide stakeholders with access to and effective multi-way communication channels.

(5) The Company's Board of Directors meeting on May 6, 2021 approved the establishment of a corporate governance officer to assist directors in carrying out their duties and to enhance the effectiveness of the Board of Directors: The Company also established the "Standard Operating Procedures for Handling Directors' Requests" to handle directors' requests in a timely and effective manner in order to enhance the Company's support to directors and to strengthen compliance with corporate governance-related laws and regulations.

(6) In 2022, The number of hours of further education for each director in 2022 complied with the requirements of the "Key Points for Further Education for Directors and Supervisors of Listed Com-

panies".

(7) In 2022, the attendance rate of independent directors, Mr. Liu Yung-Sheng, Mr. Cheng Shui-Ming, and Mr. Chung Yee-Hwa, were 100%, which complied with the requirement that at least one independent director should attend each board meeting in person.

3.4.2 Audit Committee

The Audit Committee has been established since December 16, 2000, and is responsible for carrying out the duties and responsibilities of the supervisors as stipulated in the relevant laws and regulations. On July 7, 2021, the shareholders' meeting held a re-election of directors, and the elected independent directors, Liu Yung-sheng, Cheng Shui-ming and Chung Yee-wah, were elected as members of the 5th Audit Committee for a term ending on July 6, 2024.

The Audit Committee of the Company consists of three independent directors and operates primarily for the purpose of overseeing the following matters:

(1) The fair presentation of the Company's financial statements.

The selection, independence and performance of the certified public accountants.

3. The effective implementation of the Company's internal control.

4. The Company's compliance with relevant laws and regulations and the control of existing or potential risks of the Company.

A total of 5 (A) Audit Committee meetings were held in the previous period(2022). The attendance of the independent directors was as follows：

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Independent Director	Yung Sheng Liu	5	0	100	None
Independent Director	Ruei Ming Jamp	5	0	100	None
Independent Director	Yi Hua Chung	5	0	100	None

Other mentionable items:：

1、If the Audit Committee operates under any of the following circumstances, it shall state the date and period of the Audit Committee meeting, the content of the motion, the results of the Audit Committee's resolution, and the Company's handling of the Audit Committee's opinion:

(1) The matters listed in Article 14-5 of the Securities and Exchange Act: 2022 annual motions were passed by the Audit Committee without objection by all members present and then passed by the Board of Directors without objection by all directors present, and the Company carried out the motions as scheduled.

(2) Except for the matters listed above, other matters without approval of the Audit Committee were approved by two-thirds or more of all directors: None.

(2) In the case of recusal of the independent directors from the implementation of the interest motion, please state the name of the independent directors, the content of the motion, the reasons for the recusal and the participation in voting: None.

3. Communication between the independent directors and the internal audit supervisor and CPA (which shall include the significant matters, manner and results of communication regarding the Company's financial and business conditions):

(1) The internal audit supervisor sends monthly audit reports to the independent directors in accordance with the audit plan upon completion of the audit projects, and the audit committee and the board of directors conduct audit business reports, and has fully communicated with them regarding the execution and effectiveness of the audit activities and operating.

(2) The independent directors communicate and discuss the status of the Company's internal audit execution and internal control operation with the internal audit supervisor by email and telephone from time

to time, and the status of interaction and discussion topics for the 2022 are summarized below or please refer to the Corporate Social Responsibility section of the Company's website:

Date	Discuss communication issues	Independent director's opin-opin-ion/recommendation	Result
2022/1/13	Report the results of the execution of internal audit plan	Committee members has no additional comments for this meeting	Not applicable
2022/3/17	Report the results of the execution of internal audit plan		Not applicable
	The 2021 Internal Control Statement		After deliberation, it will be sent to the board of directors for resolution
2022/5/4	Report the results of the execution of internal audit plan		Not applicable
2022/8/4	Report the results of the execution of internal audit plan		Not applicable
2022/11/3	Report the results of the execution of internal audit plan		Not applicable
	Discuss the 2023 audit plan		After deliberation, it will be sent to the board of directors for resolution

(3) CPA attend a private communication seminar with the Audit Committee twice a year in person (by video) to explain the review or audit of financial reports to assist independent directors to directly understand the company's financial status, and report on important changes in laws and regulations and corporate governance norms, and fully communicate with independent directors and interact well. The 2022 interaction status and discussion topics are excerpted below, or please refer to the Corporate Social Responsibility section of the company's website：

Date	Discuss communication issues	Independent director's opinion/recommendation
2022/3/17	1. Explain the results of the 2022 financial report review and key audit matters.	Committee members has no additional comments for this meeting
	2. Updated Laws and Regulations: Matters to be recorded in the annual report, Matters to be recorded in the Shareholders' Meeting Handbook and Matters to be followed, Internal Control System Handling Guidelines and Q&A Collection, Methods for Acquiring or Disposing of Assets, etc	
2022/8/4	1. Explain the results of the review of financial reports for the second quarter of 2022.	
	2. Updated Explanation of the Act: Proposed amendments to the "Rules of Business for Board Meetings of Public Offering Companies", "Guidelines for the Handling of Issuers in Offering and Issuance of Marketable Securities", and new amendments to the Disclosure of Material Information, etc	

4、Summary of the Audit Committee's work priorities and operations in 2022：

The Audit Committee held a total of 5 meetings this year, and the key matters to be considered include:
(1) Review of annual and interim financial reports.
(2) Review the internal control system.
(3) Assessment of the effectiveness of the internal control system.
(4) Appointment and remuneration of certified public accountants.
(5) Appointment of the president, the accounting director, the financial director, the spokesperson and the corporate governance director.

Audit Committee of operation in 2022

Date	Agenda	Matters that were referred to in Article 14-5 of the Securities and Exchange Act.	Results of Audit Committee Resolutions and The Company's responses to the opinion of the Audit Committee
2022/1/13	Finalize the Company's 2022 budget	V	
	Amendments to the Approval Authority	V	Committee members has no additional comments for this meeting, submitted for Approval and carried out in accordance with the resolution of the Board of Directors.
2022/3/17	The Company's 2021 financial statements and business reports	V	
	The Company's 2021 Profit and Loss appropriation statement	V	
	The Company's 2021 Internal Control System Statement Case	V	
	Amendment to the Company's Articles of Association	V	
	Amend the Rules of Procedure of the Company's Shareholders' Meeting	V	
	Amend the Company's procedures for the acquisition or disposal of assets	V	
	Cases in which the related person provides technical services	V	
	Certified Public Accountant Independence and Suitability Assessment Case	V	
	The Company's 2022 Certified Public Accountant replacement, engagement and its remuneration	V	
2022/5/4	The Company's financial statements for the first quarter of 2022	V	
	Amend the Rules of Procedure of the Company's Shareholders' Meeting	V	
	Revision of the Company's internal control system	V	
	Cases in which the Company changes accounting firms and certified public accountants, appointments and remuneration	V	
2022/8/4	The Company's financial statements for the second quarter of 2022	V	
	The company's capital loan and Suzhou Toptrans Optoelectronics Co., Ltd. improvement plan	V	

	Amendments to the Company's "Rules of Conduct for Board Meetings"	V	
	Amendments to the Company's Organizational Rules of the Audit Committee	V	
	Movement of the Treasurer (who is also the Head of Accounting, Acting Spokesperson and Head of Corporate Governance).	V	
2022/11/4	The Company's financial statements for the third quarter of 2022	V	
	Approve 2023 internal audit plans	V	
	Amendments to the Company's internal operating procedures for material information processing	V	
	Accounting supervisor change case	V	

3.4.3 Corporate Governance Implementation Status and Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
1. Does the Company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"?	V		The company has formulated the "Code of Practice for Corporate Governance" in the 102nd year of the Republic of China, and in March 2023, in order to strengthen corporate governance, it revised this method again, and announced it to all employees to know and upload to the company's website. Company Website:www.luxnetcorp.com.tw	None
2. Shareholding structure & shareholders' rights (1)Does the Company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?	V		1. The company entrusts the agency department of China Trust Commercial Bank to handle shareholders' related affairs, and establishes a spokesperson system to deal with shareholders' related issues in accordance with regulations. The spokesperson will regularly report the shareholders' reactions and suggestions to the regular meetings of the Board. 2. In the investor section of the company's website, disclose the information of contact and consultation.	None
(2)Does the Company possess the list of its major shareholders as well as the ultimate owners of those shares	V		The company's responsible personnel for stock affairs regularly keep a list of the major shareholders who actually control the company and the ultimate controllers of the major shareholders.	None
(3)Does the Company establish and execute the risk management and firewall system within its conglomerate structure?	V		1. The company's internal control system has formulated "transaction management operations between related persons, group enterprises and specific persons" as the operation specifications for financial and business transactions with related enterprises, and "supervision and management operations for subsidiaries" to establish a complete risk control mechanism and firewall for transactions with related enterprises.	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
			2. At the same time, disclose the integrity management code and internal major information processing procedures in the corporate governance section of the company's website. Company website：www.luxnetcorp.com.tw	
(4)Does the Company establish internal rules against insiders trading with undisclosed information?	V		The Company has established "Internal Material Information Processing Operating Procedures" to facilitate the implementation of material information notification and disclosure, and prohibits the use of duties in the "Integrity Management Code" to obtain personal benefits.	None
3. Composition and Responsibilities of the Board of Directors (1)Does the Board develop and implement a diversified policy for the composition of its members?	V		1.In order to strengthen the functions of the Board of Directors, Article 20 of the Corporate Governance Code of Practice of the Company has formulated a diversified policy for the composition of the Board of Directors in terms of the needs of the Company's operation and operational development. 2.Members of the Board of Directors shall generally possess the knowledge, skills and qualities necessary for the performance of their duties. In order to achieve the desired objectives of corporate governance, the board of directors as a whole should have the following capabilities: (1) Operational judgment ability. (2) Accounting and financial analysis ability. (3) Management ability. (4) Crisis handling ability. (5) Industry knowledge. (6) International market view. (7) Leadership ability. (8) Decision-making ability. 3. The Company elected a total of 9 directors (including 3 independent	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			directors) at the 2021 ordinary meeting of shareholders (2021.7.7), of which 33.33% were independent directors, 11.11% were employee directors and 11.11% were female directors. A. Management Objectives: (1) The Board of Directors shall include at least 1 female director. (2) The number of directors who are also managers of the company shall not exceed one-third of the number of directors. (3) No more than 2 directors have a spouse or second relative relationship. B. Achievement of Objectives: (1) The Board of Directors includes 1 female director. (2) One director of the Company concurrently serves as the manager of the Company. (3) There is no kinship between the directors such as spouse or second relatives.	
(2)Does the Company voluntarily establish otherfunctional committees in addition to theRemuneration Committee and the Audit Committee?	V		On May 6, 2021, in order to implement social responsibility and strive for sustainable development, the Company added the Social and Sustainable Development Responsibility Committee under the Board of Directors, and in response to the international trend and strengthen the promotion of sustainable development, the Social and Sustainable Development Responsibility Committee of the Company was renamed as the Sustainable Development Committee on November 4, 2022.	None
(3)Does the Company establish a standard to measure the performance of the Board, and implement it annually?	V		1. In 2013, the Company formulated the "Performance Evaluation Measures for the Board of Directors", and in order to strengthen corporate governance, the Company revised the measures on November 5, 2020. At least once a year, at the end of each year, fill in questionnaires through self-assessment and mutual evaluation of directors to evaluate the performance of the Board, individual Board members and functional committees (including the Audit Committee and the Remuneration Committee), and the results of the evaluation will be reported to the	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
			Board and used as a reference for the selection of nominee directors and recommendations for improving the operational effectiveness of the Board and functional committees. 2. 2022 Performance Evaluation Results: The measurement items of the Board of Directors Performance Evaluation include the following five aspects and 12 indicator evaluations, and nine directors participated in the evaluation, obtaining 98 "good" and 10 "fair". 1. Degree of participation in the company's operations. 2. Improve the decision-making quality of the board of directors. 3. Composition and Structure of the Board of Directors. 4. Election and continuing training of directors.5. Internal Control. The measurement items of the (self) performance evaluation of board members include the following six aspects and eleven indicator evaluations, and nine directors participated in the evaluation and obtained 90 "good" and 9 "fair". First, the company's goals and tasks mastery. 2. Awareness of Directors' Responsibilities. 3. Degree of participation in the company's operations. 4. Internal relationship management and communication. 5. Professional and continuing education of directors. 6. Internal Control. The performance evaluation of the Audit Committee and the Remuneration Committee includes the following five aspects and nine indicators, and three independent directors participated in the evaluation, all of which received 27 "Good". 1. Degree of participation in the company's operations. 2. Recognition of the responsibilities of the functional committee. 3. Improve the quality of decision-making by functional committees. 4. Composition and Selection of Members of the Functional	

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			Committee. 5. Internal Control. The evaluation project includes five aspects: participation in the company's operation, improvement of the decision-making quality of the board of directors, composition and structure of the board of directors, selection and continuous training of directors, and internal control. The results of the Company's performance evaluation for 2022 were reported to the Board of Directors on March 16, 2023.	
(4)Does the Company regularly evaluate the independence of Certified Public Accountants (CPAs)?	V		1. The company regularly evaluates (once a year) the independence and suitability of certified public accountants, and the evaluation of the independence and suitability of certified public accountants, and submits the results to the audit committee and the board of directors on March 16, 112 for approval and obtains a statement of certification of the certified public accountant's audit quality index (AQI) assessment of independence and suitability. 2. This evaluation item includes that the certified public accountant has no direct or indirect material financial interests with the company or its affiliates, the certified public accountant has no material and close business relationship with the company or its affiliates, the certified public accountant has no potential employment relationship with the company or its affiliates, the certified public accountant does not hold the shares of the company or its affiliates, the certified public accountant has not accepted gifts or gifts of significant value from the company and its directors, supervisors and managers, and has provided audit services for many consecutive years. Audit service quality and other 13 indicators.	None
4. Does the listed company appoint a unit or personnel to be responsible for affairs related	V		On March 16, 2023, the Board of Directors of the Company approved Wang Yayu, the Chief Commissioner of the Finance and Accounting De-	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
to governance (including but not limited to providing information for business of Directors, handling affairs for Board of Directors Meeting and Shareholders’ Meeting in accordance with lawful regulations, registering and altering the Company’s information, making minutes for Board of Directors Meetings and Shareholders’ Meetings, etc.)?			partment, as the head of corporate governance, who has more than three years of experience in the management of legal, regulatory compliance, internal audit, finance, stock affairs or corporate governance related affairs units in publicly offered companies. The main duties of the head of corporate governance are to handle matters related to the meetings of the board of directors and shareholders' meetings in accordance with the law, prepare the minutes of the board of directors and shareholders' meetings, assist directors and supervisors in taking up their posts and continuing training, provide directors and supervisors with information necessary for the execution of business, assist directors and supervisors in complying with laws and regulations, etc., so as to protect the rights and interests of shareholders and strengthen the functions of the board of directors.	
5. Does the Company establish a communication channel with its stakeholders (including but not limited to shareholders, employees, clients, and suppliers) and build a designated section on its website for stakeholders, as well as handle all issues they care for in terms of corporate social responsibilities?	V		The Company has set up a "Stakeholder Contact Desk" under "Corporate Social Responsibility" to serve any questions or suggestions of the Company that stakeholders are concerned about, and reply to each business leader to maintain a good communication channel.	None
6. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The company's stock agency business is handled by the agency department of China Trust Commercial Bank.	None
7. Information disclosure (1)Does the Company have a corporate websiteto disclose both financial standings and the status of corporate governance?	V		The Company has set up a corporate website to disclose information related to financial operations and corporate governance. Company website：http://www.luxnetcorp.com.tw..	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
(2)Does the Company have other information disclosure channels (e.g., building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcastinginvestor conferences)?	V		The company's website is set up in Chinese and English to disclose financial, business, corporate governance, corporate social responsibility and other information. Each functional unit is responsible for collecting and disclosing all information, and disclosing communication channels such as spokespersons, acting spokespersons and other stakeholders.	None
(3)Does the Company complete and publicize the annual financial statement within 2 months after the fiscal year ends, then publicize and register the financial statements of the first, second, and third quarters as well as the operation report of each month?	V		The company's annual financial report and the first, second and third quarter financial reports and the operation of each month are announced and reported well in advance of the prescribed deadline.	None
8. Is there any other information to facilitate a better understanding of the Company's corporate governance practices (e.g., including but not limited to employee rights employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)	V		1. The company's website has set up "corporate governance" and "corporate social responsibility" special areas to disclose the company's corporate governance related systems and policies, corporate governance operations, internal audit organization and operations, as well as employee welfare, environmental care, social care and environmental protection information. 2. In accordance with the provisions of Article 3, Item 2 of the Implementation Points for the Training of Directors and Supervisors of Listed Listed Companies, the Company will arrange at least 12 hours of refresher training courses for new directors in the year of taking office, and at least 6 hours per year from the following year, and all directors have reached the required training hours in 2022. 3. The company has been insured for directors and supervisors liability insurance since July 1, 99, and has not interrupted the insurance as of the annual report date.	None
9. Please offer illustrations improvement on the	V		Companies with a corporate governance evaluation result of 6%~20% of	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
aspects pointed out by the evaluation of governance by Taiwan Stock Exchange TWSE and explanation for matters and measures as prioritized items to improve.			the company's eighth (2021) corporate governance evaluation will adjust and improve the parts of the newly released revised indicators that can still be scored, and the priority matters for strengthening in 2022 are as follows: 1. Strengthen the disclosure of English information. 2. Interim financial report in English within two months after the filing deadline of the Chinese version of the interim financial report. 3. The Board of Directors shall appoint at least one female Board member.	

3.4.4 The composition and operation of the Remuneration Committee：

3.4.4.1 Information Regarding Remuneration Committee members

Criteria / Name	Professional qualifications and experience	Status of independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member
Independent Director (Convener) Ruei Ming Jamp	Please refer to pages 16 and 19 of this annual report for information on directors and independent directors.	Please refer to pages 16 and 19 of this annual report for information on directors and independent directors.	None
Independent Director Yung Sheng Liu			1
Independent Director Yi Hua Chung			None

3.4.4.2 Responsibilities of the Remuneration Committee

The Committee shall, with the attention of a good administrator, faithfully perform the following functions and powers and submit its recommendations to the Board for discussion. The Committee's powers are set out as follows:

(1) To formulate and periodically review policies, systems, standards and structures for performance appraisal and remuneration of directors and managers.

(2) Regularly evaluate and determine the remuneration of directors and managers.

3.4.4.3 Information on the functioning of the Remuneration Committee

(1) The Company has 3 members of the Remuneration Committee. The remuneration committee of the Company is composed of independent directors, and the Committee operates for the purpose of strengthening corporate governance and risk management, and evaluates and supervises the remuneration system of the Company's directors and managers with the consideration of motivating and retaining talents.

(2) Term of office of the current Member：2021/7/7~2024/7/6

A total of 3 meetings were held in 2022. The attendance record of the Remuneration Committee members was as follows：

Title	Name	Attendance inperson	By proxy	Attendance Rate (%)	Notes
Independent Director	Yung Sheng Liu	3	0	100	None
Independent Director	Ruei Ming Jamp	3	0	100	None
Independent Director	Yi Hua Chung	3	0	100	None

In fiscal 2022, the Salary and Remuneration Committee held three meetings, and the annual operation situation is as follows：

Date	Content of the motion and follow-upmeasures	Resolution	The Company's responses to theopinion of remuneration committee
2022/3/17	The 2022 Manager Performance Appraisal Form was finalized	The proposals were unanimously adopted by allcommittee members.	The proposal was unanimously adopted by all attendees at theBoard of Directors meeting.
	Chairman's remuneration case		
	Amendments to the Measures for the Administration of Directors' Remuneration		
2022/5/4	2022 Manager Performance Appraisal Form Finalized		
2022/12/15	No discussion item		

Other matters that should be recorded:

1. If the Board of Directors does not adopt or amend the recommendations of the Remuneration Committee, it shall specify the date, period, content of the proposal, the resolution of the Board of Directors and the Company's handling of the opinions of the Remuneration Committee (if the remuneration is better than the recommendation of the Remuneration Committee, the discrepancy and the reasons shall be stated): None.
2. If a member has an objection or reservation and has a record or written statement, the date, period, content of the motion, all members' opinions and the handling of members' opinions should be stated in the Remuneration Committee: None.

3.4.5 F.Implemented sustainable development promotion and the deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and causes thereof：

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best- Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
1. Does the Company establish a governance structure to promote sustainable development, and set up a designated full-time (or part-time) unit to promote Sustainable Development, and the Board of Directors authorizes senior management to handle this and the Board of Directors supervises the situation?	V		On 6 May 2021, the Board of Directors of Luxnet established the Committee on Social and Sustainable Development Responsibility, in order to respond to the international trend and strengthen the promotion of sustainable development, on November 3, 2022, the Board approved the "Code of Practice for Sustainable Development" and changed the name of the "Committee for Social and Sustainable Development" of the Company to "Committee for Sustainable Development" and amended the organizational rules of the Committee to follow. The Committee is under the Board of Directors, formulates relevant policies and objectives in accordance with the organizational regulations, holds 2 meetings in 2022, and reports on the operation of the Committee in 2022 to the Board on March 16, 2023. The Committee is composed of three independent directors and a management representative, and under the supervision of the Committee, it ensures the implementation of the social responsibility mission and strives towards the ultimate goal of sustainable development. The Committee is convened by Lau Yung-sheng Lau, an independent director who has expertise in business management and corporate governance, which meets the professional capabilities required by the Committee.	None
2. Does the Company follow the principle of materiality, conduct risk assessments on environmental, social and corpo-	V		The Company has established a "Sustainable Development Committee" to promote corporate social responsibility, conduct risk assessments on	None

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Social Responsibility Best- Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>rate governance issues related to company operations, and formulate relevant risk management policies or strategies?</td><td></td><td></td><td>environmental, social or corporate governance issues related to the company's operations in accordance with the materiality principle, and formulate risk management policies.
<table>
<tr><th>Major issue</th><th>Risk evaluationitem</th><th>Illustration</th></tr>
<tr><td>Environmental</td><td>Environmental impact and management</td><td>Formulate energy conservation and carbon reduction control plans and implementation plans every year, and regularly review and track the progress of various targets. Environmental protection targets are set annually and progress is reviewed and tracked at quarterly meetings.</td></tr>
<tr><td>Social</td><td>Safe and healthy workplace</td><td>Committed to ensuring compliance with environmental protection, safety and health related laws and regulations and customer requirements. (1) Establish first-aid personnel labels, and strengthen advocacy to reduce the impact of hazards. (2) Conduct night fire drills, expand the target and occurrence time of the exercise, and reduce the impact of the occurrence of hazards. (3) Strengthen chemical use and safety training to enhance employees' awareness and vig-</td></tr>
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<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Social Responsibility Best- Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td><table>
<tr><td></td><td></td><td>ilance of work safety (4) If there is a need to wear personal protective equipment in the workplace, regularly teach the correct way to wear it to protect workers.</td></tr>
<tr><td>Company governance</td><td>Compliance with laws and regulations</td><td>Through the implementation of internal control mechanisms and the establishment of governance organizations, we ensure that all operations of the Company comply with relevant laws and regulations.</td></tr>
</table></td><td></td></tr>
<tr><td>3. Environmental Issues
(1) Has the Company established an appropriate environmental management system based on its industry characteristics?</td><td>V</td><td></td><td>Obtain ISO 14001 environmental management certification with a validity period covering 2021 and disclose its validity date.
Unit：United Registrar of Systems Taiwan Ltd
Valid period：2023/4/14~2026/4/13
Certification Date：2011/4/14
Certification No.：05884/B/0001/UK/En</td><td>None</td></tr>
<tr><td>(2) Has the Company committed itself to improving energy efficiency and to using recycled materials with low impact on the environment?</td><td>V</td><td></td><td>The company actively strengthens the resource recycling and recycling of waste organic solvent resources with manufacturers to reduce the environmental impact caused by waste. The company introduced an electronic online sign-off paperless system to reduce paper consumption, and the lunch boxes in the factory were sorted so that resources could be effectively recycled.</td><td>None</td></tr>
<tr><td>(3) Does the Company assess the potential risks and opportuni-</td><td>V</td><td></td><td>According to ISO14001 system, evaluate the potential risks and oppor-</td><td>None</td></tr>
</table>

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Social Responsibility Best- Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>ties of climate change for the Company nowand in the future, and has it taken relevant countermeasures?</td><td></td><td></td><td>tunities of climate change to enterprises now and in the future, evaluate the replacement of energy-consuming equipment to reduce energy resource consumption, and evaluate the impact of climate change in the green power construction plan.</td><td></td></tr>
<tr><td>(4) Does the Company count greenhouse gas emissions, water consumption and the volume of total waste in the past two years, and formulate policies for greenhouse gas reduction, water reduction, or other waste management?</td><td>V</td><td></td><td>Since 2014, the Company has conducted a voluntary inventory in accordance with the National Greenhouse Gas Inventory Method of the Environmental Protection Department of the Executive Yuan.
1. The total annual greenhouse gas equivalent emissions of the Company are approximately 4,536 metric tons CO2 and 4,201 metric tons of CO2 in 2021 and 2022, respectively, as described below:
<table>
<tr><th colspan="2"></th><th colspan="2">2021</th><th colspan="2">2022</th></tr>
<tr><th>Scope</th><th>Source</th><th>The emission per unit product (kgCO2e/cm2)</th><th>(%)</th><th>The emission per unit product (kgCO2e/cm2)</th><th>(%)</th></tr>
<tr><td>Scope1</td><td>Fixed: Emergency generator
Moving：Official Car
vaporization ：extinguishing and protection</td><td>8</td><td>0.2</td><td>8</td><td>0. 2</td></tr>
</table></td><td>None</td></tr>
</table>

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best- Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			(see below)	

	Manufacturing process：Evaporation				
Scope2	Purchased Power	4,528	99.8	4,193	99.8
Total		4,536	100	4,201	100

2. The Company's water consumption in the past two years：

Unit：Tons

Item	2021	2022
Tap water consumption	43,266	34,997

3. The total weight of waste used by the company in the past two years：

Unit：Tons

Item	2021	2022
Hazardous business waste	14.00	8.24
General business waste	23.24	12.54

4. Our company has set the following energy-saving targets:
(1) Continue to promote the reuse of waste in the plant, and the target for 2023~2025 is more than 2000 kg. (2) Reduce the waste of packag-

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best- Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			ing materials, and continue to reuse packaging materials to more than 200 kg. (3) The recovery of organic solvents is more than 2000 kg. (4) Continue to conduct independent greenhouse gas inventory and establish an in-plant baseline to facilitate subsequent reduction management. Long term view 2030：10% reduction in greenhouse gas emissions compared to 2021	
4. Social Issues (1)Has the Company established related policies and procedures in accordance with applicable legal rules and the International Convention on Human Rights?	V		With reference to international human rights conventions, the Code of Conduct of Responsible Business Alliance and local regulations, the Company has formulated the "Code of Social and Sustainable Development Responsibility" as the company's management guidelines.	None
(2)Does the Company establish and implement reasonable employee compensation policies (including the remuneration, leave policies, and other welfares) and offer incentives according to operational performance or outcome?	V		According to the company's articles of association, if the company makes a profit, after retaining to make up for the loss, 5%~15% of the surplus is allocated to employees, and is issued according to the individual performance of employees.	None
(3)Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	V		The company takes the protection of the life safety of all employees as the highest management principle, establishes and maintains a safe, comfortable, healthy and hygienic working environment, and achieves the goal of "zero accident in industrial safety" through effective management. 1.EHS： (1) Certified Environmental Management System (ISO14001) and Occupational Health and Safety Management System	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best- Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			(ISO45001). (2) Establish an occupational safety office, prepare occupational safety and health management personnel, and regularly convene occupational safety and health committees to discuss safety and health related issues. (3) Formulate working rules and stipulate safety and health management matters. (4) Implement operating environment monitoring to ensure that the monitoring values can meet the statutory standards and protect the health of colleagues. (5) Establish an incident investigation, analysis and improvement system to avoid the recurrence of similar incidents to ensure the safety of personnel. (6) Establish a protective equipment management mechanism, provide appropriate protective equipment, and conduct personal respiratory protective equipment fit test every year to maintain operational safety. (7) Entrust qualified removal and treatment manufacturers to clean up business waste, and promote the reduction of circular economy, so that the input of resources, waste and emission can achieve the goal of reduction.2.門禁 Safety and environmental hygiene: (1) Equipped with access control card and image monitoring system, equipped with security personnel to maintain the safety of the factory 24 hours a day. (2) Ensure that the environment is neat, clean, sufficient lighting, good ventilation, and provide a good working environment for personnel. (3) Monthly maintenance and maintenance of water dispenser equipment. 3. Maintenance and inspection of various equipment: (1) Implement fire inspection every year and public safety inspection of build-	

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best- Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			ings every two years according to law. (2) Formulate an automatic inspection plan and implement regular inspections of machinery and equipment according to its regulations. (3) Arrange regular patrol inspection to ensure equipment safety. 4. Emergency response and education and training: (1) Formulate emergency response procedures and plant-wide emergency response marshalling. (2) Fire and emergency response drills are carried out in May and November every year. (3) Handle more than 4 echelons of safety, health and health hazard prevention education and training every year. 5. On-site health services: (1) The company sets up medical staff according to law to provide personalized health care and tracking of colleagues. (2) Handle physical examination for new employees in accordance with the law, special operation health examination every year and regular health examination every 2 years, and hold cancer screening activities with regular health examination. (3) Establish and implement a hierarchical health management system. (4) Formulate management plans for maternal health protection, prevention of diseases caused by abnormal workloads, prevention of human-caused hazards, and prevention of illegal infringement in the performance of duties. (5) Design health promotion lectures with multiple themes. (6) Monthly occupational medicine physician temporary health service. (7) Handle more than 2 health lectures every year to advocate.	

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best- Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
(4)Has the Company provided effective training in career planning for employees?	V		The company formulates learning blueprints, sets training plans according to different positions, formulates training plans according to the training needs of various departments every year, and provides employees with perfect cultivation and development; The company also encourages internal job rotation, employees can put forward the expectations of future development with the head of the unit, the company tries its best to assist its development, implement the corporate philosophy of suitable talents, see page 93 for details of the 2022 education and training performance.	None
(5)Has the Company provided effective training in career planning for employees?	V		The company strictly follows the confidentiality commitment with customers to ensure customer privacy; At the product development stage, the environmental protection of parts is confirmed, such as RoHS/REACH/PFOS/PFOA) and conflict-free minerals and other regulations and international standards, clearly label product information according to regulations, and adhere to the environmental protection concept of not excessive packaging. The company provides customer (consumer) complaint channels and conducts customer satisfaction surveys every year to protect the rights and interests of customers (consumers).	None
(6)Has the Company formulated supplier management policies, where suppliers are required to follow relevant regulations on issues such as environmental protection, occupational safety and health or labor and their implementation?	V		The company has formulated the "Supplier Code of Conduct" as a management policy for suppliers, which is disclosed on the company's official website, and will conduct supplier evaluations before formal cooperation with suppliers to ensure that suppliers comply with laws and regulations in terms of environmental protection, occupational	None

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Social Responsibility Best- Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>safety and health, and labor and human rights.2022Completed RBA audits for suppliers and outsourcers.</td><td></td></tr>
<tr><td>5. Does the Company refer to the internationally-prepared reporting standards or guidelines, preparation of sustainability reports and other reports that disclose the Company's non-financial information? Is the above-mentioned report assured or certified by a third-party inspector?</td><td>V</td><td></td><td>With reference to the guidelines and guidelines of the fourth edition of the Sustainability Reporting Guidelines (GRI G4) issued by the Global Sustainable Reporting Initiative, the 2021 CSR Report published in 2022 is prepared in accordance with the latest GRI standards, disclosing the results of promoting corporate social responsibility every year, and gradually working towards third-party verification in the future.</td><td>None</td></tr>
<tr><td colspan="5">6. If the Company has its own sustainable development code in accordance with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe the differences between its operation and the principles:
The Company has established its Sustainable Development Best Practice Principles and is fully aware that a business plays the part of a social citizen and has its own social responsibilities that must be fulfilled. Therefore, related issues of corporate sustainability have been long given substantial consideration, no matter whether in the design of the Company's systems or in the orientation of its operational strategies. For example, there are active and concrete implementation efforts being made for all aspects of carrying out and promoting corporate governance, developing a sustainable environment, maintaining social welfare, and disclosing corporate sustainability. Furthermore, it takes a positive view of human nature as its starting point along with subtle methods of promotion. With the goal of integrating corporate culture, the entire Company's corporate social responsibility operations are handled in accordance with the relevant principles of the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and there are no major differences.</td></tr>
<tr><td colspan="5">7. Other important information helpful to understand the implementation of the promotion of sustainable development:：
1. ESG Committee Operations
A total of 2 meetings were held in 2022 and reported to the Board on March 16, 2023
<table><tr><th>Name</th><th>Title</th><th>Major specialist</th><th>Attendance in person</th></tr><tr><td>Independent Director Yung Sheng Liu</td><td>Chairman</td><td>Corporate Governance</td><td>2</td></tr></table></td></tr>
</table>

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best- Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	

Independent Director Ruei Ming Jamp	committee member	Venture Capital	2
Independent Director Yi Hua Chung	committee member	Operation Management	2

2. For other details, please refer to the Corporate Social Responsibility Zone on the company's official website (http://www.luxnetcorp.com.tw/resource_support.php).

3.4.6 G.Ethical Corporate Management Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons：

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
1. Establishment of ethical corporate management policies and programs (1)Does the Company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?	V		(1) The Company has formulated the "Code of Ethical Management" approved by the Board of Directors as the policy and practice of Integrity Management. In order to ensure that directors, managers and employees are aware of and follow, we regularly conduct advocacy every year and incorporate it into the internal control system. For disclosures on the Public Information Observatory and the Company's website, please refer to the "Corporate Social Responsibility" section of the Company's website, URL:http://www.luxnetcorp.com.tw.	None
(2)Does the Company establish appropriate system to analyze risks of unethical conducts, periodically analyze and evaluate business activities with high potential for unethical conducts and establish prevent measures accordingly, or listed activities stated	V		(2) The company has established an assessment mechanism for the risk of dishonest behavior, conducts and analyzes it in the fourth quarter of each year, and formulates a plan to prevent dishonest behavior based on the results.	None

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
in Article 7, Paragraph 2 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies? (3)Does the Company establish and implement the operational procedures, conduct guidelines, penalty for violation of rules, and complaint mechanism to prevent unethical behaviors and regularly review and amend the existing practice?	V		(3) In order to prevent dishonest behavior, the company has formulated relevant operating procedures, behavior guidelines, violation punishment and appeal systems, and regularly reviewed them.	None
2. Fulfill operations integrity policy (1)Does the Company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	V V		(1) Article 17 of the Company's Integrity Code of Conduct clearly stipulates that before doing business, the legality of suppliers, customers or other business transaction partners should be considered and whether there is a record of dishonest behavior, and transactions with those with a record of dishonest conduct should be avoided. If a contract is signed with another person, the content should include the clause that the business integrity policy is observed and that the counterparty may terminate or terminate the contract at any time if the	None None

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			counterparty is involved in dishonest behavior.	
(2)Does the Company establish an exclusively dedicated unit supervised by the Board to be in charge of corporate integrity, and periodically (at least once a year) report to the Board about its integral policy for management, the policy to prevent unethical conducts, and how the implementation is being supervised?	V		(2) The Company is promoted by the Sustainable Development Committee and the operation and implementation of the Committee in 2021was reported to the Board on 16 March 2023.	None
(3)Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		(3) Article 17 of the version of the company's integrity management code has clearly regulated the requirements for preventing conflicts of interest and avoiding avoidance. When a director or manager encounters a conflict of interest during the board of directors or remuneration committee, he or she recuses himself or herself from the table and does not participate in the discussion and voting.	
(4)Has the Company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or	V		(4) The company has established an effective accounting system, internal control system and related management measures for the implementation of	None

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
CPAs on a regular basis?			honest operation. Internal audit prepares and audits audit plans according to the results of risk assessment, and entrusts accountants to review financial reports and confirm the effectiveness of the internal control system every year.	None
(5)Does the Company regularly hold internal and external educational trainings on operational integrity?	V		(5) The company regularly holds courses related to integrity management every year, and arranges directors, managers and employees to conduct training. 2022 years of insider trading and personal privacy protection education and training.	None
3. Operation of the integrity channel (1)Does the Company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	V		(1) The company has formulated the "Whistleblowing and Appeal Management Measures", which are publicly disclosed on the company's official website and announced to all employees, which specify the reporting channels and incentive measures, and assign appropriate personnel for the acceptance of the reported object.	None

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
(2)Does the Company establish standard operating procedures for confidential reporting on investigating accusation cases? (3)Does the Company provide proper whistleblower protection?	V V		(2) The Company's "Measures for the Administration of Whistleblowing and Appeals" stipulates the principles of standard operating procedures for investigation of whistleblowing matters, follow-up measures for the completion of investigations, and confidentiality of whistleblowers and information. (3) The company has formulated the "Whistleblowing and Appeal Management Measures", providing anonymous reporting measures, not disclosing the complainant's information during processing, and protecting the whistleblower from any form of retaliation or treatment.	None None
4. Strengthening information disclosure Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company’s website and MOPS?	V		The company has established a code of ethical management and discloses the operation in the public information observatory, the company's website and annual reports. Please refer to the "Corporate Social Responsibility" and "Investor Information" sections of our website. Website:http://www.luxnetcorp.com.tw.	None

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
5.If the Company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation.： (1) The Company formulated/revised the internal integrity management code in accordance with the "Code of Integrity Management for Listed OTC Companies" of the FSC, and discussed and approved by the Board of Directors. (2) The company's 2022 years in integrity management operation and system are not materially different.				
6. Other important information which helps to understand the implementation of the Company’s ethical management: (E.g., the Review and amendment of the Company’s Ethical Management Best Practice Principles): (1) The Company has formulated the "Code of Integrity Management" and the "Integrity Management Operating Procedures and Conduct Guidelines" for all colleagues, managers, directors and other stakeholders of the Company and its subsidiaries to pay attention to and follow when performing business; The document is published on the Public Information Observatory and the company's website - "Corporate Social Responsibility" section. URL：http://www.luxnetcorp.com.tw/resource_support.php (2) In order to ensure the implementation of honest management and actively prevent dishonest behavior, the company revised the "Whistleblowing and Appeal Management Measures" on2020/7/17 to strengthen the prevention of dishonest behavior.				

3.4.7 Access to the Company’s Governance Guidelines and relevant regulations:：

Adhering to the spirit of the Code of Practice on Governance of Listed OTC Companies, the Company has renewed (amended) relevant rules and regulations such as the Code of Practice on Corporate Governance, the Organizational Rules of the Audit Committee, the Organizational Rules of the Remuneration Committee, the Organizational Rules of the Sustainable Development Committee, the Rules of Procedure of the Shareholders' Meeting, the Rules of Procedure of the Board of Directors, the Code of Ethical Conduct, the Code of Integrity Management, the Operating Procedures for Internal Material Information Processing, and the Whistleblowing System, with a view to implementing corporate governance; For the above terms and conditions, please refer to the Corporate Social Responsibility section of the Company's website(www.luxnetcorp.com.tw).

3.4.8 Other important information about the corporate governance of the Company：

3.4.8.1 The Code of Corporate Governance Practices adopted by the Board of Directors of the Company implements the principles：

(1) Timely disclosure of important information to ensure that shareholders enjoy the right to fully know, participate and decide on major matters of the company.

(2) The benign interaction and checks and balances between the board of directors and the management team.

(3) Maintain a certain proportion of independent director seats.

(4) Establish an audit committee to ensure the independence and fairness of accountants.

(5) Establish a remuneration committee to strengthen corporate governance and improve the remuneration system for directors and managers of the company.

(6) Vote on the resolutions of the shareholders' meeting on a case-by-case basis to implement the exercise of shareholders' rights.

(7) Follow the code of ethical conduct, uphold the principle of integrity management and implement the internal audit mechanism.

3.4.8.2 The Company regularly arranges refresher courses for directors, independent directors and managers：

(1) Training of directors and independent directors：

In response to the continuous updating of domestic laws, regulations, corporate governance and corporate social responsibility, the Company not only organizes its own executive training courses, but also provides diversified courses or seminars organized by external organizations from time to time to improve the professional training of directors.

