English Translation of Financial Statements and a Report Originally Issued in Chinese

Ticker: 4979

LuxNet Corporation and Subsidiaries
Consolidated Financial Statements
With Review Report of Independent Auditors
As of June 30, 2022 and 2021
And For The Six-month Periods Then Ended

Address: No. 6, Hejiang Road, Zhongli, Taoyuan City, Taiwan 32061
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The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

English Translation of Financial Statements and a Report Originally Issued in Chinese

Consolidated Financial Statements
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English Translation of Financial Statements and a Report Originally Issued in Chinese

REVIEW REPORT OF INDEPENDENT AUDITORS

To The Board of Directors of
LuxNet Corporation

Introduction

We have reviewed the accompanying consolidated balance sheets of LuxNet Corporation (the "Company") and its subsidiaries as of June 30, 2022, and the related consolidated statements of comprehensive income for the three-month and six-month periods then ended, as well as the consolidated statements of changes in equity and cash flows for the six-month periods then ended, and notes to the consolidated financial statements, including the summary of significant accounting policies (together "the consolidated financial statements"). Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" as endorsed and became effective by Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards No. 65, "Review of Financial Information Performed by the Independent Auditor of the Entity" of the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

(To be continued)

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(Continued)

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of June 30, 2022, and their consolidated financial performance for the three-month and six-month periods then ended and cash flows for the six-month periods then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Other Matter

The consolidated financial statements of the Company and its subsidiaries for the six-month periods ended June 30, 2021 were reviewed by other auditors and expressed unqualified conclusion on August 5, 2021.

/s/Cheng, Ching-Piao

/s/Chen, Kuo-Shuai

Ernst & Young
Taiwan, R.O.C.
August 4th, 2022

<u>*Notices to Readers*</u>
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 review 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 June 30, 2022, December 31, 2021 and June 30, 2021 (June 30, 2022 and 2021 are reviewed but unaudited)

(Amounts Expressed In Thousands of New Taiwan Dollars)

Assets			As of June 30, 2022		As of December 31, 2021		As of June 30, 2021	
Code	Accounts	Notes	Amount	%	Amount	%	Amount	%
	Current assets							
1100	Cash and cash equivalents	6(1)	$457,944	22	$368,725	19	$502,091	22
1150	Notes receivable, net	6(3)	-	-	-	-	23	-
1170	Accounts receivable, net	6(4)	273,019	13	131,627	7	143,028	6
1200	Other receivables		15,606	1	6,225	-	4,935	-
1220	Current tax assets	4	5	-	5	-	52	-
130x	Inventories	6(5)	321,315	16	290,427	15	305,412	14
1410	Prepayments		4,417	-	4,802	-	7,392	-
1470	Other current assets		2,544	-	3,060	-	4,928	-
11xx	Total current assets		1,074,850	52	804,871	41	967,861	42
	Non-current assets							
1517	Financial assets measured at fair value through other comprehensive income	6(2)	218,045	11	317,107	16	339,934	15
1600	Property, plant and equipment	6(6), 7, 8	769,899	37	824,585	43	952,732	41
1780	Intangible assets	6(7)	1,626	-	520	-	1,708	-
1900	Other non-current assets	6(8), 8	1,786	-	1,895	-	36,530	2
15xx	Total non-current assets		991,356	48	1,144,107	59	1,330,904	58
1xxx	Total Assets		$2,066,206	100	$1,948,978	100	$2,298,765	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 (Continued)
As of June 30, 2022, December 31, 2021 and June 30, 2021 (June 30, 2022 and 2021 are reviewed but unaudited)
(Amounts Expressed In Thousands of New Taiwan Dollars)

Liabilities and Equity			As of June 30, 2022		As of December 31, 2021		As of June 30, 2021	
Code	Accounts	Notes	Amount	%	Amount	%	Amount	%
	Current liabilities							
2100	Short-term borrowings	6(9)	$139,772	7	$88,150	5	$239,326	11
2130	Contract liabilities	6(16)	2,758	-	6,574	-	2,660	-
2170	Accounts payable		219,971	11	130,465	7	124,412	6
2200	Other payables	6(13)	59,022	3	61,255	3	79,123	3
2220	Other payables - related parties	7	825	-	-	-	-	-
2399	Other current liabilities		5,775	-	6,033	-	6,022	-
21xx	Total current liabilities		428,123	21	292,477	15	451,543	20
	Non-current liabilities							
2540	Long-term borrowings	6(11), 8	320,000	15	320,000	16	320,000	14
2640	Net defined benefit liabilities		-	-	-	-	278	-
25xx	Total non-current liabilities		320,000	15	320,000	16	320,278	14
2xxx	Total liabilities		748,123	36	612,477	31	771,821	34
31xx	Equity attributable to shareholders of the parent	6(14)						
3100	Capital							
3110	Common stock		1,323,778	64	1,325,115	68	1,329,303	58
3200	Capital surplus		3,909	-	128,386	7	216,687	9
3300	Retained earnings							
3350	Unappropriated earnings (Accumulated deficits)		(80,727)	(4)	(285,203)	(15)	(203,968)	(9)
3400	Other components of equity		71,123	4	168,203	9	184,922	8
3xxx	Total equity		1,318,083	64	1,336,501	69	1,526,944	66
	Total liabilities and equity		$2,066,206	100	$1,948,978	100	$2,298,765	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 three-month and six-month periods ended June 30, 2022 and 2021 (Reviewed but unaudited)

(Amounts Expressed In Thousands of New Taiwan Dollars, Except for Earnings Per Share)

Code	Accounts	Notes	For the three-month periods ended June 30, 2022		For the three-month periods ended June 30, 2021		For the six-month periods ended June 30, 2022		For the six-month periods ended June 30, 2021	
			Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating revenues	6(16), 7	$296,236	100	$267,626	100	$498,995	100	$451,232	100
5000	Operating costs		(184,834)	(62)	(259,245)	(97)	(358,414)	(72)	(467,373)	(104)
5900	Gross profit		111,402	38	8,381	3	140,581	28	(16,141)	(4)
6000	Operating expenses									
6100	Sales and marketing		(2,192)	(1)	(6,851)	(3)	(5,888)	(1)	(12,229)	(3)
6200	General and administrative		(12,517)	(4)	(22,877)	(9)	(23,586)	(5)	(48,433)	(10)
6300	Research and development	7	(16,657)	(6)	(19,806)	(7)	(35,637)	(7)	(41,291)	(9)
6450	Expected credit gains (losses)	6(17)	(9)	-	(10)	-	(20)	-	17	-
	Total operating expenses		(31,375)	(11)	(49,544)	(19)	(65,131)	(13)	(101,936)	(22)
6900	Operating income (loss)		80,027	27	(41,163)	(16)	75,450	15	(118,077)	(26)
7000	Non-operating incomes and expenses									
7100	Interest income	6(20)	48	-	26	-	48	-	26	-
7010	Other incomes	6(20)	109	-	171	-	189	-	542	-
7020	Other gains and losses	6(20)	4,763	2	(1,439)	-	8,104	2	2,331	1
7050	Finance costs	6(20)	(1,557)	(1)	(1,934)	-	(2,853)	(1)	(3,913)	(1)
7055	Reversal of expected credit losses	6(17)	-	-	1,258	-	659	-	2,576	-
	Total non-operating incomes and expenses		3,363	1	(1,918)	-	6,147	1	1,562	-
7900	Income (loss) before income tax		83,390	28	(43,081)	(16)	81,597	16	(116,515)	(26)
7950	Income tax expense	4, 6(22)	-	-	-	-	-	-	-	-
8200	Net income (loss)		83,390	28	(43,081)	(16)	81,597	16	(116,515)	(26)
8300	Other comprehensive income (loss)	6(21)								
8310	Items that not be reclassified subsequently to profit or loss									
8316	Unrealized gains (losses) on equity instruments investment measured at fair value through other comprehensive income		400	-	41,374	16	(99,062)	(20)	(14,635)	(3)
8300	Total other comprehensive income (loss), net of tax		400	-	41,374	16	(99,062)	(20)	(14,635)	(3)
8500	Total comprehensive income		$83,790	28	$(1,707)	-	$(17,465)	(4)	$(131,150)	(29)
9750	Earnings (loss) per share-basic (in NTD)	6(23)	$0.63		$(0.33)		$0.62		$(0.93)	
9850	Earnings (loss) per share-diluted (in NTD)	6(23)	$0.63		$(0.33)		$0.62		$(0.93)	

(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 six-month periods ended June 30, 2022 and 2021 (Reviewed but unaudited)

(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
D1	Net income (loss) for the six-month periods ended June 30, 2021			(116,515)			(116,515)	(116,515)
D3	Other comprehensive income (loss), net of tax, for the six-month periods ended June 30, 2021				(14,635)		(14,635)	(14,635)
D5	Total comprehensive income (loss)	-	-	(116,515)	(14,635)	-	(131,150)	(131,150)
E1	Capital increase by cash	130,000	134,550				264,550	264,550
T1	Amortization of employee restricted shares					3,185	3,185	3,185
T2	Employee restricted shares for cancellation	(1,940)	(3,672)			5,612	-	-
Z1	Balance as of June 30, 2021	$1,329,303	$216,687	$(203,968)	$193,500	$(8,578)	$1,526,944	$1,526,944
A1	Balance as of January 1, 2022	$1,325,115	$128,386	$(285,203)	$170,673	$(2,470)	$1,336,501	$1,336,501
A2	Capital surplus used to offset accumulated deficits		(122,879)	122,879			-	-
D1	Net income (loss) for the six-month periods ended June 30, 2022			81,597			81,597	81,597
D3	Other comprehensive income (loss), net of tax, for the six-month periods ended June 30, 2022				(99,062)		(99,062)	(99,062)
D5	Total comprehensive income (loss)	-	-	81,597	(99,062)	-	(17,465)	(17,465)
T1	Amortization of employee restricted shares					(953)	(953)	(953)
T2	Employee restricted shares for cancellation	(1,337)	(1,598)			2,935	-	-
Z1	Balance as of June 30, 2022	$1,323,778	$3,909	$(80,727)	$71,611	$(488)	$1,318,083	$1,318,083

(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 six-month periods ended June 30, 2022 and 2021 (Reviewed but unaudited)

(Amounts Expressed in Thousands of New Taiwan Dollars)

		For the six-month periods ended June 30,	
Code	Items	2022	2021
AAAA	Cash flows from operating activities:		
A10000	Income (loss) before income tax	$81,597	$(116,515)
A20000	Adjustments:		
A20010	Income and expense adjustments:		
A20100	Depreciation	54,904	70,865
A20200	Amortization	1,328	2,673
A20300	Expected credit losses (gain on recovery)	(639)	(2,593)
A20900	Interest expense	2,853	3,913
A21200	Interest income	(48)	(26)
A21900	Cost of share based payment	(953)	3,185
A22500	Loss (gain) on disposal of property, plant and equipment	(160)	(989)
A23700	Impairment gain on non-financial assets	(27)	(2,790)
A29900	Losses related to inventories	4,384	25,306
A30000	Changes in operating assets and liabilities:		
A31130	Notes receivable	-	(23)
A31150	Accounts receivable	(141,412)	1,061
A31180	Other receivables	(8,722)	4,730
A31200	Inventories	(35,272)	(19,353)
A31230	Prepayments	385	2,746
A31240	Other current assets	516	(3,204)
A32125	Contract liabilities	(3,816)	2,560
A32150	Accounts payable	89,506	14,115
A32180	Other payables	(1,965)	(10,062)
A32190	Other payables - related parties	825	-
A32230	Other current liabilities	(258)	(545)
A32240	Net defined benefit liabilities	(5)	(5)
A33000	Cash generated from (used in) operations	43,021	(24,951)
A33100	Interest received	48	26
A33300	Interest paid	(2,838)	(3,948)
AAAA	Net cash provided by (used in) operating activities	40,231	(28,873)