A.2022

Title	Name	Date	Organizer of the course	Course Title	Hours
Chairman	Huei Ming Chien	2022/11/3	The company commissions other units for training	Insider Trading Law Primary School	0.5
		2022/10/11	Taipei Exchange	2022 OTC - Independent Directors and Audit Committees Exercise of Powers Reference Guidelines Issued and Directors and Supervisors Advocacy Meeting	3.0
		2022/4/22	Taiwan Institute for Sustainable Energy	Taixin 30th Sustainable Net Zero Summit Forum - Serious Net Zero Achievement Sustainability 2030	3.0
Vice Chairman	TriKnight Capital Corporation：Duen-Chian Cheng	2022/11/3	The company commissions other units for	Insider Trading Law Primary School	0.5

			training		
		2022/7/14	Securities & Futures Institute	Risks and opportunities for business operations from climate change and net-zero policies	3.0
		2022/5/6	Taiwan Institute of Directors	The response of the board of directors of the Sino-US convergence of the great future	3.0
		2022/4/27	Taiwan Corporate Governance Association	Analyze ransomware threats and construct information security strategies for listed companies	3.0
Director	Chih Cheng Chien	2022/11/3	The company commissions other units for training	Insider Trading Law Primary School	0.5
		2022/10/18	Securities & Futures Institute	M&A Practice Sharing - Centered on hostile M&A	3.0
		2022/4/22	Taiwan Institute for Sustainable Energy	Taixin 30th Sustainable Net Zero Summit Forum - Serious Net Zero Achievement Sustainability 2030	3.0
Director	Hsing Hsien Kung	2022/9/30	Taiwan Corporate Governance Association	Variables of international order and corporate governance	3.0
		2022/9/23	Taiwan Corporate Governance Association	Virtual World Explosion: The Future Development of the Metaverse and Cryptocurrency Blockchain	3.0
Director	YSI Investment Corporation：Ming Shi	2022/11/22	Taiwan Corporate Governance Association	Corporate Social Responsibility – Corporate governance from the perspective of human rights policy	3.0
		2022/11/3	The company commissions other units for training	Insider Trading Law Primary School	0.5
		2022/10/18	Securities & Futures Institute	M&A Practice Sharing - Centered on hostile M&A	3.0
Director	Chih Ping Kuo	2022/9/6	Securities & Futures Institute	Global Risk Perception – Opportunities and Challenges for the Next Decade	3.0

		2022/8/24	Securities & Futures Institute	The latest development trend of international carbon tariffs and their responses	3.0
Independent Director	Yung Sheng Liu	2022/11/3	The company commissions other units for training	Insider Trading Law Primary School	0.5
		2022/9/8	Taiwan Independent Director Association.	The Board reviews the risks and practices of asset value	3.0
		2022/4/22	Taiwan Institute for Sustainable Energy	Taixin 30th Sustainable Net Zero Summit Forum - Serious Net Zero Achievement Sustainability 2030	3.0
Independent Director	Ruei Ming Jamp	2022/11/3	The company commissions other units for training	Insider Trading Law Primary School	0.5
		2022/10/25	Taiwan Corporate Governance Association	Interpretation of important judgments on corporate governance: taking directors' responsibility as the core	3.0
		2022/9/6	Taiwan Corporate Governance Association	The real value created by circular and low-carbon innovation – understanding circular economy and governance	3.0
Independent Director	Yi Hua Chung	2022/11/3	The company commissions other units for training	Insider Trading Law Primary School	0.5
		2022/8/11	Taiwan Corporate Governance Association	Prevention and latest practical development of insider trading	3.0
		2022/3/18	Taiwan Corporate Governance Association	Updates to important laws	3.0

B.2021

Title	Name	Date	Organizer of the course	Course Title	Hours
Chairman	Huei Ming Chien	2021/11/23~ 2021/11/24	Securities & Futures Institute	Directors and Supervisors (including Independent) and Corporate Governance Supervisor Practical Workshop - Taipei Class	12.0
		2021/5/3	The company commissions other units for training	Insider Trading Law Primary School	0.5
Vice Chairman	TriKnight Capital Corporation：Duen-Chian Cheng	2021/07/28	Taiwan Corporate Governance Association	How to balance intelligent security risks in enterprise digital transformation to create a win-win situation	3.0
		2021/05/12	Securities & Futures Institute	The era of sustainable competitiveness of industry	3.0
		2021/5/3	The company commissions other units for training	Insider Trading Law Primary School	0.5
Director	Chih Cheng Chien	2021/10/19~ 2021/10/20	Securities & Futures Institute	Directors and Supervisors (including Independent) and Corporate Governance Supervisor Practical Workshop - Taipei Class	12.0
Director	Hsing Hsien Kung	2021/11/09	Securities & Futures Institute	Corporate Governance 3.0 from the perspective of inspection	3.0
		2021/10/18	Taipei Exchange	Insider equity promotion briefing of the company	3.0
		2021/5/3	The company commissions other units for training	Insider Trading Law Primary School	0.5
Director	YSI Investment Corporattion：Ming Shi	2021/11/04	Taiwan Corporate Governance Association	Aspects of the responsibilities of directors and supervisors - from the KY case to corporate governance	3.0
		2021/10/15	Securities & Futures Institute	2021 Insider equity transaction legal compliance information session	3.0

Title	Name	Date	Organizer of the course	Course Title	Hours
Director	Chih Ping Kuo	2021/11/09	Securities & Futures Institute	Corporate Governance 3.0 from the perspective of inspection	3.0
		2021/10/18	Taipei Exchange	Insider equity promotion briefing meeting of the OTC Xinghu Company	3.0
		2021/5/3	The company commissions other units for training	Insider Trading Law Primary School	0.5
Independent Director	Yung Sheng Liu	2021/10/08	Taiwan Independent Director Association.	How can directors analyze the confidence of financial statements and grasp enterprise risk management	3.0
		2021/10/06	Taiwan Independent Director Association.	Practical operation and case analysis of shareholders' meetings of publicly offered companies	3.0
		2021/5/3	The company commissions other units for training	Insider Trading Law Primary School	0.5
Independent Director	Ruei Ming Jamp	2021/10/28	Securities & Futures Institute	Discussion on the legal liability of directors and supervisors in cases of false financial reports	3.0
		2021/10/20	Taiwan Corporate Governance Association	Understand related party transactions and unconventional transactions from practical cases	3.0
		2021/5/3	The company commissions other units for training	Insider Trading Law Primary School	0.5
Independent Director	Yi Hua Chung	2021/11/11	Taiwan Corporate Governance Association	Green energy trends and risks	3.0
		2021/03/22	Taiwan Corporate Governance Association	Code of Conduct for Integrity Management of OTC Companies on the Upper Markets	3.0
		2021/5/3	The company commis-	Insider Trading Law Primary School	0.5

Title	Name	Date	Organizer of the course	Course Title	Hours
			sions other units for training		

(2) Continuing training for managers：

A.2022

Name	Date	Organizer of the course	Course Title	Hours
Chun Lin Tseng	2022/11/7	The company commissions other units for training	Insider Trading Law Primary School	0.5
	2022/11/7		Award Management	0.5
	2022/8/16		RBA 7.0 (EICC) Code of Conduct, factory inspection practices and audit focus	3.0
TING AN DAI	2022/11/21		Types of trade secret infringement and remedies	0.5
	2022/11/7		Insider Trading Law Primary School	0.5
	2022/11/7		Award Management	0.5
	2022/8/16		RBA 7.0 (EICC) Code of Conduct, factory inspection practices and audit focus	3.0
Ta Tsung Lin	2022/11/21		Types of trade secret infringement and remedies	0.5
	2022/11/7		Insider Trading Law Primary School	0.5
	2022/11/7		Award Management	0.5
	2022/8/16		RBA 7.0 (EICC) Code of Conduct, factory inspection practices and audit focus	3.0
Chi-Chieh Kuo(Note)	2022/5/10	Accounting Research and Development Foundation	The statutory number of continuing education hours for the accounting supervisor	6.0
Fang-Yu Luo(Note)	2022/11/15～2022/12/31	Accounting Research and Development Foundation	The statutory number of hours of refresher training for the first time as the head of accounting	30.0

Note：Manager Dismissal: General Manager Ding-Hang Hu (2022/3/17), Chief Strategy Officer Chih Ping Kuo (2022/9/1), Associate Chi-Chieh Kuo (2022/8/15), Deputy General Manager TING AN DAI (112/3/3), Senior Manager Ya-Qin Chen's Head of Finance and Head of Corporate Governance (2022/8/4~2023/3/16), Senior Manager Ya-Qin Chen's Head of Accounting (2022/8/4~2022/11/3), Accounting Director Fang-Yu Luo (2022/11/3~2023/3/16).

B. 2021

Name	Date	Organizer of the course	Course Title	Hours
Ding-Hang Hu (Note)	2021/4/1	The company commissions other units for training	Protection of machinery safety	3.0
	2021/3/31		Company Profile and Rules and Regulations	1.0
	2021/3/31		General safety and health education and training	3.0
	2021/3/31		Hazard general education training	3.0
	2021/3/31		Concept of Quality	1.0
Huaxin Su(Note)	2021/5/3		Insider Trading Law Primary School	0.5
Cheng Xi Kuo (Note)	2021/9/24		Gender Friendliness - Workplace Equality and Non-Discrimination Advocacy Session	1.0
	2021/9/1		System improvement and unit manufacturing	3.0
	2021/4/27		RBA Code of Conduct and 7.0 revision focus analysis	3.0
	2021/5/3		Insider Trading Law Primary School	0.5
	2021/5/3		Secrets that cannot be stolen	0.5
Chun Lin Tseng	2021/12/7		Sexual Harassment Prevention	0.5
TING AN DAI	2021/12/7		Sexual Harassment Prevention	0.5
	2021/5/3		Insider Trading Law Primary School	0.5
Ta Tsung Lin	2021/12/7		Sexual Harassment Prevention	0.5
Chi-Chieh Kuo	2021/12/20~12/21	Accounting Research and Development Foundation	The statutory number of continuing education hours for the accounting supervisor	12.0
	2021/12/7	The company commissions other units for training	Sexual Harassment Prevention	0.5
Li Juan Lin	2021/10/1	Accounting Research and Development Foundation	Enterprise information security protection and information architecture practice	6.0
	2021/9/30	Accounting Research and Development Foundation	The financial report compiles relevant policy development and internal control management practices	6.0

Name	Date	Organizer of the course	Course Title	Hours
	2021/9/24	The company commissions other units for training	Gender Friendliness - Workplace Equality and Non-Discrimination Advocacy Session	1.0
	2021/9/1		System improvement and unit manufacturing	3.0
	2021/7/26		Award Management	0.5
	2021/4/27		RBA Code of Conduct and 7.0 revision focus analysis	3.0
	2021/5/3		Insider Trading Law Primary School	0.5
	2021/5/3		Secrets that cannot be stolen	0.5

Note：Manager Dismissal:：Huaxin Su, Associate Marketing Department(2021/6/12), Cheng Xi Kuo, Associate Management Office (2021/11/30), General Manager Ding-Hang Hu(2022/3/17).

3.4.8.3 Implementation of the Company's risk management policy and risk measurement standards：

(1) The company's risk management policy defines various risks in accordance with the company's operating policy, prevents possible losses, increases shareholder value, and achieves the principle of optimizing resource allocation within the scope of tolerable risks.

(2) Operation of risk management

Important risk assessment matters	Direct Unit for Risk Control (Business Organizer) (First Mechanism)	Risk review and control (second mechanism)	Board of Directors/Audit Committee (Third Mechanism)
1. Interest rate, exchange rate and financial risk 2. High-risk and highly leveraged investment, capital lending to others, derivatives trading, financial wealth management investment	Finance and Accounting	Assessment report and approval authority	Board of Directors/Audit Committee: (Decision making and ultimate control of risk assessment control)
3. R&D plan, 4. Policy and legal changes, 5. Technology and industry changes, 6. Corporate image changes 7. Investment, reinvestment and M&A benefits	R&D General Manager, Legal Affairs R&D ,General Manager General Manager, Finance and Accounting	Head of Meeting/Accounting and Legal	
8. Expand plant or production 9. Centralized purchase or sales	Manage materials, business marketing	Business Meeting	

10. Equity transfer of directors, supervisors and major shareholders 11. Change of management rights	Shares, Board of Directors		
12. Litigation and non-contentious matters 13. Other operational matters	Legal Affairs General Manager		
14. Personnel conduct, ethics and conduct	Supervisors and management at all levels	Personnel Review Committee	
15. Compliance with SOPs and Regulations	Supervisors at all levels	Legal Affairs	
16. Board of Directors Management	Shares, Board of Directors	Legal Affairs	

3.4.9 Status of implementation of the internal control system：

3.4.9.1 Statement of Internal Control：

The company's internal audit is an independent unit, directly under the board of directors, which is equipped with a full-time auditor and an agent auditor according to law. In addition to the report at the regular meeting of the board of directors, the internal audit unit sends an audit report to the audit committee every month, and reports the audit business execution at each audit committee meeting to implement the spirit of corporate governance. The Internal Audit Regulations stipulate that the scope of internal audit includes all operations of the Company and its subsidiaries. The audit work is mainly carried out in accordance with the audit plan adopted by the Board of Directors, and the project audit is carried out as necessary, and the audit results and improvement suggestions are provided to the management in a timely manner to understand the existing or potential internal control system deficiencies, so as to ensure the continuous and effective implementation of the internal control system and assist the Board and management to fulfill their responsibilities. In addition, the internal audit also urges all units and subsidiaries of the company to carry out self-inspection, establish a self-supervision mechanism of the company, and review the results of the self-inspection, and report to the general manager, chairman and board of directors. On March 16, 2023, the board of directors has reported the results of the self-inspection of the internal control system and the results of the implementation of internal audit in 2022.

3.4.9.2 If the accountant is entrusted with the project to review the internal control system, the accountant's review report shall be disclosed: none.

3.4.9.3 Implementation of internal control system

LuxNet Corporation

Statement of Internal Control

Date: March 16, 2023

The company had inspected the 2022 internal control system autonomously with the results illustrated as follows:

(1) The company is fully aware that the Board of Directors and the management are responsible for the establishment, implementation, and maintenance of the internal control system and it is established accordingly. The purpose of establishing the internal control system is to reasonably ensure the fulfillment of operation effect and efficiency (including profit, performance, and protection of assets safety), financial report reliability, and compliance.

(2) The internal control system is designed with inherent limitations. No matter how perfect the internal control system is, it can only provide a reasonable assurance to the fulfillment of the three objectives referred to above. Moreover, the effectiveness of the internal control system could be affected by the changes of environment and circumstances. The internal control system of The company is designed with a self-monitoring mechanism; therefore, corrective actions will be activated upon identifying any nonconformity.

(3) The company has assessed the effectiveness of the internal control system design and implementation in accordance with the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities andFutures Markets" (referred to as "the Regulations" hereinafter). The criteria defined in "the Regulations" include five elements depending on the management control process: (1) environment control, (2) risk assessment, (3) control process, (4) information and communication,and (5) supervision. Each of the five elements is then divided into a sub-category. Please refer to "the Regulations" for details.

(4) The company has implemented the criteria of the internal control systemreferred to above to inspect the effectiveness of internal control system design and implementation.

(5) The company asked on the inspection result referred to above has concluded that the internal control system (including the supervision and management over the subsidiaries) on December 31, 2022 is reasonably effective in achieving the objectives of operation effect and efficiency, financial report reliability, and compliance.

(6) The statement of Internal Control System is the main content of The company's annual report andpublished prospectus. Any falsification and concealment of the published content referred to above involves the liability illustrated in Article 20, Article 32, Article 171, and Article 174 of the Securities and Exchange Act.

(7) The statement of Internal Control System was resolved in the board meeting with the objection of0 board directors out of the 9 attending board directors on March 16, 2023. The content of the statement has been accepted without any objection.

LuxNet Corporation

Chairman Huei Ming Chien

President Chun Lin Tseng

3.4.10 In the most recent year and as of the date of publication of the annual report, whether the Company and its internal personnel have been disciplined according to law, or whether the Company has disciplined its internal personnel for violating the provisions of the Internal Control System. The content of the disciplinary measures should be listed, as well as the main deficiencies and improvements: None.

3.4.11 In the most recent year and as of the printing date of the annual report, important resolutions of the shareholders' meeting and Board of Directors：

3.4.11.1 2022 Shareholders' meeting

Important resolutions	Status
Recognition of the 2021 Annual Business Report and Financial Statements.	The relevant forms have been submitted to the competent authority for reference and announcement declaration in accordance with the Company Law and other relevant laws and regulations.
Recognition of the 2021 loss appropriation.	Admitted as it was decided to do so.
Adoption of amendments to the Company's Articles of Association.	A major message was issued on June 20, 2022, and the change registration was completed with the approval of the Ministry of Economic Affairs on July 20, 2022.
Adoption of amendments to the Rules of Procedure of the Company's Board of Shareholders.	The content has been revised in accordance with the resolution and the operation has been followed.
By amending the Company's "Procedures for Procedures for Acquiring or Disposing of Assets".	The content has been revised in accordance with the resolution and the operation has been followed.

3.4.1.2 Shareholders' meeting

Date	Important resolutions	
2022/1/13	1	Set up the Company's 2022 budget
	2	Approval of Revised Authority
2022/3/17	1	The Company's 2021 Financial Statements and Business Report
	2	2021 Loss Set-Aside
	3	2021 Statement of Internal Control System of the Company
	4	Amendment to the Company's Articles of Incorporation
	5	Amendments to the Company's "Rules of Procedure of the Shareholders' Meeting
	6	Amendment to the "Procedures for Acquisition and Disposal of Assets" of the Company
	7	Amendments to the date, place and convening of the Company's 2022 Annual General Meeting of Shareholders
	8	Provision of technical services by related parties
	9	Evaluation of the Independence and Competence of Certified Public Accountants
	10	2022 Evaluation of Certified Public Accountants and their remuneration
	11	2022 Establishment of performance evaluation form for managers
	12	Remuneration of Chairman of the Board of Directors
	13	Amendments to the Regulations Governing the Remuneration of Directors
	14	Proposed capital reduction for the recovery of new shares with restricted employee rights
	15	Change in General Manager
2022/5/4	1	The Company's financial statements for the first quarter of 2022
	2	Amendment to the "Rules of Procedure of the Shareholders' Meeting" of the Company
	3	Amendment of the Company's Internal Control System
	4	Change in the Company's accounting firm and certified public accountant, appointment and remuneration

	5	Update of the date, place and convening of the 2022 Annual General Meeting of Shareholders of the Company
	6	2022 Establishment of Performance Evaluation Form for Managers
	7	Proposed capital reduction for the recovery of new shares with restricted employee rights
	8	Credit line for Mega International Commercial Bank, Chuk-chun Branch
	9	Taipei Fubon Commercial Bank.
	10	Chinatrust Commercial Bank, Taoyuan Branch
	11	Chang Hwa Commercial Bank, Pushen Branch
2022/8/4	1	The Company's financial statements for the second quarter of 2022
	2	The Company's capital loan and improvement plan with Suzhou Chang Rui Optoelectronics Co.
	3	Amendments to the Company's "Regulations Governing Board Meetings
	4	Amendment to the Company's "Audit Committee Organization Regulations
	5	Proposed capital reduction for the recovery of new shares with restricted employee rights
	6	Increase of credit line of Chinatrust Commercial Bank, Taoyuan Branch
	7	Chang Hwa Commercial Bank, Puxin Branch
	8	Change of Head of Finance (who is also the Head of Accounting, Acting Spokesperson and Head of Corporate Governance)
2022/10/11	1	Plan for Substantial Changes in Specified Customer Transactions
2022/11/3	1	The Company's financial statements for the third quarter of 2022
	2	2023 Audit Plan
	3	Revision of the "Procedures for Handling Material Internal Information" of the Company
	4	Formulation of the Company's "Code of Practice for Sustainable Development
	5	The Company's "Social and Sustainable Development Committee" was renamed and the Company's "Social and Sustainable Development Committee Organizational Procedures" were amended.
	6	First Commercial Bank Peace Branch quota
	7	Change of accounting officer
2022/12/15	1	Establishment of the Company's 2023 Budget
2023/3/16	1	2022 Financial Statements and Business Report of the Company
	2	Distribution of the Company's 2022 earnings
	3	2022 Remuneration of Directors and Employees
	4	2022 Statement of Internal Control System of the Company
	5	Amendment of the Company's Articles of Incorporation
	6	Amendment of the Company's Procedures for Acquisition and Disposal of Assets
	7	Amendments to the Company's internal control system
	8	Capital expenditure for capacity expansion
	9	The Company's proposed private placement of common stock to bring in strategic investors
	10	The date, place, manner of holding and reason for convening the 2023 Annual General Meeting of Shareholders of the Company
	11	Evaluation of the independence and suitability of certified public accountants
	12	2023 Appointment and Compensation of Certified Public Accountants
	13	Proposed Establishment of the Company's General Policy on Pre-Approved Non-Confirmation Services
	14	Proposed Capital Reduction for New Shares with Restricted Employee Rights
	15	Special Incentive Program for Managers of the Company
	16	2023 Establishment of the Manager's Performance Evaluation Form
	17	Amendments to the Regulations Governing the Compensation of Directors
	18	Amendments to the Regulations Governing the Management of Managerial Remuneration

	19	Remuneration of the Chairman of the Board of Directors
	20	Appointment of Chairman of the Board of Directors and Chief Strategic Officer and Special Incentive
	21	Removal of the prohibition of managerial competitions
	22	Change of accounting officer, financial officer, acting spokesperson and corporate governance officer
2023/5/4	1	Financial Statements for the First Quarter of 2023
	2	Proposed Transfer of Equity in Suzhou Changrui Optoelectronics Co.
	3	The Company's 2017 private placement of common stock and the issuance of an opinion of necessity and reasonableness in accordance with the law
	4	Renewal of the Company's 2023 Annual General Meeting of Shareholders
	5	Mega International Commercial Bank, Chuchon Branch
	6	Extension of credit line of Chinatrust Commercial Bank Taoyuan Branch
	7	Amendment to the Regulations Governing Directors' Remuneration and Manager's Participation in Employees' Remuneration
	8	2022 Manager's Participation in Employee Compensation Allocation

3.4.12 For the most recent year and as of the printing date of the annual report, the directors or supervisors have dissenting opinions on important resolutions passed by the board of directors, which are recorded or stated in writing, and the main content: None.

3.4.13 Summary of the resignation and dismissal of the chairman, president, head of accounting, head of finance, head of internal audit, head of corporate governance, and head of research and development of the Company for the most recent year and up to the date of printing of the annual report：

2023/5/4

Title	Name	Date of arrival Date of dismissal Reason for resignation or dismissal	Date of arrival Date of dismissal Reason for resignation or dismissal	Date of arrival Date of dismissal Reason for resignation or dismissal
General Manager	Ding-Hang Hu	2021/3/18	2022/3/18	Resigned due to the completion of the interim president's duties.
Head of Finance, Head of Accounting and Head of Corporate Governance	Chi-Chieh Kuo	2021/10/1	2022/8/15	Resignation due to personal career planning.
Chief Strategy Officer	Chih Ping Kuo	92/7/1	2022/9/1	Retirement.
Head of Accounting	Ya-Qin Chen	2022/8/4	2022/11/3	Job restructuring.
Head of Finance and Head of Corporate Governance	Ya-Qin Chen	2022/8/4	2023/3/17	Resignation due to personal career planning.
Head of Accounting	Fang-Yu Luo	2022/11/3	112/3/17	Job restructuring.

3.5 Information on CPA Fees

3.5.1 Audit fees and non-audit fees paid to the CPAs and their affiliated firms and affiliated enterprises, and the content of non-audit services that should be disclosed:

Unit: NT$ thousands

Title of CPA Agency	Name of CPA	Audit Period	Audit fee	Non-Audit fee	Total	Remark
KPMG	Mei Ping Wu Shih Kong Hong	2022/1/1～2022/3/31	383	65	448	Termination of appointment from the first quarter
Ernst & Young	Ching Piao Cheng, Kuo Shuai Chen	2022/4/1～2022/12/31	1,828	283	2,111	Appointments begin in the second quarter

Note：Non-audit public expenses include: tax visas, human resources and financial report seals, etc.

3.5.2 If the audit public fee paid in the replacement year is reduced compared with the audit public fee of the previous year for the replacement of the accounting firm, the amount and reason for the audit public fee before and after the replacement should be disclosed: the audit public fee for 2022 years was 2,211 thousand yuan, which was 149 thousand yuan less than the audit public fee of 2,360 thousand yuan in 2021 in the previous year of replacement, mainly due to the improvement of audit efficiency through good audit planning, so the public fee was adjusted.

3.5.3 C.If the audit fee decreases by 10 percent or more compared with the previous years, the reduced amount, proportion, and reasons of reducing the audit fee should be disclosed: None.

3.6 Information on Replacement of CPA：

3.6.1 Regarding the Former CPA：

3.6.1.1 On March 17, 2022, the board of directors of the company approved the rotation of the visa accountant, and Wu Meiping accountant and Hong Shigang accountant served as the visa accountant to handle the visa examination visa and other services of the 2022 annual financial report of the Republic of China.

<table>
<tr><td>Date of Changing CPA firms</td><td colspan="3">Adopted by the Board of Directors on March 17, 2022</td></tr>
<tr><td>Reasons for Changing the CPA firms</td><td colspan="3">Due to the internal rotation of Anhou Jianye United Accounting Firm, the company has been replaced by Jilong accountant to Hong Shigang accountant since the 111th year of the Republic of China; The lead accountant will continue to be the accountant Wu Meiping.</td></tr>
<tr><td rowspan="3">Illustration about terminationof the term of CPA or declining the appointment</td><td>The involved party
Condition</td><td>CPA</td><td>Appointer</td></tr>
<tr><td>Termination ofappointment</td><td>Not applicable.</td><td>Not applicable.</td></tr>
<tr><td>Declining the extensionof the appointment</td><td>Not applicable.</td><td>Not applicable.</td></tr>
<tr><td>The review report stating opinions other than unqualified opinion and thereasons over the past two years</td><td colspan="3">Not applicable.</td></tr>
<tr><td rowspan="6">Any disagreement on the issuers’ opinions</td><td rowspan="4">Yes</td><td></td><td>Accounting principle and practice</td></tr>
<tr><td></td><td>Disclosure of financial statement</td></tr>
<tr><td></td><td>Range and steps ofauditing measures</td></tr>
<tr><td></td><td>Others</td></tr>
<tr><td>No</td><td colspan="2"></td></tr>
<tr><td colspan="3">Illustration</td></tr>
<tr><td>Disclosure of other matters (Content that should be disclosed according to Article 10, subparagraph 6, item 1-4 to item 1-7 of the</td><td colspan="3">None</td></tr>
</table>

Guidelines)	

3.6.1.2 Due to internal management needs, the Company has appointed Ernst & Young Joint Accountants Ching Piao Cheng, and Accountants Kuo Shuai Chen as the visa accountants of the Company since the second quarter of 2022 to handle visa and other services for financial and tax audit in 2022.

Date of Changing CPA firms	Adopted by the Board of Directors on 5/4/2022		
Reasons for Changing the CPA firms	Due to internal management needs, the Company has changed its accounting firm and certified public accountant since the second quarter of 111; The former accountants Mei Ping Wu ,Shih Kong of Anhou Jianye United Accounting Firm were succeeded by Ernst & Young Joint Accounting Firm Ching Piao Cheng,Accountants and Accountants Kuo Shuai Chen .		
Illustration about terminationof the term of CPA or declining the appointment	The involved party Condition	CPA	Appointer
	Termination of appointment		V
	Declining the extensionof the appointment		
The review report stating opinions other than unqualified opinion and thereasons over the past two years	Not applicable.		
Any disagreement on the issuers' opinions	Yes		Accounting principle and practice
			Disclosure of financial statement
			Range and steps ofauditing measures
			Others
	No		
	Illustration		
Disclosure of other matters (Content that should be disclosed according to Article 10, subparagraph 6, item 1-4 to item 1-7 of the Guidelines)	None		

3.6.2 Regarding the Successor CPA：

3.6.2.1On March 17, 2022, the board of directors of the company approved the rotation of visa accountants, and accountants Mei Ping Wu ,Shih Kong served as visa accountants to handle visa verification and other services for the 2022 financial report of the Republic of China.

Title of the CPA firm	KPMG

Name of CPA	Mei Ping Wu ,Shih Kong
Appointment Date	2022/3/17
The suggested item and result about specific accounting methods or	Not applicable
accounting principles and the financial statement before the appointment.	Not applicable

3.6.2.2 Due to internal management needs, the Company has appointed Ernst & Young Joint Accountants Ching Piao Cheng, and Accountants Kuo Shuai Chen as the visa accountants of the Company since the second quarter of 2022 to handle visa and other services for financial and tax audit in 2022.

Title of the CPA firm	Ernst & Young
Name of CPA	Ching Piao Cheng, Kuo Shuai Chen
Appointment Date	2022/5/4
The suggested item and result about specific accounting methods or	Not applicable
accounting principles and the financial statement before the appointment.	Not applicable

3.6.3 Reply of the former CPA to matters in Article 10 subparagraph 6 item 1 and item 2-3 of the Guidelines: Not applicable.

3.7 The Chairman, President, or Chief Financial or accounting manager of the Company who has worked for the firm of the CPA or its affiliated companies within the most recent year: None

3.8 The transfer of equity interests and pledge of or change in equity interests during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.

3.8.1 Changes in equity of Directors, Supervisors, Managers and Major Shareholders with more than 10% shareholdings

Unit：share

Title	Name	2022		2023/4/22	
		Increase (reduction)in the number of shares in possession	Increase (reduction) in the number of pledged stocks	Increase (reduction) in the number of shares in possession	Increase (reduction) in the number of pledged stocks
Chairman	Huei Ming Chien	18,000	0	0	0
Director (shareholder with a stake of more than 10 percent)	TriKnight Capital Corporation	0	0	0	0
Director	TriKnight Capital Corporation：Duen-Chian Cheng	0	0	0	0
Director	Chih Cheng Chien	0	0	0	0
Director	Hsing Hsien Kung	(150,000)	0	(108,000)	0
Director	YSI Investment Corporattion：Ming Shi	(150,000)	0	(360,000)	0
Director	YSI Investment Corporattion	0	0	0	0
Director /CSO (Note)	Chih Ping Kuo(Note2)	(227,666)	0	(54,000)	0
Independent Director	Yung Sheng Liu	0	0	0	0
Independent Director	Ruei Ming Jamp	0	0	0	0
Independent Director	Yi Hua Chung	0	0	0	0
President	Chun Lin Tseng(Note1)	0	0	0	0
Vice President	Ta Tsung Lin	0	0	0	0
CFO	Chien Chu Chih(Note1)	0	0	0	0
Officer of Corporate Governance	Ya Yu Wang (Note1)	0	0	0	0
President	Ding-Hang Hu(Note1)	0	0	0	0
Vice President	TING AN DAI(Note1)	0	0	0	0

Title	Name	2022		2023/4/22	
		Increase (reduction)in the number of shares in possession	Increase (reduction) in the number of pledged stocks	Increase (reduction) in the number of shares in possession	Increase (reduction) in the number of pledged stocks
Assistant Manager	Chi-Chieh Kuo(Note1)	0	0	0	0
Head of Accounting, Head of Finance and Head of Corporate Governance	Ya-Qin Chen(Note1)	0	0	0	0
Accounting Supervisor	Fang-Yu Luo(Note1)	0	0	0	0
shareholder with a stake of more than 10 percent	Optoway Technology Inc.	16,878,000	0	0	0

Note1：New managers: Deputy General Manager Chun Lin Tseng Interim General Manager (2022/3/18), Associate Chien Chu Chih as new Head of Accounting and Head of Finance (2023/3/16), Head of Corporate Governance Wang Yayu (2023/3/16). Manager Dismissal: General Manager Ding-Hang Hu (2022/3/17), Chief Strategy Chih Ping Kuo (2022/9/1), Associate Chi-Chieh Kuo (2022/8/15), Deputy General Manager TING AN DAI (2023/3/3), Senior Manager Ya-Qin Chen, Head of Finance and Head of Corporate Governance (2022/8/4~2023/3/16), Senior Manager Ya-Qin Chen, Head of Accounting (2022/8/4~2022/11/3), Head of Accounting Division, Fang-Yu Luo, Head of Accounting (2022/11/3~2023/3/16).

Note2：It is to disclose changes in shareholding while in office.

3.8.2 The situation where recipient of the transferred equity is a related parson: None

3.8.3 The situation where recipient of the transferred pledge is a related person: None

3.9 Relations and Information about Top 10 Shareholders

2023/4/22 Unit：share

Name	Shares in possession ofthe person		Shares in possession ofthe person's spouse or children who are minors		Shares in possession ofthe person registered under the name of a third-party		Names and relations of top 10 shareholders who are related persons specified in article no. 6 of the Statement of Accounting Principles, spouses, or relatives within two degrees to each other		NOTE
	shares	Shareholding rate (%)	shares	Shareholding rate (%)	shares	Shareholding rate (%)	Name	Relations	
Optoway Technology Inc.	16,708,000	12.63%	0	0	0	0	—	—	
Representative:：Huei Ming Chien	30,000	0.02%	1,678,000	1.27%	0	0	—	—	
TriKnight Capital Corporation	14,680,990	11.09%	0	0	0	0	—	—	

Name	Shares in possession ofthe person		Shares in possession ofthe person's spouse or children who are minors		Shares in possession ofthe person registered under the name of a third-party		Names and relations of top 10 shareholders who are related persons specified in article no. 6 of the Statement of Accounting Principles, spouses, or relatives within two degrees to each other		NOTE
	shares	Shareholding rate (%)	shares	Shareholding rate (%)	shares	Shareholding rate (%)	Name	Relations	
Representative:：Duen Chian Cheng	70,000	0.05%	0	0	0	0	—	—	
Taiwan New Life has full authority to entrust Taiwan New Life Investment Credit Stock	3,750,000	2.83%	0	0	0	0	—	—	
Henson Shaw	3,701,000	2.80%	0	0	0	0	—	—	
Capital Marathon Fund.	2,500,000	1.89%	0	0	0	0	—	—	
Mega Bank is entrusted with the custody of the special investment account of Yingfei Technology Company	1,950,000	1.47%	0	0	0	0	—	—	
HSBC holds a dedicated account with Morgan Stanley International Limited	1,855,500	1.40%	0	0	0	0	—	—	
Citi Custodian Berkeley Capital SBL/PB Investment Account	1,610,000	1.22%	0	0	0	0	—	—	
HSBC custodians a Goldman Sachs International Corporate Investment Account	1,533,374	1.16%	0	0	0	0	—	—	
Hsing Hsien Kung	1,478,284	1.12%	0	0	0	0	—	—	

3.10 The total number of shares and total equity stake held in any single enterprise by the Company, its directors and supervisors, managerial officers, and any companies controlled either directly or indirectly by the Company.

2022/12/31 Unit：Shares (thousands)

Affiliated Enterprises （Note1）	Ownership by the Company		Directly or Indirectly by Directors and Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Toplight Corporation	4,000	100%	0	0	4,000	100%
Toptrans Corporation Limited	4,000	100%	0	0	4,000	100%
SuzhouToptrans Coporation	(Note)	9.90%	0	0	(Note)	9.90%

Note：It is a limited company, so there is no number of shares.

IV. Capital Overview .

4.1 Capital and Shares

4.1.1Capitalization

4.1.1.1 Issued shares

2023/5/4

Year and Month	Issuing Price	Authorized Capital		Paid-in Capital		Authorized Capital		
		Amount (NT$ thousands)	Quantity (Thousands of shares)	Amount (NT$ thousands)	Quantity (Thousands of shares)	Source of Capital	Capital Increased by Assets Other than Cash	Admitted Date and Official Letter
April, 111	-	150,000	1,500,000	132,453	1,324,535	Cancellation of new shares with restricted employee rights of $580 thousand	None	4/18/2022 No.11101056660issued by the Ministry of Economic Affairs, R.O.C
May, 111	-	150,000	1,500,000	132,378	1,323,778	Cancellation of new shares with restricted employee rights of $757 thousand	None	5/30/2022 No.111010874300issued by the Ministry of Economic Affairs, R.O.C
August, 111	-	200,000	2,000,000	132,358	1,323,578	Cancellation of new shares with restricted employee rights of $200 thousand	None	8/24/2022 No.11101161680 issued by the Ministry of Economic Affairs,R.O.C
April 112	-	200,000	2,000,000	132,340	1,323,398	Cancellation of $180 thousand of new shares with restricted employee rights	None	4/11/023 No.11230056370 issued by the Ministry of Economic Affairs, R.O.C

4.1.1.2 Type of shares

2023/5/4 Unit：Shares

Type of Shares	Authorized capital stock			Remarks
	Issued shares (Note)	Unissued shares	Total	
Common stock	132,339,794	67,660,206	200,000,000	

4.1.1.3 Information about shelf registration system: Not applicable.

4.1.2 Shareholder structure

2023/4/22

Composition of Shareholders / Number	Government Agencies	Financial Institutions	Other Corporate shareholders	Foreign Institutions and overseasinvestors	Individuals	Total

Number of Shareholders	0	2	254	65	33,931	34,252
Number of Shareholding	0	3,805,000	41,697,460	11,806,851	75,030,483	132,339,794
Shareholding Percentage	0	2.88	31.51	8.92	56.69	100.00

4.1.3 Distribution of Stock shares：(per share NT$10) 2023/4/22

Shareholding Range	Number of Shareholders	Number of Shareholding	Shareholding Percentage %
1 to 999	22,326	527,816	0.40
1,000 to 5,000	9,948	18,241,701	13.78
5,001 to 10,000	1,006	8,119,899	6.14
10,001 to 15,000	294	3,843,796	2.90
15,001 to 20,000	190	3,554,197	2.69
20,001 to 30,000	165	4,346,444	3.28
30,001 to 40,000	70	2,549,300	1.93
40,001 to 50,000	54	2,564,589	1.94
50,001 to 100,000	87	6,184,848	4.67
100,001 to 200,000	58	8,388,456	6.34
200,001 to 400,000	21	6,132,520	4.63
400,001 to 600,000	10	5,114,091	3.86
600,001 to 800,000	3	2,256,684	1.71
800,001 to 1,000,000	5	4,594,899	3.47
Over 1,000,001	15	55,920,554	42.26
Total	34,252	132,339,794	100.00

4.1.4 List of Major Shareholders (Top-10 Shareholders)

2023/4/22 Unit：Shares

Shares / Major Shareholders	Shareholding	ShareholdingPercentage
Optoway Technology Inc.	16,708,000	12.63%
TriKnight Capital Corpration	14,680,990	11.09%
Taiwan New Life has full authority to entrust Taiwan New Life Investment Credit Stock	3,750,000	2.83%
Henson Shaw	3,701,000	2.80%

Capital Marathon Fund.	2,500,000	1.89%
Mega Bank is entrusted with the custody of the special investment account of Yingfei Technology Company	1,950,000	1.47%
HSBC holds a dedicated account with Morgan Stanley International Limited	1,855,500	1.40%
Citi Custodian Berkeley Capital SBL/PB Investment Account	1,610,000	1.22%
HSBC custodians a Goldman Sachs International Corporate Investment Account	1,533,374	1.16%
Hsing Hsien Kung	1,478,284	1.12%

4.1.5 The stock price, net value, profit, earning, and relevant information in the most recent two years.

Unit：NT$

Item \ Year			2021	2022	In the current year up to March 31, 2023
Market priceper share (Note1)	Highest		28.10	54.90	56.70
	Lowest		15.60	16.50	38.85
	Average		21.65	38.87	48.41
Net value per share	Before distribution		10.09	10.71	11.31
	After distribution(Note2)		0	註 2	0
EPS	Weighted average number of shares (thousand shares)		128,361	132,146	132,146
	Earnings per share		(2.22)	2.05	0.30
Dividends per share	Cash dividends(Note2)		0	Note2	0
	Stock dividends	Earnings	0	Note2	0
		Capital surplus	0	Note2	0
	Accumulated unpaid dividend		0	0	0
Return analysis	Price-earnings Ratio (Note3)		0	18.96	0
	Price-dividend Ratio (Note4)		0	Note2	0
	Cash dividend yield(Note5)		0	Note2	0

Note 1：Source from OTC.

Note 2：It‘ll be finalized after the resolution of the 2023 shareholders' meeting..

Note 3: Price-earnings Ratio=Average Closing Price per Share in current year / Earnings per Share.

Note 4: Price-dividend Ratio =Average Closing Price per Share in current year / Cash Dividend per Share.

Note 5: Cash dividend Yield=Cash Dividend per Share/Average closing price per share in current year.

4.1.6 Dividend policy and implementation status

4.1.6.1 Dividend Policy

In accordance with the dividend policy set forth in the Company's Articles of Incorporation, the Company shall first set aside 10% of its annual net income as legal reserve, except when the legal reserve has reached the Company's paid-in capital, and shall set aside a special reserve in accordance with the Company's operating requirements and other laws and regulations. The Board of Directors shall prepare a proposal for distribution of earnings and submit it to the shareholders' meeting for resolution.

The Company will take into consideration the environment and growth stage of the Company, its future capital requirements and long-term financial planning, and will pay 10% to 70% of the undistributed earnings as dividends to shareholders each year.

4.1.6.2 Circumstances of the proposed dividend distribution at this shareholders' meeting

The Company's net income after tax for 2022 was NT$270,795,234. The Board of Directors resolved on March 16, 2012 to distribute the earnings as follows:

Item	Amount
Accumulate deficit	(162,324,523)
Plus： Other comprehensive income (Remeasurements of the defined benefit plan in 2022)	956,000
Add：Earning after Tax	270,795,234
Sub total	109,426,711
Loss：Special reserve-Loss on Shareholder’s Equity (Note 2.)	(20,087,542)
Loss：Legal reserve	(10,942,671)
Distributable net earnings	78,396,498
Distributable items	
Cash dividends to common shareholders (132,357,794 shares× NT$0.0593 3 per share)	7,848,818
Unappropriated Earnings after earnings distribution	70,547,680

Note 1. According to Article 24 of the Articles of Association of the Company, if there is any surplus in the company's annual final accounts, it shall be distributed in the following order: 1. Withdraw taxes, 2. Make up for past losses, 3. Designate 10% as leagle reserve, 4. Provision special surplus reserve in accordance with laws and regulations, 5. In addition to the payment of dividends, if there is still a surplus and the undistributed surplus at the beginning of the same period, the board of directors shall propose a surplus distribution proposal to the shareholders' meeting for resolution to distribute.