		For the six-month periods ended June 30,	
Code	Items	2022	2021
BBBB	Cash flows from investing activities:		
B02700	Acquisition of property, plant and equipment	(2,856)	(12,025)
B02800	Proceeds from disposal of property, plant and equipment	3,092	817
B04500	Acquisition of intangible assets	(2,100)	(2,506)
B06800	Increase (decrease) in other non-current assets	(770)	(3,865)
BBBB	Net cash provided by (used in) investing activities	(2,634)	(17,579)
CCCC	Cash flows from financing activities:		
C00100	Increase in (repayment of) short-term loans	51,622	3,974
C01300	Repayment of bonds	-	(12,300)
C04600	Capital increase by cash	-	264,550
CCCC	Net cash provided by (used in) financing activities	51,622	256,224
EEEE	Increase (decrease) in cash and cash equivalents	89,219	209,772
E00100	Cash and cash equivalents at beginning of period	368,725	292,319
E00200	Cash and cash equivalents at end of period	$457,944	$502,091

(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 six month periods ended June 30, 2022 and 2021 were authorized to be issued in accordance with a resolution of the Board of Directors'meeting held on August 4, 2022.

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.

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

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 "Insurance Contracts"	January 1, 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2023

(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.

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 six-month periods ended June 30, 2022 and 2021 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and IAS 34, *Interim Financial Reporting* as endorsed and became effective by the FSC.

Except for the following 4(3)～4(5), the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2021. For more details, please refer to Note 4 of the Company’s consolidated financial statements for the year ended December 31, 2021.

(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

The same principles of consolidation have been applied in the Group’s consolidated financial statements as those applied in the Group’s consolidated financial statements for the year ended December 31, 2021. For the principles of consolidation, please refer to Note 4(3) of the Company’s consolidated financial statements for the year ended December 31, 2021.

The consolidated entities are listed as follows:

			Percentage of Ownership (%), as of		
Investor	Subsidiary	Main business	Jun. 30, 2022	Dec. 31, 2021	Jun. 30, 2021
The Company	Toplight Corporation	Holding Company	100%	100%	100%
Toplight Corporation	Toptrans Corporation Limited	Holding Company	100%	100%	100%

(4) Post-employment benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted and disclosed for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

(5) Income tax

Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period. Only current income tax expense is using the estimated average annual effective income tax rate while deferred income tax is recognized and measured in consistent with annual financial reporting in accordance with IAS 12, *"Income Tax."* The impact of tax rate change in interim period, if any, is recognized in earnings, other comprehensive income or directly equity.

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, 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.

The same significant accounting judgments, estimates and assumptions have been applied in the Group's consolidated financial statements for the six-month period ended June 30, 2022 as those applied in the Group's consolidated financial statements for the year ended December 31, 2021. For significant accounting judgments, estimates and assumptions, please refer to Note 5 of the Group's consolidated financial statements for the year ended December 31, 2021.

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

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1)Cash and cash equivalents

	As of		
	Jun. 30, 2022	Dec. 31, 2021	Jun. 30, 2021
Cash on hand	$74	$55	$79
Saving	457,870	368,670	502,012
Total	$457,944	$368,725	$502,091

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

	As of		
	Jun. 30, 2022	Dec. 31, 2021	Jun. 30, 2021
Equity instruments investments measured at fair value through other comprehensive income – Non-current:			
Unlisted companies stocks	$218,045	$317,107	$339,934

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

(3)Notes receivable

	As of		
	Jun. 30, 2022	Dec. 31, 2021	Jun. 30, 2021
Notes receivable arising from operating activities	$-	$-	$23
Less: loss allowance	-	-	-
Total	$-	$-	$23

Notes receivables were not pledged.

The Group adopted IFRS 9 for impairment assessment. Please refer to Note 6(17) for more details on loss allowance. Please refer to Note 12 for more details on credit risk.

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

(4)Accounts receivable

	As of		
	Jun. 30, 2022	Dec. 31, 2021	Jun. 30, 2021
Accounts receivable arising from operating activities	$325,144	$183,732	$195,124
Less: loss allowance	(52,125)	(52,105)	(52,096)
Total	$273,019	$131,627	$143,028

Accounts receivable are generally on 30～105 days terms. The total carrying amount were NT$325,144 thousand, NT$183,732 thousand and NT$195,124 thousand as of June 30, 2022, December 31, 2021 and June 30, 2021, respectively. Please refer to Note 6(17) for more details on loss allowance of accounts receivable for the six-month periods ended June 30, 2022 and 2021, respectively. Please refer to Note 12 for more details on credit risk.

Account receivables were not pledged.

(5)Inventories

A. Details of inventories:

	As of		
	Jun. 30, 2022	Dec. 31, 2021	Jun. 30, 2021
Raw material	$155,983	$139,111	$102,832
Work in process	109,910	41,065	60,568
Finished goods	55,422	110,251	142,012
Total	$321,315	$290,427	$305,412

B. The cost of inventories recognized in expenses amount to NT$184,834 thousand, NT$259,245 thousand, NT$358,414 thousand and NT$467,373 thousand for the three-month and six-month periods ended June 30, 2022 and 2021, respectively.

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

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

Item	For the three-month period ended June 30, 2022	For the three-month period ended June 30, 2021	For the six-month period ended June 30, 2022	For the six-month period ended June 30, 2021
Loss (Gain) from inventory market decline and write-off obsolencense	$1,431	$(127,608)	$4,384	$(108,759)
Loss from disposed	-	134,065	-	134,065
Gains on sale of scrap	-	(1,202)	-	(3,410)
Unallocated manufacturing overhead resulting from the actual production being lower than the normal capacity	23,967	25,182	49,790	55,841
Total	$25,398	$30,437	$54,174	$77,737

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 three-month and six-month periods ended June 30, 2021.

C. The inventories were not pledged.

(6)Property, plant and equipment

	As of Jun. 30, 2022	As of Dec. 31, 2021	As of Jun. 30, 2021
Owner occupied property, plant and equipment	$769,899	$824,585	$952,732

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

A. Owner occupied property, plant and equipment

	Land	Buildings	Machinery and Equipment	Office Equipment and Other Equipment	Equipment awaiting inspection	Total
Cost:						
As of Jan. 1, 2022	$247,696	$362,779	$1,330,373	$5,239	$27,574	$1,973,661
Additions	-	-	-	-	3,123	3,123
Disposals	-	-	(9,608)	-	-	(9,608)
Reclassification	-	-	25,141	-	(25,141)	-
As of Jun. 30, 2022	$247,696	$362,779	$1,345,906	$5,239	$5,556	$1,967,176
As of Jan. 1, 2021	$247,696	$361,779	$1,457,109	$5,239	$41,940	$2,113,763
Additions	-	-	-	-	3,507	3,507
Disposals	-	-	(31,681)	-	-	(31,681)
Reclassification	-	-	15,112	-	(14,312)	800
As of Jun. 30, 2021	$247,696	$361,779	$1,440,540	$5,239	$31,135	$2,086,389
Depreciation and impairment:						
As of Jan. 1, 2022	$-	$110,810	$1,033,759	$4,507	$-	$1,149,076
Depreciation	-	5,751	48,843	310	-	54,904
Reversal of impairment losses	-	-	(27)	-	-	(27)
Disposal	-	-	(6,676)	-	-	(6,676)
As of Jun. 30, 2022	$-	$116,561	$1,075,899	$4,817	$-	$1,197,277
As of Jan. 1, 2021	$-	$99,374	$989,481	$3,887	$-	$1,092,742
Depreciation	-	5,685	64,870	310	-	70,865
Reversal of impairment losses	-	-	(2,790)	-	-	(2,790)
Disposal	-	-	(27,160)	-	-	(27,160)
As of Jun. 30, 2021	$-	$105,059	$1,024,401	$4,197	$-	$1,133,657

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

	Land	Buildings	Machinery and Equipment	Office Equipment and Other Equipment	Equipment awaiting inspection	Total
Net carrying amount:						
As of Jun. 30, 2022	$247,696	$246,218	$270,007	$422	$5,556	$769,899
As of Dec. 31, 2021	$247,696	$251,969	$296,614	$732	$27,574	$824,585
As of Jun. 30, 2021	$247,696	$256,720	$416,139	$1,042	$31,135	$952,732

B. For the six-month periods ended June 30, 2022 and 2021, the NT$27 thousand and NT$2,790 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 statement of comprehensive income.

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

(7)Intangible assets

	Computer software
Cost:	
As of Jan. 1, 2022	$29,245
Additions – acquired separately	2,100
Deduction	-
As of Jun. 30, 2022	$31,345
As of Jan. 1, 2021	$26,739
Additions – acquired separately	2,506
Deduction	-
As of Jun. 30, 2021	$29,245
Amortization and Impairment:	
As of Jan. 1, 2022	$28,725
Amortization	994
Deduction	-
As of Jun. 30, 2022	$29,719

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

	Computer software
As of Jan. 1, 2021	$26,226
Amortization	1,311
Deduction	-
As of Jun. 30, 2021	$27,537
Carrying amount, net:	
As of Jun. 30, 2022	$1,626
As of Dec. 31, 2021	$520
As of Jun. 30, 2021	$1,708

Amounts of amortization recognized for intangible assets are as follows:

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2022	2021	2022	2021
Operating costs	$-	$-	$-	$19
Sales and marketing expenses	-	-	-	-
General and administrative expenses	17	26	43	179
Research and development expenses	559	568	951	1,113
Total	$576	$594	$994	$1,311

(8)Other non-current assets

	As of		
	Jun. 30, 2022	Dec. 31, 2021	Jun. 30, 2021
Prepayment for equipment	$-	$-	$6,400
Refundable deposits	-	-	21,860
Other non-current assets-others	656	770	8,270
Net defined benefit asset	1,130	1,125	-
Total	$1,786	$1,895	$36,530

Please refer to Note 8 for more details on refundable deposits under pledged.

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

(9)Short-term borrowings

	As of		
	Jun. 30, 2022	Dec. 31, 2021	Jun. 30, 2021
Unsecured bank loans	$139,772	$88,150	$239,326
Interest rate(%)	0.96%～3.35%	0.85%～1.42%	0.88%～1.42%

The Group’s unused short-term lines of credits amount to NT$286,924 thousand, NT$359,626 thousand and NT$263,321 thousand, as of June 30, 2022, December 31, 2021 and June 30, 2021, respectively.

(10)Bonds payable

A. The Group had no balance of the bonds payable as of June 30, 2022, December 31, 2021 and June 30, 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 (20) 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 July 2, 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 (July 2, 2018) following a three-month period after the bonds are issued to 40 days before the maturity date (February 11, 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.