Note 2. The special reserve is handled in accordance with Article 41, Paragraph 1 of the Securities and Exchange Act and Financial Supervisory Commission, R.O.C.No. 1090150022 issued on 31 March 2021.

4.1.6.3 Material Change in Dividend Policy Is Expected: None.

4.1.7 Effect upon Business Performance and Earnings per Share of Any Stock Dividend Distribution Proposed or Adopted at the Most Recent Shareholders' Meeting：

There was no stock dividend distribution proposed or adopted at the most recent shareholders'meeting.

4.1.8 Compensation of Employees and Directors

4.1.8.1 The percentage or scope of remuneration for employees and directors as set forth in the Company's Articles of Incorporation:

In accordance with the Company's Articles of Incorporation, 5% to 15% of the Company's annual profit shall be set aside as compensation to employees and not more than 5% as compensation to directors and supervisors. However, if the Company has accumulated losses, the amount of compensation shall be reserved in advance. The aforementioned employee compensation shall be paid in stock or cash to employees of the Company, including those who meet certain criteria for control or subordination.

4.1.8.2 The basis for estimating the amount of employee and director compensation, the basis for calculating the number of shares of employee compensation distributed in stock, and the accounting treatment if the actual distribution differs from the estimated amount:

In accordance with the Company's Articles of Incorporation, the amount of employee and director's remuneration is estimated on a pro rata basis. The difference between the estimated amount and the actual amount approved by the board of directors is recognized as profit or loss in the following year.

4.1.8.3 The Board of Directors approved the distribution of employees' and directors' remuneration:

On March 16, 2023, the Board of Directors resolved to distribute employee compensation and director compensation in the amount of NT$2,332,704 and employee compensation in the amount of NT$5,831,760, all of which were distributed in cash. There was no difference between these amounts and the amount recorded in the Company's expense account in 2011.

4.1.8.4Information of 2021 Earnings Set Aside for Employees' Profit Sharing Bonus and Directors' Compensation：

The Company's 110 year is an after-tax net loss, so no employee and director remuneration is allocated.

4.1.9 Buyback of Treasury Stock：None.

4.2. Status of Corporate Bonds： None.

4.3 Status of Preffered stocks：None.

4.4 Status of GDR/ADR： None.

4.5 Status of Restricted Employee Shares： None.

4.6 Status of Restricted Employee Shares：

4.6.1 2019 1st Grant Employee Restricted Stock Awards：

Types of Restriction on Employee ShareSubscription	2019 1st Grant Employee Restricted Stock Awards
The effective date of declaration and totalshares	2019/7/5
Issue date	2019/8/2
Outstanding shares of Restriction onEmployee Share Subscription	2,646,000
The shares still possible to be issued of Restriction on Employee Share Subscription	NT$ 0
Ratio of Outstanding shares of Restriction on Employee Share Subscription in comparison to the outstanding shares (Note1)	2.00%
Vested conditions of Restriction onEmployee Share Subscription	The percentage of shares subject to the following vesting conditions shall be as follows 1. 1 year of employment after allotment: 1/3 of the allotted shares. 2. 2 years of service after allotment: 1/3 of the allotted shares. 3. 3 years of service after allotment: 1/3 of the shares allotted.
Restricted rights of Restriction on Employee Share Subscription	Before the fulfillment of the vesting conditions, employees may not sell, pledge, transfer, donate, set up, or otherwise dispose of the new shares allotted to them under these Regulations, except for inheritance. 2. Until the vesting conditions are met, the rights to attend, propose, speak, vote and elect at shareholders' meetings shall be the same as those of the Company's outstanding common shares and shall be executed in accordance with the Trust Custody Agreement. 3. Until the vesting conditions are met, the rights to distribute earnings (including but not limited to: dividends, bonuses, and rights to receive capital surplus) and options to increase capital in cash are the same as those of the Company's issued common shares. 4. From the date of cessation of transfer of the Company's gratis stock allotment, the date of cessation of transfer of cash dividends, the date of cessation of transfer of cash capital increase stock options, the period of cessation of transfer of shareholders' meeting as stipulated in Article 165, Paragraph 3 of the Company Act, or any other legal period of cessation of transfer based on facts until the base date of distribution of rights, the time and procedure of releasing the vested shares of employees who have met the vesting conditions during this period shall be executed in accordance with the trust custody contract..
Custody Status of New Restricted Employee Shares	The new restricted employee shares are deposited in CTBC’S security trust account.
Measures to be Taken When Vesting Conditions are not Met	If an employee has been allotted new shares with restricted employee rights and has not met the vesting conditions, the Company shall, unless otherwise specified, take back the unvested shares and cancel the shares at no cost in accordance with the law for the unvested shares.
The number of shares of Restriction on Employee Share Subscription which havebeen withdrawn or repurchased	986,485
The number of shares of Restriction on Employee Share Subscription which has been lifted	1,659,515
The number of shares of Restriction on Employee Share Subscription which has not been	0

lifted	
Ratio of the number of shares of Restrictionon Employee Share Subscription which hasnot been cancelled in comparison to the outstanding shares (%)	0%
Effect on the shareholder's equity	The dilution of the Company's earnings per share in future years is limited and should have a material impact on the existing shareholders' equity.

Note1：2023/5/4 132,339,794 share

2019 2nd Grant Employee Restricted Stock Awards：

Types of Restriction on Employee Share Subscription	2019 2nd Grant Employee Restricted Stock Awards
The effective date of declaration and totalshares	2019/7/5
Issue date	2020/5/26
Outstanding shares of Restriction onEmployee Share Subscription	354,000
The shares still possible to be issued of Restriction on Employee Share Subscription	NT$ 0
Ratio of Outstanding shares of Restriction on Employee Share Subscription in comparison to the outstanding shares (Note1)	0.27%
Vested conditions of Restriction onEmployee Share Subscription	The percentage of shares subject to the following vesting conditions shall be as follows 1. 1 year of employment after allotment: 1/3 of the allotted shares. 2. 2 years of service after allotment: 1/3 of the allotted shares. 3. 3 years of service after allotment: 1/3 of the shares allotted.
Restricted rights of Restriction on Employee Share Subscription	Before the fulfillment of the vesting conditions, employees may not sell, pledge, transfer, donate, set up, or otherwise dispose of the new shares allotted to them under these Regulations, except for inheritance. 2. Until the vesting conditions are met, the rights to attend, propose, speak, vote and elect at shareholders' meetings shall be the same as those of the Company's outstanding common shares and shall be executed in accordance with the Trust Custody Agreement. 3. Until the vesting conditions are met, the rights to distribute earnings (including but not limited to: dividends, bonuses, and rights to receive capital surplus) and options to increase capital in cash are the same as those of the Company's issued common shares. 4. From the date of cessation of transfer of the Company's gratis stock allotment, the date of cessation of transfer of cash dividends, the date of cessation of transfer of cash capital increase stock options, the period of cessation of transfer of shareholders' meeting as stipulated in Article 165, Paragraph 3 of the Company Act, or any other legal period of cessation of transfer based on facts until the base date of distribution of rights, the time and procedure of releasing the vested shares of employees who have met the vesting conditions during this period shall be executed in accordance with the trust custody contract..
Custody Status of New Restricted Employee Shares	The new restricted employee shares are deposited in CTBC'S security trust account.
Measures to be Taken When	If an employee has been allotted new shares with restricted employee rights and has not met the vesting conditions, the Company shall, unless otherwise specified, take back the unvested shares and cancel the shares at no cost in accordance with the law

Vesting Conditions are not Met	for the unvested shares.
The number of shares of Restriction on Employee Share Subscription which have been withdrawn or repurchased	254,000
The number of shares of Restriction on Employee Share Subscription which has been lifted	100,000
The number of shares of Restriction on Employee Share Subscription which has not been lifted	0
Ratio of the number of shares of Restriction on Employee Share Subscription which has not been cancelled in comparison to the outstanding shares (%)	0%
Effect on the shareholder's equity	The dilution of the Company's earnings per share in future years is limited and should have a material impact on the existing shareholders' equity.

Note1：Calculation based on the issued shares of 132,339,794 shares on May 4,2023.

4.6.2. Accumulated to the annual publication, the status of managers who acquired Restriction on Employee Share Subscription and top 10 employees who acquired the most shares

4.6.2.1 2019 1st Grant Employee Restricted Stock Awards，Non-remunerated issue

112/5/4

Type	Title	Name	Obtain the number of Restriction on Employee Share Subscription (thousand shares)	Ratio of Outstanding shares of Restriction on Employee Share Subscription in comparison to the outstanding shares (Note 1)	Restricted rights have been lifted				Restricted rights have not been lifted			
					Number of shares (Thousand shares)	Issued price (NT$)	Amount (NT$ thousands)	Ratio of the number of shares of Restriction on Employee Share Subscription which has not been lifted in comparison to the outstanding shares (Note 1)	Number of shares (Thousandshares)	Issued price(NT$)	Amount(NT$ thousands)	Ratio of the number of shares of Restriction on Employee Share Subscription which has not been lifted in comparison to the outstanding shares (Note 1)
Manager(Note1)	CEO	Shen Ru Ni (Note1)	775,000	0.59	491,849	0	0	0.37	0	0	0	0
	CSO	Chih Ping Kuo										
	CFO	Xiao Qiao Lin (Note1)										
	assistant manager	Cheng Xi Kuo (Note1)										
	assistant manager	Huaxin Su(Note1)										
	assistant manager	Yuan Zhen You (Note1)										
Staff	Senior Director	Zhengting Pan (Note1)	681,000	0.51	344,000	0	0	0.26	0	0	0	0
	Senior Director	Yuxian Liao (Note1)										
	Director	Pak Shing Huang										

	Director	Shiaoyu Hsieh (Note1)										
	Director	Wen-Hung Lo										
	Director	Lin Fangzheng										
	Manager	Zhongyi Tang (Note1)										
	Manager	Eugene Wu(Note1)										
	Deputy Manager	Li Wenxiong(Note1)										
	Manager	Wu Yinjing(Note1)										

Note1: The number of unvested shares in the above table is 623,151 shares due to employee's termination of employment.
Note2: The number of shares issued as of May 4, 2012 was 132,339,794..

4.6.2.2. 2019 2nd Grant Employee Restricted Stock Awards，Non-remunerated issue

2023/5/4

Type	Title	Name	Obtain the number of Restriction on Employee Share Subscription (thousand shares)	Ratio of Outstanding shares of Restriction on Employee Share Subscription in comparison to the outstandingshares (Note 1)	Restricted rights have been lifted				Restricted rights have not been lifted			
					Number of shares (Thousand shares)	Issued price (NT$)	Amount (NT$ thousands)	Ratio of the number of shares of Restriction on Employee Share Subscription which has not been lifted in comparison to the outstanding shares (Note 1)	Number of shares (Thousand shares)	Issued price(NT$)	Amount(NT$ thousands)	Ratio of the number of shares of Restriction on Employee Share Subscription which has not been lifted in comparison to the outstanding shares (Note 1)
Manager(Note1)	CTO	Maojie Xu(Note1)	138,000	0.10	0	0	0	0	0	0	0	0
Staff	Manager	Anping Qiu(Note1)	216,000	0.16	120,000	0	0	0.09	0	0	0	0

	Deputy Manager	Huang Xiehao(Note1)										
	Manager	Nai-Jen Song(Note1)										
	Director	Li-Sheng Shi(Note1)										
	Manage	Wen Xinsui(Note1)										
	Deputy Manage	Shijun Zhou(Note1)										
	Manage	Jiang Tianfu(Note1)										

Note1: The number of shares not acquired due to employee's termination of employment is 234,000 shares.
Note2: The number of shares issued as of May 4, 2023 was 132,339,794.

4.7 Mergers and acquisitions or issuance of new shares by transfer of shares of other companies： None

4.8 Implementation of capital utilization plan:

The Company is not in the situation with uncompleted public issue or private placement of securities and to such issues and placements that were completed in the most recent 3 years but have not yet fully yielded the planned benefits.

V. OPERATIONAL HIGHLIGHTS

5.1. Business Overview

5.1.1 Business scope

5.1.1.1 Major Business Operated by the Company

The company's current main business is R & D, design, production and sales of the following products: A. FP (Fabry-Perot) edge emitting laser diode die, DFB distribution feedback edge emitting laser diode grain, LED surface emitting diode grain, etc. B. PD (Photo detector) photodiode grain and APD (Avalanche Photodiode) avalanche photodiode grain. C. Optical fiber communication metal seat module (TO), unidirectional joint optical subassembly (OSA). D. Bi-directional OSA (BOSA) in Passive Optical Network (PON) Fiber To The Home (FTTH) application. E. Application of Parallel Optical Engine in the data center market of cloud computing. F. OEM services (ODM & OEM).

5.1.1.2 Net Revenue by Products

Unit: NT$ thousands

Products	2022	
	Amount	Percentage
Component & Transceiver	1,124,429	85.28
Chip	123,298	9.35
Others	70,819	5.37
Total	1,318,546	100.00

5.1.1.3 Current products (services) of the Company

Currently, the Company sells seven major product categories: optical communication laser chips, optical diode chips, metal mount optical sub modules, unidirectional optical sub modules, bidirectional optical sub modules, high-speed parallel optical engines, and foundry services.

5.1.1.4 New products (services) to be developed

Our products are mainly developed for 5G transmission and data center applications, with transmission distances ranging from 300m to 40km, and our current development focus is on 70mW CW LD and advanced packaging technology for 400G+ applications.

5.1.2 Industry Overview

5.1.2.1 The current situation and development of the industry

The optical communication industry can generally be divided into raw materials (optical fiber, optical cable), components (photoelectric active components, photoelectric passive components) and optical communication equipment, etc., the current situation and development of its industry will be explained as follows:

A. Current Industry Status

Optical communication technology mainly refers to the transmission of digital signals via optical fiber to remote locations with fast and ultra-low loss characteristics. The receiving amplifier IC has the functions of trans conductance amplification, limiting amplification, and clock digital recovery, etc., which, together with the optical diode, can restore the digital optical signal into a digital telecommunication signal.

In recent years, COVID-19 has accelerated the major changes in home office and learning, resulting in the demand for faster and more reliable networks, and the demand for data centers has also grown significantly, thus driving significant differences in revenue from related applications compared to the telecom segment and accelerating industry competition and consolidation. In addition, Marvell, a major network IC design company, acquired Inphi, a major silicon photonics company, for US$10 billion. In addition, Marvell, a major network IC designer, acquired Inphi, a major silicon photonics company, for US$10 billion, showing a strong intention to actively lay out the field of optical communication components for data centers.

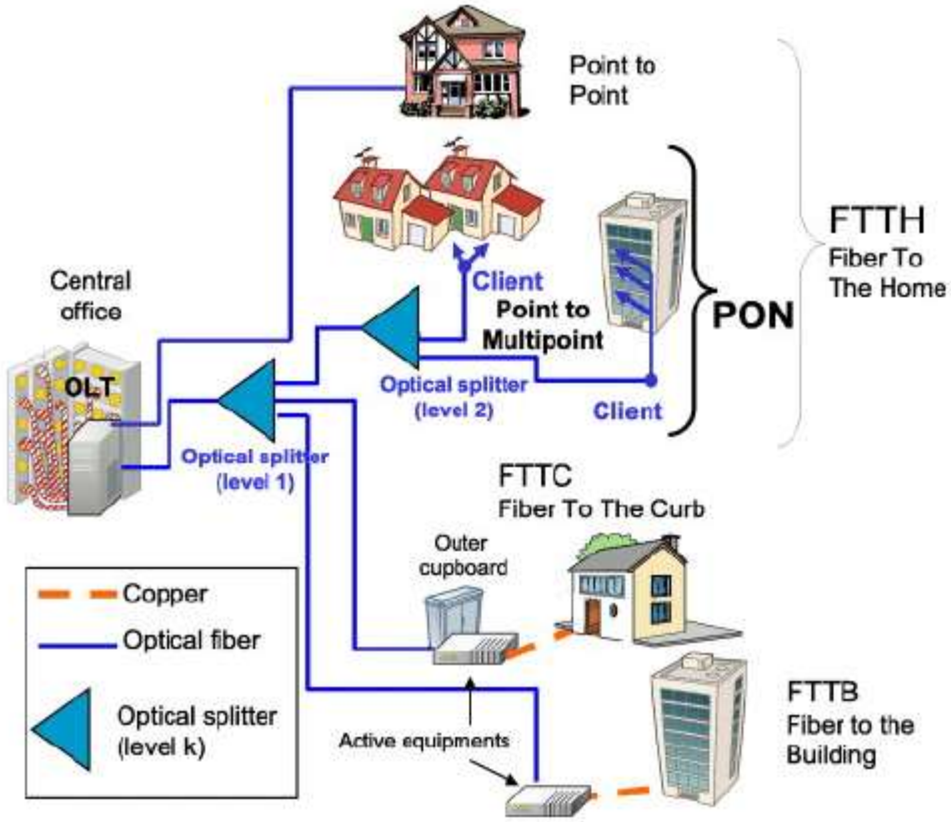
The main end-use applications in the optical communications industry, such as FTTx, mobile communications, cloud computing and data centers, are as follows:

(a) FTTx (Fiber to the X)

FTTx technology is mainly used by the regional telecommunications room bureau-end equipment to the user terminal equipment effective transmission of information, related important equipment includes optical line terminal (OLT), optical network unit (ONU) and optical network terminal (ONT), of which the user terminal equipment is ONU or ONT. The FTTx system has the following three classifications according to the communication method of the last mile:

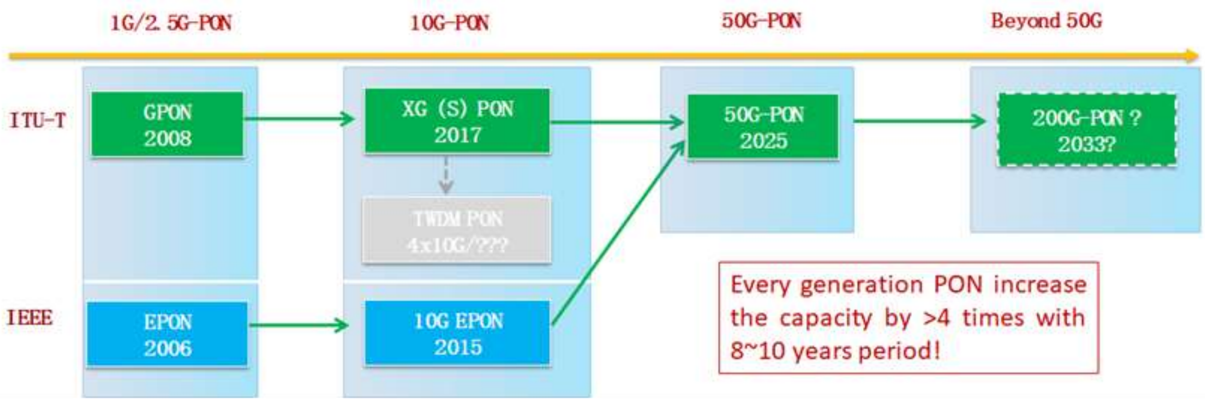
Item	General Information
FTTH(Fiber to The Home)	Deliver fiber directly to the end user's home to provide a variety of different broadband services within the home, such as Video On Demand; VOD), shopping at home, taking classes from home, etc. The United States, Japan and other countries with a large number of single-family houses.
FTTB(Fiber to The Building)	It is mostly used in multi-user buildings such as apartment buildings, and the optical fiber network between the telecom operator's computer room and the building, and then the copper axis cable or VDSL is used from the computer room in the building to the user house on each floor. It is mostly found in countries with dense user residences such as South Korea, Taiwan, and Hong Kong.
FTTC(Fiber to The Curb)	To serve residential users in the community, ONU equipment is placed in a roadside chassis, and cable TV signals are transmitted over ONU's coaxial cable or twisted pair cable is used to transmit telephone and Internet access services.

FTTx is the implementation strategy of optical fiber access network, and its transmission mode is that the OLT in the telecom room divides the downlink optical signal into multiple lines through the optical divergent (Splitter) and transmits it to each ONU; Each ONU synthesizes the upstream signal in reverse through the optocoupler in an optical fiber and transmits it to the OLT in a multiplexed form, so the passive optical fiber network (PON) using optical splitter can not only reduce the cost of network room and equipment maintenance, but also save a lot of optical cable resources and other construction costs, so it has become the main access technology adopted by developed countries around the world in recent years.



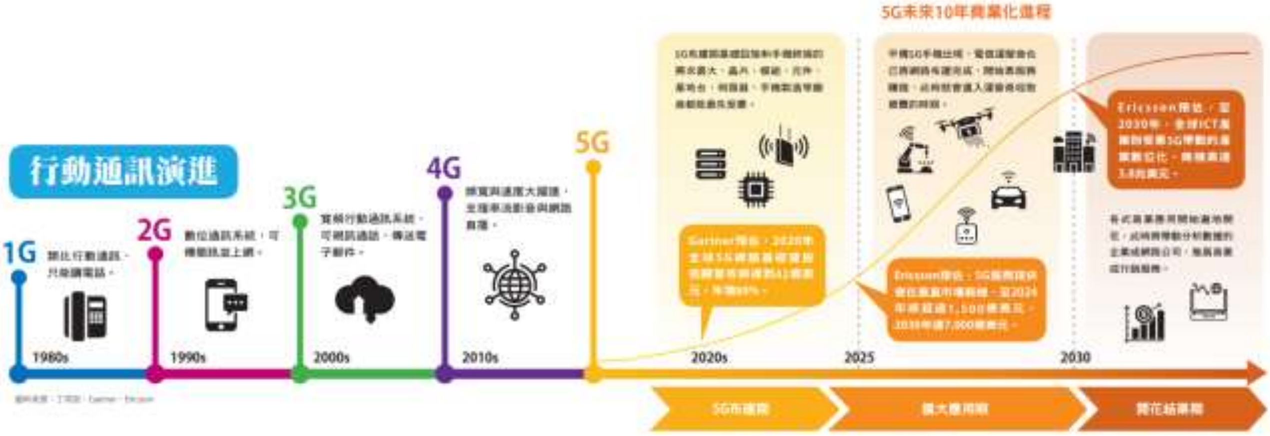
Source：Researchgate (https://www.researchgate.net/)

At present, the standard technology of PON products is EPON (Ethernet PON), GPON (Gigabit-Capable PON), 10G EPON and XG(S)-PON and other technologies, and driven by market demand, technology improvement, cost reduction and other factors, PON technology has entered the next generation (Next-Gen PON) from the current XG(S)-PON, mainly based on the development of 50G-PON. With the release of the 50G-PON standard, ITU-T began to launch the project in 2022 to study the technology; The evolution of PON technology is shown in the following table, which shows that network operators upgrade to the next generation PON every 8~10 years on average, and the bandwidth of each generation increases by at least 4~5 times:



Source：Telecoms.com (https://telecoms.com/)

(b) Mobile communication base station With the rapid development of mobile communication networks and smart phones, mobile communication technology has entered the stage of the fifth generation of communication technology (5G) from 4G, and 5G communication



technology has greatly improved the transmission speed, of which 5G has three characteristics, large bandwidth, low latency, and wide connection, in terms of speed, transmission volume and device coverage, are 10 times or even 100 times more than 100 times in the 4G era, and 2020 is also the year when global telecom operators deploy a large number of 5G mobile communication base stations to start commercial services. From the introduction of the evolution of mobile communication of ITRI, it can be seen that the application of 5G will continue to develop in the next decade.

Source：Ding Bangan、Gartner、Ericsson、Industrial Research Institute

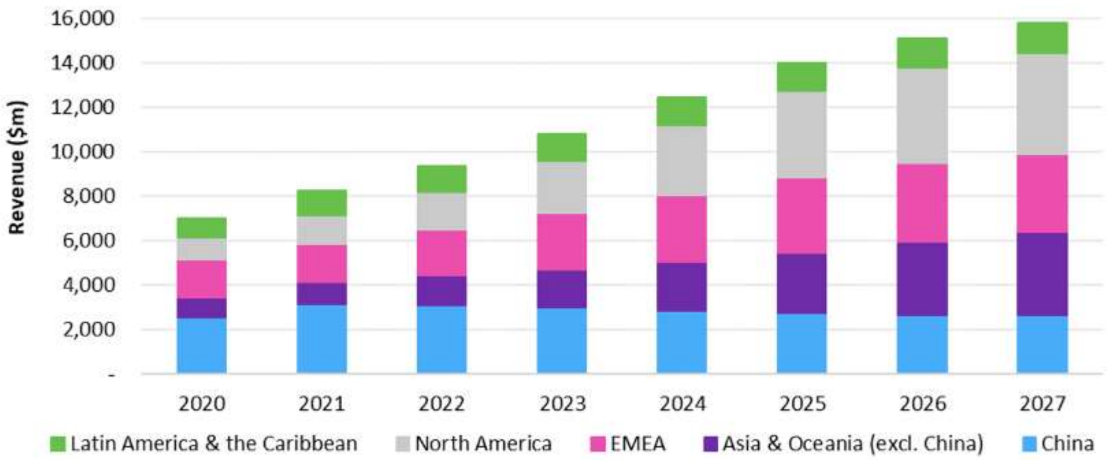
According to the industrial technology review of the Technology Division of the Ministry of Economic Affairs, 'the US-China science and technology war spreads from 5G to 6G, and the potential key technologies of next-generation communications will become a first-level war zone', such as millimeter wave (above 50 GHz), ultra-large-scale MIMO, high-precision network, artificial intelligence native, blockchain wireless access network, ubiquitous computing (evolution of edge computing), etc., advanced countries in communication development will continue to promote the technology development and application of 5G as the basis for future 6G development. Another type of technology is the emerging technology that has received less attention in the past, such as terahertz, optical wireless communication, reconfigurable intelligent surface, electromagnetic wave orbital angular momentum, non-terrestrial network communication, tactile Internet, underwater wireless communication, etc., the development path and application scenarios of these emerging technologies are not clear, and it is necessary to continue to pay attention to the technological development direction of 6G in advanced communication development countries.

(C) Cloud computing and data centers

i. Cloud computing Cloud computing services include email, server computing, data storage, data transmission, application software and content and system services, etc., which attract the attention of the market because users do not need to invest a large amount of software and hardware equipment in the early stage. The three major cloud service providers in North America, Amazon, Google and Microsoft provide enterprises with data and computing needs in cloud servers, enterprises do not need to purchase their own data center servers, coupled with the popularity of mobile Internet devices, thus promoting the growth of cloud computing, and today's mobile devices have light, thin and easy-to-use human-machine interfaces, so cloud computing various mobile applications (Apps) will be more popular among users.to. Data Center Based on the development of smart cities, smart home appliances, video streaming, metaverse, mining, e-sports, blockchain and the wide application of mobile Internet access, various telecommunications companies and network communication companies around the world have successively invested in the construction of data centers to improve the storage, computing, security and other functions of big information. In particular, the capital expenditure of Amazon, Google and Microsoft, the three major cloud service providers in North America, continues to increase, which will drive server demand. According to the research agency Digitimes, global server shipments will continue to grow from 2021 to 2026, from 17,008 units in 2021 to 23,745 units in 2026, showing that data center traffic is increasing year by year, and the growth momentum of data center construction continues to build. In summary, with the development of network multimedia, digital network data circulation will grow rapidly year by year, so the construction and development of data centers will indirectly drive the growth of demand for optical transceiver modules and other related components.

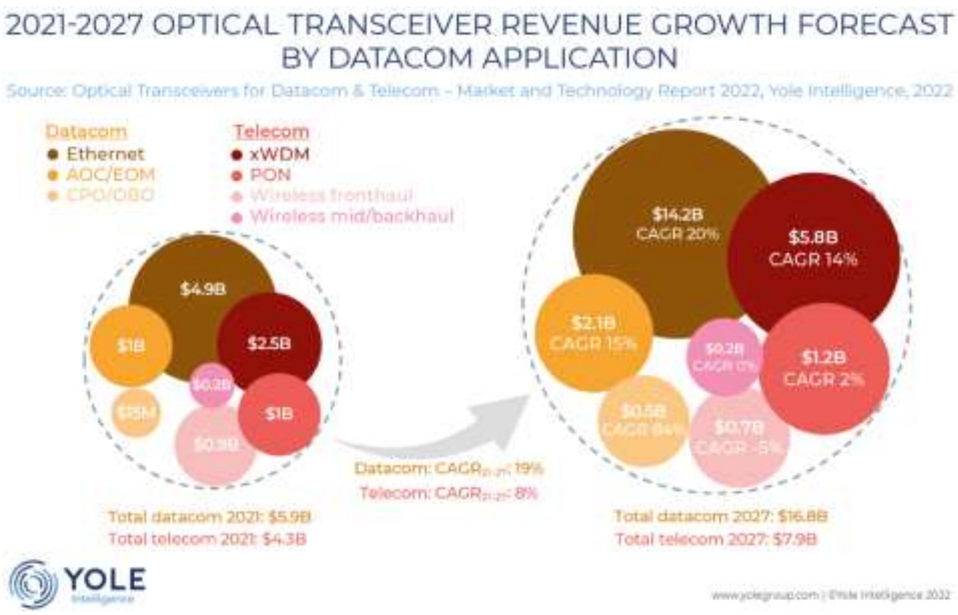
B. Future development of the industry

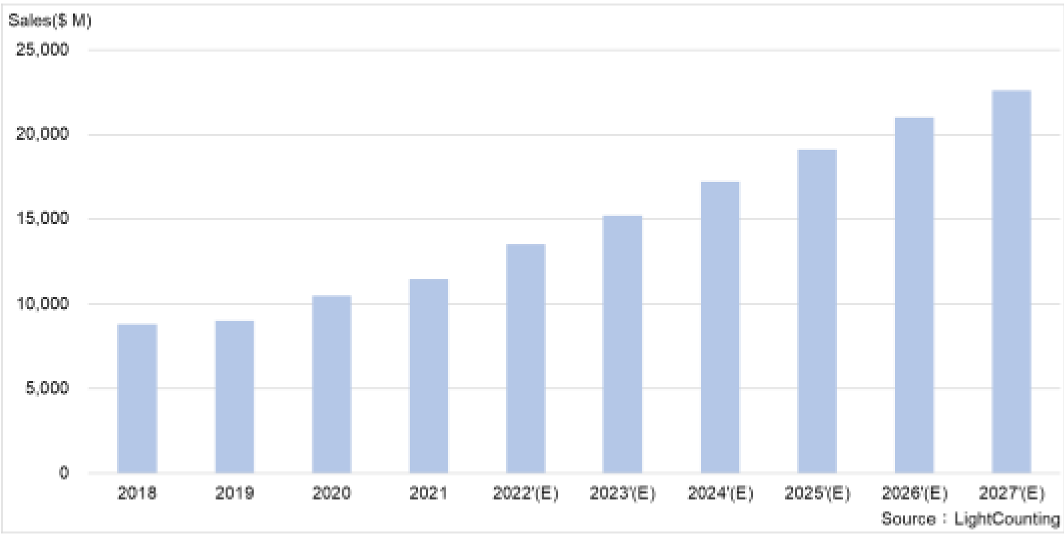
Omdia's forecast reflects PON's support of convergence



At present, the main applications of optical communication components in the market are still FTTx, mobile communication and cloud computing and high-speed products in data centers. In terms of FTTx, its main development markets are mainly Asia, Europe and North America, of which the Asian market is dominated by Chinese mainland, South Korea and Japan, but since 2016, the market growth has slowed down, and Chinese mainland a considerable number of 10G PON OLT ends have been deployed in the past few years, and the demand for ONUs of either 10G EPON or XGS-PON has begun to increase. It is estimated that with the decline in the price of 10G modules in the next few years, 10G PON will grow year by year and replace the traditional low-speed PON market. Market research agency Omdia estimates that the compound annual growth rate of PON equipment sales from 2020 to 2027 will grow at a compound annual growth rate of 12.3%.

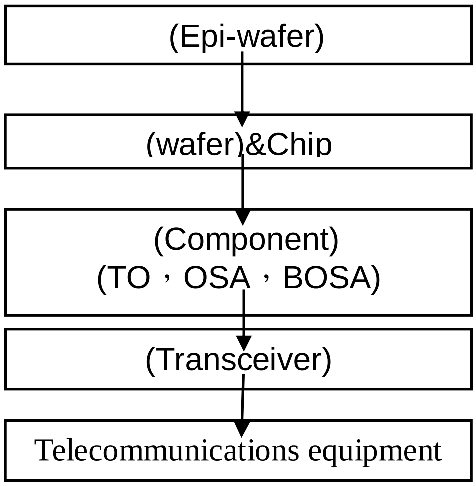
In terms of mobile communications, Omdia pointed out in the "2023 Global 5G Trend Observation Focus" report that although 5G started slowly, its influence will be more obvious in 2023 as related technologies gradually mature, cross-industry cooperation deepens, and emerging markets begin to introduce 5G. Omdia predicts that about 31% of global telecom operators will provide 5G services in 2022, and it is expected to rise to 59% by the end of 2023, showing strong growth momentum. In terms of cloud computing and data centers, with the development of network communication and digital multimedia, network data traffic has shown rapid growth year by year, and high-speed optical communication components, especially transmission rates of 100Gbps/200Gbps/400Gbps, have become the main products of data centers. According to Yole market research data, the global revenue of optical fiber communication transceiver modules in data centers in 2021 will be 5.9 billion US dollars, while the telecom market application will be 4.3 billion US dollars, with a total output value of about 10.2 billion US dollars, and the total output value is estimated to reach 24.7 billion US dollars in 2027, as shown below.





Lightcounting, a market research agency, estimates that the compound annual growth rate of optical communication industry sales from 2022 to 2027 will be 11%.

5.1.2.2 The correlation between the upstream, middle and downstream of the industry The optical communication system is to convert the electrical signal of the transmitting end into a light source with signal through the light-emitting module, and then couple the optical signal into the optical fiber network, and transmit it to the optical receiving module to convert the optical signal into an electrical signal and send it to the receiving user. As far as the optical communication industry is concerned, it can generally be divided into: raw materials (optical fiber, optical cable), components (photoelectric active components, photoelectric passive components) and optical communication equipment and other projects, the company focuses on gallium arsenide (GaAs), indium phosphide (InP) as raw materials for the development and production of optical communication active component components, including: chip (Chip) design and production, metal seat optical sub-module packaging (TO-CAN), sub-module packaging (Optical Sub (OSA), Bi-Direction Optical Subassembly; BOSA), and provide foundry services. The company's product sales and service positioning in the optical fiber communication supply chain mainly are: A. In addition to the sales of optical fiber communication optical active components (Chip, TO, OSA, BOSA, optical engine, etc.) and active optical fiber cables, the company also provides ODM & OEM services. B. The company's customers are mainly designed and produced optical active component sub-modules (TOSA, BOSA, optical engine) and active optical fiber cables, optical fiber transceiver modules, and the company's products are also sold to communication equipment manufacturers through these customers.



5.1.2.3 Various development trends of products

As the global Internet of Things (IoT) continues to increase in demand for network bandwidth, it is only natural that network communication hardware is growing rapidly, especially in the United States, Asia, and some emerging markets. In the next few years, it is foreseeable that the continuous growth of cloud computing data centers, fiber-to-the-home and 5G wireless communication base stations will also benefit from the demand for optical communication components.

A. Cloud computing, 5G base station In recent years, under the active promotion of Google, Amazon, Microsoft, IBM, Apple, Facebook and other companies, the application of cloud computing has become a must for software and hardware manufacturers, so the demand for communication bandwidth has shown explosive growth. In addition, with the recent demand from companies such as Alibaba, Baidu and Tencent Chinese mainland, most of the computing will be performed through different cloud platforms. In response to these future bandwidth growth needs, the Company will focus on: (A) 10G/25Gbps LD, 20-70mW CW LD and PD development and mass production. (B) Development and assembly of key components in 100G - 400G bps DWDM transceiver module.

B. Fiber-to-the-home (FTTx) In recent years, the deployment of low-speed EPON has slowed down, and GPON, although there is still demand for related BOSA products with the issuance of bids, under the dual influence of policies to encourage the use of domestic products and sharp price declines, the supply chain ecology has changed greatly compared with the past. As for the market demand for 10G GEPON and XG-PON (asymmetric, downlink rate 10Gb/s, uplink rate 2.5Gb/S), XGS-PON (symmetrical, both 10Gb/s uplink and downlink), under the network architecture that can share the existing low-speed PON, a large number of COMBO PON OLT solutions have been adopted, and the demand for ONU has also increased significantly. The company focuses on high-speed 10G EPON, XGS-PON SALES AND RESEARCH AND DEVELOPMENT, AND FADES OUT OF THE LOW-SPEED PON MARKET.

5.1.2.4 Competition situation

In the past, combined with the research and development capabilities of III-V group light-emitting and receiving diode components in the United States, Taiwan's excellent module production technology and efficient automated packaging and manufacturing technology, the company has achieved a leading position in the global optical fiber communication component market with the best product quality and the most competitive cost. However, since 2016 Chinese mainland manufacturers of optical communication components, regardless of the scale of production or the rapid improvement of component development and manufacturing capabilities, the company will actively operate the development, design and production of its own brand products. Meantime. The company also cooperates with strategic partners to produce highly competitive high-speed optical transceiver products. The analysis of the company's main industry competitors is as follows: (1) The receiving end-receiver diode is GCS, 13 and 29 companies of China Electronics Technology Group, Halo and other companies, while 10G/25G APD is based on Sifotonics, Halo, China Electronics Technology Group 44, Macom and other companies; (2) The main competitors of 10G/25G LD on the transmitter side are Xi'an Yuanjie, Wuhan Minxin, Macom, Melco, Broadcom and other companies.

5.1.3 Technology and R&D Status

5.1.3.1Technical level and research and development

Based on edge-emitting laser (DFB & FP) and photodetector (PIN & APD) dies, we develop various types of metal base optical submodules (TO), optical submodules (OSA & BOSA) and modules suitable for optical communications. In response to the demand for high-speed optical communication components required for cloud computing data centers and 5G wireless base station applications, the company has actively invested in the research and development and mass production of side-emitting laser DFB dies with a speed of more than 25Gbps since 2016, and has been affirmed and adopted by several major customers, and strives to gradually extend the main products to high-end products such as EML-DFB. In order to better respond to the rapidly changing needs of the market, the company's strategy in product technology development adopts short-term to meet customers' high-quality and competitively priced products, and long-term research and development of high-efficiency and diversified products as the main axis, and strengthens the improvement of internal technology and product research and development capabilities, increases industry-university cooperation with domestic and foreign customers and domestic academic research institutions, and aims to deepen more stable and competitive product technology. In terms of R&D personnel and organization, in addition to continuing to recruit senior R&D personnel, on-the-job training is also strengthened to strengthen their professional technology, project management and problem-solving capabilities.