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

(11)Long-term borrowings

A. Details of long-term borrowings were as follows:

Debtor	As of Jun. 30, 2022	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		

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		

Debtor	As of Jun. 30, 2021	Interest Rate(%)	Maturity date and terms of repayment
CTBC Bank	$120,000	1.43%	Period from February 17, 2021 to February 17, 2023, the total amount of the loan is NT$120,000 thousand, the principal is paid in due, and the interest is paid monthly.
CTBC Bank	200,000	1.43%	Period from March 12, 2021 to March 12, 2023, the total amount of the loan is NT$200,000 thousand, the principal is paid in due, and the interest is paid monthly.
Less: current portion	-		
Non-current portion	$320,000		

B. The Group re-signed a long-term borrowing contract with CTBC Bank on August 6, 2020, with the credit line of NT$320,000 thousand. The contract period of the borrowing expires two years after its first application. The principal is to be repaid on the expiration date.

The financial commitment to above syndicated loan maintain financial ratios and agreements as follows:

(a) Current ratio (current assets/current liabilities): not less than 110%.
(b) Stockholders' equity of not less than NT$1,100,000 thousand.
(c) Self-owned capital ratio: not less than 50%.
(d) According to the contract, the Group should transfer its business transaction cash flow to the CTBC Bank account every half-year, and the cash flow was at least NT$250,000 thousand. CTBC Bank would review the cash flow quarterly.

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. Furthermore, all of the restrictions of financial ratios under the original contract were canceled.

In February and March of 2021, the Group repaid, in advance, its long-term borrowings which were due in February and March of 2022. In addition, in February and March of 2021, the Group used the revolving credit line of NT$320,000 thousand in accordance with the above loan condition.

In 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.

C. Please refer to Note 8 for more details on assets pledged for long-term loans.

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

(12)Post-employment benefits

Defined contribution plan

Expenses under the defined contribution plan for the three-month periods ended June 30, 2022 and 2021 were NT$2,756 thousand and NT$3,970 thousand, respectively, while for the six-month periods ended June 30, 2022 and 2021 were NT$5,593 thousand and NT$8,168 thousand, respectively.

Defined benefits plan

Expenses under the defined benefits plan for the three-month periods ended June 30, 2022 and 2021 were all NT$0, while for the six-month periods ended June 30, 2022 and 2021 were all NT$0.

(13)Other payables

	As of		
	Jun. 30, 2022	Dec. 31, 2021	Jun. 30, 2021
Accrued expense	$57,888	$60,403	$76,465
Accrued interest	203	188	264
Payables on equipment	931	664	2,394
Total	$59,022	$61,255	$79,123

(14)Equity

A. Common stock

The Company’s authorized capital were all NT$1,500,000 thousand as of June 30, 2022, December 31, 2021 and June 30, 2021. The Company’s paid-in capital were NT$1,323,778 thousand, NT$1,325,115 thousand and NT$1,329,303 thousand, respectively, each share at par value of NT$10, divided into 132,378 thousand shares, 132,512 thousand shares and 132,930 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 at 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 at May 7, 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 at 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 at May 9, 2022.

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B. Capital surplus

	As of		
	Jun. 30, 2022	Dec. 31, 2021	Jun. 30, 2021
Additional paid-in capital	$578	$122,879	$152,200
Employee stocks option	-	-	1,456
Restricted stocks for employees	3,331	5,507	14,230
Other	-	-	48,801
Total	$3,909	$128,386	$216,687

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 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 and July 7, 2021, the Company would not distribute earnings because of the loss for the year ended December 31, 2021 and 2020.

Please refer to Note 6(19) for details on employees' compensation and remuneration to directors and supervisors.

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

(15)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.

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(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 six-month period ended June 30,	
	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	(41)	(62)
Expired	(141)	(304)
Outstanding at end of period	320	1,350

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

C. The expense recognized for employee services received during for the three-month periods ended and for six-month periods then ended June 30, 2022 and 2021, is shown in the following table:

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2022	2021	2022	2021
Total expense arising from equity-settled share-based payment transactions	$(946)	$(749)	$(953)	$3,185

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 for the six-month period ended June 30, 2022 and 2021.

(16)Operating revenue

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2022	2021	2022	2021
Revenue from customer contracts				
Sales of goods	$296,236	$267,626	$498,995	$451,232

A. Disaggregation of revenue

	Single Department			
	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2022	2021	2022	2021
a. Primary geographical markets				
Taiwan	$33,733	$20,661	$68,498	$44,375
China	57,366	84,703	113,714	142,552
America	198,332	156,386	303,991	255,191
Other	6,805	5,876	12,792	9,114
Total	$296,236	$267,626	$498,995	$451,232

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

	Single Department			
	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2022	2021	2022	2021
b. Major product				
Active components for optical communication and modules	$238,772	$233,670	$387,251	$386,800
Chips	38,065	9,472	75,182	16,964
Other	19,399	24,484	36,562	47,468
Total	$296,236	$267,626	$498,995	$451,232
The timing for revenue recognition:				
At a point in time	$296,236	$267,626	$498,995	$451,232

B. Contract balances

Contract liabilities – current

	As of			
	Jun. 30, 2022	Dec. 31, 2021	Jun. 30, 2021	Jan. 1, 2021
Sales of goods	$2,758	$6,574	$2,660	$100

For the six-month period ended June 30, 2022, contract liabilities decreased because certain performance obligations embedded in the beginning contract liabilities were fulfilled and recognized as revenues.

For the six-month period ended June 30, 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 June 30, 2022, December 31, 2021 and June 30, 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.

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

D. Assets recognized from costs to fulfill a contract

None.