5.1.3.2 Research and development personnel and their academic experience

2023/5/4

Education	Number of people	Average years of service with the Company	Average years of relevant work experience accumulated in the past
PhD	1	3.3	9.8
Master	8	4.5	7.7
University	11	4.8	12.2
Specialized	2	13.0	15.0
Undergraduate	3	16.3	7.1
Total	25	8.4	10.3

5.1.2.3 R&D Expenses

Unit: NT$ thousands；%

Year / Item	2022	2023/3/31
Research and Development Expenses	66,643	13,497
Operating Revenue	1,318,546	486,920
R&D Expenses / Operating Revenue	5.05%	2.77%

5.1.2.4 The techniques and products developed in the most recent year as of printing date of the annual report

A. The techniques and products developed in the most recent year as of printing date of the annual report

Year	Category	Item
2022	Optical Communication Active Component Dice	(1)50G 1310nm/1550nm PD
	Optical Communication Active Device Die	(2)10G O-band CWDM 6 波
	Active component sub-module	(3)TO-25 miniature TO for PD
2023/5/4	Optical communication active component die	(1)10G/25G DFB LD
		(2)20~50mW CW LD

B. Our R&D patent achievements and cooperation plans are as follows：

Certificate No.	Patent	Certificate Country	Type
No. 183375	Light emitting diode with improved blocking current and liquid light structure	Taiwan	Invention
No. M356319	Light transceivers	Taiwan	Utility model
No. I449958	Microlens manufacturing method	Taiwan	Invention
No. M395173	Assembly and inspection fixtures for optical transceivers	Taiwan	Utility model
No. M439807	Primary alignment base for optical diode arrays	Taiwan	Utility model
No. M452348	Vertically emitting light emitting element and light transceiver module containing it	Taiwan	Utility model
No. M459412	Optical connector package structure	Taiwan	Utility model
No. M484713	Interchangeable light emitting modules and optical transceivers with interchangeable light emitting modules	Taiwan	Utility model
No. M481421	Optical transmitter package structure	Taiwan	Utility model
No. M505128	Modified optical transmitter package structure	Taiwan	Utility model
No. I529438	Transceiver modules	Taiwan	Invention
No. I583086	Light emitter heat sink structures and light emitters containing them	Taiwan	Invention
No. M533751	Optical Receiver Package Structure	Taiwan	Utility model
No. M536366	Bi-directional transceivers	Taiwan	Utility model

Certificate No.	Patent	Certificate Country	Type
No. M541579	Optical communication module with improved coupling efficiency	Taiwan	Utility model
No. M538242	Double-ended drive type high frequency substrate structure and high frequency transmission structure containing it	Taiwan	Utility model
No. M546046	Combination of semi-conductor and high thermal conductivity thermal substrate	Taiwan	Utility model
No. M541642	Semiconductor and composite thermal substrate structure	Taiwan	Utility model
No. M542857	Combination of semi-conductor and grooved thermal substrate	Taiwan	Utility model
No. M540453	Soldering structure of flexible printed circuit board and rigid printed circuit board	Taiwan	Utility model
No. M540290	Optical communication module with improved coupling efficiency	Taiwan	Utility model
No. M537236	High efficiency temperature cycling equipment	Taiwan	Utility model
No. M554243	Light emitter structure	Taiwan	Utility model
No. I638496	DC-coupled optical communication module with extinction ratio compensation function and extinction ratio compensation method for high-speed optical communication module	Taiwan	Invention
No. M565873	Improved optical path structure for wavelength splitting multiplexer and demultiplexer	Taiwan	Utility model
No. M565879	Flip-flop cooled chip and package structure containing it	Taiwan	Utility model
No. M565944	Heat dissipation structure for horizontal optical communication subassemblies	Taiwan	Utility model
No. M565803	Optical transceiver module unlocking mechanism	Taiwan	Utility model
No. I645517	Photoreceptor electrode stacking structure for preventing the entry of moisture	Taiwan	Invention
No. I672820	Optical receiver and its preparation method	Taiwan	Invention
No. M599400	Measurement coupled optical platform	Taiwan	Utility model
No. I703784	Method for manufacturing semiconductor laser components with discontinuous ridge structure	Taiwan	Invention
No. M612287	Adjustable material carrier	Taiwan	Utility model
No. I737548	Method for making samples for observing failure areas in failure analysis	Taiwan	Invention
No. M621501	Semiconductor wafer stripping equipment	Taiwan	Utility model
No. I756718	Composite Connector for Optical Power Detector	Taiwan	Invention
No. I777590	Semiconductor Structure of Optical Diode and its Fabrication Method	Taiwan	Invention
No. I763141	Directly modulated laser diode with GSG coplanar electrode and its manufacturing method	Taiwan	Invention
No. I757808	Light emitter with multi-channel heat dissipation structure	Taiwan	Invention

Certificate No.	Patent	Certificate Country	Type
Patent No：6680963	VERTICAL-CAVITY SURFACE EMITTING LASER；UTILIZING A REVERSED BIASED DIODE FOR INPRONED CURRENT CON-FINEMENT	USA	Invention
Patent No：6553053	VERTICAL-CAVITY SURFACE EMITTING LASER；HAVING IMPROVED LIGHT OUTPUT FUNCTION	USA	Invention
Patent No：8721194	Optical Transceiver Module	USA	Invention
Patent No：9129883	Optical Transceiver Package Structure	USA	Invention
Patent No：9400359	Modified Light Emitter Package Structure	USA	Invention
Patent No：9419717	Optical transceivers with interchangeable light emitting modules and light emitting modules equipped with interchangeable light emitting mod-ules	USA	Invention
Patent No：9568695	Optical connector package structure	USA	Invention
Patent No：9854674	Soldering structure of flexible printed circuit board and rigid printed circuit board	USA	Invention
Patent No：9847307	Double-ended driven high-frequency substrate structures and high-frequency transmission struc-tures incorporating them	USA	Invention
Patent No：9991674	Light emitter heat dissipation structure and included light emitter	USA	Invention
Patent No：10283652	Photoreceptor electrode stacking structure to pre-vent moisture ingress	USA	Invention
Patent No：10656355	Heat dissipation structure of horizontal optical communication subassembly	USA	Invention
Patent No：11374382	Method for increasing the bandwidth of an electro-absorption light modulator and its component structure and process	USA	Invention
Patent No：11428874	Composite connector for optical power detector	USA	Invention
No. 2682183	Optical Transceiver Module	China	Utility model
No. 3513949	Optical connector package structure	China	Utility model
No. 3753308	Optical transmitter package structure	China	Utility model
No. 3807125	Interchangeable light emitting modules and trans-ceivers with interchangeable light emitting modules	China	Utility model
No. 4445706	Modified optical transmitter package structure	China	Utility model
No. 6021195	Light emitter heat sink structures and light emitters incorporating them	China	Utility model
No. 6191639	Bi-directional transceivers	China	Utility model
No. 6232428	Soldering structure of flexible printed circuit board and rigid printed circuit board	China	Utility model
No. 6235227	Double-ended drive type high frequency substrate structure and high frequency transmission structure	China	Utility model

Certificate No.	Patent	Certificate Country	Type
	containing it		
No. 6727815	Optical communication module with improved coupling efficiency	China	Utility model
No. 6671691	Semiconductor Heat Dissipation Structure	China	Utility model
No. 6671692	Composite thermal substrate structure	China	Utility model
No. 6664992	Optical communication module with improved coupling efficiency	China	Utility model
No. 7942607	Improved optical path structure for wavelength splitting multiplexer and demultiplexer	China	Utility model
No. 7825170	Optical transceiver module unlocking mechanism	China	Utility model
No. 7410322	Light emitter structure	China	Utility model
No. 8315960	Heat dissipation structure for horizontal optical communication subassemblies	China	Utility model
No. 6872134	Combined structure of semiconductor and high thermal conductivity thermal substrate	China	Utility model
No. 4347816	Inverted cooled wafer and package structure containing it	China	Invention
No. 12176049	Measurement coupling optical platform	China	Utility model
No. 13914704	Adjustable material carriers	China	Utility model
Patent No 10-1624404	Interchangeable light emitting modules and optical transceivers for light emitting modules with interchangeable light emitting modules	Korea	Utility model
Patent No：3193150	Optical transceiver with interchangeable light emitting module and optical transmitter with interchangeable light emitting module	Japan	Utility model
Patent No ：2919050	Light transceivers for light emitting modules with interchangeable light emitting modules and optical transceivers with interchangeable light emitting modules	Germany	Invention

5.1.4 Long-term and short-term business development plan

5.1.4.1 Short-term development plan

A. Marketing strategy With the widespread use of network products, the vigorous development of optical communication infrastructure has been driven, especially the deployment of data centers, base stations and FTTx. Among them, the United States is the main promoter of ultra-large data centers, and also accounts for nearly half of the ultra-large data centers, while Chinese mainland is the largest FTTx and 4G/5G base station users, and in the future, other governments will also rapidly expand the infrastructure and application of communication networks, and optical fiber communication is an indispensable part of it. The architecture of the data center is mainly based on 850nm 10Gbps multimode module (10G SR), 1310nm 10Gbps singlemode module (10G LR & LR-LITE), 850nm 40Gbps parallel optical multimode module (4x10G SR-4), 40Gbps CWDM singlemode module (4x10G LR-4) and AOC according to different <applications. Since the beginning of this year, the demand for higher bandwidth (4x25G) SR-4, PSM-4 collimator and 100G CWDM/LanWDM single-mode modules has increased rapidly. The company continues to deepen cooperation with strategic

partners, and actively develops and promotes various optical transceiver module requirements in cloud computing data centers (100G-400Gbps). The company will continue to cultivate the high-speed FTTH market with high-quality customers who have been operating for many years to provide high-quality products and services. In response to the 25 Gbps products required for 5G base stations in 2020, the company has completed the mass production of laser dies and related packaging, and has been certified and adopted by international manufacturers, in addition to Chinese mainland, it also actively develops customized photodetection diodes and related packaging products with mainstream optoelectronic customers in the United States.

B. Production and procurement strategy

Based on the rapid growth of demand for communication network services, optical communication infrastructure in various countries is also actively being deployed. Therefore, the demand for optical communication components will also increase in the future, which will lead to an increase in market supply and downward selling price pressure due to competition. The company will take a positive attitude to manage the stability of key raw material supply, the control of material quality, the strengthening of material bargaining power and the improvement of production efficiency. The company's short-term procurement strategy is based on customers' existing orders, selling prices and effective control of internal inventory to form a reliable and stable partnership with chips, IC suppliers, capacitor suppliers, TO metal material suppliers, PCB rigid boards, flexible boards and metal parts suppliers. In addition, the company's production and manufacturing strategy is to meet the needs of existing customers and delivery as the goal, with high yield, high efficiency and high-quality production methods as the principle, if the production capacity is insufficient, it will give priority to high-quality outsourcing partners to cooperate with joint customer needs.

C. R&D strategy

The company's short-term product development strategy will focus on: (A) Develop high-speed optical communication laser components and high-speed optical receiving components with strategic partners. (B) Design high-speed optical submodule components with its own laser and receiving components to provide customers with high-performance, high-quality products with competitive price and stable supply.(C) Continue to develop various competitive laser diode products with special applications.

D. Operational and financial planning strategy

(A) Strengthen production engineering technology and improve existing production processes, introduce MES and automation, improve yield and efficiency, and ensure quality.

(B) Regularly review inventory control and raw material price tracking on a monthly basis to control costs.

(C) To review the details of accounts receivable and payable on a monthly basis to strengthen financial management.

(D) Effectively plan the source and use of bank funds and risk control against exchange rate changes.

5.1.4.2. Long-term development plan

A. Marketing Strategy

For high-speed 10Gbps GEPON and XGS-PON, 5G base station fronthaul, midhaul applications, and related high-speed optical communication dies, sub-module optical communication modules in data centers (Intra Data Center) and Inter Data Center (Inter Data Center) high-speed transmission and other independent development and OEM/ODM/JDM products. The company's long-term marketing strategy is: (a) On the customer side, seek and actively operate high-quality strategic partner customers, and jointly serve end customers with competitive high-speed products. (B) Insight into the future market trend, early research and development of high-performance laser, light detector die and optical sub-module, so as to effectively achieve the customer's design (design-win). (C) Provide high-quality, high-efficiency and low-cost optical module foundry services for strategic partners.

B. Production and Sourcing Strategy

The company expects that the demand for optical communication components will increase with the application in the future, but at the same time, competitors will inevitably increase, and the supply, timeliness, and price of key raw materials will be a major factor affecting the competitiveness of products. The company's response policy: (A) In terms of manufacturing and production, we will purchase additional high-performance production tools and testing equipment to produce high-quality and high-performance products. (b) In terms of procurement strategy, we will stabilize the supply of goods through effective internal management and actively form strategic partnerships with high-quality supply chain manufacturers, and from time to time evaluate the combination of new raw materials with the company's products to develop more competitive product opportunities.

C. R& D Strategy

The company's long-term product development strategy will focus on: (A) Working with strategic partners to develop higher performance optical communication components and packaging technologies to meet future market needs. (B) Seek technical cooperation with domestic and foreign research institutions to jointly develop new products and upgrade their own product technology.

5.2 Market Outlook and Production and Sales Overview

5.2.1 Market Analysis：

5.2.1.1 Sales regions of main products Unit: NT$ thousands

Sale Region		2021		2022	
		Amount	%	Amount	%
Taiwan		97,243	11.23	107,154	8.13
Export	China	272,617	31.48	234,535	17.79
	North America	475,655	54.92	948,901	71.96
	Other	20,501	2.37	27,956	2.12
Total		866,016	100.00	1,318,546	100.00

Source：The 2021&2022 financial report of the visa shall be verified by the accountant.

5.2.1.2 Market Share

The company's main products are optical communication active components and modules, wafers and others, and the revenue proportion of various products in the 111 years of the Republic of China was 85.28%, 9.35% and 5.37% respectively. According to LightCounting, the annual output value of the global optical communication industry in 2022 is estimated to be about 13.5 billion US dollars, and the sales value of the company's optical communication component products is about 44 million US dollars, accounting for about 0.3% of the total market value.

5.2.1.3 The demand & supply and the potential growth of the market in the future

Although the global economy and trade are still disturbed by uncertainties such as inflation, interest rate hikes, the Russia-Ukraine war, and the US-China technology war, which have caused large enterprises to tighten capital expenditure, according to the "Ericsson Action Trends Report" released by telecommunications equipment manufacturer Ericsson on December 20, global mobile Internet data traffic has increased by 38% from the third quarter of 2021 to the third quarter of this year, doubling in the past two years, and is expected to quadruple by 2028. This may indirectly drive revenue growth for the Company's products used in cloud computing and data centers.

5.2.1.4 Niche for competition

The company will actively use its vertical integration capabilities to develop high-speed products and expand its foundry business, and continuously improve through lean management to obtain comprehensive customer satisfaction, thereby deepening customer relationships, improving its ability to develop components and new packaging technologies. The company's 10/25 Gbps high-speed optical communication components have entered the qualified supplier of first-line optical communication equipment manufacturers in Asia; 100G and 400G optical communication components have become the mainstream architecture of data centers.

5.2.1.5 The advantage, disadvantage and the responding measure for future development

A. Favorable factors:

(A) Grow in tandem with strategic partner customers In addition to maintaining the growth of existing products, the company also cooperates with customers in the United States, China and Japan to develop optical communication components such as components, optical sub-modules and optical transceiver modules, and some products have passed the verification of first- and second-tier equipment manufacturers and continue to be supplied.

(B) Continuous innovation of R&D capabilities and product technologies The Company has gradually improved its ability and technology in self-developed high-speed components through cooperation with strategic partners and self-training of talents. In the future, based on the existing professional technology, we will be able to continue to innovate in product technology research and development.

(C) Mass production capacity and product quality In recent years, the company has optimized the process of product development and mass production through lean management and improving the degree of mass production automation, and has achieved the goal of reducing manufacturing costs, meeting customer quality requirements and shortening delivery time.

B. Adverse factors and countermeasures:

(A) Adverse factors In recent years, major European and American manufacturers have rapidly introduced new generation products into the market through vertical integration and expansion, accelerated the development time of high-end products, and began to adopt price reduction strategies to seize market share during the market growth period, so that the life cycle of each generation of products has gradually become shorter. However, China's optical communication competitors adopt low-price strategies in low-end products, resulting in fierce market competition and inability to profit.

(B) Response measures:

i. Strengthen the ability and pace of research and development of high-end products, and create product uniqueness and quality.

ii. Continuously improve the manufacturing cost structure of products.

iii. Work closely with first-line optical communication industry customers to develop products.

iv. Continuously strengthen the standardization and simplification of product design to reduce material and production costs.

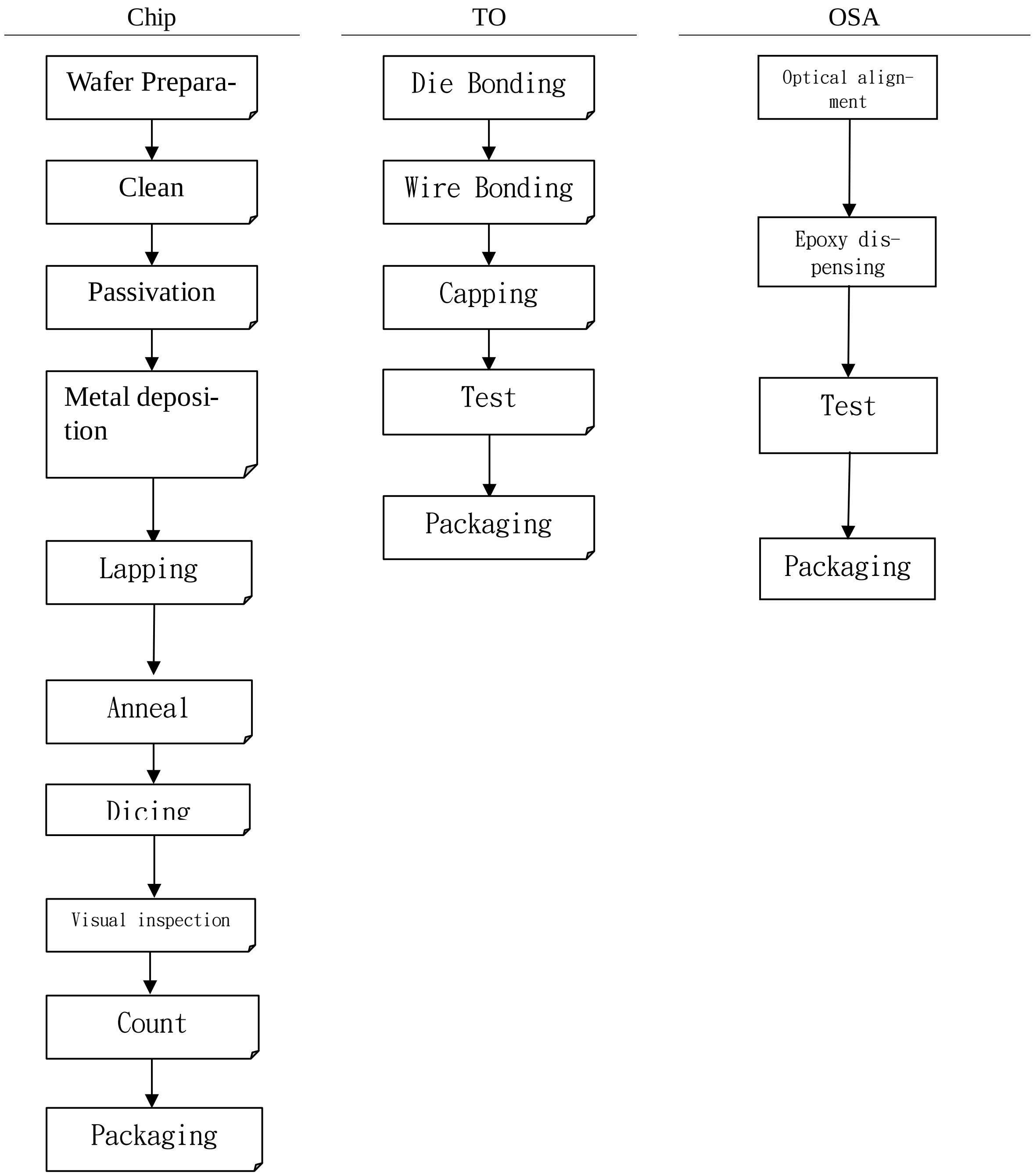
v. Strengthen the automation of production equipment and information IT to increase production efficiency and improve product quality.

5.2.2 Major application of the products and the applicable wavelength band:

5.2.2.1 Major application

Product Type	Major application
FP & DFB Laser Chip & OSA	Fiber optic communication optical transceiver module for Datacom, Telecom
VCSEL OSA	Fiber optic communication optical transceiver module for Datacom
Photodetector&OSA	Fiber optic communication optical transceiver module for Datacom, Telecom &Security Monitoring
OEM	Datacom、Telecom、LTE Base Station、Cloud Computing、Security Monitoring

5.2.2.2 Production process of the main products



5.2.3 Raw Materials and Suppliers

Raw Materials	Suppliers	Condition of supply
TOSA	LV221309	Good 、Stability
PCB	LV221085	Good 、Stability
CHIP	LV221076	Good 、Stability
(HOUSING	LV220129、LV220704、LV220239	Good 、Stability
FPC	LV221208、LV220828	Good 、Stability
Base	LV220704	Good 、Stability

5.2.4 Major Suppliers/Customers Accounting for above 10% (inclusive) of Purchases / Sales in the most recent 2 years：

5.2.4.1 Major Suppliers

Units: NT$ thousand

Year	2021				2022				2023 Q1 (Note1)			
Item	Name	Amount	AS % of Total Purchase	Relation with issuer	Name	Amount	AS % of TotalPurchase	Relation with issuer	Name	Amount	AS % of TotalPurchase	Relation with issuer
1	LV221309	233,714	34.41	None	LV221309	1,184,511	67.50	None	LV221309	253,301	68.20	None
2	LV221085	84,897	12.50	None	LV221085	161,960	9.23	None	LV221076	27,285	7.35	None
3	LV221076	77,506	11.41	None	LV221076	78,550	4.48	None	LV221085	24,623	6.63	None
	Others	283,167	41.68		Others	329,800	18.79		Others	66,225	17.82	
	Total Net Procurement	679,284	100.00		Total Net Procurement	1,754,821	100.00		Total Net Procurement	371,434	100.00	

Note1：Financial information verified by accountants.

Reason for change：

It is mainly affected by the changes in raw material prices, product orientation and customer orders of suppliers.

5.2.4.2 Major Customers

Units: NT$ thousand

Year	2021				2022				2023 Q1 (Note1)			
Item	Name	Amount	As % of Total Net Revenue	Relation with issuer	Item	Name	Amount	As % of Total Net Revenue	Item	Name	Amount	As % of Total Net Revenue
1	LC01082	470,179	54.29	None	LC01082	941,848	71.43	None	LC01082	409,527	84.11	None
2	LC01055	158,604	18.31	None	LC01055	162,682	12.34	None				
	Others	237,233	27.40		Others	214,016	16.23		Others	77,393	15.89	
	Total Net Revenue	866,016	100.00		Total Net Revenue	1,318,546	100.00		Total Net Revenue	486,920	100.00	

Note1：Financial information verified by accountants.

Reason for change：

It is mainly due to changes in market demand for terminal products.

5.2.5 Production in the most recent 2 years

Unit: NT$ thousands；Kpcs

Year / Capacity/Output / Products	2021			2022		
	Capacity	Capacity	Capacity	Capacity	Capacity	Capacity
Component & Transceiver	88,240	2,339	696,251	88,240	1,417	1,210,872
Chip	144,000	3,806	98,497	144,000	6,402	169,904
Others	0	0	0	0	0	0
Total	232,240	6,145	794,748	232,240	7,819	1,380,776

5.2.6 Table of sales value in the most recent 2 years

Unit: NT$ thousands；Kpcs

Year / Shipment Net sales / Products	2021				2022			
	Domestic sales		Export		Domestic sales		Export	
	Shipment	Net sales	Shipment	Net sales	Shipment	Net sales	Shipment	Net sales
Component & Transceiver	519	39,097	2,867	674,919	267	25,119	1,162	1,099,310
Chip	1,697	43,345	2,644	32,182	1,663	78,768	3,507	44,530
Others	23	14,801	111	61,672	167	3,267	17	67,552
Total	2,239	97,243	5,622	768,773	2,097	107,154	4,686	1,211,392

5.3 Human resouces in the last two years

Year		2021	2022	2023/5/4
Number of Employees	Direct Staff	235	231	173
	Indirect Staff	148	171	227
	Total	383	402	400
Average Age		40.5	40.25	40.51
Average Year of Service		6.62	6.28	6.54
Education Ratio (%)	Ph.D.	1.3%	0.8%	0.5%
	Masters	10.7%	9.2%	8.5%
	Bachelor's Degree	39.5%	43.8%	40.3%
	Senior High School	39.5%	38.9%	35.8%
	Under Senior High School	9.0%	7.3%	15.0%

5.4 Environmental Protection Expenditure

5.4.1 For those who are required by law to apply for a pollution facility installation permit or a pollution discharge permit, or to pay pollution prevention and control fees, or to establish a special unit for environmental protection, the application, payment or establishment of the situation is explained.：

The Company has legally obtained permits for the installation of stationary pollution sources, operation permits, water pollution prevention and control permits, and permits for the discharge of industrial parks (to be controlled), and has obtained approval documents for the business waste cleanup plan and toxic chemical substances, paid soil and groundwater pollution remediation fees and water pollution fees for industrial parks in accordance with the law, and set up a dedicated staff for the prevention of Class A air pollution..

5.4.2 List the company's investment in the main equipment for the prevention and control of environmental pollution, its use and possible benefits：

2023/5/4；Unit: NT$ thousands

Name of equipment	Set	Date of acquisition	Acquisition Cost	Non- depreciation amount	Application andpotential benefit
Wet scrubber	2	2023/1	8,202	0	Treatment of waste gas from manufacturing procedure
Sewage system	1	2023/1	2,069	0	Treatment of wastewater from manufacturing procedure

5.4.3 A description of the Company's efforts to improve environmental pollution in the most recent year and as of the date of the annual report, and, in the event of a pollution dispute, a description of how it was handled:

The Company has not had any pollution disputes in the most recent year and up to the date of the annual report.

5.4.4 The Company shall state the losses suffered from environmental pollution in the most recent year and as of the date of publication of the annual report (including compensation and environmental protection audit results for violations of environmental protection laws and regulations, and shall state the date of the penalty, the penalty number, the provision of the violation, the content of the violation, and the content of the penalty) and shall disclose the estimated amount of current and future losses and measures to be taken, and if it is impossible to make a reasonable estimate, shall state the fact that it is impossible to make a reasonable estimate). If the Company is unable to make a reasonable estimate, it shall state the fact that it is unable to make a reasonable estimate:
The Company has no loss due to pollution in the latest year and as of the printing date of the annual report.

5.4.5 Description of the current pollution situation and the impact of its improvement on the Company's earnings, competitive position and capital expenditure, as well as the estimated significant environmental capital expenditure in the next two years:
The Company has no pollution situation in the last two years and as of the printing date of the annual report.

5.5 Labor-Management Relationship

5.5.1 List the Company's employee welfare measures, training, training and retirement systems and their implementation, as well as the agreements between employers and employees and measures to protect the rights and interests of employees.

5.5.1.1 Employee welfare measures: The Company's welfare measures are divided into those provided by the Company and those provided by the Employee Welfare Committee. (1) The company provides welfare measures: including annual gifts, group insurance, employee health checkups, medical staff set up in the factory, travel safety insurance, tailgate dinner, and subsidies for employees to further their degrees and professional licenses.

A. New Year's gift: Half a month's salary is given to each of Dragon Boat Festival and Mid-Autumn Festival every year.

B. Group Insurance: In 12022, there were 59 group insurance medical claims, and the claim amount was about NT$1 million.

C. Travel insurance: The company adds travel insurance for each employee to ensure the protection of employees during business trips.

D. Due to the global spread of the novel coronavirus COVID-19 epidemic, the company ceased to hold large tailgate dinner parties and instead gave each employee a New Year's greeting and subsidized the unit's activity expenses to hold their own dinner parties to express our gratitude to our employees.

E. Degree and Professional License Subsidy: In order to encourage our employees to continue their self-education, the company has established a degree and professional license incentive program to enhance the quality and ability of our employees. 2022 there were 9 times of degree and professional license subsidies for employees, and the total cost was about NT$40,000.

(2) On March 1, 2010, the Employee Welfare Committee was officially established to utilize the welfare benefits based on the three principles of fairness, affordability and universality, and the benefits are managed by the employees themselves and related activities are held from time to time:

A. Gift and Allowance: We provide various subsidies such as marriage, childbirth, funeral subsidy, birthday, May Day Labor Day gift, and Mid-Autumn Festival gift.

B. The company will stop holding activities related to the global spread of the novel coronavirus COVID-19 and cancel the arrangements and planning of employee travel.
C. Encourage employees to devote themselves to club activities after work, and provide funding subsidies through the club subsidy mechanism to arrange and plan club activities every month; at present, there are two types of clubs, such as Mountain Walking Club and Love Club.
D. Perfect insurance system: In addition to the company's group insurance, FSC also insures group term life insurance.
E. Signed 65 special stores, allowing employees to enjoy a wide variety of benefits.
(3) On-site health services: The company has set up medical personnel in accordance with the law to provide individualized health care for employees, and has established and implemented a health classification management system to gate-keep the health of employees.
A. Entry physical examination: New employees and transferred workers are required by law to undergo physical examination for the company's job selection and job assignment.
B. Regular health checkups: Health checkups are conducted every two years to avoid wasting health insurance resources and to prevent health hazards and potential disease causing factors through health checkup results.
C. Health checkups for special hazards are conducted for the characteristics of the operating environment, and are provided by the second level of management and health guidance by medical personnel; the company has no third level of management or above.
D. Regular monthly on-site occupational medicine physician services, through employee medical examination reports from the intervention of a single risk factor to start health management tracking program, such as: three high disease prevention, cardiovascular disease risk assessment, stress management and stress relief, cancer screening, workplace tobacco prevention.
E. Provide a cafeteria, breastfeeding-friendly environment, showers and fitness equipment in the factory.

5.5.1.2 Employee Education and Training

The Company provides diversified training courses and on-the-job education, including new employee training, on-the-job training courses, professional courses and various job-related expatriate training courses to train employees.

Number of training hours in 2022 .

Type	Courses	Number of course	Total training hours	Number of employees
Internal Training	New Employee Training	215	1,166	82
	General Studies	6	269	253
	Professionals	1	291	49
	Management	2	11	45
External Training	General Studies	3	21	3
	Professionals	8	185	8
Total		235	1,943	440

5.5.1.3 Retirement System

In accordance with labor-related laws and regulations, the company regularly allocates employee pensions, and the remaining system and the new system are explained as follows:

(1) Old system: Before July 1, 2005, the company implemented the labor retirement reserve in accordance with the provisions of the Labor Standards Law, and deposited the labor retirement reserve every month, which was stored in a special account in a bank in Taiwan, and has been fully allocated to meet the needs of retirement under the old system.

(2) New system: Since July 1, 2005, the new labor retirement system has been implemented, and the company's employees have chosen the new system, according to the provisions of the labor pension regulations, the company has allocated 6% of the monthly salary of workers to the labor pension account every month (the actual allocation of the new pension in 2022 is about NT$11.27 million) to ensure the security of the life of colleagues after retirement.

(3) Actual retirements in 2022: 1.

5.5.1.4 Agreements between labor and management：

The company's regulations are in accordance with the Labor Standards Act, and so far there is no need to coordinate due to labor disputes; In 111, labor-management meetings were actually held every quarter to establish labor-management consultation and communication channels.

2022 Meeting	Date	Agenda	Announcement Day
Q1	2022/02/15	1. Annual salary increase plan. 2. Factory maintenance system annual repair attendance matters. 3. Provisions for the return of departing personnel. 4. Sick leave comes with proof of flexibility. 5. Support staff leave procedure. 6. The principle of entrusting family members to take leave.	2022/02/18
Q2	2022/06/02	1. Election of the chairman of the management representative. 2. How to announce response measures to the epidemic. 3. Channels for notification of confirmed cases. Annual medical examinations.	2022/06/16
Q3	2022/09/13	Reassignment of representatives of labor and management and election of chairman of labor representatives.	2022/09/15
Q4	2022/10/25	1. Obtain the consent of employees every year to implement bi-weekly deformation working hours and extend working hours in accordance with the law. 2.2023 of calendar and consecutive leave adjustments. 3. Department dinner expenses. 4. Long-term reward production. 5. Employee symposium.	2022/11/02

5.5.1.5 Measures to protect the rights and interests of employees：

(1) The company has established a sound document management system and internal announcement platform, and various management measures clearly define the rights and obligations of employees.

(2) In 2021, an online employee complaint channel was added to strengthen the channel for advocating the response of various opinions, and 2 suggestions were received through the employee complaint channel in2022, both of which were successfully

handled and closed.

5.5.2 In the latest year and as of the date of publication of the annual report, the losses suffered by the company due to labor disputes, and disclose the estimated amount and countermeasures that may occur in the current and future, if it cannot be reasonably estimated, it should explain the facts that cannot be reasonably estimated:

In addition to complying with the Labor Standards Law, the company attaches importance to employee welfare, provides a good working environment and emphasizes two-way communication among employees, promotes harmonious labor-management relations, and strives to combine the company's future vision with the development goals of colleagues to avoid major labor disputes or losses. The Company has not suffered any major labor disputes in the latest year and as of the date of publication of the annual report.

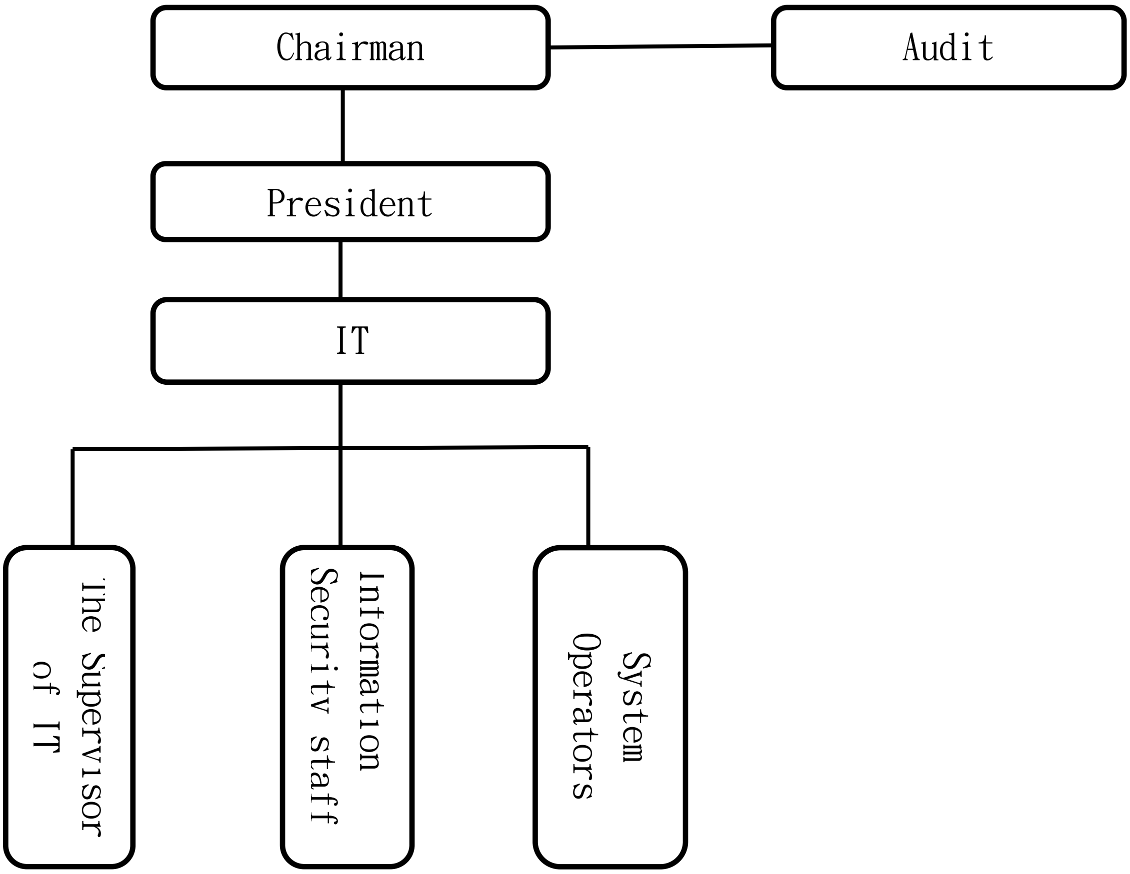
5.6 Cyber Security Management

5.6.1 Clarify the security risk management framework, information security policy, specific management plan and resources invested in information security management：

5.6.1.1Description of the information security risk management framework

The authority and responsibility unit of the company's information security is the information department, which has a second information supervisor and several professional information personnel, which is responsible for formulating internal information security policies, planning and implementing information security operations and information security policies

(1) The organization chart is as follows:



5.6.1.2 Information security policy

(1) Protect the company's information software and hardware equipment and intellectual property.

(2) Avoid leakage of the company's operating information and job secrets.

(3) Respect intellectual property rights and avoid the possibility of the company and colleagues violating the law.

(4) Improve the stable and safe information operation environment to improve the overall work efficiency.

5.6.1.3 Specific information security proposal

Information Control	Control Description
Program and data access control	How to control the new and old versions of programs by programmers and developers.
Data output/input control	Data input and output systems to verify and avoid data input errors.
Data processing controls	How to update and save the operation manuals and electronic files.
Room equipment security control	Information room internal and external environment, equipment and physical security control and other related norms.
File backup operation control	Files and production related to the important system backup methods and time and other related norms.
Data Retention Control	According to legal regulations to be retained and the company's important research results in the preservation of data and other relevant norms.
System Recovery Control	Disaster occurs when the response and avoid the expansion of losses and other related norms.
Network Security Control	The company's network intranet and the company's external network in the use of how to protect and other related norms.
Operation-related system usage control	Specify the restrictions on the use of information services used within the company and other relevant norms.

5.6.1.4 The main measures and implementation of information security risk management

Item	Execution Points
Access Control	● data exchange control. ● Data leakage control. ● Operation trajectory record.
Anti-virus updates	● Anti-virus and anti-hack protection measures. ● regularly update the anti-virus software virus code to reduce the risk of poisoning. ● Anti-virus software version updates.
Firewall Protection	● The firewall sets the connection rules, and by default only opens the basic network and mail connection. ● Application service control, restricted access. ● Monthly monitoring and analysis of firewall protection data. ● Update firewall firmware.

5.6.2 For the most recent year and up to the date of printing of the annual report, the Company should state the following facts if it is unable to reasonably estimate the loss, possible impact and response measures suffered as a result of a major information security incident:

For the most recent year and as of the date of the annual report, the Company is not aware of any information security incidents that have had or could have a material adverse effect on the Company's business or operations.

5.7 Major Contract

As of the printing date of the annual report, the Company has no significant contracts other than general commercial transactions that are still in effect and have expired in recent years, such as supply and sales contracts, technical cooperation contracts, engineering contracts, long-term loan contracts and other contracts of significance to shareholders' equity. In addition, the Company's "long-term loans" are disclosed in the financial statements on pages 190 and 276 of this annual report.

VI. Financial Information

6.1 Financial Summary forFive-Year

6.1.1 Simplified Balance Sheet and Condensed Statement of Income

Simplified balance sheet

Unit: NT$ thousands

Item		Financial Summary for The Last Five Years (Note1) 2018	2019	2020	2021	2022	2023/3/31 (Note1)
Current assets		951,907	1,048,162	766,759	804,871	1,237,028	1,102,427
Property, Plant and Equipment		1,271,009	1,179,633	1,021,021	824,585	706,069	684,255
Intangible assets		3,644	1,279	513	520	618	224
Other assets		91,029	106,061	382,198	319,002	128,837	3,982
Total assets		2,317,589	2,335,135	2,170,491	1,948,978	2,072,552	1,957,099
Current liabilities	Before distribution	567,888	1,033,170	459,849	292,477	435,534	240,189
	After distribution	567,888	1,033,170	459,849	292,477	Note2	Note2
Non-current liabilities		612,640	1,047	320,283	320,000	220,000	220,000
Total liabilities	Before distribution	1,180,528	1,034,217	780,132	612,477	655,534	460,189
	After distribution	1,180,528	1,034,217	780,132	612,477	Note2	Note2
Equity attributable to shareholders of the parent		1,137,061	1,300,918	1,390,359	1,336,501	1,417,018	1,496,910
Capital stock		1,028,973	1,202,263	1,201,243	1,325,115	1,323,578	1,323,398
Capital surplus		805,912	350,154	85,809	128,386	4,146	4,146
Retained earnings	Before distribution	(692,355)	(206,428)	(87,453)	(285,203)	109,427	149,589
	After distribution	(692,355)	(206,428)	(87,453)	(285,203)	Note2	Note2
Other equity interest			(45,071)	190,760	168,203	(20,133)	19,777
Treasury stock			0	0	0	0	0
Non-controlling interest			0	0	0	0	0
Total equity	Before distribution	1,137,061	1,300,918	1,390,359	1,336,501	1,417,018	1,496,910
	After distribution	1,137,061	1,300,918	1,390,359	1,336,501	Note2	Note2

Note1：Financial information of each year has been certified by CPAs.

Note2：The 2022 earning distribution proposal has not yet been resolved by the ordinary meeting of shareholders.

Simplified Condensed Statement of Income

Unit: NT$ thousands

Item \ Year	Financial Summary for The Last Five Years (Note1)					2023/3/31 (Note1)
	2018	2019	2020	2021	2022	
Operating revenue	1,525,075	1,190,446	1,166,849	866,016	1,318,546	486,920
Gross profit	(446,887)	37,738	46,884	(17,383)	396,786	71,970
Income from operations	(693,666)	(224,548)	(168,581)	(205,612)	273,509	40,866
Non-operating income	(934)	16,858	80,391	(79,352)	(2,714)	(704)
Non-operating expenses	(694,600)	(207,690)	(88,190)	(284,964)	270,795	40,162
Income before tax	(695,017)	(207,690)	(88,190)	(284,964)	270,795	40,162
Loss of discontinued department	0	0	0	0	0	0
Profit	(695,017)	(207,690)	(88,190)	(284,964)	270,795	40,162
Other Comprehensive Income, after Tax	(1,004)	(2,008)	217,392	(36,057)	(189,804)	39,864
Comprehensive Income	(696,021)	(209,698)	129,202	(321,021)	80,991	80,026
Profit, Attributable to Owners of Parent	(695,017)	(207,690)	(88,190)	(284,964)	270,795	40,162
Profit, Attributable to Non-controlling Interests	0	0	0	0	0	0
Comprehensive Income, Attributable to Owners of Parent	(696,021)	(209,698)	129,202	(321,021)	80,991	80,026
Comprehensive In come,Attributable to Non-controlling Interests	0	0	0	0	0	0
Earnings Per Share (expressed in dollars)	(6.95)	(2.02)	(0.75)	(2.22)	2.05	0.30

Note1：Financial information of each year has been certified by CPAs.

Simplified Parent-Company-Only Balance Sheet

Unit: NT$ thousands

Item		Financial Summary for The Last Five Years (Note1)					2023/3/31 (Note1)
		2018	2018	2018	2018	2018	
Current assets		951,907	1,048,162	766,759	804,871	1,237,028	NA
Property, Plant and Equipment		1,271,009	1,179,633	1,021,021	824,585	706,069	
Intangible assets		3,644	1,279	513	520	618	
Other assets		50,655	106,061	382,198	319,002	128,837	
Total assets		2,277,215	2,335,135	2,170,491	1,948,978	2,072,552	
Current liabilities	Before distribution	527,257	1,033,170	459,849	292,477	435,534	
	After distribution	527,257	1,033,170	459,849	292,477	Note2	
Non-current liabilities			1,047	320,283	320,000	220,000	
Total liabilities	Before distribution	1,140,154	1,034,217	780,132	612,477	655,534	
	After distribution	1,140,154	1,034,217	780,132	612,477	Note2	
Total Equity Attributable to Owners of Parent		1,137,061	1,300,918	1,390,359	1,336,501	1,417,018	
Capital stock		Capital stock	1,202,263	1,201,243	1,325,115	1,323,578	
Capital surplus		Capital surplus	350,154	85,809	128,386	4,146	
Retained earnings	Before distribution	(692,355)	(206,428)	(87,453)	(285,203)	109,427	
	After distribution	(692,355)	(206,428)	(87,453)	(285,203)	Note2	
Other equity interest		Other equity interest	(45,071)	190,760	168,203	(20,133)	
Treasury stock		Treasury stock	0	0	0	0	
Non-controlling interest		Non-controlling interest	0	0	0	0	
Total equity	Before distribution	1,137,061	1,300,918	1,390,359	1,336,501	2,072,552	
	After distribution	1,137,061	1,300,918	1,390,359	1,336,501	Note2	

Note1：Financial information of each year has been certified by CPAs.

Note2：The 2022 earning distribution proposal has not yet been resolved by the ordinary meeting of shareholders.

Simplified Parent-Company-Only Income of Statements

Unit: NT$ thousands

Item / Year	Financial Summary for The Last Five Years (Note1)					2023/3/31 (Note1)
	2018	2019	2020	2021	2022	
Operating revenue	1,522,592	1,190,446	1,166,849	866,016	1,318,546	NA
Gross profit	(428,521)	37,738	46,884	(17,383)	396,786	
Income from operations	(675,883)	(224,548)	(168,581)	(205,612)	273,509	
Non-operating income	(18,717)	16,858	80,391	(79,352)	(2,714)	
Non-operating expenses	(694,600)	(207,690)	(88,190)	(284,964)	270,795	
Income before tax	(695,017)	(207,690)	(88,190)	(284,964)	270,795	
Loss of discontinued department	0	0	0	0	0	
Profit	(695,017)	(207,690)	(88,190)	(284,964)	270,795	
Other Comprehensive Income, after Tax	(1,004)	(2,008)	217,392	(36,057)	(189,804)	
Comprehensive Income	(696,021)	(209,698)	129,202	(321,021)	80,991	
Profit, Attributable to Owners of Parent	(695,017)	(207,690)	(88,190)	(284,964)	270,795	
Profit, Attributable to Non-controlling Interests	0	0	0	0	0	
Comprehensive Income, Attributable to Owners of Parent	(696,021)	(209,698)	129,202	(321,021)	80,991	
Comprehensive Income ,Attributable to Non-controlling Interests	0	0	0	0	0	
Earnings Per Share (expressed in dollars)	(6.95)	(2.02)	(0.75)	(2.22)	2.05	

Note1：Financial information of each year has been certified by CPAs.

6.1.2. Auditors’ Opinions from 2018 to 2022

Year Accounting Firm CPA Audit Opinion	Year Accounting Firm CPA Audit Opinion	Year Accounting Firm CPA Audit Opinion	Year Accounting Firm CPA Audit Opinion
2018	KPMG	Mei Ping Wu、Yung Hua Huang	Unqualified opinion
2019	KPMG	Mei Ping Wu、Chi Lung Yu	Unqualified opinion
2020	KPMG	Mei Ping Wu、Chi Lung Yu	Unqualified opinion
2021	KPMG	Mei Ping Wu、Chi Lung Yu	Unqualified opinion
2022	Ernst & Young	Cheng, Ching-Piao、Chen, Kuo-Shuai	unqualified opinion on the parent-company-only financial statements of the Company as of and for the year then ended December 31, 2022

6.2 Financial Analysis forFive-Year

6.2.1 Consolidated Financial Analysis – Based on IFRS

Item（Note2） \ Year（Note1）		Financial Analysis for The Last Five Years					2023/3/31（Note1）
		2018	2019	2020	2021	2022	
Financial structure (%)	Debt Ratio	50.94%	44.29%	35.94%	31.43%	31.63%	23.51%
	Ratio of long-term capital to property, plant and equipment	137.66%	110.37%	167.54%	200.89%	231.85%	250.92%
Solvency (%)	Current ratio	167.62%	101.45%	166.74%	275.19%	284.03%	458.98%
	Quick ratio	108.87%	71.05%	96.83%	174.25%	174.49%	241.85%
	Interest earned ratio (times)	(49)	(13)	(9)	(39)	39	25
Operating perfor-mance	Accounts receivable turnover (times)	4.98	5.89	7.38	6.28	6.83	8.45
	Average collection period	73	62	49	58	53	43
	Inventory turnover (times)	3.67	3.60	3.61	2.94	2.43	3.38
	Accounts payable turnover (times)	8.86	6.54	7.59	7.34	4.26	6.84
	Average days in sales	100	101	101	124	150	108
	Property, plant and equipment turnover (times)	1.12	0.97	1.06	0.94	1.72	2.80
	Total assets turnover (times)	0.58	0.51	0.52	0.42	0.66	0.97
Profitabil-ity	Return on total assets (%)	(25.88%)	(8.43%)	(3.61%)	(13.56%)	13.75%	8.24%
	Return on stockholders' equity (%)	(52.98%)	(17.04%)	(6.55%)	(20.90%)	19.67%	11.03%
	Pre-tax income to paid-in capital (%)	(67.50%)	(17.27%)	(7.34%)	(21.50%)	20.46%	12.14%
	Profit ratio (%)	(45.57%)	(17.45%)	(7.56%)	(32.91%)	20.54%	8.25%
	Earnings per share (NT$)	(6.95)	(2.02)	(0.75)	(2.22)	2.05	0.30
Cash flow	Cash flow ratio (%)	4.44%	5.05%	(1.60%)	(9.39%)	58.79%	(27.88%)
	Cash flow adequacy ratio (%)	37.15%	32.98%	(12.31%)	(50.06%)	53.38%	35.98%
	Cash reinvestment ratio (%)	0.64%	2.31%	(0.26%)	(0.98%)	8.83%	(2.23%)
Leverage	Operating leverage	(1.64)	(0.86)	(1.31)	(0.71)	2.07	(9.66)
	Financial leverage	0.98	0.94	0.95	0.97	1.03	1.04

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)

1. Increase in Interest earned ratio (times)- Due to 2022 income before tax from loss to profit.
2. Increase in Accounts payable turnover (times)：
   This was mainly due to an increase of NT$95,912 thousand in average accounts payable in 2022 compared to 2021.
3. Increase in Average days in sales：This was mainly due to the decrease in inventory turnover in 2022.
4. Increase in Property, plant and equipment turnover (times) and Total assets turnover (times)：
   This was mainly due to the increase in net operating income in 2022 by NT$452,530 thousand compared with 2021.
5. Increase in Return on total assets 、Return on stockholders' equity、Pre-tax income to paid-in capital、Profit ratio 、Earnings per share：
   This was mainly due to the fact that the net profit after tax in 2022 increased by NT$555,759 thousand compared with 2021 from a loss to a profit in 2022.
6. Increase in Cash flow ratio、Cash flow adequacy ratio、Cash reinvestment ratio：
   This was mainly due to the increase in net cash flow from operating activities in 2022 compared with NT$283,494 thousand.
7. Increase in Operating leverage、Financial leverage：
   This was mainly due to the increase in operating leverage due to the increase in operating income in 2022 greater than the variable cost, and the increase in operating profit.

6.2.2 Parent-Company-Only Financial Analysis – Based on IFRS

Item（Note2）	Year（Note1）	Financial Analysis for The Last Five Years					2023/3/31（Note1）
		2018	2019	2020	2021	2022	
Financial structure (%)	Debt Ratio	50.07%	44.29%	35.94%	31.43%	31.63%	NA
	Ratio of long-term capital to property, plant and equipment	137.68%	110.37%	167.54%	200.89%	231.85%	
Solvency (%)	Current ratio	180.54%	101.45%	166.74%	275.19%	284.03%	
	Quick ratio	117.26%	71.05%	96.83%	174.25%	174.49%	
	Interest earned ratio (times)	(49)	(13)	(9)	(39)	39	
Operat-ing per-formance	Accounts receivable turnover (times)	4.86	5.89	7.38	6.28	6.83	
	Average collection period	75	62	49	58	53	
	Inventory turnover (times)	3.67	3.60	3.61	2.94	2.43	
	Accounts payable turnover (times)	8.90	6.54	7.59	7.34	4.26	
	Average days in sales	99	101	101	124	150	
	Property, plant and equipment turnover (times)	1.13	0.97	1.06	0.94	1.72	
	Total assets turnover (times)	0.58	0.52	0.52	0.42	0.66	
Profita-bility	Return on total assets (%)	(26.14%)	(8.51%)	(3.61%)	(13.56%)	13.75%	
	Return on stockholders' equity (%)	(52.98%)	(17.04%)	(6.55%)	(20.90%)	19.67%	
	Pre-tax income to paid-in capital (%)	(67.50%)	(17.27%)	(7.34%)	(21.50%)	20.46%	
	Profit ratio (%)	(45.65%)	(17.45%)	(7.56%)	(32.91%)	20.54%	
	Earnings per share (NT$)	(6.95)	(2.02)	(0.75)	(2.22)	2.05	
Cash flow	Cash flow ratio (%)	9.66%	5.05%	(1.60%)	(9.39%)	58.79%	
	Cash flow adequacy ratio (%)	38.60%	33.00%	(10.21%)	(43.17%)	58.03%	
	Cash reinvestment ratio (%)	1.31%	2.31%	(0.26%)	(0.98%)	8.83%	
Leverage	Operating leverage	(1.68)	(0.86)	(1.31)	(0.71)	2.07	
	Financial leverage	0.98	0.94	0.95	0.97	1.03	

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)

8. Increase in Interest earned ratio (times)- Due to 2022 income before tax from loss to profit.
9. Increase in Accounts payable turnover (times)：
   This was mainly due to an increase of NT$95,912 thousand in average accounts payable in 2022 compared to 2021.
10. Increase in Average days in sales：This was mainly due to the decrease in inventory turnover in 2022.
11. Increase in Property, plant and equipment turnover (times) and Total assets turnover (times)：
    This was mainly due to the increase in net operating income in 2022 by NT$452,530 thousand compared with 2021.
12. Increase in Return on total assets 、Return on stockholders' equity、Pre-tax income to paid-in capital、Profit ratio 、Earnings per share：
    This was mainly due to the fact that the net profit after tax in 111 years increased by NT555,759 thousand compared with 2021 from a loss to a profit in 2022.
13. Increase inCash flow ratio、Cash flow adequacy ratio、Cash reinvestment ratio：
    This was mainly due to the increase in net cash flow from operating activities in 2022 compared with NT283,494 thousand.
14. Increase in Operating leverage、Financial leverage：
    This was mainly due to the increase in operating leverage due to the increase in operating income in 2022 greater than the variable cost, and the increase in operating profit.

Note1：Financial information of each year has been certified by CPAs.

Note2：The Formula of Financial Analysis:

The Formula of Financial Analysis:
1. Financial Structure Analysis (%)
(1) Debt Ratio = Total Liabilities / Total Assets
(2) Long-term Funds to Property, Plant and Equipment = (Total Equity + Non-current Liabilities) / Property, Plant and Equipment, Net
2. Solvency (%)
(1) Current Ratio = Current Assets / Current Liability
(2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liability
(3) Times Interest Earned Ratio = Profit before Credit for Income Tax / Current Interest Expense
3. Operating Ability
(1) Accounts Receivable Turnover = Sales / Average Accounts Receivable
(2) Days to Collect Accounts Receivable = 365 / Accounts Receivable Turnover
(3) Average Inventory Turnover = Cost of Sales / Average Inventories
(4) Accounts Payable Turnover = Cost of Sales / Average Accounts Payable
(5) Average Days to Sell Inventory = 365 / Average Inventory Turnover
(6) Property, Plant and Equipment Turnover = Sales / Average Property, Plant and Equipment, Net
(7) Total Assets Turnover = Sales / Total Assets
4. Profitability
(1) Return on Total Assets = [Profit + Interest Expense X (1 - Tax Rate)] / Average Assets
(2) Return on Equity = Profit / Average Total Equity
(3) Profit before Tax to Issued Capital = Profit before Tax / Issued Capital
(4) Profit to Sales = Profit / Sales
(5) Earnings Per Share = (Equity Attributable to Owners of Parent - Dividend-preferred stock) / Weighted Average Outstanding Shares
5. Cash Flow
(1) Cash Flow Ratio = Net Cash Flows from Operating Activities / Current Liability
(2) Cash Flow Adequacy Ratio = 5-year Net Cash Flows from Operating Activities / 5-year (Capital Expense + Increase in Inventories + Cash Dividends)
(3) Cash Flow Reinvestment Ratio = (Net Cash Flows from Operating Activities - Cash Dividends) - (Property, Plant and Equipment, Net + Long-term Investments + Other Non-current Assets + Operating Capital)
6. Leverage
(1) Operating Leverage = (Net Sales – Variable Operating Costs and Expenses) / Operating Income
(2) Financial Leverage = Operating Income / (Operating Income – Interest Expenses)

Note 3: For the equation of earnings per share above, special attention is required for the following whenmeasuring:
(1) The earnings should be based on the weighted average number of common shares, instead of the number of shares outstanding at the end of the year.
(2) For cash capital increase or treasury stock trading, the circulation period shall be considered to determine the weighted average number of shares.
(3) For capital increase out of earnings or capital reserves, retrospective adjustments shall be made according to the capital increase ratio, regardless of the issuance period of the capital increase, when calculating earnings per share for previous years and half-years.
(4) If the preferred stocks are non-convertible accumulated ones, the dividends for the current year (whether paid or not) shall be deducted from the after-tax net profit or added to the after-tax net loss. If the preferred stocks are non-cumulative and if there is a net profit after tax, the preferred stock dividends shall be deducted from the net profit after tax; no adjustment is required if it is a loss.

Note 4: the following shall be considered in cash flow analysis:
(1) Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
(2) Capital expenditure refers to the annual cash outflow of capital investment.
(3) The increase in inventory is included only when the balance at the end of the period is greater than the balance at the beginning of the period. If the inventory decreases at the end of the year, it is calculated as zero.
(4) Cash dividends include cash dividends of common and preferred stocks.
(5) Real estate, properties and equipment refer to the total amount of real estate, properties and equipment before deduction of accumulated depreciation.

Note 5: the operating costs and operating expenses shall be classified into fixed and variable by their natures, and the rationality and consistency shall be maintained if estimates or subjective judgments are involved.

Note 6: for a foreign company, the ratio of paid-in capital mentioned above shall be calculated as the ratio of net worth.

6.3 Audit Committee’s Review Report

Audit Committee’s Review Report

The board of directors prepared the Company’s 2022 Business Report, Financial Statements and profit distribution, etc. The CPA firm of Ernst & Young.audited theFinancial Statements and have issued an audit report. Above Business Reports,Financial Statements and profit distribution were audited by Audit Committee andfound no discrepancy, as reported in accordance with the Securities and ExchangeAct and Company Act, please check.

Chairman of the Audit Committee：Yung Sheng Liu

March 16, 2023

6.4 Consolidated Financial Statements and Independent Auditors' Report: Please refer to Appendix 1.

6.5 Parent Company Only Financial Statements for the Years Ended December31, 2022 and 2021 and Independent Auditors' Report: Please refer to Appendix 2.

6.6. Disclosure of the Impact on Company's Financial Status Due to Financial Difficulties experienced by the Company or its affiliated enterprises:

The Company should disclose the financial impact to the Company if the Company and its affiliated companies have incurred any financial or cash flow difficulties in 2022 and as of the date of this Annual Report: None.

VII. Financial Status, Financial Performance, and Risk Management

7.1 Financial Status

Unit: NT$ thousands

Item	2022	2021	Amount Variance	Ratio Variance (%)
Current Assets	1,237,028	804,871	432,157	53.69%
Fixed Assets	706,069	824,585	(118,516)	(14.37%)
Intangible assets	618	520	98	18.85%
Other Assets	128,837	319,002	(190,165)	(59.61%)
Total Assets	2,072,552	1,948,978	123,574	6.34%
Current Liabilities	435,534	292,477	143,057	48.91%
Other Liabilities	220,000	320,000	(100,000)	(31.25%)
Total Liabilities	655,534	612,477	43,057	7.03%
Capital stock	1,323,578	1,325,115	(1,537)	(0.12%)
Capital surplus	4,146	128,386	(124,240)	(96.77%)
Retained Earnings	109,427	(285,203)	394,630	(138.37%)
Other Equity	(20,133)	168,203	(188,336)	(111.97%)
Total Stockholders' Equity	1,417,018	1,336,501	80,517	6.02%

Significant changes in assets, liabilities, and equities in the most recent two years (when the change is over 20 percent and the absolute amount of change amounts to NT$ 10 million dollars), the main reason, the impact, and the Company’s responsive measures：

1. Increase in Current Assets：This was mainly due to the increase of 52.25% in operating income in 2022 compared with 2021, resulting in an increase in accounts receivable and NT$122,775 thousand and NT$115,101 thousand respectively.
2. Decrease in Other Assets and Other Equity：This was mainly due to the unrealized evaluation loss of NT$190,760 thousand in equity instruments through other comprehensive gains and losses measured at fair value in 2022.
3. Increase in Current Liabilities：This was mainly due to an increase of NT$171,656 thousand in accounts payable in 2022 compared to 2021.
4. Decrease in Other Liabilities：It was mainly caused by the repayment of NT$100,000 thousand of long-term borrowing in 2022.
5. Decrease in Capital surplus：It was mainly caused by the loss of NT$122,879 thousand through capital reserve at the 2022 shareholders' meeting.
6. Increase in Retained Earnings：It was mainly due to a net profit after tax of NT$270,795 thousand in 2022.

7.2 Financial Performance

Unit: NT$ thousands

Item	2022	2021	Amount Variance	Ratio Variance (%)
Operating Revenue	1,318,546	866,016	452,530	52.25%
Operating Cost	921,760	883,399	38,361	4.34%
Gross profit(Loss)	396,786	(17,383)	414,169	(2,382.61%)
Operating expenses	123,277	188,229	(64,952)	(34.51%)
Operating income	273,509	(205,612)	479,121	(233.02%)
Non-operating income and expenses	(2,714)	(79,352)	76,638	(96.58%)
Income Before Tax	270,795	(284,964)	555,759	(195.03%)
Tax Benefit (Expense)	-	-	-	-
Net profit	270,795	(284,964)	555,759	(195.03%)
Other comprehensive income (after tax)	(189,804)	(36,057)	(153,747)	426.40%
Total comprehensive income	80,991	(321,021)	402,012	(125.23%)

Significant changes in assets, liabilities, and equities in the most recent two years (when the change is over 20 percent and the absolute amount of change amounts to NT$ 10 million dollars), the main reason, the impact, and the Company’s responsive measures：1.Increase in Operating Revenue and Gross profit：

This was mainly due to increased demand for high gross margin products in 2022.

2.Decrease in Operating expenses：

This was mainly due to the change of the Quality Assurance Division and the Occupational Safety Division from the management fee to the manufacturing cost in 2022.

3.Increase in Income Operating income、Before Tax、Net profit、Total comprehensive income：

This was mainly due to the change of the Quality Assurance Division and the Occupational Safety Division from the management fee to the manufacturing cost in 2022

4. Increase in Non-operating income and expenses：

This was mainly due to an increase of NT$414,169 thousand in operating profit in 2022 compared with 2021, followed by a decrease of NT$64,952 thousand in operating expenses in 2022 compared with 2021.

5. Decrease in Other comprehensive income：

This was mainly due to the unrealized evaluation loss of NT$190,760 thousand in equity instruments through other comprehensive gains and losses measured at fair value in 2022.

7.3 Cash Flow

7.3.1 Cash Flow Analysis for the Current Year

7.3.1.1 Analysis of cash flow change of the most recent year

Item	2022	2021	Ratio Variance (%)
Cash flow ratio (%)	58.79%	(9.39%)	68.18%
Cash flow adequacy ratio (%)	53.38%	(50.06%)	103.44%
Cash reinvestment ratio (%)	8.83%	(0.98%)	9.81%

Analysis of change in cash flow in the current year：

1. Cash flow ratio：Increase 68.18% in Cash flow ratio，This was mainly due to the increase in cash inflow from operating activities in 2022 compared with NT$283,494 thousand in 2021.
2. Cash flow adequacy ratio：Increase 103.44% in 2. Cash flow adequacy ratio, This was mainly due to the increase in cash inflow from operating activities in the last five years of 2022 compared with NT$562,118 thousand in 2021.

7.3.1.2 Cash Flow of the Current Year

Unit: NT$ thousands

Cash balance at the beginning of the period(2022/12/31)	Cash flow from Operating activities for 2022 the whole year	The cash flow of investment and Financing activities throughout 2022	The amount of surplus (shortage) of cash. (2022/12/31)	Responsive measures with cash balance	
				Investment plan	Investment plan
368,725	256,039	(140,938)	483,826	None	

(1) Cash inflow from operating activities NT$256,039 thousand: mainly due to net cash inflow from net profit after tax.

(2) Cash outflow from investing activities NT$5,846 thousand: mainly due to the purchase of machinery and equipment.

(3) Cash outflow of NT$135,092 thousand: from financing activities: mainly due to the repayment of long-term and short-term borrowings NT$135,329 thousand:.

7.3.2 Remedy for Cash Deficit and Liquidity Analysis: Not applicable.

7.3.3 Cash Flow Analysis for the Coming Year：

Unit: NT$ thousands

Cash balance – beginning of the period	The estimated cash flow of operating activities throughout the year	The estimated cash flow of investment and Financing activities throughout the year	The estimated amount of surplus (shortage) of cash.	Responsive measures with cash balance	
				Investment plan	Financial management plan
483,826	520,512	(672,681)	331,657	None	

(1) Operating activities: According to the 2023 operating plan, it is expected that the cash inflow generated by operating activities will be NT$520,512 thousand.
(2) Investment activities: The acquisition of equipment NT$13,673 thousand and financial assets measured at amortized cost NT$439,504 thousand is expected to result in a net cash outflow of NT$453,177 thousand from investment activities in 2023.
(3) Financing activities: It is expected to repay bank borrowings and pay dividends in 2023, resulting in a net cash outflow of NT$219,504 thousand from financing activities.

7.4 Major Capital Expenditures and impact on Finance and Business during the recent year

The Company's capital expenditure in the most recent year was mainly the replacement of machinery and equipment and routine maintenance, and there was no major capital expenditure.

7.5 Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

7.5.1 The Company's reinvestment policy

The company's reinvestment policy is mainly based on the investment targets related to the basic business, and does not engage in investment in other industries, and currently has "investment cycle operating procedures" and "procedures for acquiring or disposing of assets" for the management and control of the reinvestment business, so as to grasp the financial and business status of the reinvestment business; In order to strengthen the control and supervision of the operational risks of subsidiaries and achieve the objectives of the overall strategy of the Company and its subsidiaries, the "Supervision and Management Operations of Subsidiaries" was formulated to establish a risk management mechanism for subsidiaries.

7.5.2 The main reasons for the profit or loss of switching investment and the improvement plan

Investor Companies	Investee Companies	Original Investment Amount		The highest shareholding or capital contribution in the period		Ending Balance			Recognize the profit and loss of the current period	improvement plan	Note
		As of Dec. 31, 2022	As of Dec. 31, 2021	Shares	Percentage of ownership (%)	Shares	Percentage of ownership (%)	Book Value			
The Company	Toplight Corporation	122,980	122,980	4,000	100%	4,000	100%	126,347	-	-	Note
Toplight Corporation	Toptrans Corporation Limited	122,980	122,980	4,000	100%	4,000	100%	126,347	-	-	Note

Note：The long-term equity investments listed above have been written off at the time of preparation of the consolidated financial statements.

7.5.3 Investment Plans for the Coming Year：None.

7.6 Analysis of Risk Management

7.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures：

7.6.1.1 Interest Rates：

The Company's interest rate risk mainly comes from bank borrowings with variable interest rates, as changes in market interest rates will cause fluctuations in cash flows for future interest payments. Based on borrowings and bank deposits subject to interest rate exposure as at 31 December 2022, an increase or decrease in interest rates by 1% will increase or decrease the net profit before tax by NT$589,000 respectively. The measures to cope with the risk of interest rate changes are mainly to strengthen close ties with banks to strive for lower financing costs, and at the same time cooperate with capital market financing tools to reduce the dependence of bank borrowings and diversify the risk of interest rate changes.

7.6.1.2 Foreign Exchange Rates：

Most of the income and expenses of the Company's business activities are mainly in foreign currencies, so exchange rate fluctuations may affect operating income, operating costs and even profit performance denominated in foreign currencies. Based on foreign currency assets and liabilities as at 31 December 2022, when NTD appreciates or depreciates by 5% against the US dollar, net profit before tax will increase or decrease by NT$5,714 thousand, respectively. In order to reduce the impact of exchange rate changes on profit and loss, the Company adopts the principle of natural hedging, which can significantly eliminate exchange rate risk by offsetting foreign currency assets and liabilities, and continue to forecast and manage foreign currency income and expenditure, and reduce foreign currency exposure by undertaking forward foreign exchange contract transactions when necessary.

7.6.1.3 Inflation on Corporate Finance：

Up to now, the Company's operations have not had a significant impact on inflation, and it will continue to pay close attention to inflation, adjust product selling prices and inventory levels appropriately, so as to minimize the impact on profit and loss.

7.6.2 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions：

7.6.2.1 High-risk, High-leveraged Investments：The Company is focused on its business and is not engaged in high-risk, highly leveraged investments.

7.6.2.2 Lending：

A. Policies：

All loans of funds from the Company and the consolidated financial statements to others are handled in accordance with the "Procedures for Lending Funds to Others" of the respective companies.

B. Main Causes：

The lending of funds between the Company and the individual entities in the consolidated financial statements is due to the short-term financing needs of the lending parties..

C. Future Response Measures：

Conduct the necessary control measures in accordance with the procedures for lending funds to others.

7.6.2.3 Endorsement Guarantees：None.

7.6.2.4 Derivatives Transactions：For the most recent year and as of the date of the annual report, we have not engaged in derivative transactions and have established the "Procedures for the

Acquisition or Disposal of Assets" as a guideline for engaging in derivative transactions, and we are conservative and prudent and aim to hedge exchange rate risk only.

7.6.2.5 The Company has established "Procedures for the Acquisition or Disposal of Assets" and "Procedures for the Lending and Endorsement of Funds", which were approved by the shareholders' meeting, and will be implemented in accordance with these rules and regulations in the future.

7.6.3 Future Research & Development Projects and Corresponding Budget：

The Company's future R&D plans are mainly for 5G transmission and data center applications, with transmission distances ranging from 300m to 40km. The focus of short-term development is on 70mW CW LD and advanced packaging technology for 400G+ applications..

7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales：

The Company's operations are conducted in accordance with relevant domestic and foreign laws and regulations. The Company's operations in recent years have not been affected by changes in domestic and foreign policies and laws. The Company will keep an eye on the development of relevant domestic and foreign policies and changes in relevant laws and regulations, so that it can consult with professionals as soon as possible, and appoint them to evaluate, recommend and plan countermeasures when necessary.

7.6.5 Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales：

The Company prevents risks arising from technological changes through information and communications security policies and specific management programs; focuses on technological developments and changes in the business environment of the optical communications industry; collects credible market research information; and makes timely adjustments to the Company's business strategies and product competitiveness. For the most recent year and as of the printing date of the annual report, the Company has not been affected by changes in technology (including information and communications security risks) and industry changes that have impacted the Company's financial operations.

7.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures：

Since its establishment, the company has not acted in any way that has caused a bad corporate image or caused a corporate crisis. The company's business philosophy is to continuously innovate product technology and services to meet customer needs, after years of efforts, and constantly improve operating performance and product quality, it is now a high-performing company in the industry. With the continuous growth of the company, while pursuing the rights and interests of shareholders, the company will also give care to all employees, their families and socially disadvantaged groups to fulfill corporate social responsibility, and promote various environmental protection activities. In the latest year and as of the date of publication of the annual report, there have been no changes in the company's corporate image that have had an impact on corporate crisis management.

7.6.7 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans：

The Company has no plans to acquire other companies in the recent year or as of the date of the annual report. If there are any future mergers and acquisitions, the Company will assess the benefits and control the risks in a prudent manner in accordance with the rules and regulations, with a view to maximizing profits and minimizing risks to the Company's overall operations.

7.6.8 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans：None.

7.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive

Customer Concentration：

7.6.9.1 Purchasing：The raw materials required by the company's products due to vertical integration are large, the range of raw materials covers semiconductor process chips, surface treatment coatings and packaging metal components, precious metals, ICs, capacitors and other electronic parts, the main suppliers throughout Europe, America, Japan, Southeast Asia and mainland China, and are long-term cooperation with the company suppliers, so can provide the company stable supply and qualified quality, at the same time the company for the supply of various raw materials, try to adopt the principle of decentralized procurement, in order to achieve the balance of cost price, Stable quality ensures uninterrupted supply sources. Over the years, the company has not been out of stock, and has taken necessary measures to achieve a significant reduction in the risk of purchase concentration.

7.6.9.2 Sales：The products that the company cooperates with the largest customers are growing rapidly, resulting in the phenomenon of concentrated sales, but the company's products from die to packaging sub-modules are diversified, and the target customers are scattered in the United States, Chinese mainland, Japan and Taiwan, and will continue to develop new customers to diversify risks. The Company has established appropriate risk assessment control for each customer in order to ensure the recovery of accounts receivable and reduce the Company's credit risk.

7.6.10 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%：

There have been no changes in control over the Company in the most recent year and up to the date of publication of the annual report.

7.6.11 Effects of, Risks Relating to and Response to the Changes in Management Rights：

There have been no changes in control over the Company in the most recent year and up to the date of publication of the annual report.

7.6.12 If the Company',the Company's director, supervisor, general manager, actual ower,shareholders possessing over 10 percent of outstanding shares, and the affiliations is involved in a lawsuit event, a non-contentious case, or an administrative lawsuit event which is convicted or still under the lineage until the printing date of annual report, which has great impact on equity of shareholder or price of stock, and such condition has significant impact on shareholders' equities, the major impact should be revealed: None.：None.

7.6.13 Other Major Risks：

Information security risks: In order to strengthen information security management, ensure the confidentiality, integrity and availability of information, and the reliability of information equipment and network systems, the company has established information security control measures in the company's regulations as the criteria for information security risk management. At the same time, under the framework of information security risk management, we have built intrusion prevention systems/email anti-spam systems/endpoint anti-virus systems to gradually improve information security protection, and regularly conduct remote data backup systems and disaster recovery mechanism drills to ensure uninterrupted services.

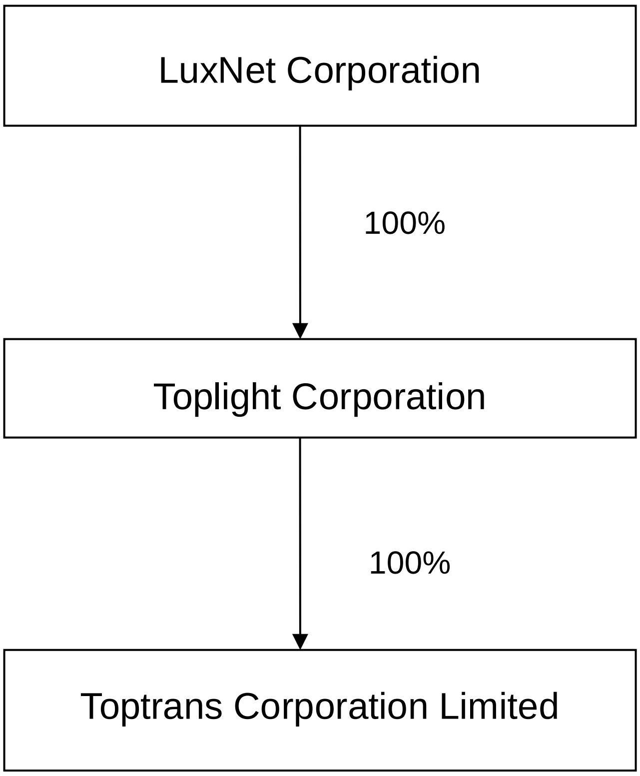
7.7 Other Materiality：None.

VIII. Special Disclosure

8.1 Summary of Affiliated Companies

8.1.1 Summary of Affiliates

8.1.1.1 Organization of Affiliates



8.1.2 Basic Information on Affiliates

2022/12/31　Unit：US$ thousand

Name of Affiliate	Relationship to the Affiliated Enterprise	Date of Incorporation	Paid-in Capital	Address	Main Business
Toplight Corporation	Subsidiary Company	2008.2.28	4,000	NO.4, Franky Building Providence Industrial Estate, Mahe, Seychelles	Investment Companies
Toptrans Corporation Limited	The Company has control over the transfer of investments	2008.3.11	4,000	Room.804,Sino Center,582-592 Nathan Road., Kln, HK	Investment Companies

8.1.3 Directors, Supervisors, Presidents of Affiliates

2022/12/31　Unit：US$ thousand

Name of Affiliate	Relationship to the Affiliated Enterprise	Shares Held			Affiliates hold shares in the Company			Directors, Supervisors, Presidents of Affiliates	
		%	Shares	Paid-in Capital	%	Shares	Paid-in Capital	Title	Name
Toplight Corporation	Subsidiary Company	100	4,000	4,000	0	0	0	Directors	Ya Cin Chen
Toptrans Corporation Limited	The Company has control over the transfer of investments	100	4,000	4,000	0	0	0	Directors	Ya Cin Chen

8.1.4 Information on the same shareholders who are presumed to be in a controlling and subordinate relationship：None.

8.1.5 Description of the industry covered by the overall relationship enterprise's business operations

The business of the Company and its affiliates covers the design, research and development, production and sales of laser components, photodetector diodes and optical communication submodules and optical fiber communication optical transceiver modules.

8.1.6 Operational Highlights of the Company Subsidiaries

2022/12/31 Unit：NT$ thousand

Name of Affiliate	Capital	Ttotal Assets	Total Liabilities	Oprating Revenue	Oprating Income	Net Income (after tax)	Carring Amount	EPS
Toplight Corporation	122,980	126,347	0	0	0	0	126,347	0
Toptrans Corporation Limited	122,980	126,347	0	0	0	0	126,347	0

8.1.7 The Affiliate’s Consolidated Financial Statements

Please refer to Annual Report page 159 to 269

MANAGEMENT REPRESENTATION LETTER

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

Very truly yours,

LuxNet Corporation

By

Isabella Chien

Chairman

March 16th, 2023

8.1.8 Relationship Report：None..

8.2 Private placement securities for the most recent year and up to the date of printing of the annual report：

8.3 Holdings or disposals of the Company's shares by affiliates for the most recent year and as of the date of the annual report

8.4 Other necessary Supplementary Notes：

The Company's application for the listing of its shares on the Taiwan Stock Exchange (TSE) and the current status of implementation of the undertaking required by the ROC Over-the-Counter Securities Trading Center (OTC) in its letter No. 1000018645 dated July 18, 2011 are as follows

(1) After listing, the Company shall participate in the evaluation of its corporate governance system at least every two years, and the evaluation results shall be reported in the shareholders' meeting; and when revising the relevant internal control and internal audit system, the Company shall refer to the "Code of Corporate Governance Practices for Listed and OTC Companies".

Implementation: In March 2014, the Company obtained the corporate governance system assessment certification from the Chinese Corporate Governance Association, and the Company's "Code of Conduct on Integrity" has been updated in accordance with the "Code of Corporate Governance Practices for Listed and OTC Companies" and submitted to the shareholders' meeting on June 22, 2012. The results of the Company's 2022 corporate governance evaluation are listed in the top 20% of listed companies.

(2) Undertake to add "The Company shall not forgo any capital increase to Toplight Corporation (hereinafter referred to as "Toplight") in each future year; Toplight shall not forgo any capital increase to Toptrans Corporation Limited (hereinafter referred to as "Toptrans") in each future year" to the "Procedures for Acquisition or Disposal of Assets". (hereinafter referred to as "Toptrans"); Toptrans shall not give up its capital increase to Suzhou Changrui Company Limited (hereinafter referred to as "Suzhou Changrui") in each future year. If the Company needs to give up its capital increase to Toptrans or dispose of its equity interest in Toptrans in the future due to strategic alliance consideration or other reasons agreed by the Center, a special resolution must be approved by the Board of Directors of the Company. If there is any amendment to this policy, it shall be entered into the Public Information Observation Post System for disclosure of material information and reported to the Center for review.

Implementation: This commitment has been included in the "Procedures for the Acquisition or Disposal of Assets" of the Company, and the revised method was approved by a special resolution of the Board of Directors on April 26, 2012 and submitted to the shareholders' meeting on June 22, 2012 for recognition.

On March 6, 2018, the Company sent a letter to the OTC to apply for the abandonment of the capital increase of its subsidiary, Suzhou Changrui, due to strategic alliance consideration.

On April 25, 2019, the Company sent a letter to the GreTai Securities Market ("GTSM") to apply for the waiver of the capital increase of Suzhou Changrui, after which the Company held 16.9207% of the shares.

On June 1, 2010, the Company wrote to the OTC to apply for the release of the undertaking "Toptrans shall not give up its commitment to increase the capital of Suzhou Changrui Company Limited in the future years", which was approved by the OTC Supervision Letter No. 1090005917. In addition, the Company approved the amendment to the "Procedures for Acquisition or Disposal of Assets" at the shareholders' meeting on July 7, 2021.

(c) If necessary, the OTC may request the Company to appoint an accountant or institution designated by the

OTC to conduct an external professional examination in accordance with the scope of the examination specified by the OTC and submit the examination results to the OTC at the Company's expense.

Implementation status: As of the date of submission, no such situation has occurred. If the OTC must appoint an outside party to conduct the professional inspection, the Company will cooperate and bear the related expenses.

IX. Any Events Had Significant Impacts on Shareholders' Right or Security Prices as Stated in Item 2 Paragraph 2 of Article 36 of Securities and Exchange Act for the most recent year and as of the date of the annual report：None.

Appendix I: Consolidated Financial Statements for the Year Ended December 31, 2022

MANAGEMENT REPRESENTATION LETTER

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

Very truly yours,

LuxNet Corporation

By

Isabella Chien

Chairman

March 16th, 2023

REPORT OF INDEPENDENT AUDITORS

To The Board of Directors of
LuxNet Corporation

Introduction

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

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

Basis for Opinion

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

(To be continued)

(Continued)

Key Audit Matters

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

Revenue Recognition

We determine that revenue recognition is one of the key audit matters. The Company's consolidated revenue amounting to NT$ 1,318,546 thousand for the year ended December 31, 2022 is a significant account to the Company's consolidated financial statements. The Company has conducted these sale activities in multi-marketplace. Furthermore, varieties of sale terms and conditions enacted in the main sale contracts or sale orders judging and determining the performance obligation and the time of satisfaction. We therefore conclude that there are significant risks with respect to the topic of revenue recognition. Our audit procedures therefore include, but not limit to, evaluating the properness of accounting policy for revenue recognition, assessing and testing the effectiveness of relevant internal controls related to revenue recognition, sampling-test of details, including obtaining major sale orders or agreements to inspect the terms and conditions, checking the consistency of the fulfillment timing between determining the performance obligation of revenues recognition and the major sales orders or agreements for their terms and conditions, performing analytical review procedures of sale revenues, executing sale cut-off tests, and reviewing the sales return and sales discount after for the years then ended, etc. We have also evaluated the appropriateness of the related disclosure in Notes 4 and 6 to the consolidated financial statements.

(To be continued)

(Continued)

Market valuation on Inventory

We determine that provision against inventory is also one of the key audit matters. The Company and its subsidiaries' inventory in amount of NT$467,024 thousand, representing 23% of consolidated total assets, as of December 31, 2022 is significant to the Company's consolidated financial statements. Inventories, including active components for optical communication and modules, are mostly customized products. Considering the rapid changes in communication technology, the calculation of the allowance for inventory market decline and write-off obsolescence involves significant management judgment. With respect to the key audit matter – provision against inventory, our audit procedures include, but not limit to, evaluating the appropriateness of inventory provision policy including how to identify the phased-out or slow-moving items, testing the correctness of inventory aging report, analyzing the reasons for slow-moving inventory and analyzing turnover rate of inventory at the end of period, performing observation on the Company and its subsidiaries' inventory physical taking, and looking into the status of inventory utilization. We have also evaluated the appropriateness of the related disclosure in Notes 5 and 6 to the consolidated financial statements.