(17)Expected credit losses (gains)

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2022	2021	2022	2021
Operating expenses – Expected credit losses (gains)				
Account receivables	$9	$10	$20	$(17)

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 June 30, 2022, December 31, 2021 and June 30, 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 June 30, 2022

		Overdue			
	Not yet due	1-120 days	121-365 days	More than 365 days	Total
Gross carrying amount	$270,886	$2,182	$-	$52,076	$325,144
Loss ratio	0.01～3%	0.01～3%	-%	100%	
Lifetime expected credit losses	(33)	(16)	-	(52,076)	(52,125)
Carring amount of accounts receivable	$270,853	$2,166	$-	$-	$273,019

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

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%	-%	100%	
Lifetime expected credit losses	(28)	(1)	-	(52,076)	(52,105)
Carring amount of accounts receivable	$130,870	$757	$-	$-	$131,627

As of June 30, 2021

		Overdue			
	Not yet due (Note)	1-120 days	121-365 days	More than 365 days	Total
Gross carrying amount	$142,438	$633	$-	$52,076	$195,147
Loss ratio	0.01～3%	-%	-%	100%	
Lifetime expected credit losses	(20)	-	-	(52,076)	(52,096)
Carring amount of accounts receivable	$142,418	$633	$-	$-	$143,051

Note: The Group’s note receivables were not overdue.

B. The movement in the provision for impairment of note receivables, accounts receivables and other receivables during the six-month periods ended June 30, 2022 and 2021, respectively, is as follows:

	Note receivables	Account receivables	Other receivables
As of Jan. 1, 2022	$-	$52,105	$3,662
Addition (reversal) to the current period	-	20	(659)
As of Jun. 30, 2022	$-	$52,125	$3,003
As of Jan. 1, 2021	$-	$52,113	$8,155
Addition (reversal) to the current period	-	(17)	(2,576)
As of Jun. 30, 2021	$-	$52,096	$5,579

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

(18) 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 three-month period ended June 30,		For the six-month period ended June 30,	
	2022	2021	2022	2021
The expense relating to short-term leases (rent expenses)	$-	$397	$-	$798

As of June 30, 2022, December 31, 2021, and June 30, 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 six-month periods ended June 30, 2022 and 2021, the Group’s total cash outflow for leases amounting to NT$0 and NT$798 thousand, respectively.

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

(19) Summary statement of employee benefits, depreciation and amortization by function during the three-month and six-month periods ended June 30, 2022 and 2021, is as follows:

Function / Nature	For the three-month period ended June 30, 2022			For the three-month period ended June 30, 2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit						
Salaries & wages	$40,212	$15,517	$55,729	$49,553	$28,212	$77,765
Labor and health insurance	4,302	1,336	5,638	5,677	2,385	8,062
Pension	2,011	745	2,756	2,633	1,337	3,970
Other employee benefit expense	2,373	703	3,076	3,246	1,098	4,344
Depreciation	23,685	3,679	27,364	30,138	4,864	35,002
Amortization	161	591	752	498	732	1,230

Function / Nature	For the six-month period ended June 30, 2022			For the six-month period ended June 30, 2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit						
Salaries & wages	$79,693	$32,765	$112,458	$101,286	$58,694	$159,980
Labor and health insurance	8,638	2,753	11,391	11,823	4,787	16,610
Pension	4,052	1,541	5,593	5,488	2,680	8,168
Other employee benefit expense	4,789	1,369	6,158	6,680	2,665	9,345
Depreciation	47,499	7,405	54,904	60,733	10,132	70,865
Amortization	304	1,024	1,328	1,077	1,596	2,673

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 and supervisors. However, the Company’s accumulated losses shall have been covered.

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

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 and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

For the three-month and six-month periods ended June 30, 2022 and 2021, the Company incurred accumulated loss and therefore not estimated the employees' compensation and remuneration to directors and supervisors. The number of stocks distributed as employees' compensation, if any, shall be calculated based on the closing price one day earlier than the date of shareholders' meeting and considered the impacts of ex-right/ex-dividend. If there are any differences between the estimated amount and the actual distribution of the employee' compensation and remuneration to directors and supervisors for the year ended are recognized in profit or loss in the next year and recognized as salary expenses.

(20) Non-operating incomes and expenses

A. Interest incomes

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2022	2021	2022	2021
Interest income				
Financial assets measured at amortized cost	$48	$26	$48	$26

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

B. Other incomes

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2022	2021	2022	2021
Government grants income	$-	$63	$-	$346
Other income – others	109	108	189	196
Total	$109	$171	$189	$542

C. Other gains and losses

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2022	2021	2022	2021
Gains (losses) on disposal of property, plant and equipment	$160	$(2,601)	$160	$989
Reversal of impairment losses on property, plant and equipment	27	2,715	27	2,790
Foreign exchange gain (loss), net	4,576	(1,553)	7,917	(1,448)
Total	$4,763	$(1,439)	$8,104	$2,331

D. Finance costs

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2022	2021	2022	2021
Interest on bank loans	$1,557	$1,934	$2,853	$3,872
Interest on bonds payable	-	-	-	41
Total	$1,557	$1,934	$2,853	$3,913

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

(21) Components of other comprehensive income

For the three-month period ended June 30, 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:					
Unrealized gains (losses) on equity instruments investments measured at fair value through other comprehensive income	$400	$-	$400	$-	$400

For the three-month period ended June 30, 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:					
Unrealized gains (losses) on equity instruments investments measured at fair value through other comprehensive income	$41,374	$-	$41,374	$-	$41,374

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

For the six-month period ended June 30, 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:					
Unrealized gains (losses) on equity instruments investments measured at fair value through other comprehensive income	$(99,062)	$-	$(99,062)	$-	$(99,062)

For the six-month period ended June 30, 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:					
Unrealized gains (losses) on equity instruments investments measured at fair value through other comprehensive income	$(14,635)	$-	$(14,635)	$-	$(14,635)

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

(22) 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 three-month period ended June 30,		For the six-month period ended June 30,	
	2022	2021	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. The assessment of income tax return

As of June 30, 2022, income tax returns of the Company was assessed and approved up to 2020.