Other Matter

The consolidated financial statements of the Company and its subsidiaries for the years then ended December 31, 2021 were audited by other auditors and expressed unqualified opinion on March 17, 2022.

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

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

(To be continued)

(Continued)

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

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

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

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

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

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

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

(To be continued)

(Continued)

3.Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

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

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

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

(To be continued)

(Continued)

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

Others

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

Cheng, Ching-Piao

Chen, Kuo-Shuai

Ernst & Young
Taiwan, R.O.C.
March 16th, 2023

Notices to Readers

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

Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

LUXNET CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

As of December 31, 2022 and 2021

(Amounts Expressed In Thousands of New Taiwan Dollars)

Assets			As of December 31, 2022		As of December 31, 2021	
Code	Accounts	Notes	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	4, 6(1)	$483,826	23	$368,725	19
1170	Accounts receivables, net	4, 6(3), 6(16)	254,402	12	131,627	7
1200	Other receivables	4, 6(16)	14,160	1	6,225	-
1220	Current tax assets	4	65	-	5	-
130x	Inventories	4, 6(4)	467,024	23	290,427	15
1419	Other prepaid expense		3,196	-	2,924	-
1421	Prepayments		6,856	-	1,878	-
1470	Other current assets		7,499	1	3,060	-
11xx	Total current assets		1,237,028	60	804,871	41
	Non-current assets					
1517	Financial assets measured at fair value through other comprehensive income	4, 6(2)	126,347	6	317,107	16
1600	Property, plant and equipment	4, 6(5), 7, 8	706,069	34	824,585	43
1780	Intangible assets	4, 6(6)	618	-	520	-
1900	Other non-current assets	4, 6(7), 6(11)	2,490	-	1,895	-
15xx	Total non-current assets		835,524	40	1,144,107	59
1xxx	Total Assets		$2,072,552	100	$1,948,978	100

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

LUXNET CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

As of December 31, 2022 and 2021

(Amounts Expressed In Thousands of New Taiwan Dollars)

Assets			As of December 31, 2022		As of December 31, 2021	
Code	Accounts	Notes	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	4, 6(1)	$483,826	23	$368,725	19
1170	Accounts receivables, net	4, 6(3), 6(16)	254,402	12	131,627	7
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1220	Current tax assets	4	65	-	5	-
130x	Inventories	4, 6(4)	467,024	23	290,427	15
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11xx	Total current assets		1,237,028	60	804,871	41
	Non-current assets					
1517	Financial assets measured at fair value through other comprehensive income	4, 6(2)	126,347	6	317,107	16
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1900	Other non-current assets	4, 6(7), 6(11)	2,490	-	1,895	-
15xx	Total non-current assets		835,524	40	1,144,107	59
1xxx	Total Assets		$2,072,552	100	$1,948,978	100

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
LUXNET CORPORATION AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2022 and 2021
(Amounts Expressed In Thousands of New Taiwan Dollars, Except for Earnings Per Share)

	Accounts	Notes	2022 Amount	2022 %	2021 Amount	2021 %
4000	Operating revenues	4, 6(15), 7	$1,318,546	100	$866,016	100
5000	Operating costs	6(4)	(921,760)	(70)	(883,399)	(102)
5900	Gross profit (loss)		396,786	30	(17,383)	(2)
6000	Operating expenses					
6100	Sales and marketing		(10,527)	(1)	(18,098)	(2)
6200	General and administrative		(50,787)	(4)	(90,783)	(11)
6300	Research and development	7	(66,643)	(5)	(79,356)	(9)
6450	Reversal of expected credit losses	6(16)	4,680	1	8	-
	Total operating expenses		(123,277)	(9)	(188,229)	(22)
6900	Operating income (loss)		273,509	21	(205,612)	(24)
7000	Non-operating incomes and expenses	6(19), 7				
7100	Interest income		3,147	-	106	-
7010	Other incomes		4,193	-	794	-
7020	Other gains and losses	7	(3,627)	-	(77,628)	(9)
7050	Finance costs		(7,086)	(1)	(7,117)	(1)
7055	Reversal of expected credit losses	6(16)	659	-	4,493	1
	Total non-operating incomes and expenses		(2,714)	(1)	(79,352)	(9)
7900	Income (loss) before income tax		270,795	20	(284,964)	(33)
7950	Income tax expense	4, 6(21)	-	-	-	-
8200	Net income (loss)		270,795	20	(284,964)	(33)
8300	Other comprehensive income (loss)	6(20)				
8310	Items that not be reclassified subsequently to profit or loss					
8311	Remeasurements of defined benefit plans		956	-	1,405	-
8316	Unrealized gain (loss) on equity instruments investment measured at fair value through other comprehensive income		(190,760)	(14)	(37,462)	(4)
8300	Total other comprehensive income (loss), net of tax		(189,804)	(14)	(36,057)	(4)
8500	Total comprehensive income (loss)		$80,991	6	$(321,021)	(37)
9750	Earnings per share-basic (in NTD)	4, 6(22)	$2.05		$(2.22)	
9850	Earnings per share-diluted (in NTD)	4, 6(22)	$2.05		$(2.22)	

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

LUXNET CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the Years Ended December 31, 2022 and 2021

(Amounts Expressed In Thousands of New Taiwan Dollars)

		Equity Attributable to Shareholders of the Parent						
				Retained Earnings	Others			
		Common Stock	Capital Surplus	Unappropriated Earnings (Accumulated deficits)	Unrealized gains (losses) on equity instruments investment measured at fair value through other comprehensive income	Unearned Employee Benefit	Total	Total Equity
Code	Items	3100	3200	3350	3420	3490	31XX	3XXX
A1	Balance as of January 1, 2021	$1,201,243	$85,809	$(87,453)	$208,135	$(17,375)	$1,390,359	$1,390,359
C11	Capital surplus used to offset accumulated deficits		(85,809)	85,809			-	-
D1	Net loss in 2021			(284,964)			(284,964)	(284,964)
D3	Other comprehensive income (loss), net of tax, in 2021			1,405	(37,462)		(36,057)	(36,057)
D5	Total comprehensive income (loss)	-	-	(283,559)	(37,462)	-	(321,021)	(321,021)
E1	Capital increase by cash	130,000	134,550				264,550	264,550
T1	Amortization of employee restricted shares					2,613	2,613	2,613
T2	Employee restricted shares for cancellation	(6,128)	(6,164)			12,292	-	-
Z1	Balance as of December 31, 2021	1,325,115	128,386	(285,203)	170,673	(2,470)	1,336,501	1,336,501
C3	Overdue unclaimed cash dividend listed as capital surplus		237				237	237
C11	Capital surplus used to offset accumulated deficits		(122,879)	122,879			-	-
D1	Net income in 2022			270,795			270,795	270,795
D3	Other comprehensive income (loss), net of tax, in 2022			956	(190,760)		(189,804)	(189,804)
D5	Total comprehensive income (loss)	-	-	271,751	(190,760)	-	80,991	80,991
T1	Amortization of employee restricted shares					(711)	(711)	(711)
T2	Employee restricted shares for cancellation	(1,537)	(1,598)			3,135	-	-
Z1	Balance as of December 31, 2022	$1,323,578	$4,146	$109,427	$(20,087)	$(46)	$1,417,018	$1,417,018

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

LUXNET CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2022 and 2021

(Amounts Expressed in Thousands of New Taiwan Dollars)

	Items	2022	2021	Code	Items	2022	2021
AAAA	Cash flows from operating activities:			BBBB	Cash flows from investing activities:		
A10000	Income (loss) before income tax	$270,795	$(284,964)	B02700	Acquisition of property, plant and equipment	(5,848)	(13,521)
A20000	Adjustments:			B02800	Proceeds from disposal of property, plant and equipment	3,091	4,894
A20010	Income and expense adjustments:			B03800	Decrease (increase) in refundable deposits	-	21,860
A20100	Depreciation	108,368	136,851	B04500	Acquisition of intangible assets	(2,100)	(2,506)
A20200	Amortization	2,807	4,242	B06800	Increase (decrease) in other non-current assets	(989)	(5,514)
A20300	Reversal of expected credit losses	(5,339)	(4,501)	B07100	Increase (decrease) in prepayment for equipment	-	(6,400)
A20900	Interest expense	7,086	7,117	BBBB	Net cash provided by (used in) investing activities	(5,846)	(1,187)
A21200	Interest income	(3,147)	(106)				
A21900	Cost of share based payment	(711)	2,613				
A22500	Loss (gain) on disposal of property, plant and equipment	(159)	26,018	CCCC	Cash flows from financing activities:		
A23700	Impairment loss on non-financial assets	15,381	74,458	C00100	Increase in (repayment of) short-term loans	(35,329)	(147,202)
A23800	Reversal of impairment loss on non-financial assets	(27)	(31,266)	C01300	Repayments of bonds	-	(12,300)
A29900	Other - loss related to inventories	32,015	73,797	C01600	Increase in long-term loans	220,000	-
A29900	Other - loss on deposit of prepayments for equipment	-	6,400	C01700	Repayments of long-term loans	(320,000)	-
A30000	Changes in operating assets and liabilities:			C04600	Capital increase by cash	-	264,550
A31150	Accounts receivables	(118,095)	12,453	C09900	Other items - overdue unclaimed cash dividend listed	237	-
A31180	Other receivables	(7,153)	5,357		as capital surplus		
A31200	Inventories	(208,612)	(52,859)	CCCC	Net cash provided by (used in) financing activities	(135,092)	105,048
A31230	Prepayments	(5,250)	5,336				
A31240	Other current assets	(4,439)	(1,336)				
A32125	Contract liabilities	(3,700)	6,474	EEEE	Increase (decrease) in cash and cash equivalents	115,101	76,406
A32150	Accounts payable	171,656	20,168	E00100	Cash and cash equivalents at beginning of period	368,725	292,319
A32180	Other payables	11,679	(26,095)	E00200	Cash and cash equivalents at end of period	$483,826	$368,725
A32190	Other payables - related parties	790	-				
A32230	Other current liabilities	(3,876)	(534)				
A32240	Net defined benefit liabilities	(105)	(3)				
A33000	Cash generated from (used in) operations	259,964	(20,380)				
A33100	Interest received	3,024	106				
A33300	Interest paid	(6,889)	(7,228)				
A33500	Income tax paid (returned)	(60)	47				
AAAA	Net cash provided by (used in) operating activities	256,039	(27,455)				

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

1. HISTORY AND ORGANIZATION

LuxNet Corporation (referred to “the Company”) was incorporated on November 15, 2001, and registered under the Ministry of Economic Affairs, ROC. The address of the Company’s registered office is No. 6, Hejiang Road, Zhongli, Taoyuan.

The major business activities of Company and subsidiaries (together referred to as “the Group”) were the manufacturing, processing and sale of electronic components and active components for optical communication and the retail sale of electronic materials.

The Company’s common shares were publicly listed on the Taipei Exchange (“TPEx”) on December 12, 2011.

2. DATE AND PROCEDURE OF AUTHORIZATION OF FINANCIAL STATEMENTS FOR ISSUANCE

The consolidated financial statements of the Company and its subsidiaries (“the Group”) for the years ended December 31, 2022 and 2021 were authorized for issue by the board of directors on March 16th, 2023.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

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

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

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

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

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

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

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

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

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

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

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

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 "Consolidated Financial Statements" and IAS 28	To be determined

	"Investments in Associates and Joint Ventures" – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	by IASB
b	IFRS 17 "Insurance Contracts"	January 1, 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2024
d	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	January 1, 2024
e	Non-current Liabilities with Covenants – Amendments to IAS 1	January 1, 2024

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

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

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

(b) IFRS 17 "Insurance Contracts"

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

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

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

(2) Basis of preparation

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

(3) Basis of consolidation

<u>Preparation principle of consolidated financial statements</u>

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

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

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

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

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

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

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

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the NCIs even if this results in a deficit balance of the NCIs.

If the Group loses control of a subsidiary, it:

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

The consolidated entities are listed as follows:

			Percentage of ownership (%)	
			As of	
Investor	Subsidiary	Main businesses	Dec. 31, 2022	Dec. 31, 2021
The Company	Toplight Corporation	Holding Company	100%	100%

Investor	Subsidiary	Main businesses	Percentage of ownership (%) As of Dec. 31, 2022	Dec. 31, 2021
Toplight Corporation	Toptrans Corporation Limited	Holding Company	100%	100%

(4) Foreign currency transactions

The Group's consolidated financial statements are presented in New Taiwan Dollar, which is the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

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

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

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

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

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

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

(5) Translation of financial statements in foreign currency

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

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

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

(6) Current and non-current distinction

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

(a) The Group expects to settle the liability in its normal operating cycle.
(b) The Group holds the liability primarily for the purpose of trading.

(c) The liability is due to be settled within twelve months after the reporting period.

(d) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

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

(8) Financial instruments

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

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

(a) Financial instruments: Recognition and Measurement

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

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

A.the Group's business model for managing the financial assets and ;
B.the contractual cash flow characteristics of the financial asset.

<u>Financial assets measured at amortized cost</u>

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

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

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

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

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

<u>Financial asset measured at fair value through other comprehensive income</u>

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

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

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

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

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

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

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

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

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

Financial asset measured at fair value through profit or loss

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

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

(b) Impairment of financial assets

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

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

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

The loss allowance is measures as follows:

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

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

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

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

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

(c) Derecognition of financial assets

A financial asset is derecognized when:

i. The rights to receive cash flows from the asset have expired.
ii. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
iii. The Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

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

(d) Financial liabilities and equity

<u>Classification between liabilities or equity</u>

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

<u>Equity instruments</u>

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

Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

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

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

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

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

(e) Offsetting of financial instruments

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

(9) Fair value measurement

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

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

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

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

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

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

(10) Inventories

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

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

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

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

Rendering of services is accounted in accordance with IFRS 15 but not within the scoping of inventories.

(11) Property, plant and equipment

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

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

Buildings	3 to 50 years
Machinery and equipment	2 to 10 years
Office equipment	5 to 10 years
Other equipment	3 years

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

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

(12) Leases

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

(a) the right to obtain substantially all of the economic benefits from use of the identified asset; and

(b) the right to direct the use of the identified asset.

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

Group as a lessee

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

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

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
(b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
(c) amounts expected to be payable by the lessee under residual value guarantees;

(d) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
(e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

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

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

(a) the amount of the initial measurement of the lease liability;
(b) any lease payments made at or before the commencement date, less any lease incentives received;
(c) any initial direct costs incurred by the lessee; and
(d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

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

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

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

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

(13) Intangible assets

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

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

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.
Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

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

	Cost of Computer Software
Useful life	1 to 5 years
Amortization method used	Amortized on a straight- line basis over the estimated useful life
Internally generated or acquired	Acquired

(14) Impairment of non-financial assets

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

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.
A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

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

(15) Revenue recognition

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

<u>Sale of goods</u>

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

The credit period of the Group's sale of goods is from 30 to 105 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as account receivables. The Group usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Group has transferred the goods to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Group measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

(16) Borrowing costs

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

(17) Government grants

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

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

(18) Post-employment benefits

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

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

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

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

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

(19) Share-based payment transactions

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

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

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

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

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

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

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

(20) Income taxes

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

Current income tax

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

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

Deferred income tax

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

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

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

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

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

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

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

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

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

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group’s consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, as-

sets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.
Estimates and assumptions

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

A. Fair value of financial instruments

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

B. Accounts receivables - estimation of impairment loss

The Group estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6(16) for more details.

C. Inventory

Estimates of net realizable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6(4) for more details.

D. Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate and changes of the future salary etc. Please refer to Note 6(11) for more details.

E. Property, Plant and Equipment Impairment Assessment

During the asset impairment assessment process, the Group must rely on subjective judgments, including identifying the recoverable amount of the cash generating unit and determining the recoverable amount of the cash generating unit based on asset usage model and industry characteristics. The estimated changes brought about may cause significant impairment or reversal of recognized impairment losses in the future. Please refer to Note 6(5) for more details.

F. Share-based payment transactions

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

G. Income tax

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

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

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As of	
	Dec. 31, 2022	Dec. 31, 2021
Cash on hand	$106	$55
Saving	331,590	368,670
Time deposit	152,130	-
Total	$483,826	$368,725

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

	As of	
	Dec. 31, 2022	Dec. 31, 2021
Equity instruments investments measured at fair value through other comprehensive income - Non-current		
Unlisted companies stocks	$126,347	$317,107

The Group classifies certain of its financial assets as financial assets measured at fair value through other comprehensive income, which were not pledged.

(3) Accounts receivable

	As of	
	Dec. 31, 2022	Dec. 31, 2021
Accounts receivable arising from operating	$301,827	$183,732

activities		
Less: loss allowance	(47,425)	(52,105)
Total	$254,402	$131,627

Accounts receivable are generally on 30～105 days terms. The total carrying amount were NT$ 301,827 thousand and NT$183,732 thousand as of December 31, 2022 and 2021, respectively. Please refer to Note 6(16) for more details on loss allowance of accounts receivable for the years ended December 31, 2022 and 2021, respectively. Please refer to Note 12 for more details on credit risk.

Account receivables were not pledged.

(4) Inventories

A. Details of inventories:

	As of	
	Dec. 31, 2022	Dec. 31, 2021
Raw material	$202,648	$139,111
Work in process	92,955	41,065
Finished goods	171,421	110,251
Total	$467,024	$290,427

B. The cost of inventories recognized in expenses amount to NT$921,760 thousand and NT$ 883,399 thousand for the years ended December 31, 2022 and 2021, respectively.

The following loss (gains) were included in cost of sale:

	For the year ended December 31,	
Item	2022	2021
Loss (Gain) from inventory market decline and write-off obsolescence	$(85,246)	$(60,268)
Loss from disposed	117,046	134,065

Inventory deficit	215	-
Gains on sale of scrap	(381)	(3,474)
Unallocated manufacturing overhead resulting from the actual production being lower than the normal capacity	105,572	101,291
Total	$137,206	$171,614

The Group recognized gains on reversal of inventory market decline because some of the inventories previously provided with market loss or obsolescence were disposed for the years ended December 31, 2022 and 2021.

C. The inventories were not pledged.

(5) Property, plant and equipment

	As of	
	Dec. 31, 2022	Dec. 31, 2021
Owner occupied property, plant and equipment	$706,069	$824,585

A. Owner occupied property, plant and equipment

Land	Buildings	Machinery and Equip-ment	Office Equipment	Other Equip-ment	Equipment awaiting in-spection	Total

Cost:							
As of Jan. 1, 2022	$247,696	$362,779	$1,330,373	$5,239	$-	$27,574	$1,973,661
Additions	-	-	-	-	-	8,138	8,138
Disposals	-	-	(9,608)	-	-	-	(9,608)
Reclassification	-	-	31,786	-	548	(32,334)	-
As of Dec. 31, 2022	$247,696	$362,779	1,352,551	$5,239	$548	$3,378	$1,972,191
As of Jan. 1, 2021	$247,696	$361,779	$1,457,109	$5,239	$-	$41,940	$2,113,763
Additions	-	-	-	-	-	9,673	9,673
Disposals	-	-	(159,315)	-	-	-	(159,315)
Reclassification	-	1,000	32,579	-	-	(24,039)	9,540
As of Dec. 31, 2021	$247,696	$362,779	$1,330,373	$5,239	$-	$27,574	$1,973,661
Depreciation and impairment:							
As of Jan. 1, 2022	$-	$110,810	$1,033,759	$4,507	$-	$-	$1,149,076
Depreciation	-	11,503	96,209	620	36	-	108,368
Impairment losses	-	-	15,354	-	-	-	15,354
Disposal	-	-	(6,676)	-	-	-	(6,676)
As of Dec. 31, 2022	$-	$122,313	$1,138,646	$5,127	$36	$-	$1,266,122
As of Jan. 1, 2021	$-	$99,374	$989,481	$3,887	$-	$-	$1,092,742
Depreciation	-	11,436	124,795	620	-	-	136,851
Impairment losses	-	-	43,192	-	-	-	43,192
Disposal	-	-	(123,709)	-	-	-	(123,709)
As of Dec. 31, 2021	$-	$110,810	$1,033,759	$4,507	$-	$-	$1,149,076
Net carrying amount:							
As of Dec. 31, 2022	$247,696	$240,466	$213,905	$112	$512	$3,378	$706,069
As of Dec. 31, 2021	$247,696	$251,969	$296,614	$732	$-	$27,574	$824,585

B. The Group recognized an impairment loss amounting to NT$15,381 thousand and NT$4,403 thousand on certain real estate to an extent of the recoverable value in 2022 and 2021, respectively. The impairment loss has been recorded in the other gains and losses. The recoverable amount is measured at the value in use at the cash generating unit level.

C. For the years ended December 31, 2022 and 2021, the NT$27 thousand and NT$ 31,266 thousand gain on reversal of impairment loss represented the sold of certain property, plant and equipment in the Group. These have been recognized in the other gains and losses.

D. Because the Group adjusted its production lines, according to the external appraisal reports, the recoverable amount of the equipment was estimated based on value in use, and the estimated of value in use was determined using a pre-tax discount rate of 11.2624%. The Group recognized an impairment loss amounting to NT$70,055 thousand in 2021.

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

(6) Intangible assets

1.

	Computer software
Cost:	
As of Jan. 1, 2022	$29,245
Additions – acquired separately	2,220
Deduction	-
As of Dec. 31, 2022	$31,465
As of Jan. 1, 2021	$26,739
Additions – acquired separately	2,506
Deduction	-
As of Dec. 31, 2021	$29,245
Amortization and Impairment:	
As of Jan. 1, 2022	$28,725
Amortization	2,122
Deduction	-
As of Dec. 31, 2022	$30,847
As of Jan. 1, 2021	$26,226
Amortization	2,499
Deduction	-
As of Dec. 31, 2021	$28,725
Carrying amount, net:	
As of Dec. 31, 2022	$618
As of Dec. 31, 2021	$520

Amounts of amortization recognized for intangible assets are as follows:

	For the year ended December 31,

	2022	2021
Operating costs	$-	$19
Sales and marketing expenses	-	-
General and administrative expenses	53	231
Research and development expenses	2,069	2,249
Total	$2,122	$2,499

(7) Other non-current assets

	As of	
	Dec. 31, 2022	Dec. 31, 2021
Other non-current assets-others	$304	$770
Net defined benefit asset	2,186	1,125
Total	$2,490	$1,895

(8) Short-term borrowings

	As of	
	Dec. 31, 2022	Dec. 31, 2021
Unsecured bank loans	$52,821	$88,150
Interest rate (%)	5.26%	0.93%～1.05%

The Group’s unused short-term lines of credits amount to NT$904,604 thousand and NT$359,626 thousand as of December 31, 2022 and 2021, respectively.

(9) Bonds payable

A. The Group had no balance of the bonds payable as of December 31, 2022 and 2021.

For the details of the gain or loss from valuation through profit or loss on embedded derivative - redemption, put options and the interest expense on the convertible bonds payable, please refer to Note 6(19) for more details.

B. On March 12, 2018, the Group issued the 2nd unsecured domestic convertible bonds. The terms of the bonds are as follows:

(A) Issue date: March 12, 2018

(B) Issue amount: NTD 300,000 thousand

(C) Issue price: Issued at par value

(D) Coupon rate: 0%

(E) Secured or unsecured: Unsecured bonds

(F) Period: March 12, 2018 to March 12, 2021

(G) Conversion rules:

i. Conversion period:

The bondholders will have the right to convert their bonds at any time during the conversion period commencing June 13, 2018 (the 3 months following the issuing date) to March 12, 2021 (the maturity date). However, the conversion right during any such closed period shall be suspended and the conversion period shall not include any such closed period, which means (i) the period during which the Company may be required to close its stock transfer books under ROC laws and regulations applicable from time to time; (ii) the period beginning on the 15th trading day prior to the record date for the distribution of stock or cash dividends, or subscription of new shares due to capital increase to the date ending on (and including) such record date; the period beginning on the record date of a capital reduction to one day prior to the trading day on which the shares of the Company are reissued after such capital reduction; no request for conversion other than the starting date of the stop of conversion for the change of stock denomination to the day before the trading day before the start of the new stock exchange.

ii. Conversion price and adjustment:

The conversion price was originally at NT$30 per share. The conversion price will be subject to adjustments upon the occurrence of certain events set out in the indenture. The Company issued new shares due to capital increase in 2019, the Company adjusted the conversion price based on the provisions for issuance and conversion of the 2nd domestic unsecured convertible bonds. As a result, the conversion price has been adjusted from NT$30 to NT$29.50 since December 26, 2019.

iii. Redemption on the maturity date:

The bonds will redeem at par value if the convertible bonds were not settled by maturity date.

(H) Redemption option of the issuer

The Company may redeem the convertible bonds from the next day (June 13, 2018) following a three-month period after the bonds are issued to 40 days before the maturity date (January 31, 2021) if the following terms are met: when the closing price of the Company's common shares is 30% above the convertible price for 30 consecutive trading days, or if the amount of unconvertible bonds is less than 10% of the offering amount, the Company may redeem the convertible bonds in cash at the par value within five business days after the bond recovery measurement date.

(I) Put option of the bondholders:

The bondholders can execute put option after two years from issuance date (March 12, 2020). The Company should send through registered mail the "Notification of bondholder's put option" 30 days before the put option base date. OTC (Over The Counter) should be notified by the Company and should announce the bondholder's put option; a written notification should be sent to the share transfer agent by bondholders 30 days after the OTC's announcement. The redemption value is the bonds face value plus interest. After two years maturity period, at the principal amount of the bonds with a yield-to-maturity of 0.5% per annum. After accepting the redemption request, the Company should redeem the bonds by cash within five business days after the maturity date.

C. The Company considers cash demand, on March 17, 2020, as the holders of the second domestic unsecured convertible bonds issued by the Group exercised the redemption rights, the Group redeemed the bonds at a par value of NT$286,900 thousand, with an interest amounting to NT$2,876 thousand. In addition, the second domestic unsecured convertible bonds issued by the Group were matured on March 12, 2021. The residual bonds at par value NT$12,300 thousand were redeemed to the holders at par value in March 2021.

(10)Long-term borrowings

A. Details of long-term borrowings were as follows:

Debtor	As of Dec. 31, 2022	Interest Rate (%)	Maturity date and terms of repayment
CTBC Bank	$220,000	1.72%	Period from August 12, 2022 to August 12, 2024, the total amount of the loan is NT$220,000 thousand, the principal is paid in due, and the interest is paid monthly.
Less: current portion	-		
Non-current portion	$220,000		

Debtor	As of Dec. 31, 2021	Interest Rate (%)	Maturity date and terms of repayment
CTBC Bank	$320,000	1.35%	Period from August 19, 2021 to August 19, 2023, the total amount of the loan is NT$320,000 thousand, the principal is paid in due, and the interest is paid monthly.
Less: current portion	-		
Non-current portion	$320,000		

On June 30, 2021, the Group obtained the notice of credit line from CTBC Bank to extend the original due date to June 30, 2022. The credit lines were NT$420,000 thousand for long-term borrowings, NT$165,000 thousand for short-term borrowings, and the total credit limit is up to NT$450,000 thousand.

On June 29, 2022, the Group obtained the notice of credit line from CTBC Bank to extend the original due date to June 30, 2023. The credit lines were NT$470,000 thousand for long-term borrowings.

On August 2021, the Group repaid, in advance, its long-term borrowings which were due in February and March of 2023. In addition, in August 2021, the Group used the revolving credit line of NT$320,000 thousand in accordance with the above loan condition.

On August 2022, the Group repaid, in advance, its long-term borrowings which were due in August of 2023. In addition, in August 2022, the Group used the revolving credit line of NT$220,000 thousand in accordance with the above loan condition.

B. Please refer to Note 8 for more details on assets pledged for long-term loans.

(11)Post-employment benefits

Defined contribution plan

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

Expenses under the defined contribution plan for the years ended December 31, 2022 and 2021 were NT$11,270 thousand and NT$14,715 thousand, respectively.

Defined benefits plan

The Group's Taiwan domestic company adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Group's Taiwan domestic company contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Group's Taiwan domestic company assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Group's Taiwan domestic company will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Group's Taiwan domestic company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group's Taiwan domestic company expects to contribute NT$144 thousand to its defined benefit plan during the 12 months beginning after December 31, 2022.

As of December 31, 2022 and 2021, the maturities of the Group's Taiwan domestic company defined benefit plan were expected in 2029.

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

	For the year ended December 31,	
	2022	2021
Net interest of defined benefit liability (asset)	$(10)	$2

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

	As of		
	Dec.31, 2022	Dec.31, 2021	Jan.1, 2021
Defined benefit obligation	$2,406	$3,029	$4,358
Plan assets at fair value	(4,592)	(4,154)	(4,075)
Subtotal	(2,186)	(1,125)	283
Net defined benefit expected to contribute during the	-	-	-

12 months			
Other non-current liabilities – net defined benefit liability (asset) on the consolidated balance sheets	$(2,186)	$(1,125)	$283

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

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
As of Jan. 1, 2021	$4,358	$(4,075)	$283
Current period service costs	-	-	-
Net interest expense (revenue)	20	(18)	2
Past service cost, gains and losses arising from settlements	-	-	-
Subtotal	20	(18)	2
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	146	-	146
Actuarial gains and losses arising from changes in financial assumptions	(140)	-	(140)
Experience adjustments	(1,355)	(56)	(1,411)
Re-measurement on defined benefit assets	-	-	-
Subtotal	(1,349)	(56)	(1,405)
Payments from the plan	-	-	-
Contributions by employer	-	(5)	(5)
As of Dec. 31, 2021	3,029	(4,154)	(1,125)
Current period service costs	-	-	-
Net interest expense (revenue)	27	(37)	(10)
Past service cost, gains and losses arising from settlements	-	-	-
Subtotal	27	(37)	(10)
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	-	-	-
Actuarial gains and losses arising from changes in financial assumptions	(152)	-	(152)
Experience adjustments	(498)	(306)	(804)
Re-measurement on defined benefit assets	-	-	-

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Subtotal	(650)	(306)	(956)
Payments from the plan	-	-	-
Contributions by employer	-	(95)	(95)
As of Dec. 31, 2022	$2,406	$(4,592)	$(2,186)

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

	As of	
	Dec.31, 2022	Dec.31, 2021
Discount rate	1.40%	0.90%
Expected rate of salary increases	2.00%	2.00%

A sensitivity analysis for significant assumption as shown below:

	Effect on the defined benefit obligation			
	2022		2021	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.25%	$-	$(77)	$-	$(79)
Discount rate decrease by 0.25%	80	-	82	-
Future salary increase by 0.25%	78	-	80	-
Future salary decrease by 0.25%	-	(75)	-	(77)

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

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

(12)Other payables

	As of	
	Dec. 31, 2022	Dec. 31, 2021
Accrued expense	$71,432	$60,403
Accrued interest	385	188
Payables on equipment	2,954	664
Total	$74,771	$61,255

(13)Equity

A. Common stock

The Company's authorized capital were NT$2,000,000 thousand and NT$1,500,000 thousand as of December 31, 2022 and 2021, respectively. The Company's paid-in capital were NT$1,323,578 thousand and NT$1,325,115 thousand, respectively, each share at par value of NT$10, divided into 132,358 thousand shares and 132,512 thousand shares, respectively. Each share represents a voting right and a right to receive dividends.

On June 16, 2020, the Company's board of directors resolved to issued common shares by way of private placement within one year after the resolution of the Company's shareholders' meetings within a range of less than 13,000 thousand shares. On April 12, 2021, the Company's board of directors resolved to issued 13,000 shares at a private placement price of NT$20.35 per share, with a par value of NT$10 per share, the total private placement amount was NT$264,550 thousand. The measurement date was on April 14, 2021, and registered on May 12, 2021.

Transfer of the above-mentioned private placement common shares and issuance of bonus shares should be handled in accordance with the provisions of Article 43-8 of the Securities and Exchange Law, at least three full years after the delivery date of the privately placed securities, after the public offering has been handled with the FSC, a listed of over-the-counter trading may be applied to the Taipei Exchange.

On January 21, 2021, the board of directors resolved to cancel restricted stocks, and the amount of the capital reduction is NT$880 thousand. The measurement date was on January 22, 2021.

On May 6, 2021, the board of directors resolved to cancel restricted stocks, and the amount of the capital reduction is NT$1,060 thousand. The measurement date was on May 7, 2021.

On August 5, 2021, the board of directors resolved to cancel restricted stocks, and the amount of the capital reduction is NT$2,040 thousand. The measurement date was on August 6, 2021.

On November 4, 2021, the board of directors resolved to cancel restricted stocks, and the amount of the capital reduction is NT$2,150 thousand. The measurement date was on November 5, 2021.

On March 17, 2022, the board of directors resolved to cancel restricted stocks, and the amount of the capital reduction is NT$580 thousand. The measurement date was on March 21, 2022.

On May 4, 2022, the board of directors resolved to cancel restricted stocks, and the amount of the capital reduction is NT$757 thousand. The measurement date was on May 9, 2022.

On August 4, 2022, the board of directors resolved to cancel restricted stocks, and the amount of the capital reduction is NT$200 thousand. The measurement date was on August 8, 2022.

B.Capital surplus

	As of	
	Dec. 31, 2022	Dec. 31, 2021
Additional paid-in capital	$-	$115,756
Restricted stocks for employees	3,909	12,630
Overdue unclaimed cash dividend listed as capital surplus	237	-
Total	$4,146	$128,386

According to the Taiwan Company Act, the capital surplus shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital surplus related to the income derived from the issuance of new shares at a premium or income from endowments received by the company up to a certain percentage of paid-in capital. The said capital surplus could be distributed in cash to its shareholders in proportion to the number of shares being held by each of them.

On July 7, 2021, the Company’s shareholders’ meetings resolved to offset the accumulated losses by the capital reserve of NT$85,809 thousand.

On June 17, 2022, the Company's shareholders' meetings resolved to offset the accumulated losses by the capital reserve of NT$122,879 thousand.

C.Retained earnings and dividend policies

(a)Earning distribution

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

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

(b)Dividend policies

The Company is at its growth stage and it considers its future cash demand and long-term financial plans. Dividends distributed each year shall range from 10 to 70 percent of undistributed earnings. To satisfy stockholders' demand for cash, when allocating the earnings for each year, the cash dividend shall not be less than 10 percent of the total dividends.

(c)Legal reserve

According to the Company Act, legal reserve shall be set aside until such amount equal total authorized capital. Legal reserve can be used to offset deficits. If the Company does not incur any loss, the portion of legal reserve exceeding 25% of the paid-in capital may be distributed to shareholders by issuing new shares or by cash in proportion to the number of shares held by each shareholder.

(d)Special reserve

The FSC issued Order No. Financial-Supervisory-Securities-Corporate-1090150022 on

March 31, 2021, which sets out the following provisions for compliance:

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

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

(e) Based on the resolution approved in the shareholders' meetings held on June 17, 2022, the Company would not distribute earnings because of the loss for the year ended December 31, 2021.

The appropriations of earnings for the year 2022 was approved through the board of directors' meeting held on March 16, 2023. The details of the distributions are as follows:

	Appropriation of earnings	Dividend per share (in NT$)
	2022	2022
Legal reserve	$10,943	
Special reserve	20,087	
Common stock – cash dividend	7,849	0.0593
Total	$38,879	

Please refer to Note 6(18) for details on employees' compensation and remuneration to directors and supervisors.

(14) Share-based payment plans

Restricted stocks plan for employees

A. On June 14, 2019, the shareholders' meetings resolved to issue of 3,000 thousand shares of restricted stocks for employees. The grantee is limited to employees who meet certain conditions. The restricted stocks have been approved by the Securities and Futures Bureau. On May 5, 2020, and August 1, 2019, the board of directors resolved to issue 354 thousand shares and 2,646 thousand shares, respectively.

The relevant details of the aforementioned share-based payment plan are as follows:

Type of agreement	Date of grant	Vesting period	Total number of share options granted (in thousand shares)	Strike price (NT$)	Fair value of share options (NT$)
Restricted stocks for employees	May 26, 2020	1 to 3 years of service	354	$-	$24.40
Restricted stocks for employees	August 2, 2019	1 to 3 years of service	2,646	$-	$20.15

The vesting conditions of the aforementioned share-based payment plan are as below:

Vesting conditions	Proportion of vested shares
Within 1 year starting the granted date	1/3 of allotted shares
Within 2 years starting the granted date	1/3 of allotted shares
Within 3 years starting the granted date	1/3 of allotted shares

Restriction on employee's right after granted but before vested:

(a)The granted employee commit to the custodian institution, and shall not sell, pledge, transfer, donate, or dispose in any other ways, the right of restricted shares before achieving the vesting conditions.

(b)After new shares of restricted shares are issued, the granted employee should immediately commit to the custodian institution, and not to ask the trustee to return the restricted shares in any other reasons or ways before achieving the vesting conditions.

(c)The restricted shares for employees can participate in receiving dividends during the vesting period.

(d)The right to vote and elect in a shareholders' meeting shall be executed by custodian institution in accordance with related regulations.

If an employee voluntarily resigns, retires or was severed, the vested conditions of restricted shares were not meet, the Company will purchase and write off all shares of an employee who fails to comply with the vesting conditions at the lower of issuance price or TPEx closing price, and the dividend distributed should be returned to the Company also.

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

For the year ended December 31,

	2022	2021
	Number of share options outstanding (in thousand shares)	Number of share options outstanding (in thousand shares)
Outstanding at beginning of period	502	1,716
Exercised	-	-
Vested	(341)	(676)
Expired	(140)	(538)
Outstanding at end of period	21	502

C. The expense recognized for employee services received for the years ended December 31 2022 and 2021, is shown in the following table:

	For the year ended December 31,	
	2022	2021
Total expense arising from equity-settled share-based payment transactions	$(711)	$2,613

D. Modification or cancellation of the share-base payment plan for employees

No modification or cancellation of the share-base payment plan has occurred during the years ended December 31, 2022 and 2021.

(15)Operating revenue

	For the year ended December 31,	
	2022	2021
Revenue from customer contracts		
Sales of goods	$1,318,546	$866,016

A. Disaggregation of revenue

	Single Department	
	For the year ended December 31,	
	2022	2021
a. Primary geographical markets		
Taiwan	$107,154	$97,243
China	234,535	272,617
North America	948,901	475,655
Other	27,956	20,501

	Single Department	
	For the year ended December 31,	
	2022	2021
Total	$1,318,546	$866,016

b. Major product

Active components for optical communication and modules	$1,124,429	$714,016
Chips	123,298	75,527
Other	70,819	76,473
Total	$1,318,546	$866,016

The timing for revenue recognition:

At a point in time	$1,318,546	$866,016

B. Contract balances

Contract liabilities – current

	As of		
	Dec. 31, 2022	Dec. 31, 2021	Jan. 1, 2021
Sales of goods	$2,874	$6,574	$100

For the year ended December 31, 2022, contract liabilities decreased because certain performance obligations embedded in the beginning contract liabilities were fulfilled and recognized as revenues.

For the year ended December 31, 2021, contract liabilities increased because part of the consideration was received from customers and the underlying obligations/services should be provided afterwards.

C. Transaction price allocated to unsatisfied performance obligations

As of December 31, 2022 and 2021, there were no information of unsatisfied performance obligations provided in the consolidated financial statements because the durations of the Group's revenue contracts were all less than one year.

D. Assets recognized from costs to fulfill a contract

None.

(16)Expected credit losses (gains)

	For the year ended December 31,	
	2022	2021
Operating expenses – Expected credit losses (gains)		
Accounts receivables	$(4,680)	$(8)

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

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

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

As of December 31, 2022

		Overdue			
	Not yet due	1-120 days	121-365 days	More than 365 days	Total
Gross carrying amount	$244,809	$9,619	$-	$47,399	$301,827
Loss ratio	0.01～3%	0.01～3%	30%	100%	
Lifetime expected credit losses	(25)	(1)	-	(47,399)	(47,425)
Carrying amount of accounts receivables	$244,784	$9,618	$-	$-	$254,402

As of December 31, 2021

		Overdue			
	Not yet due	1-120 days	121-365 days	More than 365 days	Total
Gross carrying amount	$130,898	$758	$-	$52,076	$183,732

Loss ratio	0.01～3%	0.01～3%	30%	100%	
Lifetime expected credit losses	(28)	(1)	-	(52,076)	(52,105)
Carrying amount of accounts receivables	$130,870	$757	$-	$-	$131,627

B. The movement in the provision for impairment of note receivables, accounts receivables and other receivables during the years ended December 31, 2022 and 2021 respectively, is as follows:

	Note receivables	Accounts receivables	Other receivables
As of Jan. 1, 2022	$-	$52,105	$3,662
Addition (reversal) to the current period	-	(4,680)	(659)
As of Dec. 31, 2022	$-	$47,425	$3,003
As of Jan. 1, 2021	$-	$52,113	$8,155
Addition (reversal) to the current period	-	(8)	(4,493)
As of Dec. 31, 2021	$-	$52,105	$3,662

(17)Leases

A. The group as a lessee

The Group leases various properties, including real estate (buildings and transportation equipment). These leases terms range from one year. The Group may not allow to lend to others, sublease out, sell, authorize other to use in any other way, or transfer to other all or parts of the leases without obtaining consent from the lessors.

The Group leases vehicles and warehouses. The leases typically run for a period of one year. These leases are short-term or leases of low-value items. The Group has elected not to recognize its right-of-use assets and lease liabilities for these leases.

The effect that leases have on the financial position, financial performance and cash flows of the Group are as follow:

(A) Income and costs relating to leasing activities

	For the year ended December 31,	
	2022	2021
The expense relating to short-term leases (rent expenses)	$-	$1,254

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

(B) Cash outflow relating to leasing activities

During the years ended December 31, 2022 and 2021, the Group's total cash outflow for leases amounting to NT$0 and NT$1,254 thousand, respectively.

(18)Summary statement of employee benefits, depreciation and amortization by function during the years ended December 31, 2022 and 2021, is as follows:

Function / Nature	For the year ended December 31,					
	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit						
Salaries & wages	$173,816	$60,002	$233,818	$177,867	$106,076	$283,943
Labor and health insurance	18,003	5,121	23,124	20,676	9,043	29,719
Pension	8,431	2,829	11,260	9,622	5,095	14,717
Directors' remuneration	-	6,278	6,278	-	2,745	2,745
Other employee benefit expense	9,040	2,774	11,814	11,959	4,642	16,601
Depreciation	93,944	14,424	108,368	118,005	18,846	136,851
Amortization	627	2,180	2,807	1,439	2,803	4,242

According to the Company's Articles of Incorporation, between 5% to 15% of profit of the current year is distributable as employees' compensation and no more than 5% of profit of the current year is distributable as remuneration to directors. However, the Company's accumulated losses shall have been covered.

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

Base on profit of current year, the Company estimated the amount of the employees' compensation and remuneration to directors for the years ended December 31, 2022 amounted to NT$5,832 thousand and NT$2,333 thousand, respectively, recognized as salary expenses.

The Company's board of directors' meeting has determined the employees' compensation and directors' remuneration, all in cash, to be NT$5,832 thousand and NT$2,333 thousand, respectively, in a meeting held on March 16, 2023. No material differences existed between the estimated amount and the actual distribution of the employee' compensation and directors' remuneration and supervisors for the year ended December 31, 2022.

For the years ended December 31, 2021, the Company incurred accumulated loss and therefore were not estimated the employees' compensation and remuneration to directors.

(19)Non-operating incomes and expenses

A. Interest incomes

	For the year ended December 31,	
	2022	2021
Interest income		
Financial assets measured at amortized cost	$3,147	$106

B. Other incomes

	For the year ended December 31,	
	2022	2021
Government grants income	$10	$388
Other income – others	4,183	406
Total	$4,193	$794

C. Other gains and losses

	For the year ended December 31,	
	2022	2021
Gain (Loss) on disposal of property, plant and equipment	$159	$(26,018)
Loss on deposit of prepayments for equipment	-	(6,400)
Impairment loss on property, plant and equipment	(15,381)	(74,458)
Reversal of impairment loss on property, plant and equipment	27	31,266
Foreign exchange gain (loss), net	12,179	(329)
Others expenses – others	(611)	(1,689)
Total	$(3,627)	$(77,628)

D. Finance costs

	For the year ended December 31,	
	2022	2021
Interest on bank loans	$7,086	$7,076
Interest on bonds payable	-	41
Total	$7,086	$7,117

(20)Components of other comprehensive income

For the year ended December 31, 2022

	Arising during the period	Reclassification during the period	Subtotal	Income tax benefit (expense)	Other comprehensive income, net of tax
Items that not be reclassified subsequently to profit or loss:					
Remeasurements of defined benefit plans	$956	$-	$956	$-	$956
Unrealized gain (loss) on equity instruments investments measured at fair value through other comprehensive income	(190,760)	-	(190,760)	-	(190,760)
Total of other comprehensive income	$(189,804)	$-	$(189,804)	$-	$(189,804)

For the year ended December 31, 2021

	Arising during the period	Reclassification during the period	Subtotal	Income tax benefit (expense)	Other comprehensive income, net of tax
Items that not be reclassified subsequently to profit or loss:					
Remeasurements of defined benefit plans	$1,405	$-	$1,405	$-	$1,405
Unrealized gain (loss) on equity instruments investments measured at fair value through other comprehensive income	(37,462)	-	(37,462)	-	(37,462)
Total of other comprehensive income	$(36,057)	$-	$(36,057)	$-	$(36,057)

(21)Income tax

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

Income tax expense (income) recognized in profit or loss

	For the year ended December 31,	
	2022	2021
Current income tax expense (income):		
Current income tax expense	$-	$-
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	-	-
Total income tax expense	$-	$-

B. Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the year ended December 31,	
	2022	2021
Accounting profit (loss) before tax from continuing operations	$270,795	$(284,964)
Tax payable at the enacted tax rates	$54,159	$(56,993)
Tax effect of expenses not deductible for tax purposes	15	35
Tax effect of deferred tax assets/liabilities	(54,449)	56,492
Adjustments in respect of current income tax of prior periods	275	466
Total income tax expense recognized in profit or loss	$-	$-

C. Deferred tax assets (liabilities) relate to the following:

As of December 31, 2022 and 2021, deferred tax assets (liabilities) both amount to NT$0, respectively.

D. Unrecognized deferred tax assets

As of December 31, 2022 and 2021, deferred tax assets that have not been recognized as they may not be used to offset future taxable profits amount to NT$362,785 thousand and NT$417,234 thousand, respectively.

E. The following table contains the information of unused tax losses of the Group:

The Company

Year	As of Dec. 31, 2022	As of Dec. 31, 2021	Maturity
2016	$-	$1,373	2026
2017	310,160	487,107	2027
2018	433,701	433,701	2028
2019	306,436	306,436	2029
2020	130,302	130,302	2030
2021	336,455	336,455	2031
Total	$1,517,054	$1,695,374	

F. The assessment of income tax return

As of December 31, 2022, income tax returns of the Company was assessed and approved up to 2020.

(22)Earnings per share

A. Basic earnings per share

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

2.	For the year ended December 31,	
4.	2022	2021
Profit (loss) attributable to ordinary equity holders of the Company (in thousand NT$)	$270,795	$(284,964)
Weighted average number of ordinary shares outstanding (in thousand shares)	132,146	128,361
Basic earnings per share (in NT$)	$2.05	$(2.22)

B. Diluted earnings per share

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

6.	For the year ended December 31,	
8.	2022	2021
Profit (loss) attributable to ordinary equity holders of the Company (in thousand NT$)	$270,795	$(284,964)
Weighted average number of ordinary shares outstanding (in thousand shares)	132,146	128,361
Effect of dilution:		
Employee bonus – stock (in thousand shares)	147	-
Weighted average number of common shares outstanding after dilution (in thousand shares)	132,293	128,361
Diluted earnings per share (in NT$)	$2.05	$(2.22)

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

7. RELATED PARTY TRANSACTIONS

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

Related parties and Relationship_

Related parties	Relationship
Optoway Technology Incorporation	The entity with significant influence over the Group

(2) Significant transactions with related parties

A. Sales

	For the year ended December 31,	
	2022	2021
Optoway Technology Incorporation	$581	$48

Selling prices to related parties are similar to those to third party customers. The collection terms with related parties were about 30 days after monthly closing, whereas the terms with other customers were 30 to 105 days after monthly closing.

B. For the year ended December 31, 2022, the Group sold machinery to Optoway Technology Incorporation in the amount of NT$3,091 thousand and therefore recognized gain from disposal of property, plant and equipment in the amount of NT$159 thousand and reversal of impairment losses in the amount of NT$27 thousand.

C. For the year ended December 31, 2022, the Group provide Optoway Technology Incorporation the technical services in the amount of NT$6,462 thousand, which was recorded under research and development expenses. As of December 31, 2022, the amount of NT$790 thousand has not been paid, which were recorded under other payables - related parties.

D. Salaries and rewards to key management of the Group

	For the year ended December 31,	
	2022	2021
Short-term employee benefits	$14,452	$19,105
Post-employee benefits	442	1,825
Share-based payment	131	2,516
Total	$15,025	$23,446

For detailed information on the total salaries and rewards to key management of the Group, please refer to the annual report of the shareholders meeting.

8. PLEDGED ASSETS

The following assets of the Group are pledged as collaterals:

Item	Carrying Amount As of Dec. 31, 2022	Carrying Amount As of Dec. 31, 2021	Secured liabilities
Property, plant and equipment – land	$247,696	$247,696	Long-term secured loans
Property, plant and equipment – building	240,466	251,969	Long-term secured loans
Total	$488,162	$499,665	

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

As of December 31, 2022 and 2021, the details of significant contingencies and unrecognized contract commitments were as follows (in thousand dollars):

Nature of Contract	As of Dec. 31, 2022	As of Dec. 31, 2021
Unused letters of credit for purchasing machinery and equipment	$-	$2,224
Guarantee notes issued as collateral for bank loans	USD 17,500	USD 5,500
	NTD 1,025,000	NTD 990,000

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENT

None.

12. OTHERS

(1) Categories of financial instruments

Financial assets

	As of Dec. 31, 2022	As of Dec. 31, 2021
Financial assets measured at fair value through other comprehensive income	$126,347	$317,107
Financial assets measured at amortized cost:		

Cash and cash equivalents (exclude cash on hand)	483,720	368,670
Accounts receivables	254,402	131,627
Other receivables	14,160	6,225
Subtotal	752,282	506,522
Total	$878,629	$823,629

Financial liabilities

	As of	
	Dec. 31, 2022	Dec. 31, 2021
Financial liabilities at amortized cost:		
Short-term borrowings	$52,821	$88,150
Accounts payables	302,121	130,465
Other payables (includes related parties)	75,561	61,255
Long-term borrowings	220,000	320,000
Total	$650,503	$599,870

(2) Financial risk management objectives and policies

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

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

(3) Market risk

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

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

Foreign currency risk

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

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

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

When NTD is weakened/strengthened against foreign currency USD by 5%, the profit for the years ended December 31, 2022 and 2021 increased/decreased by NT$5,714 thousand and NT$3,077 thousand, respectively.

Interest rate risk

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

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as of the end of the reporting period, including investments and borrowings with variable interest rates. If interest rate increases/decreases by 10 basis points, the net income (loss) for the years ended December 31, 2022 and 2021 would increase/decrease by NT$59 thousand and decreases / increases by NT$39 thousand, respectively.

Equity price risk

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

Please refer to Note 12(8) for sensitivity analysis information of other equity instruments whose fair value measurement is categorized under Level 3.

(4) Credit risk management

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

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

As of December 31, 2022 and 2021, accounts receivables from top ten customers represented 83% and 70% of the total accounts receivables of the Group, respectively. The credit concentration risk of other accounts receivable is relatively insignificant.

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

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

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

(5) Liquidity risk management

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

Non-derivative financial liabilities

	Less than 1 year	1 to 5 years	Total
As of December 31, 2022			
Short-term borrowings	$53,284	$-	$53,284
Accounts payables	302,121	-	302,121
Other payables	75,561	-	75,561
Long-term borrowings	3,991	222,322	226,313
As of December 31, 2021			
Short-term borrowings	$88,566	$-	$88,566
Accounts payables	130,465	-	130,465
Other payables	61,255	-	61,255
Long-term borrowings	4,462	322,734	327,196

(6) Reconciliation of liabilities arising from financing activities

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

	Short-term borrowings	Long-term borrowings	Total liabilities from financing activities
As of Jan. 1, 2022	$88,150	$320,000	$408,150
Cash flows	(35,329)	(100,000)	(135,329)
Non-cash flows	-	-	-
As of Dec. 31, 2022	$52,821	$220,000	$272,821

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

	Short-term borrowings	Long-term borrowings	Bonds payable	Total liabilities from financing activities
As of Jan. 1, 2021	$235,352	$320,000	$12,259	$567,611
Cash flows	(147,202)	-	(12,300)	(159,502)
Non-cash flows	-	-	41	41
As of Dec. 31, 2021	$88,150	$320,000	$-	$408,150

(7) Fair values of financial instruments

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

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

(a) The carrying amount of cash and cash equivalents, receivables, payables and other current liabilities approximate their fair value due to their short maturities.

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

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

(d) Fair value of bank loans and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.).

(e) The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period.

B. Fair value of financial instruments measured at amortized cost

The carrying amount of the Group's financial assets and liabilities measure at amortized cost approximates their fair value.

C. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(8) for fair value measurement hierarchy for financial instruments of the Group.

(8) Fair value measurement hierarchy

A. Fair value measurement hierarchy

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

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

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

Level 3 – Unobservable inputs for the asset or liability

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

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

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

As of December 31, 2022 and 2021, fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

As of December 31, 2022

Financial assets:	Level 1	Level 2	Level 3	Total
Equity instrument measured at fair value through other comprehensive income	$-	$-	$126,347	$126,347

As of December 31, 2021

Financial assets:	Level 1	Level 2	Level 3	Total
Equity instrument measured at fair value through other comprehensive income	$-	$-	$317,107	$317,107

Transfers between Level 1 and Level 2 during the period

For the year ended December 31, 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value hierarchy.

Reconciliations for fair value measurement in Level 3 of the fair value hierarchy

For the year ended December 31, 2022 and 2021, the fair value hierarchy for movements during the period is as follows:_

	Financial assets measured at fair value through other comprehensive income
As of Jan. 1, 2022	$317,107
Amount recognized in other comprehensive income (presented in “Unrealized gain (loss) on equity instruments investments measured at fair value through other comprehensive income)	(190,760)
As of Dec. 31, 2022	$126,347

	Financial assets measured at fair value through other comprehensive income
As of Jan. 1, 2021	$354,569
Amount recognized in other comprehensive income (presented in “Unrealized gain (loss) on equity instruments investments measured at fair value through other comprehensive income)	(57,462)
As of Dec. 31, 2021	$317,107

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As of December 31, 2022

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
Financial assets measured at fair value through other comprehensive income					
Stocks	Market comparable listed company approach	Multiplier of price-to book ratio	1.95	The higher the multiplier of price-to book ratio, the higher the fair value of the stocks	Increase (decrease) in the book to market ratio multiples by 10% would result in decrease (increase) in the Group's profit or loss by NT$12,635 thousand.
		Discount for lack of marketability	29.17%	The higher the discount for lack of marketability, the lower the fair value of the stocks	Increase (decrease) in the book to market ratio multiples by 10% would result in decrease (increase) in the Group's profit or loss by NT$5,203 thousand.

As of December 31, 2021

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
Financial assets measured at fair value through other comprehensive income					
Stocks	Market comparable	Multiplier of	4.10	The higher the mul-	Increase (decrease) in the

listed company approach	price-to book ratio		tiplier of price-to book ratio, the higher the fair value of the stocks	book to market ratio multiples by 10% would result in decrease (increase) in the Group's profit or loss by NT$31,711 thousand.
	Discount for lack of marketability	29.86%	The higher the discount for lack of marketability, the lower the fair value of the stocks	Increase (decrease) in the book to market ratio multiples by 10% would result in decrease (increase) in the Group's profit or loss by NT$13,500 thousand.

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

The Group's financial department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information and represent exercisable prices. The department analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies at each reporting date.

(9) Significant financial assets and liabilities denominated in foreign currencies

Information regarding the Group's significant financial assets and liabilities denominated in foreign currencies was listed below (In thousands dollars):

	As of					
	December 31, 2022			December 31, 2021		
	Foreign currencies	Exchange rate	NTD	Foreign currencies	Exchange rate	NTD
Financial assets						
Monetary items:						
USD	$13,918	30.71	$427,432	$7,520	27.66	$208,003

<u>Financial liabilities</u>						
Monetary items:						
USD	$10,197	30.71	$313,150	$5,295	27.66	$146,460

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

The Group's entities' functional currencies are various and hence is not able to disclose the information of exchange gains and losses of monetary financial assets and liabilities by each significant assets and liabilities denominated in foreign currencies. The foreign exchange gain (loss) were NT$12,179 thousand and NT$(329) thousand for the years ended December 31, 2022 and 2021, respectively.

(10) Capital management

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

(11) Impact of the Covid-19 pandemic on the Group

The Covid-19 outbreak took place in January 2020 and had no significant impact on the Group.

13. <u>OTHER DISCLOSURES</u>

(1) Information on significant transactions

A. Financing provided to others: Please refer to attachment 1.

B. Endorsement/Guarantee provided to others: None.

C. Marketable securities held as of December 31, 2022 (excluding investments in subsidiaries, associates and joint ventures): Please refer to attachment 2.

D. Individual securities acquired or disposed of with accumulated amount of at least NT$ 300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.

E. Acquisition of individual real estate with amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.

F. Disposal of individual real estate with amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.

G. Related party transactions with purchase or sales amount of at least NT$100 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.

H. Receivables from related parties of at least NT$100 million or 20 percent of the paid-in capital as of December 31, 2022: None.

I. Derivative instrument transactions: None.

J. Intercompany relationships and significant intercompany transactions for the year ended December 31, 2022: None.

(2) Information on investees

A. Investees over whom the Company exercises significant influence or control (excluding investees in Mainland China): Please refer to attachment 3.

B. Investees over which the Company exercises control shall be disclosed of information under Note 13(1):

(a) Financing provided to others: None.

(b) Endorsement/Guarantee provided to others: None.

(c) Marketable securities held as of December 31, 2022 (excluding investments in subsidiaries, associates and joint ventures): None.

(d) Individual securities acquired or disposed of with accumulated amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.

(e) Acquisition of individual real estate with amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.

(f) Disposal of individual real estate with amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.

(g) Related party transactions with purchase or sales amount of at least NT$100 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.

(h) Receivables from related parties of at least NT$100 million or 20 percent of the paid-in capital as of December 31, 2022: None.

(i) Derivative instrument transactions: None.

(3) Information on investments in Mainland China: None.

(4) Information of major shareholders:

Shares / Name	Number of shares	Percentage of ownership
Optoway Technology Incorporation	16,758,000	12.66%
TriKnight Capital Corporation	14,680,990	11.09%
UPAMC Optima Fund	6,653,000	5.02%

14. OPERATING SEGMENT

(1) The Group's revenues are mainly from active components for optical communication. The chief operating decision maker (CODM) of the Group used overall operating results as the basis for evaluating performance and considered the Group a single segment.

(2) Geographical information

(a) Revenues from external customers

	For the year ended December 31,	
	2022	2021
Taiwan	$107,154	$97,243
China	234,535	272,617

North America	948,901	475,655
Other	27,956	20,501
Total	$1,318,546	$866,016

Revenue is based on the geographical location of customer.

(b) Non-current assets

	As of	
	Dec. 31, 2022	Dec. 31, 2021
Taiwan	$706,991	$825,875

(3) Information about major customers: sales from individual customers represent over 10% of the Group's operating revenues is as below:

	For the year ended December 31,	
	2022	2021
Customer of LC01082	$941,848	$470,179
Customer of LC01055	162,682	158,604

Appendix II: Parent Company Only Financial Statements for the Year Ended December 31, 2022

REPORT OF INDEPENDENT AUDITORS

To The Board of Directors of
LuxNet Corporation

Introduction

We have audited the accompanying parent-company-only balance sheets of LuxNet Corporation (the "Company") as of December 31, 2022, and the related parent-company-only statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the parent-company-only financial statements, including the summary of significant accounting policies (together referred as "the parent-company-only financial statements").

In our opinion, the parent-company-only financial statements referred to above present fairly, in all material respects, the parent-company-only financial position of the Company as of December 31, 2022, and its parent-company-only financial performance and cash flows for the year then ended, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

(To be continued)

(Continued)

Key Audit Matters

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

<u>Revenue Recognition</u>

We determine that revenue recognition is one of the key audit matters. The Company's revenue amounting to NT$ 1,318,546 thousand for the year ended December 31, 2022 is a significant account to the Company's Parent-company-only financial statements. The Company has conducted these sale activities in multi-marketplace. Furthermore, varieties of sale terms and conditions enacted in the main sale contracts or sale orders judging and determining the performance obligation and the time of satisfaction. We therefore conclude that there are significant risks with respect to the topic of revenue recognition. Our audit procedures therefore include, but not limit to, evaluating the properness of accounting policy for revenue recognition, assessing and testing the effectiveness of relevant internal controls related to revenue recognition, sampling-test of details, including obtaining major sale orders or agreements to inspect the terms and conditions, checking the consistency of the fulfillment timing between determining the performance obligation of revenues recognition and the major sales orders or agreements for their terms and conditions, performing analytical review procedures of sale revenues, executing sale cut-off tests, and reviewing the sales return and sales discount after for the years then ended, etc. We have also evaluated the appropriateness of the related disclosure in Notes 4 and 6 to the parent-company-only financial statements.

(To be continued)

(Continued)

Market valuation on Inventory

We determine that provision against inventory is also one of the key audit matters. The Company's inventory in amount of NT$467,024 thousand, representing 23% of parent-company-only total assets, as of December 31, 2022 is significant to the Company's financial statements. Inventories, including active components for optical communication and modules, are mostly customized products. Considering the rapid changes in communication technology, the calculation of the allowance for inventory market decline and write-off obsolescence involves significant management judgment. With respect to the key audit matter – provision against inventory, our audit procedures include, but not limit to, evaluating the appropriateness of inventory provision policy including how to identify the phased-out or slow-moving items, testing the correctness of inventory aging report, analyzing the reasons for slow-moving inventory and analyzing turnover rate of inventory at the end of period, performing observation on the Company's inventory physical taking, and looking into the status of inventory utilization. We have also evaluated the appropriateness of the related disclosure in Notes 5 and 6 to the parent-company-only financial statements.

Other Matter

The parent-company-only financial statements of the Company for the year then ended December 31, 2021 were audited by other auditors and expressed unqualified opinion on March 17, 2022.

Responsibilities of Management and Those Charged with Governance for the Parent-company-only Financial Statements

Management is responsible for the preparation and fair presentation of the parent-company-only financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of parent-company-only financial statements that are free from material misstatement, whether due to fraud or error.

(To be continued)

(Continued)

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

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

Auditor's Responsibilities for the Audit of the Parent-company-only Financial Statements

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

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

7. Identify and assess the risks of material misstatement of the parent-company-only 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.

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

(To be continued)

(Continued)

9.Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

10. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company. 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 parent-company-only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

11. Evaluate the overall presentation, structure and content of the parent-company-only financial statements, including the accompanying notes, and whether the parent-company-only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

12. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent-company-only financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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

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

(To be continued)

(Continued)

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

Cheng, Ching-Piao

Chen, Kuo-Shuai

Ernst & Young
Taiwan, R.O.C.
March 16th, 2023

Notices to Readers

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

Accordingly, the accompanying Parent-company-only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

LUXNET CORPORATION

Parent-Company-Only Balance Sheets

As of December 31, 2022 and 2021

(Amounts Expressed In Thousands of New Taiwan Dollars)

Assets			As of December 31, 2022		As of December 31, 2021	
Code	Accounts	Notes	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	4, 6(1)	$483,826	23	$368,725	19
1170	Accounts receivables, net	4, 6(2), 6(16)	254,402	12	131,627	7
1200	Other receivables	4, 6(16)	14,160	1	6,225	-
1220	Current tax assets	4	65	-	5	-
130x	Inventories	4, 6(3)	467,024	23	290,427	15
1419	Other prepaid expense		3,196	-	2,924	-
1421	Prepayments		6,856	-	1,878	-
1470	Other current assets		7,499	1	3,060	-
11xx	Total current assets		1,237,028	60	804,871	41
	Non-current assets					
1550	Investment accounted for under equity method	4, 6(4)	126,347	6	317,107	16
1600	Property, plant and equipment	4, 6(5), 7, 8	706,069	34	824,585	43
1780	Intangible assets	4, 6(6)	618	-	520	-
1900	Other non-current assets	4, 6(7), 6(11)	2,490	-	1,895	-
15xx	Total non-current assets		835,524	40	1,144,107	59
1xxx	Total Assets		$2,072,552	100	$1,948,978	100

(The accompanying notes are an integral part of the parent-company-only financial statements.)

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

LUXNET CORPORATION

Parent-Company-Only Balance Sheets (Continued)

As of December 31, 2022 and 2021

(Amounts Expressed In Thousands of New Taiwan Dollars)

Liabilities and Equity			As of December 31, 2022		As of December 31, 2021	
Code	Accounts	Notes	Amount	%	Amount	%
	Current liabilities					
2100	Short-term borrowings	4, 6(8)	$52,821	2	$88,150	5
2130	Contract liabilities	4, 6(15)	2,874	-	6,574	-
2170	Accounts payable		302,121	15	130,465	7
2200	Other payables	4, 6(12)	74,771	4	61,255	3
2220	Other payables - related parties	7	790	-	-	-
2399	Other current liabilities		2,157	-	6,033	-
21xx	Total current liabilities		435,534	21	292,477	15
	Non-current liabilities					
2540	Long-term borrowings	4, 6(10), 8	220,000	11	320,000	16
25xx	Total non-current liabilities		220,000	11	320,000	16
2xxx	Total liabilities		655,534	32	612,477	31
31xx	Equity	4, 6(13)				
3100	Capital					
3110	Common stock		1,323,578	64	1,325,115	68
3200	Capital surplus		4,146	-	128,386	7
3300	Retained earnings					
3350	Unappropriated earnings (Accumulated deficits)		109,427	5	(285,203)	(15)
3400	Other components of equity		(20,133)	(1)	168,203	9
3xxx	Total equity		1,417,018	68	1,336,501	69
3x2x	Total liabilities and equity		$2,072,552	100	$1,948,978	100

(The accompanying notes are an integral part of the parent-company-only financial statements.)

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

LUXNET CORPORATION

Parent-Company-Only Statements of Comprehensive Income

For the Years Ended December 31, 2022 and 2021

(Amounts Expressed In Thousands of New Taiwan Dollars, Except for Earnings Per Share)

	Accounts	Notes	2022 Amount	2022 %	2021 Amount	2021 %
4000	Operating revenues	4, 6(15), 7	$1,318,546	100	$866,016	100
5000	Operating costs	6(3)	(921,760)	(70)	(883,399)	(102)
5900	Gross profit (loss)		396,786	30	(17,383)	(2)
6000	Operating expenses					
6100	Sales and marketing		(10,527)	(1)	(18,098)	(2)
6200	General and administrative		(50,787)	(4)	(90,783)	(11)
6300	Research and development	7	(66,643)	(5)	(79,356)	(9)
6450	Reversal of expected credit losses	6(16)	4,680	1	8	-
	Total operating expenses		(123,277)	(9)	(188,229)	(22)
6900	Operating income (loss)		273,509	21	(205,612)	(24)
7000	Non-operating incomes and expenses	6(19), 7				
7100	Interest income		3,147	-	106	-
7010	Other incomes		4,193	-	794	-
7020	Other gains and losses	7	(3,627)	-	(77,628)	(9)
7050	Finance costs		(7,086)	(1)	(7,117)	(1)
7055	Reversal of expected credit losses	6(16)	659	-	4,493	1
	Total non-operating incomes and expenses		(2,714)	(1)	(79,352)	(9)
7900	Income (loss) before income tax		270,795	20	(284,964)	(33)
7950	Income tax expense	4, 6(21)	-	-	-	-
8200	Net income (loss)		270,795	20	(284,964)	(33)
8300	Other comprehensive income (loss)	6(20)				
8310	Items that not be reclassified subsequently to profit or loss					
8311	Remeasurements of defined benefit plans		956	-	1,405	-
8320	Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for under the equity method		(190,760)	(14)	(37,462)	(4)
8300	Total other comprehensive income (loss), net of tax		(189,804)	(14)	(36,057)	(4)
8500	Total comprehensive income (loss)		$80,991	6	$(321,021)	(37)
9750	Earnings per share-basic (in NTD)	4, 6(22)	$2.05		$(2.22)	
9850	Earnings per share-diluted (in NTD)	4, 6(22)	$2.05		$(2.22)	

(The accompanying notes are an integral part of the parent-company-only financial statements.)

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

LUXNET CORPORATION

Parent-Company-Only Statements of Changes in Equity

For the Years Ended December 31, 2022 and 2021

(Amounts Expressed In Thousands of New Taiwan Dollars)

				Retained Earnings	Others		
		Common Stock	Capital Surplus	Unappropriated Earnings (Accumulated deficits)	Unrealized gains (losses) on equity instruments investment measured at fair value through other comprehensive income	Unearned Employee Benefit	Total
Code	Items	3100	3200	3350	3420	3490	3XXX
A1	Balance as of January 1, 2021	$1,201,243	$85,809	$(87,453)	$208,135	$(17,375)	$1,390,359
C11	Capital surplus used to offset accumulated deficits		(85,809)	85,809			-
D1	Net loss in 2021			(284,964)			(284,964)
D3	Other comprehensive income (loss), net of tax, in 2021			1,405	(37,462)		(36,057)
D5	Total comprehensive income (loss)	-	-	(283,559)	(37,462)	-	(321,021)
E1	Capital increase by cash	130,000	134,550				264,550
T1	Amortization of employee restricted shares					2,613	2,613
T2	Employee restricted shares for cancellation	(6,128)	(6,164)			12,292	-
Z1	Balance as of December 31, 2021	1,325,115	128,386	(285,203)	170,673	(2,470)	1,336,501
C3	Overdue unclaimed cash dividend listed as capital surplus		237				237
C11	Capital surplus used to offset accumulated deficits		(122,879)	122,879			-
D1	Net income in 2022			270,795			270,795
D3	Other comprehensive income (loss), net of tax, in 2022			956	(190,760)		(189,804)
D5	Total comprehensive income (loss)	-	-	271,751	(190,760)	-	80,991
T1	Amortization of employee restricted shares					(711)	(711)
T2	Employee restricted shares for cancellation	(1,537)	(1,598)			3,135	-
Z1	Balance as of December 31, 2022	$1,323,578	$4,146	$109,427	$(20,087)	$(46)	$1,417,018

(The accompanying notes are an integral part of the parent-company-only financial statements.)

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

LUXNET CORPORATION

Parent-Company-Only Statements of Cash Flows

For the Years Ended December 31, 2022 and 2021

(Amounts Expressed in Thousands of New Taiwan Dollars)

	Items	2022	2021
AAAA	Cash flows from operating activities:		
A10000	Income (loss) before income tax	$270,795	$(284,964)
A20000	Adjustments:		
A20010	Income and expense adjustments:		
A20100	Depreciation	108,368	136,851
A20200	Amortization	2,807	4,242
A20300	Reversal of expected credit losses	(5,339)	(4,501)
A20900	Interest expense	7,086	7,117
A21200	Interest income	(3,147)	(106)
A21900	Cost of share based payment	(711)	2,613
A22500	Loss (gain) on disposal of property, plant and equipment	(159)	26,018
A23700	Impairment loss on non-financial assets	15,381	74,458
A23800	Reversal of impairment loss on non-financial assets	(27)	(31,266)
A29900	Other - loss related to inventories	32,015	73,797
A29900	Other - loss on deposit of prepayments for equipment	-	6,400
A30000	Changes in operating assets and liabilities:		
A31150	Accounts receivables	(118,095)	12,453
A31180	Other receivables	(7,153)	5,357
A31200	Inventories	(208,612)	(52,859)
A31230	Prepayments	(5,250)	5,336
A31240	Other current assets	(4,439)	(1,336)
A32125	Contract liabilities	(3,700)	6,474
A32150	Accounts payable	171,656	20,168
A32180	Other payables	11,679	(26,095)
A32190	Other payables - related parties	790	-
A32230	Other current liabilities	(3,876)	(534)
A32240	Net defined benefit liabilities	(105)	(3)
A33000	Cash generated from (used in) operations	259,964	(20,380)
A33100	Interest received	3,024	106
A33300	Interest paid	(6,889)	(7,228)
A33500	Income tax paid (returned)	(60)	47
AAAA	Net cash provided by (used in) operating activities	256,039	(27,455)

Code	Items	2022	2021
BBBB	Cash flows from investing activities:		
B02700	Acquisition of property, plant and equipment	(5,848)	(13,521)
B02800	Proceeds from disposal of property, plant and equipment	3,091	4,894
B03800	Decrease (increase) in refundable deposits	-	21,860
B04500	Acquisition of intangible assets	(2,100)	(2,506)
B06800	Increase (decrease) in other non-current assets	(989)	(5,514)
B07100	Increase (decrease) in prepayments for equipment	-	(6,400)
BBBB	Net cash provided by (used in) investing activities	(5,846)	(1,187)
CCCC	Cash flows from financing activities:		
C00100	Increase in (repayment of) short-term loans	(35,329)	(147,202)
C01300	Repayments of bonds	-	(12,300)
C01600	Increase in long-term loans	220,000	-
C01700	Repayments of long-term loans	(320,000)	-
C04600	Capital increase by cash	-	264,550
C09900	Other items - overdue unclaimed cash dividend listed as capital surplus	237	-
CCCC	Net cash provided by (used in) financing activities	(135,092)	105,048
EEEE	Increase (decrease) in cash and cash equivalents	115,101	76,406
E00100	Cash and cash equivalents at beginning of period	368,725	292,319
E00200	Cash and cash equivalents at end of period	$483,826	$368,725

(The accompanying notes are an integral part of the parent-company-only financial statements.)

15. HISTORY AND ORGANIZATION

LuxNet Corporation (referred to “the Company”) was incorporated on November 15, 2001, and registered under the Ministry of Economic Affairs, ROC. The address of the Company’s registered office is No. 6, Hejiang Road, Zhongli, Taoyuan.

The major business activities of the Company were the manufacturing, processing and sale of electronic components and active components for optical communication and the retail sale of electronic materials.

The Company’s common shares were publicly listed on the Taipei Exchange (“TPEx”) on December 12, 2011.

16. DATE AND PROCEDURE OF AUTHORIZATION OF FINANCIAL STATEMENTS FOR ISSUANCE

The parent-company-only financial statements of the Company for the years ended December 31, 2022 and 2021 were authorized for issue by the board of directors on March 16th, 2023.

17. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

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

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

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

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

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

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

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

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

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

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

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

(6) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by

FSC, and not yet adopted by the Company as at the end of the reporting period are listed below.

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

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

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

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

(b) IFRS 17 "Insurance Contracts"

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

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

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

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

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

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

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

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

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

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

18. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(10) Statement of compliance

The parent-company-only financial statements for the years ended December 31, 2022 and 2021 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations").

(11) Basis of preparation

The Company prepared parent-company-only financial statements in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the parent-company-only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent-company-only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary adjustments.

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

(12) Foreign currency transactions

The Company's parent-company-only financial statements are presented in New Taiwan Dollar.

Transactions in foreign currencies are initially recorded by the Company entities at their respective functional currency rates prevailing at the date of the transaction. At the reporting date, monetary items denominated in foreign currencies are retranslated at the prevailing functional currency closing rate of exchange; non-monetary items measured at fair value in a foreign currency are retranslated using the exchange rates at the date when the fair value is determined; and non-monetary items measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

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

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

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

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

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

(13) Translation of financial statements in foreign currency

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

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

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

(14) Current and non-current distinction

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

(e) The Company expects to settle the liability in its normal operating cycle.
(f) The Company holds the liability primarily for the purpose of trading.
(g) The liability is due to be settled within twelve months after the reporting period.
(h) The Company does not have an unconditional right to defer settlement of the liability for at

least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(15) Cash and cash equivalents

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

(16) Financial instruments

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

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

(a) Financial instruments: Recognition and Measurement

The Company accounts for regular way purchases or sales of financial assets on the trade date.

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

A.the Company’s business model for managing the financial assets and ;
B.the contractual cash flow characteristics of the financial asset.
<u>Financial assets measured at amortized cost</u>

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

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

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

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

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

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

Financial asset measured at fair value through other comprehensive income

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

A. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and ;

B. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

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

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

Financial asset measured at fair value through profit or loss

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

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

(b) Impairment of financial assets

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

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

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

The loss allowance is measures as follows:

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

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

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

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

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

(c) Derecognition of financial assets

A financial asset is derecognized when:

iv. The rights to receive cash flows from the asset have expired.
v. The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
vi. The Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

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

(d) Financial liabilities and equity

<u>Classification between liabilities or equity</u>

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

Equity instruments

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

Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

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

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

iii. it eliminates or significantly reduces a measurement or recognition inconsistency; or
iv. a Company of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Company is provided

internally on that basis to the key management personnel.

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

(e) Offsetting of financial instruments

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

(17) Fair value measurement

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

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

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

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

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

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

(9) Inventories

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

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

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

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

Rendering of services is accounted in accordance with IFRS 15 but not within the scoping of inventories.

(10) Investments accounted for using the equity method

The Company accounted for its investments in subsidiaries using equity method and made necessary adjustments in accordance with Article 21 of the Regulations. Such adjustments were made after the Company considered the different accounting treatments to account for its investments in subsidiaries in the consolidated financial statements under IFRS 10 "Consolidated Financial Statements" and the different IFRSs adopted from different reporting entity's perspectives, and the Company recorded such adjustments by crediting or debiting to investments accounted for under the equity method, share of profit or loss of subsidiaries, associates and joint ventures and share of other comprehensive income of subsidiaries, associates and joint ventures.

The Company's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence.

Under the equity method, the investment in the associate or investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Company and the associate or joint venture are eliminated to the extent of the Company's related interest in the associate or joint venture.
When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affects the Company's percentage of ownership interests in the associate or joint venture, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a prorate basis.

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

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

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

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

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

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

(11) Property, plant and equipment

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

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

Buildings	3 to 50 years
Machinery and equipment	2 to 10 years
Office equipment	5 to 10 years
Other equipment	3 years

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

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

(12) Leases

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

(c) the right to obtain substantially all of the economic benefits from use of the identified asset; and
(d) the right to direct the use of the identified asset.

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

Company as a lessee

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

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

(f) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
(g) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
(h) amounts expected to be payable by the lessee under residual value guarantees;
(i) the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
(j) payments of penalties for terminating the lease, if the lease term reflects the lessee exer-

cising an option to terminate the lease.

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

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

(e) the amount of the initial measurement of the lease liability;
(f) any lease payments made at or before the commencement date, less any lease incentives received;
(g) any initial direct costs incurred by the lessee; and
(h) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

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

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

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

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

(13) Intangible assets

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

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

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.
Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.
A summary of the policies information applied to the Company’s intangible assets is as follows:

	Cost of Computer Software
Useful life	1 to 5 years
Amortization method used	Amortized on a straight- line basis over the estimated useful life
Internally generated or acquired	Acquired

(14) Impairment of non-financial assets

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

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

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

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

(15) Revenue recognition

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

<u>Sale of goods</u>

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

The credit period of the Company's sale of goods is from 30 to 105 days. For most of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as account receivables. The Company usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Company has transferred the goods to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Company measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

(16) Borrowing costs

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

(17) Government grants

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

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

(18) Post-employment benefits

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

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

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

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

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

(19) Share-based payment transactions

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

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

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

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

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

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

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

(20) Income taxes

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

<u>Current income tax</u>

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

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

<u>Deferred income tax</u>

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

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

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

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

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

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

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

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

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

19. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's parent-company-only financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.
Estimates and assumptions

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

A. Fair value of financial instruments

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

B. Accounts receivables - estimation of impairment loss

The Company estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6(16) for more details.

C. Inventory

Estimates of net realizable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6(3) for more details.

D. Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate and changes of the future salary etc. Please refer to Note 6(11) for more details.

E. Property, Plant and Equipment Impairment Assessment

During the asset impairment assessment process, the Company must rely on subjective judgments, including identifying the recoverable amount of the cash generating unit and determining the recoverable amount of the cash generating unit based on asset usage model and industry characteristics. The estimated changes brought about may cause significant impairment or reversal of recognized impairment losses in the future. Please refer to Note 6(5) for more details.

F. Share-based payment transactions

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

G. Income tax

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

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

20. CONTENTS OF SIGNIFICANT ACCOUNTS

(10) Cash and cash equivalents

	As of	
	Dec. 31, 2022	Dec. 31, 2021
Cash on hand	$106	$55
Saving	331,590	368,670
Time deposit	152,130	-
Total	$483,826	$368,725

(11) Accounts receivable

	As of	
	Dec. 31, 2022	Dec. 31, 2021
Accounts receivable arising from operating activities	$301,827	$183,732
Less: loss allowance	(47,425)	(52,105)
Total	$254,402	$131,627

Accounts receivable are generally on 30～105 days terms. The total carrying amount were NT$ 301,827 thousand and NT$183,732 thousand as of December 31, 2022 and 2021, respectively. Please refer to Note 6(16) for more details on loss allowance of accounts receivable for the years ended December 31, 2022 and 2021, respectively. Please refer to Note 12 for more details on credit risk.

Account receivables were not pledged.

(12) Inventories

D. Details of inventories:

	As of	
	Dec. 31, 2022	Dec. 31, 2021
Raw material	$202,648	$139,111
Work in process	92,955	41,065
Finished goods	171,421	110,251
Total	$467,024	$290,427

E. The cost of inventories recognized in expenses amount to NT$921,760 thousand and NT$ 883,399 thousand for the years ended December 31, 2022 and 2021, respectively.