(23) 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.

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.

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

A. Basic earnings per share

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2022	2021	2022	2021
Profit (loss) attributable to ordinary equity holders of the Company (in thousand NT$)	$83,390	$(43,081)	$81,597	$(116,515)
Weighted average number of ordinary shares outstanding (in thousand shares)	132,012	131,341	132,004	124,831
Basic (loss) earnings per share (in NT$)	$0.63	$(0.33)	$0.62	$(0.93)

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 three-month period ended June 30,		For the six-month period ended June 30,	
	2022	2021	2022	2021
Optoway Technology Incorporation	$133	$11	$581	$11

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

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 six-month period ended June 30, 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$160 thousand and reversal of impairment losses in the amount of NT$27 thousand.

C. For the six-month period ended June 30, 2022, the Group provide Optoway Technology Incorporation the technical services in the amount of NT$2,190 thousand, which was recorded under research and development expenses. As of June 30, 2022, the amount of NT$825 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 three-month period ended June 30,		For the six-month period ended June 30,	
	2022	2021	2022	2021
Short-term employee benefits	$4,496	$5,206	$7,874	$10,793
Post-employee benefits	129	1,372	256	1,534
Share-based payment	56	1,080	111	2,524
Total	$4,681	$7,658	$8,241	$14,851

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

8. PLEDGED ASSETS

The following assets of the Group are pledged as collaterals:

	Carrying Amount As of			
Item	Jun. 30, 2022	Dec. 31, 2021	Jun. 30, 2021	Secured liabilities
Property, plant and equipment – land	$247,696	$247,696	$247,696	Long-term secured loans
Property, plant and equipment – buildings	246,218	251,969	256,720	Long-term secured loans
Refundable deposits	-	-	21,740	Litigation deposit
Total	$493,914	$499,665	$526,156	

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

As of June 30, 2022, December 31, 2021, and June 30, 2021, the details of significant contingencies and unrecognized contract commitments were as follows:

Nature of Contract	Jun. 30, 2022	Dec. 31, 2021	Jun. 30, 2021
Unused letters of credit for purchasing machinery and equipment	$-	$2,224	$2,353
Guarantee notes issued as collateral for bank loans	USD 5,500	USD 5,500	USD 5,500
	NTD 990,000	NTD 990,000	NTD 990,000

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENT

None.

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

12. OTHERS

(1) Categories of financial instruments

Financial assets

	As of		
	Jun. 30, 2022	Dec. 31, 2021	Jun. 30, 2021
Financial assets measured at fair value through other comprehensive income	$218,045	$317,107	$339,934
Financial assets measured at amortized cost:			
Cash and cash equivalents (exclude cash on hand)	457,870	368,670	502,012
Accounts receivables	273,019	131,627	143,051
Other receivables	15,606	6,225	4,935
Refundable deposits	-	-	21,860
Subtotal	746,495	506,522	671,858
Total	$964,540	$823,629	$1,011,792

Financial liabilities

	As of		
	Jun. 30, 2022	Dec. 31, 2021	Jun. 30, 2021
Financial liabilities at amortized cost:			
Short-term borrowings	$139,772	$88,150	$239,326
Accounts payables	219,971	130,465	124,412
Other payables (includes related parties)	59,847	61,255	79,123
Long-term borrowings	320,000	320,000	320,000
Total	$739,590	$599,870	$762,861

(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 strengthened/weakened against foreign currency USD by 5%, the profit for the three-month periods ended June 30, 2022 and 2021 increased/decreased by NT$4,480 thousand and NT$3,583 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 six-month periods ended June 30, 2022 and 2021 would increase/decrease by NT$72 thousand and by NT$57 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 June 30, 2022, December 31, 2021 and June 30, 2021, accounts receivables from top ten customers represented 83%, 70% and 73% 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.

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

Non-derivative financial liabilities

	Less than 1 year	1 to 5 years	Total
As of June 30, 2022			
Short-term borrowings	$140,336	$-	$140,336
Accounts payables	219,971	-	219,971
Other payables	59,847	-	59,847
Long-term borrowings	4,450	320,592	325,042
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
As of June 30, 2021			
Short-term borrowings	$239,952	$-	$239,952
Accounts payables	124,412	-	124,412
Other payables	79,123	-	79,123
Long-term borrowings	4,778	323,089	327,867

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the six-month period ended June 30, 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	51,622	-	51,622
Non-cash flows	-	-	-
As of Jun. 30, 2022	$139,772	$320,000	$459,772

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

Reconciliation of liabilities for the six-month period ended June 30, 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	3,974	-	(12,300)	(8,326)
Non-cash flows	-	-	41	41
As of Jun. 30, 2021	$239,326	$320,000	$-	$559,326

(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

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

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 June 30, 2022, December 31, 2021 and June 30, 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 June 30, 2022

Financial assets:	Level 1	Level 2	Level 3	Total
Equity instrument measured at fair value through other comprehensive income	$-	$-	$218,045	$218,045

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

As of June 30, 2021

Financial assets:	Level 1	Level 2	Level 3	Total
Equity instrument measured at fair value through other comprehensive income	$-	$-	$339,934	$339,934

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

Transfers between Level 1 and Level 2 during the period

For the six-month period ended June 30, 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 six-month period ended June 30, 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 gains (losses) on equity instruments investments measured at fair value through other comprehensive income)	(99,062)
As of Jun. 30, 2022	$218,045

	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 gains (losses) on equity instruments investments measured at fair value through other comprehensive income)	(14,635)
As of Jun. 30, 2021	$339,934

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 June 30, 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	2.92	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$21,805 thousand.
		Discount for lack of marketability	30.00%	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$9,345 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 listed company approach	Multiplier of price-to book ratio	4.10	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$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.