The following loss (gains) were included in cost of sale:

	For the year ended December 31,	
Item	2022	2021
Loss (Gain) from inventory market decline and write-off obsolescence	$(85,246)	$(60,268)
Loss from disposed	117,046	134,065

Inventory deficit	215	-
Gains on sale of scrap	(381)	(3,474)
Unallocated manufacturing overhead resulting from the actual production being lower than the normal capacity	105,572	101,291
Total	$137,206	$171,614

The Company recognized gains on reversal of inventory market decline because some of the inventories previously provided with market loss or obsolescence were disposed for the years ended December 31, 2022 and 2021.

F. The inventories were not pledged.

(13) Investments accounted for under equity method

	As of			
	Dec. 31, 2022		Dec. 31, 2021	
Investee Companies	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Investments in subsidiaries:				
Toplight Corporation	$126,347	100%	$317,107	100%

A. Investments in subsidiaries were present in the parent-company-only financial statements under the caption of investments accounted for under equity method or credit for investment accounted for the equity method. Valuation adjustment is made if deemed necessary.

B. The Company's investments accounted for under the equity method were not pledged.

(14) Property, plant and equipment

	As of	
	Dec. 31, 2022	Dec. 31, 2021
Owner occupied property, plant and equipment	$706,069	$824,585

A. Owner occupied property, plant and equipment

	Land	Buildings	Machinery and Equip- ment	Office Equipment	Other Equip- ment	Equipment awaiting in- spection	Total
Cost:							
As of Jan. 1, 2022	$247,696	$362,779	$1,330,373	$5,239	$-	$27,574	$1,973,661
Additions	-	-	-	-	-	8,138	8,138
Disposals	-	-	(9,608)	-	-	-	(9,608)
Reclassification	-	-	31,786	-	548	(32,334)	-
As of Dec. 31, 2022	$247,696	$362,779	1,352,551	$5,239	$548	$3,378	$1,972,191
As of Jan. 1, 2021	$247,696	$361,779	$1,457,109	$5,239	$-	$41,940	$2,113,763
Additions	-	-	-	-	-	9,673	9,673
Disposals	-	-	(159,315)	-	-	-	(159,315)
Reclassification	-	1,000	32,579	-	-	(24,039)	9,540
As of Dec. 31, 2021	$247,696	$362,779	$1,330,373	$5,239	$-	$27,574	$1,973,661

Depreciation and impairment:

As of Jan. 1, 2022	$-	$110,810	$1,033,759	$4,507	$-	$-	$1,149,076
Depreciation	-	11,503	96,209	620	36	-	108,368
Impairment losses	-	-	15,354	-	-	-	15,354
Disposal	-	-	(6,676)	-	-	-	(6,676)
As of Dec. 31, 2022	$-	$122,313	$1,138,646	$5,127	$36	$-	$1,266,122
As of Jan. 1, 2021	$-	$99,374	$989,481	$3,887	$-	$-	$1,092,742
Depreciation	-	11,436	124,795	620	-	-	136,851
Impairment losses	-	-	43,192	-	-	-	43,192
Disposal	-	-	(123,709)	-	-	-	(123,709)
As of Dec. 31, 2021	$-	$110,810	$1,033,759	$4,507	$-	$-	$1,149,076
Net carrying amount:							
As of Dec. 31, 2022	$247,696	$240,466	$213,905	$112	$512	$3,378	$706,069
As of Dec. 31, 2021	$247,696	$251,969	$296,614	$732	$-	$27,574	$824,585

B. The Company recognized an impairment loss amounting to NT$15,381 thousand and NT$4,403 thousand on certain real estate to an extent of the recoverable value in 2022 and 2021, respectively. The impairment loss has been recorded in the other gains and losses. The recoverable amount is measured at the value in use at the cash generating unit level.

C. For the years ended December 31, 2022 and 2021, the NT$27 thousand and NT$ 31,266 thousand gain on reversal of impairment loss represented the sold of certain property, plant and equipment in the Company. These have been recognized in the other gains and losses.

D. Because the Company adjusted its production lines, according to the external appraisal reports, the recoverable amount of the equipment was estimated based on value in use, and the estimated of value in use was determined using a pre-tax discount rate of 11.2624%. The Company recognized an impairment loss amounting to NT$70,055 thousand in 2021.

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

(15) Intangible assets

10.	Computer software
Cost:	
As of Jan. 1, 2022	$29,245
Additions – acquired separately	2,220

10.	Computer software
Deduction	-
As of Dec. 31, 2022	$31,465
As of Jan. 1, 2021	$26,739
Additions – acquired separately	2,506
Deduction	-
As of Dec. 31, 2021	$29,245
Amortization and Impairment:	
As of Jan. 1, 2022	$28,725
Amortization	2,122
Deduction	-
As of Dec. 31, 2022	$30,847
As of Jan. 1, 2021	$26,226
Amortization	2,499
Deduction	-
As of Dec. 31, 2021	$28,725
Carrying amount, net:	
As of Dec. 31, 2022	$618
As of Dec. 31, 2021	$520

Amounts of amortization recognized for intangible assets are as follows:

	For the year ended December 31,	
	2022	2021
Operating costs	$-	$19
Sales and marketing expenses	-	-
General and administrative expenses	53	231
Research and development expenses	2,069	2,249
Total	$2,122	$2,499

(16) Other non-current assets

	As of

	Dec. 31, 2022	Dec. 31, 2021
Other non-current assets-others	$304	$770
Net defined benefit asset	2,186	1,125
Total	$2,490	$1,895

(17) Short-term borrowings

	As of	
	Dec. 31, 2022	Dec. 31, 2021
Unsecured bank loans	$52,821	$88,150
Interest rate (%)	5.26%	0.93%～1.05%

The Company's unused short-term lines of credits amount to NT$904,604 thousand and NT$359,626 thousand as of December 31, 2022 and 2021, respectively.

(18) Bonds payable

D. The Company had no balance of the bonds payable as of December 31, 2022 and 2021.

For the details of the gain or loss from valuation through profit or loss on embedded derivative - redemption, put options and the interest expense on the convertible bonds payable, please refer to Note 6(19) for more details.

E. On March 12, 2018, the Company issued the 2nd unsecured domestic convertible bonds. The terms of the bonds are as follows:

(A) Issue date: March 12, 2018

(B) Issue amount: NTD 300,000 thousand

(C) Issue price: Issued at par value

(D) Coupon rate: 0%

(E) Secured or unsecured: Unsecured bonds

(F) Period: March 12, 2018 to March 12, 2021

(G) Conversion rules:

iv. Conversion period:

The bondholders will have the right to convert their bonds at any time during the conversion period commencing June 13, 2018 (the 3 months following the issuing date) to March 12, 2021 (the maturity date). However, the conversion right during any such closed period shall be suspended and the conversion period shall not include any such closed period, which means (i) the period during which the Company may be required to close its stock transfer books under ROC laws and regulations applicable from time to time; (ii) the period beginning on the 15th trading day prior to the record date for the distribution of stock or cash dividends, or subscription of new shares due to capital increase to the date ending on (and including) such record date; the period beginning on the record date of a capital reduction to one day prior to the trading day on which the shares of the Company are reissued after such capital reduction; no request for conversion other than the starting date of the stop of conversion for the change of stock denomination to the day before the trading day before the start of the new stock exchange.

v. Conversion price and adjustment:

The conversion price was originally at NT$30 per share. The conversion price will be subject to adjustments upon the occurrence of certain events set out in the indenture. The Company issued new shares due to capital increase in 2019, the Company adjusted the conversion price based on the provisions for issuance and conversion of the 2nd domestic unsecured convertible bonds. As a result, the conversion price has been adjusted from NT$30 to NT$29.50 since December 26, 2019.

vi. Redemption on the maturity date:

The bonds will redeem at par value if the convertible bonds were not settled by maturity date.

(H) Redemption option of the issuer

The Company may redeem the convertible bonds from the next day (June 13, 2018) following a three-month period after the bonds are issued to 40 days before the maturity date (January 31, 2021) if the following terms are met: when the closing price of the Company's common shares is 30% above the convertible price for 30 consecutive trading days, or if the amount of unconvertible bonds is less than 10% of the offering amount, the Company may redeem the convertible bonds in cash at the par value within five business days after the bond recovery measurement date.

(I) Put option of the bondholders:

The bondholders can execute put option after two years from issuance date (March 12, 2020). The Company should send through registered mail the "Notification of bondholder's put option" 30 days before the put option base date. OTC (Over The Counter) should be notified by the Company and should announce the bondholder's put option; a written notification should be sent to the share transfer agent by bondholders 30 days after the OTC's announcement. The redemption value is the bonds face value plus interest. After two years maturity period, at the principal amount of the bonds with a yield-to-maturity of 0.5% per annum. After accepting the redemption request, the Company should redeem the bonds by cash within five business days after the maturity date.

F. The Company considers cash demand, on March 17, 2020, as the holders of the second domestic unsecured convertible bonds issued by the Company exercised the redemption rights, the Company redeemed the bonds at a par value of NT$286,900 thousand, with an interest amounting to NT$2,876 thousand. In addition, the second domestic unsecured convertible bonds issued by the Company were matured on March 12, 2021. The residual bonds at par value NT$12,300 thousand were redeemed to the holders at par value in March 2021.

(10)Long-term borrowings

C. Details of long-term borrowings were as follows:

Debtor	As of Dec. 31, 2022	Interest Rate (%)	Maturity date and terms of repayment
CTBC Bank	$220,000	1.72%	Period from August 12, 2022 to August 12, 2024, the total amount of the loan is NT$220,000 thousand, the principal is paid in due, and the interest is paid monthly.
Less: current portion	-		
Non-current portion	$220,000		

Debtor	As of Dec. 31, 2021	Interest Rate (%)	Maturity date and terms of repayment
CTBC Bank	$320,000	1.35%	Period from August 19, 2021 to August 19, 2023, the total amount of the loan is NT$320,000 thousand, the principal is paid in due, and the interest is paid monthly.
Less: current portion	-		
Non-current portion	$320,000		

On June 30, 2021, the Company obtained the notice of credit line from CTBC Bank to extend the original due date to June 30, 2022. The credit lines were NT$420,000 thousand for long-term borrowings, NT$165,000 thousand for short-term borrowings, and the total credit limit is up to NT$450,000 thousand.

On June 29, 2022, the Company obtained the notice of credit line from CTBC Bank to extend the original due date to June 30, 2023. The credit lines were NT$470,000 thousand for long-term borrowings.

On August 2021, the Company repaid, in advance, its long-term borrowings which were due in February and March of 2023. In addition, in August 2021, the Company used the revolving credit line of NT$320,000 thousand in accordance with the above loan condition.

On August 2022, the Company repaid, in advance, its long-term borrowings which were due in August of 2023. In addition, in August 2022, the Company used the revolving credit line of NT$220,000 thousand in accordance with the above loan condition.

D. Please refer to Note 8 for more details on assets pledged for long-term loans.

(11)Post-employment benefits

Defined contribution plan

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

Expenses under the defined contribution plan for the years ended December 31, 2022 and 2021 were NT$11,270 thousand and NT$14,715 thousand, respectively.

Defined benefits plan

The Company adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute NT$144 thousand to its defined benefit plan during the 12 months beginning after December 31, 2022.

As of December 31, 2022 and 2021, the maturities of the Company's defined benefit plan were expected in 2029.

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

	For the year ended December 31,	
	2022	2021
Net interest of defined benefit liability (asset)	$(10)	$2

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

	As of		
	Dec.31, 2022	Dec.31, 2021	Jan.1, 2021
Defined benefit obligation	$2,406	$3,029	$4,358
Plan assets at fair value	(4,592)	(4,154)	(4,075)
Subtotal	(2,186)	(1,125)	283
Net defined benefit expected to contribute during the	-	-	-

12 months			
Other non-current liabilities – net defined benefit liability (asset) on the balance sheets	$(2,186)	$(1,125)	$283

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

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
As of Jan. 1, 2021	$4,358	$(4,075)	$283
Current period service costs	-	-	-
Net interest expense (revenue)	20	(18)	2
Past service cost, gains and losses arising from settlements	-	-	-
Subtotal	20	(18)	2
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	146	-	146
Actuarial gains and losses arising from changes in financial assumptions	(140)	-	(140)
Experience adjustments	(1,355)	(56)	(1,411)
Re-measurement on defined benefit assets	-	-	-
Subtotal	(1,349)	(56)	(1,405)
Payments from the plan	-	-	-
Contributions by employer	-	(5)	(5)
As of Dec. 31, 2021	3,029	(4,154)	(1,125)
Current period service costs	-	-	-
Net interest expense (revenue)	27	(37)	(10)
Past service cost, gains and losses arising from settlements	-	-	-
Subtotal	27	(37)	(10)
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	-	-	-
Actuarial gains and losses arising from changes in financial assumptions	(152)	-	(152)

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Experience adjustments	(498)	(306)	(804)
Re-measurement on defined benefit assets	-	-	-
Subtotal	(650)	(306)	(956)
Payments from the plan	-	-	-
Contributions by employer	-	(95)	(95)
As of Dec. 31, 2022	$2,406	$(4,592)	$(2,186)

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

	As of	
	Dec.31, 2022	Dec.31, 2021
Discount rate	1.40%	0.90%
Expected rate of salary increases	2.00%	2.00%

A sensitivity analysis for significant assumption as shown below:

	Effect on the defined benefit obligation			
	2022		2021	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.25%	$-	$(77)	$-	$(79)
Discount rate decrease by 0.25%	80	-	82	-
Future salary increase by 0.25%	78	-	80	-
Future salary decrease by 0.25%	-	(75)	-	(77)

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

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

(12)Other payables

	As of	
	Dec. 31, 2022	Dec. 31, 2021
Accrued expense	$71,432	$60,403
Accrued interest	385	188
Payables on equipment	2,954	664
Total	$74,771	$61,255

(13)Equity

D. Common stock

The Company’s authorized capital were NT$2,000,000 thousand and NT$1,500,000 thousand as of December 31, 2022 and 2021, respectively. The Company’s paid-in capital were NT$1,323,578 thousand and NT$1,325,115 thousand, respectively, each share at par value of NT$10, divided into 132,358 thousand shares and 132,512 thousand shares, respectively. Each share represents a voting right and a right to receive dividends.

On June 16, 2020, the Company’s board of directors resolved to issued common shares by way of private placement within one year after the resolution of the Company’s shareholders’ meetings within a range of less than 13,000 thousand shares. On April 12, 2021, the Company’s board of directors resolved to issued 13,000 shares at a private placement price of NT$20.35 per share, with a par value of NT$10 per share, the total private placement amount was NT$264,550 thousand. The measurement date was on April 14, 2021, and registered on May 12, 2021.

Transfer of the above-mentioned private placement common shares and issuance of bonus shares should be handled in accordance with the provisions of Article 43-8 of the Securities and Exchange Law, at least three full years after the delivery date of the privately placed securities, after the public offering has been handled with the FSC, a listed of over-the-counter trading may be applied to the Taipei Exchange.

On January 21, 2021, the board of directors resolved to cancel restricted stocks, and the amount of the capital reduction is NT$880 thousand. The measurement date was on January 22, 2021.

On May 6, 2021, the board of directors resolved to cancel restricted stocks, and the amount of the capital reduction is NT$1,060 thousand. The measurement date was on May 7, 2021.

On August 5, 2021, the board of directors resolved to cancel restricted stocks, and the amount of the capital reduction is NT$2,040 thousand. The measurement date was on August 6, 2021.

On November 4, 2021, the board of directors resolved to cancel restricted stocks, and the amount of the capital reduction is NT$2,150 thousand. The measurement date was on November 5, 2021.

On March 17, 2022, the board of directors resolved to cancel restricted stocks, and the amount of the capital reduction is NT$580 thousand. The measurement date was on March 21, 2022.

On May 4, 2022, the board of directors resolved to cancel restricted stocks, and the amount of the capital reduction is NT$757 thousand. The measurement date was on May 9, 2022.

On August 4, 2022, the board of directors resolved to cancel restricted stocks, and the amount of the capital reduction is NT$200 thousand. The measurement date was on August 8, 2022.

E. Capital surplus

	As of	
	Dec. 31, 2022	Dec. 31, 2021
Additional paid-in capital	$-	$115,756
Restricted stocks for employees	3,909	12,630
Overdue unclaimed cash dividend listed as capital surplus	237	-
Total	$4,146	$128,386

According to the Taiwan Company Act, the capital surplus shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital surplus related to the income derived from the issuance of new shares at a premium or income from endowments received by the company up to a certain percentage of paid-in capital. The said capital surplus could be distributed in cash to its shareholders in proportion to the number of shares being held by each of them.

On July 7, 2021, the Company's shareholders' meetings resolved to offset the accumulated losses by the capital reserve of NT$85,809 thousand.

On June 17, 2022, the Company's shareholders' meetings resolved to offset the accumulated losses by the capital reserve of NT$122,879 thousand.

F. Retained earnings and dividend policies

(f) Earning distribution

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

f. Payment of all taxes and dues;
g. Offset prior years' operation losses;
h. Set aside 10% of the remaining amount as legal reserve;
i. Set aside or reverse special reserve in accordance with law and regulations; and
j. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

(g) Dividend policies

The Company is at its growth stage and it considers its future cash demand and long-term financial plans. Dividends distributed each year shall range from 10 to 70 percent of undistributed earnings. To satisfy stockholders' demand for cash, when allocating the earnings for each year, the cash dividend shall not be less than 10 percent of the total dividends.

(h) Legal reserve

According to the Company Act, legal reserve shall be set aside until such amount equal total authorized capital. Legal reserve can be used to offset deficits. If the Company does not incur any loss, the portion of legal reserve exceeding 25% of the paid-in capital may be distributed to shareholders by issuing new shares or by cash in proportion to the number of shares held by each shareholder.

(i) Special reserve

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

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

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

(j) Based on the resolution approved in the shareholders' meetings held on June 17, 2022, the Company would not distribute earnings because of the loss for the year ended December 31, 2021.

The appropriations of earnings for the year 2022 was approved through the board of directors' meeting held on March 16, 2023. The details of the distributions are as follows:

	Appropriation of earnings	Dividend per share (in NT$)
	2022	2022
Legal reserve	$10,943	
Special reserve	20,087	
Common stock – cash dividend	7,849	0.0593
Total	$38,879	

Please refer to Note 6(18) for details on employees' compensation and remuneration to directors and supervisors.

(14)Share-based payment plans

Restricted stocks plan for employees

E. On June 14, 2019, the shareholders' meetings resolved to issue of 3,000 thousand shares of restricted stocks for employees. The grantee is limited to employees who meet certain conditions. The restricted stocks have been approved by the Securities and Futures Bureau. On May 5, 2020, and August 1, 2019, the board of directors resolved to issue 354 thousand shares and 2,646 thousand shares, respectively.

The relevant details of the aforementioned share-based payment plan are as follows:

Type of agreement	Date of grant	Vesting period	Total number of share options granted (in thousand shares)	Strike price (NT$)	Fair value of share options (NT$)
Restricted stocks for employees	May 26, 2020	1 to 3 years of service	354	$-	$24.40
Restricted stocks for employees	August 2, 2019	1 to 3 years of service	2,646	$-	$20.15

The vesting conditions of the aforementioned share-based payment plan are as below:

Vesting conditions	Proportion of vested shares
Within 1 year starting the granted date	1/3 of allotted shares
Within 2 years starting the granted date	1/3 of allotted shares
Within 3 years starting the granted date	1/3 of allotted shares

Restriction on employee's right after granted but before vested:

(a)The granted employee commit to the custodian institution, and shall not sell, pledge, transfer, donate, or dispose in any other ways, the right of restricted shares before achieving the vesting conditions.

(b)After new shares of restricted shares are issued, the granted employee should immediately commit to the custodian institution, and not to ask the trustee to return the restricted shares in any other reasons or ways before achieving the vesting conditions.

(c)The restricted shares for employees can participate in receiving dividends during the vesting period.

(d)The right to vote and elect in a shareholders' meeting shall be executed by custodian institution in accordance with related regulations.

If an employee voluntarily resigns, retires or was severed, the vested conditions of restricted shares were not meet, the Company will purchase and write off all shares of an employee who fails to comply with the vesting conditions at the lower of issuance price or TPEx closing price, and the dividend distributed should be returned to the Company also.

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

	For the year ended December 31,	
	2022	2021
	Number of share options outstanding (in thousand shares)	Number of share options outstanding (in thousand shares)
Outstanding at beginning of period	502	1,716
Exercised	-	-
Vested	(341)	(676)
Expired	(140)	(538)
Outstanding at end of period	21	502

G. The expense recognized for employee services received for the years ended December 31 2022 and 2021, is shown in the following table:

	For the year ended December 31,	
	2022	2021
Total expense arising from equity-settled share-based payment transactions	$(711)	$2,613

H. Modification or cancellation of the share-base payment plan for employees

No modification or cancellation of the share-base payment plan has occurred during the years ended December 31, 2022 and 2021.

(15)Operating revenue

For the year ended December 31,	
2022	2021

Revenue from customer contracts		
Sales of goods	$1,318,546	$866,016

E. Disaggregation of revenue

	Single Department	
	For the year ended December 31,	
	2022	2021
a. Primary geographical markets		
Taiwan	$107,154	$97,243
China	234,535	272,617
North America	948,901	475,655
Other	27,956	20,501
Total	$1,318,546	$866,016
b. Major product		
Active components for optical communication and modules	$1,124,429	$714,016
Chips	123,298	75,527
Other	70,819	76,473
Total	$1,318,546	$866,016
The timing for revenue recognition:		
At a point in time	$1,318,546	$866,016

F. Contract balances

Contract liabilities – current

	As of		
	Dec. 31, 2022	Dec. 31, 2021	Jan. 1, 2021
Sales of goods	$2,874	$6,574	$100

For the year ended December 31, 2022, contract liabilities decreased because certain performance obligations embedded in the beginning contract liabilities were fulfilled and recognized as revenues.

For the year ended December 31, 2021, contract liabilities increased because part of the consideration was received from customers and the underlying obligations/services should be provided afterwards.

G. Transaction price allocated to unsatisfied performance obligations

As of December 31, 2022 and 2021, there were no information of unsatisfied performance obligations provided in the parent-company-only financial statements because the durations of the Company's revenue contracts were all less than one year.

H. Assets recognized from costs to fulfill a contract

None.

(16)Expected credit losses (gains)

	For the year ended December 31,	
	2022	2021
Operating expenses – Expected credit losses (gains)		
Accounts receivables	$(4,680)	$(8)

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

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

C. The Company considers the grouping of accounts receivables by counterparties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix, details are as follow:

As of December 31, 2022

	Overdue

		-	-		
				More than	
	Not yet due	1-120 days	121-365 days	365 days	Total
Gross carrying amount	$244,809	$9,619	$-	$47,399	$301,827
Loss ratio	0.01～3%	0.01～3%	30%	100%	
Lifetime expected credit losses	(25)	(1)	-	(47,399)	(47,425)
Carrying amount of accounts receivables	$244,784	$9,618	$-	$-	$254,402

As of December 31, 2021

		Overdue			
				More than	
	Not yet due	1-120 days	121-365 days	365 days	Total
Gross carrying amount	$130,898	$758	$-	$52,076	$183,732
Loss ratio	0.01～3%	0.01～3%	30%	100%	
Lifetime expected credit losses	(28)	(1)	-	(52,076)	(52,105)
Carrying amount of accounts receivables	$130,870	$757	$-	$-	$131,627

D. The movement in the provision for impairment of note receivables, accounts receivables and other receivables during the years ended December 31, 2022 and 2021 respectively, is as follows:

	Note receivables	Accounts receivables	Other receivables
As of Jan. 1, 2022	$-	$52,105	$3,662
Addition (reversal) to the current period	-	(4,680)	(659)
As of Dec. 31, 2022	$-	$47,425	$3,003
As of Jan. 1, 2021	$-	$52,113	$8,155
Addition (reversal) to the current period	-	(8)	(4,493)
As of Dec. 31, 2021	$-	$52,105	$3,662

(17)Leases

B.The Company as a lessee

The Company leases various properties, including real estate (buildings and transportation equipment). These leases terms range from one year. The Company may not allow to lend to others, sublease out, sell, authorize other to use in any other way, or transfer to other all or parts of the leases without obtaining consent from the lessors.

The Company leases vehicles and warehouses. The leases typically run for a period of one year. These leases are short-term or leases of low-value items. The Company has elected not to recognize its right-of-use assets and lease liabilities for these leases.

The effect that leases have on the financial position, financial performance and cash flows of the Company are as follow:

(A) Income and costs relating to leasing activities

	For the year ended December 31,	
	2022	2021
The expense relating to short-term leases (rent expenses)	$-	$1,254

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

(B) Cash outflow relating to leasing activities

During the years ended December 31, 2022 and 2021, the Company's total cash outflow for leases amounting to NT$0 and NT$1,254 thousand, respectively.

(18)Summary statement of employee benefits, depreciation and amortization by function during the years ended December 31, 2022 and 2021, is as follows:

Function	For the year ended December 31,

Nature	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit						
Salaries & wages	$173,816	$60,002	$233,818	$177,867	$106,076	$283,943
Labor and health insurance	18,003	5,121	23,124	20,676	9,043	29,719
Pension	8,431	2,829	11,260	9,622	5,095	14,717
Directors' remuneration	-	6,278	6,278	-	2,745	2,745
Other employee benefit expense	9,040	2,774	11,814	11,959	4,642	16,601
Depreciation	93,944	14,424	108,368	118,005	18,846	136,851
Amortization	627	2,180	2,807	1,439	2,803	4,242

(1) The headcounts of the Company amounted to 380 and 485, respectively, as of December 31, 2022 and 2021. Among the Company's directors, there were 9 and 8 who were not the employees, respectively.

(2) Companies who have been listed on Taiwan Stock Exchange or Taiwan Over – The Counter Securities Exchange should disclose the following information:

1. Average employee benefits of 2022 and 2021 are NT$755 thousand and NT$723 thousand, respectively.
2. Average salaries of 2022 and 2021 are NT$630 thousand and NT$595 thousand, respectively.
3. Change in average salaries are 5.88%.
4. The salary and remuneration policy of the Company:

   (a) According to Articles 18 the Company's Articles of Incorporation, Directors of the Company are entitled to receive travel allowances, salaries and other regular remunerations no matter whether the Company has profit or loss. The board of directors is authorized to determine the amount based on the level of the director's participation in business operation and the value of the director's contribution after taking into account the remuneration levels in domestic and foreign industries. Salaries and remunerations received by independent directors are determined in the regulations for management of directors' remuneration and remuneration levels in the industry are reviewed by the remuneration committee periodically.(b) Remunerations to managers are reviewed by the remuneration committee and then resolved by the board of directors based on the duties, contribution and performance of each manager and taking the future risks of the Company into account. (c) An employee's salary includes a fixed salary and changeable rewards. The fixed salary is the base salary of the employee while the changeable rewards depend on business operation and profitability of the Company.

According to the Company's Articles of Incorporation, between 5% to 15% of profit of the current year is distributable as employees' compensation and no more than 5% of profit of the current year is distributable as remuneration to directors. However, the Company's accumulated losses shall have been covered.

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

Base on profit of current year, the Company estimated the amount of the employees' compensation and remuneration to directors for the years ended December 31, 2022 amounted to NT$5,832 thousand and NT$2,333 thousand, respectively, recognized as salary expenses.

The Company's board of directors' meeting has determined the employees' compensation and directors' remuneration, all in cash, to be NT$5,832 thousand and NT$2,333 thousand, respectively, in a meeting held on March 16, 2023. No material differences existed between the estimated amount and the actual distribution of the employee' compensation and directors' remuneration and supervisors for the year ended December 31, 2022.

For the years ended December 31, 2021, the Company incurred accumulated loss and therefore were not estimated the employees' compensation and remuneration to directors.

(19)Non-operating incomes and expenses

E. Interest incomes

	For the year ended December 31,	
	2022	2021
Interest income		
Financial assets measured at amortized cost	$3,147	$106

F. Other incomes

	For the year ended December 31,	
	2022	2021
Government grants income	$10	$388
Other income – others	4,183	406
Total	$4,193	$794

G. Other gains and losses

	For the year ended December 31,	
	2022	2021
Gain (Loss) on disposal of property, plant and equipment	$159	$(26,018)
Loss on deposit of prepayments for equipment	-	(6,400)
Impairment loss on property, plant and equipment	(15,381)	(74,458)
Reversal of impairment loss on property, plant and equipment	27	31,266
Foreign exchange gain (loss), net	12,179	(329)
Others expenses – others	(611)	(1,689)
Total	$(3,627)	$(77,628)

H. Finance costs

	For the year ended December 31,	
	2022	2021
Interest on bank loans	$7,086	$7,076
Interest on bonds payable	-	41
Total	$7,086	$7,117

(20)Components of other comprehensive income

For the year ended December 31, 2022

	Arising during the period	Reclassification during the period	Subtotal	Income tax benefit (expense)	Other comprehensive income, net of tax
Items that not be reclassified subsequently to profit or loss:					
Remeasurements of defined benefit plans	$956	$-	$956	$-	$956
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for under the equity method	(190,760)	-	(190,760)	-	(190,760)
Total of other comprehensive income	$(189,804)	$-	$(189,804)	$-	$(189,804)

For the year ended December 31, 2021

	Arising during the period	Reclassification during the period	Subtotal	Income tax benefit (expense)	Other comprehensive income, net of tax
Items that not be reclassified subsequently to profit or loss:					
Remeasurements of defined benefit plans	$1,405	$-	$1,405	$-	$1,405
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for under the equity method	(37,462)	-	(37,462)	-	(37,462)
Total of other comprehensive income	$(36,057)	$-	$(36,057)	$-	$(36,057)

(21)Income tax

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

Income tax expense (income) recognized in profit or loss

	For the year ended December 31,	
	2022	2021
Current income tax expense (income):		
Current income tax expense	$-	$-
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	-	-
Total income tax expense	$-	$-

H. Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the year ended December 31,	
	2022	2021
Accounting profit (loss) before tax from continuing	$270,795	$(284,964)

operations		
Tax payable at the enacted tax rates	$54,159	$(56,993)
Tax effect of expenses not deductible for tax purposes	15	35
Tax effect of deferred tax assets/liabilities	(54,449)	56,492
Adjustments in respect of current income tax of prior periods	275	466
Total income tax expense recognized in profit or loss	$-	$-

I. Deferred tax assets (liabilities) relate to the following:

As of December 31, 2022 and 2021, deferred tax assets (liabilities) both amount to NT$0, respectively.

J. Unrecognized deferred tax assets

As of December 31, 2022 and 2021, deferred tax assets that have not been recognized as they may not be used to offset future taxable profits amount to NT$362,785 thousand and NT$417,234 thousand, respectively.

K. The following table contains the information of unused tax losses of the Company:

The Company

	As of		
Year	Dec. 31, 2022	Dec. 31, 2021	Maturity
2016	$-	$1,373	2026
2017	310,160	487,107	2027
2018	433,701	433,701	2028
2019	306,436	306,436	2029
2020	130,302	130,302	2030
2021	336,455	336,455	2031
Total	$1,517,054	$1,695,374	

L. The assessment of income tax return

As of December 31, 2022, income tax returns of the Company was assessed and approved up to 2020.

(22)Earnings per share

C.Basic earnings per share

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

11.	For the year ended December 31,	
13.	2022	2021
Profit (loss) attributable to ordinary equity holders of the Company (in thousand NT$)	$270,795	$(284,964)
Weighted average number of ordinary shares outstanding (in thousand shares)	132,146	128,361
Basic earnings per share (in NT$)	$2.05	$(2.22)

D. Diluted earnings per share

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

15.	For the year ended December 31,	
17.	2022	2021
Profit (loss) attributable to ordinary equity holders of the Company (in thousand NT$)	$270,795	$(284,964)
Weighted average number of ordinary shares outstanding (in thousand shares)	132,146	128,361
Effect of dilution:		

15.	For the year ended December 31,	
17.	2022	2021
Employee bonus – stock (in thousand shares)	147	-
Weighted average number of common shares outstanding after dilution (in thousand shares)	132,293	128,361
Diluted earnings per share (in NT$)	$2.05	$(2.22)

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

21. RELATED PARTY TRANSACTIONS

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

Related parties and Relationship_

Related parties	Relationship
Optoway Technology Incorporation	The entity with significant influence over the Company

(4) Significant transactions with related parties

E. Sales

	For the year ended December 31,	
	2022	2021
Optoway Technology Incorporation	$581	$48

Selling prices to related parties are similar to those to third party customers. The collection terms with related parties were about 30 days after monthly closing, whereas the terms with other customers were 30 to 105 days after monthly closing.

F. For the year ended December 31, 2022, the Company sold machinery to Optoway Technology Incorporation in the amount of NT$3,091 thousand and therefore recognized gain from disposal of property, plant and equipment in the amount of NT$159 thousand and reversal of impairment losses in the amount of NT$27 thousand.

G. For the year ended December 31, 2022, the Company provide Optoway Technology Incorporation the technical services in the amount of NT$6,462 thousand, which was recorded under research and development expenses. As of December 31, 2022, the amount of NT$790 thousand has not been paid, which were recorded under other payables - related parties.

H. Salaries and rewards to key management of the Company

	For the year ended December 31,	
	2022	2021
Short-term employee benefits	$14,452	$19,105
Post-employee benefits	442	1,825
Share-based payment	131	2,516
Total	$15,025	$23,446

For detailed information on the total salaries and rewards to key management of the Company, please refer to the annual report of the shareholders meeting.

22. PLEDGED ASSETS

The following assets of the Company are pledged as collaterals:

	Carrying Amount As of		
Item	Dec. 31, 2022	Dec. 31, 2021	Secured liabilities
Property, plant and equipment – land	$247,696	$247,696	Long-term secured loans
Property, plant and equipment – building	240,466	251,969	Long-term secured loans
Total	$488,162	$499,665	

23. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

As of December 31, 2022 and 2021, the details of significant contingencies and unrecognized contract commitments were as follows (in thousand dollars):

	As of	
Nature of Contract	Dec. 31, 2022	Dec. 31, 2021
Unused letters of credit for purchasing machinery and equipment	$-	$2,224
Guarantee notes issued as collateral for bank loans	USD 17,500	USD 5,500
	NTD 1,025,000	NTD 990,000

24. SIGNIFICANT DISASTER LOSS

None.

25. SIGNIFICANT SUBSEQUENT EVENT

None.

26. OTHERS

(12) Categories of financial instruments

Financial assets

	As of	
	Dec. 31, 2022	Dec. 31, 2021
Financial assets measured at amortized cost:		
Cash and cash equivalents (exclude cash on hand)	$483,720	$368,670
Accounts receivables	254,402	131,627
Other receivables	14,160	6,225
Total	$752,282	$506,522

Financial liabilities

	As of

	Dec. 31, 2022	Dec. 31, 2021
Financial liabilities at amortized cost:		
Short-term borrowings	$52,821	$88,150
Accounts payables	302,121	130,465
Other payables (includes related parties)	75,561	61,255
Long-term borrowings	220,000	320,000
Total	$650,503	$599,870

(13) Financial risk management objectives and policies

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

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

(14) Market risk

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

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

Foreign currency risk

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

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

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

When NTD is weakened/strengthened against foreign currency USD by 5%, the profit for the years ended December 31, 2022 and 2021 increased/decreased by NT$5,714 thousand and NT$3,077 thousand, respectively.

Interest rate risk

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

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as of the end of the reporting period, including investments and borrowings with variable interest rates. If interest rate increases/decreases by 10 basis points, the net income (loss) for the years ended December 31, 2022 and 2021 would increase/decrease by NT$59 thousand and decreases / increases by NT$39 thousand, respectively.

Equity price risk

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

Please refer to Note 12(8) for sensitivity analysis information of other equity instruments whose fair value measurement is categorized under Level 3.

(15) Credit risk management

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

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

As of December 31, 2022 and 2021, accounts receivables from top ten customers represented 83% and 70% of the total accounts receivables of the Company, respectively. The credit concentration risk of other accounts receivable is relatively insignificant.

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

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

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

(16) Liquidity risk management

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

Non-derivative financial liabilities

	Less than 1 year	1 to 5 years	Total
As of December 31, 2022			
Short-term borrowings	$53,284	$-	$53,284
Accounts payables	302,121	-	302,121
Other payables	75,561	-	75,561
Long-term borrowings	3,991	222,322	226,313
As of December 31, 2021			
Short-term borrowings	$88,566	$-	$88,566
Accounts payables	130,465	-	130,465
Other payables	61,255	-	61,255
Long-term borrowings	4,462	322,734	327,196

(17) Reconciliation of liabilities arising from financing activities

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

	Short-term borrowings	Long-term borrowings	Total liabilities from financing activities
As of Jan. 1, 2022	$88,150	$320,000	$408,150
Cash flows	(35,329)	(100,000)	(135,329)
Non-cash flows	-	-	-
As of Dec. 31, 2022	$52,821	$220,000	$272,821

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

	Short-term borrowings	Long-term borrowings	Bonds payable	Total liabilities from financing activities
As of Jan. 1, 2021	$235,352	$320,000	$12,259	$567,611
Cash flows	(147,202)	-	(12,300)	(159,502)
Non-cash flows	-	-	41	41
As of Dec. 31, 2021	$88,150	$320,000	$-	$408,150

(18) Fair values of financial instruments

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

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

(f) The carrying amount of cash and cash equivalents, receivables, payables and other current liabilities approximate their fair value due to their short maturities.

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

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

(i) Fair value of bank loans and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.).

(j) The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period.

E. Fair value of financial instruments measured at amortized cost

The carrying amount of the Company's financial assets and liabilities measure at amortized cost approximates their fair value.

F. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(8) for fair value measurement hierarchy for financial instruments of the Company.

(19) Fair value measurement hierarchy

C. Fair value measurement hierarchy

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

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

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

Level 3 – Unobservable inputs for the asset or liability

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

D. Fair value measurement hierarchy of the Company's assets and liabilities

The Company does not have assets that are measured at fair value on a non-recurring basis and fair value measurement hierarchy of the Company's assets and liabilities.

Transfers between Level 1 and Level 2 during the period

For the year ended December 31, 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value hierarchy.

Reconciliations for fair value measurement in Level 3 of the fair value hierarchy

For the year ended December 31, 2022 and 2021, there were no fair value hierarchy for movements during the period.

(20) Significant financial assets and liabilities denominated in foreign currencies

Information regarding the Company's significant financial assets and liabilities denominated in foreign currencies was listed below (In thousands dollars):

	As of					
	December 31, 2022			December 31, 2021		
	Foreign currencies	Exchange rate	NTD	Foreign currencies	Exchange rate	NTD
Financial assets						
Monetary items:						
USD	$13,918	30.71	$427,432	$7,520	27.66	$208,003
Financial liabilities						

Monetary items:						
USD	$10,197	30.71	$313,150	$5,295	27.66	$146,460

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

The Company's entities' functional currencies are various and hence is not able to disclose the information of exchange gains and losses of monetary financial assets and liabilities by each significant assets and liabilities denominated in foreign currencies. The foreign exchange gain (loss) were NT$12,179 thousand and NT$(329) thousand for the years ended December 31, 2022 and 2021, respectively.

(21) Capital management

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

(22) Impact of the Covid-19 pandemic on the Company

The Covid-19 outbreak took place in January 2020 and had no significant impact on the Company.

27. OTHER DISCLOSURES

(5) Information on significant transactions

K. Financing provided to others: Please refer to attachment 1.

L. Endorsement/Guarantee provided to others: None.

M. Marketable securities held as of December 31, 2022 (excluding investments in subsidiaries, associates and joint ventures): Please refer to attachment 2.

N. Individual securities acquired or disposed of with accumulated amount of at least NT$ 300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.

O. Acquisition of individual real estate with amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.

P. Disposal of individual real estate with amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.

Q. Related party transactions with purchase or sales amount of at least NT$100 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.

R. Receivables from related parties of at least NT$100 million or 20 percent of the paid-in capital as of December 31, 2022: None.

S. Derivative instrument transactions: None.

(6) Information on investees

C. Investees over whom the Company exercises significant influence or control (excluding investees in Mainland China): Please refer to attachment 3.

D. Investees over which the Company exercises control shall be disclosed of information under Note 13(1):

(j) Financing provided to others: None.

(k) Endorsement/Guarantee provided to others: None.

(l) Marketable securities held as of December 31, 2022 (excluding investments in subsidiaries, associates and joint ventures): None.

(m) Individual securities acquired or disposed of with accumulated amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.

(n) Acquisition of individual real estate with amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.

(o) Disposal of individual real estate with amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.

(p) Related party transactions with purchase or sales amount of at least NT$100 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.

(q) Receivables from related parties of at least NT$100 million or 20 percent of the paid-in capital as of December 31, 2022: None.

(r) Derivative instrument transactions: None.

(7) Information on investments in Mainland China: None.

(8) Information of major shareholders:

Shares / Name	Number of shares	Percentage of ownership
Optoway Technology Incorporation	16,758,000	12.66%
TriKnight Capital Corporation	14,680,990	11.09%
UPAMC Optima Fund	6,653,000	5.02%

28. OPERATING SEGMENT

The Company has provided the operating segments disclosure in the consolidated financial statements.

LUXNET CORPORATION

Chairman   Huei Ming Chien