As of June 30, 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 listed company approach	Multiplier of price-to book ratio	3.84	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$33,994 thousand.
		Discount for lack of marketability	27.78%	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$13,076 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					
	June 30, 2022			December 31, 2021		
	Foreign currencies	Exchange rate	NTD	Foreign currencies	Exchange rate	NTD
Financial assets						
Monetary items:						
USD	$13,299	29.72	$395,259	$7,520	27.66	$208,003
Financial liabilities						
Monetary items:						
USD	$10,285	29.72	$305,659	$5,295	27.66	$146,460

	As of		
	June 30, 2021		
	Foreign currencies	Exchange rate	NTD
Financial assets			
Monetary items:			
USD	$6,300	27.84	$175,392
Financial liabilities			
Monetary items:			
USD	$3,726	27.84	$103,732

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 gains (loss) were NT$4,576 thousand and NT$(1,553) thousand for the three-month periods ended June 30, 2022 and 2021, respectively. The foreign exchange gains (loss) were NT$7,917 thousand and NT$(1,448) thousand for the six-month periods ended June 30, 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. OTHER DISCLOSURES

(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 June 30, 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 six-month period ended June 30, 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 six-month period ended June 30, 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 six-month period ended June 30, 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 six-month period ended June 30, 2022: None.

H. Receivables from related parties of at least NT$100 million or 20 percent of the paid-in capital as of June 30, 2022: None.

I. Derivative instrument transactions: None.

J. Intercompany relationships and significant intercompany transactions for the six-month period ended June 30, 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 June 30, 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 six-month period ended June 30, 2022: None.

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

(e) Acquisition of individual real estate with amount of at least NT$300 million or 20 percent of the paid-in capital for the six-month period ended June 30, 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 six-month period ended June 30, 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 six-month period ended June 30, 2022: None.

(h) Receivables from related parties of at least NT$100 million or 20 percent of the paid-in capital as of June 30, 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	16,878,000	12.74%
TriKnight Capital Corporation	14,680,990	11.09%

14. OPERATING SEGMENT

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, and is prepared on the same basis as the summary of significant accounting policies described in Note 4.

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LUXNET CORPORATION AND SUBSIDIARIES

Loans to other parties

For the six-month period ended June 30, 2022

Attachment 1

(In Thousands of Foreign Currency / New Taiwan Dollars)

NO. (Note1)	Lender	Counter-party	Financial accounting account	Maximum balance for the period	Ending balance	Actual amount provided	Interest rate	Nature of financing	Amount of sales to (purchases from) counter-party	Reason for financing	Loss Allowance	Collateral		Limit of financing amount for individual counter-party	Limit of total financing amount
												Item	Value		
0	Luxnet Corporation	Toptrans (Suzhou) Corporation Limited	Other receivables	$3,662 (Note 5)	$18,156 (Note 5)	$3,003 (Note 5)	2.00%	Need for short term financing	$-	Business turnover	$3,003	-	$-	$131,808 (Note 2) (Note 4)	$527,233 (Note 3)

Note 1: Luxnet corporation is coded "0".

Note 2: The amount loaned to a company from the Company or from subsidiaries shall not exceed 10% of the entity's net worth.

Note3: The total amounts loaned to all companies shall not exceed 40% of the Company's net worth.

Note4: According to the Company's "Procedure to provide financing to others", a public offering company that meets the requirements of Article 3, paragraph 4

in the event of providing financing to each other between directly/indirectly 100%-owned foreign subsidiaries, the lending amount is not subject to the limit of 40% of the Company's net equity.

Note5: Amounts in foreign currencies are translated into New Taiwan dollars using the exchange rates on the balance sheet date.

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LUXNET CORPORATION AND SUBSIDIARIES

Marketable Securities Held (Excluding Investments in Subsidiaries, Associates and Jointly Ventures)

As of June 30, 2022

Attachment 2

(In Thousands of New Taiwan Dollars)

Name of Held Company	Type and Name of Marketable Securities	Relationship with the Issuer	Financial Statement Account	As of June 30, 2022				Note
				Shares (Unit)	Book Value	Percentage of ownership (%)	Fair Value	
	Stock:							
Luxnet Corporation	BANDWIDTH10, INC	-	Financial assets at fair value through profit or loss	220	$-	-%	$-	
Toptrans Corporation Limited	Toptrans (Suzhou) Corporation Limited	-	Financial assets at fair value through profit or loss	-	146,434	9.90%	218,045	
	Subtotal				$146,434		$218,045	
	Add: Unrealized gains (losses) on equity instruments investment measured financing at fair value through other comprenensive income				71,611			
	Total				$218,045			

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LUXNET CORPORATION AND SUBSIDIARIES

Investees over Which the Company Exercise Significant Influence or Control Directly or Indirectly (Excluding Investees in Mainland China)

As of June 30, 2022

Attachment 3

(In Thousands of Foreign Currency / New Taiwan Dollars)

Investor	Investee	Business Location	Main Business and Product	Original Investment Amount		Ending balance			Net Income (Loss) of the Investee	Share of Income (Loss) of the Investee	Note
				As of Jun. 30, 2022	As of Dec. 31, 2021	Shares	Percentage of ownership (%)	Book Value			
Luxnet Corporation	Toplight Corporation	Seychelles	Holding company	$122,980	$122,980	4,000	100.00%	$218,045 (Note 1)	$-	$-	Subsidary
Toplight Corporation	Toptrans Corporation Limited	Hong Kong	Holding company	$122,980	$122,980	4,000	100.00%	$218,045 (Note 1)	$-	$-	Sub-subsidary

Note 1: Transactions are eliminated when preparing the consolidated financial statements.