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APOGEE OPTOCOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

WITH REPORT OF INDEPENDENT AUDITORS

FOR THE YEARS ENDED 31 DECEMBER 2022 AND 2021

Address: 4F No.5, Nan-Ke 3rd Rd., Hsin-shi Dist., Tainan City , Taiwan (R.O.C.)

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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

Independent Auditors' Report
Independent auditors' Report Translated Form Chinese

To APOGEE OPTOCOM CO., LTD.

Opinion

We have audited the accompanying consolidated balance sheets of APOGEE OPTOCOM CO., LTD. (the "Company") and its subsidiaries (the "Group") as of 31 December 2022 and 2021, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2022 and 2021, and notes to the consolidated financial statements, including the summary of significant accounting policies (together "the consolidated financial statements").

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

Basis for Opinion

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

Key Audit Matters

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

Revenue Recognition

The main business of the Company and its subsidiaries is to produce and sell film filters. For the year ended 31 December 2022, the Company recognized revenue in the amount of NT$623,993 thousand. The Company and its subsidiaries recognized revenue when promised products are transferred to customers and meet performance obligations. As the product contracts contain different transaction terms, which may cause the income to be recognized at an inappropriate time, we determined this a key audit matter.

Our audit procedures included, but were not limited to, assessing and testing the effectiveness of the internal control design and execution regarding timing of meeting performance obligation in the sales cycle. This includes selecting samples to test the details of sales transactions; checking the significant terms of the contract and checking the original sales orders, invoices, export declarations, signed receipts from customer; performing cut-off testing for a period before and after the balance sheet date by tracing to relevant supporting documents to verify that revenue have been recognized in correct periods, and review whether there was significant sales returns after the balance sheet date.

We also assessed the adequacy of disclosures of operating revenues. Please refer to Note VI to the consolidated financial statements.

Valuation for slow-moving inventories

As of 31 December 2022, the Group’s net inventories amounted to NT$123,444 thousand, which accounted for 9% of total consolidated asset, which is significant for the consolidated financial statements. Since the inventory are mainly customized orders of optical communication coating products, and the evaluation of allowances for sluggish or obsolete inventories involves significant management judgment, we determined this as a key audit matter.

Our audit procedures included, but not limited to, assessing and testing the effectiveness of the internal control design and execution regarding provisioning policy of obsolescence inventory, including observing the physical count to confirm whether the inventory is slow-moving, evaluating the adequacy of management’s provisioning policy of obsolescence loss, testing the accuracy of inventory aging on a sampling basis, analyzing the changes in inventory aging and assessing the inventory that needed to be individually provisioned for slow-moving losses; and recalculating allowance for inventory valuation loss, to ensure that the valuation for slow-moving inventories followed the Company’s accounting policies.

We also assessed the adequacy of disclosures of inventories. Please refer to Notes V and VI to the consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Huang, Shih-Chieh

Hong, Guo Sen

Ernst & Young, Taiwan
9 March 2023

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

APOGEE OPTOCOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

31 December 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	31 Dec. 2022	31 Dec. 2021
Current assets			
Cash and cash equivalents	IV/VI.1	$395,219	$335,357
Financial assets measured at amortized cost, current	IV/VI.3	234,405	110,000
Notes receivable-net	IV/VI.4	-	147
Accounts receivable-net	IV/VI.5	133,710	149,853
Current tax assets		-	6,947
Inventories-net	IV/VI.6	123,444	115,695
Prepayments		17,047	5,536
Other current assets		2,171	4,679
Total current assets		905,996	728,214
Non-current assets			
Financial asset at fair value through other comprehensive income, noncurrent	IV/VI.2	1,498	2,021
Property, plant and equipment	IV/VI.7	460,438	627,388
Right-of-use asset	IV/VI.13	48,355	5,192
Deferred tax assets	IV/VI.17	28,766	24,809
Prepayment for equipment		6,122	727
Other non-current assets-others		4,010	4,828
Total non-current assets		549,189	664,965
Total assets		$1,455,185	$1,393,179

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

APOGEE OPTOCOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

31 December 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	31 Dec. 2022	31 Dec. 2021
Current liabilities			
Short-term loans	Ⅳ/Ⅵ.8	$7,500	$17,500
Notes payable	Ⅳ	517	470
Accounts payable	Ⅳ	14,090	12,302
Other payables		68,766	69,786
Current tax liabilities	Ⅳ/Ⅵ.17	15,623	-
Lease liability, current	Ⅳ/Ⅵ.13	11,323	1,034
Other current liabilities		1,113	1,132
Total current liabilities		118,932	102,224
Non-current liabilities			
Lease liability, noncurrent	Ⅳ/Ⅵ.13	37,537	4,368
Guarantee deposit received		260	160
Total non-current liabilities		37,797	4,528
Total liabilities		156,729	106,752
Equity attributable to the parent company	Ⅵ.10		
Common stock		385,090	385,090
Capital surplus		692,441	692,441
Retained earnings			
Legal reserve		85,678	84,508
Special reserve		24,880	19,156
Unappropriated earnings		135,770	130,112
Subtotal		246,328	233,776
Other equity		(25,403)	(24,880)
Total equity		1,298,456	1,286,427
Total liabilities and equity		$1,455,185	$1,393,179

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

APOGEE OPTOCOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended 31 December 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

ITEMS	Notes	2022.1.1~ 2022.12.31	2021.1.1~ 2021.12.31
Sales revenue	Ⅳ/Ⅵ.11	$623,993	$518,827
Cost of goods sold	Ⅳ/Ⅵ.6、14	(367,727)	(326,841)
Gross profit		256,266	191,986
Operating expenses	Ⅳ/Ⅵ.12、14/VII		
Sales and marketing expenses		(11,799)	(11,954)
General and administrative expenses		(74,745)	(68,403)
Research and development expenses		(97,995)	(99,770)
Expected credit losses		1,275	130
Subtotal		(183,264)	(179,997)
Operating income		73,002	11,989
Non-operating income and expenses	Ⅳ/Ⅵ.15		
Other revenue		7,103	4,981
Other gains and losses		32,542	(12,993)
Finance costs		(888)	(354)
Subtotal		38,757	(8,366)
Income from continuing operations before income tax		111,759	3,623
Income tax expense	Ⅳ/Ⅵ.17	(22,189)	8,076
Net income		89,570	11,699
Other comprehensive income	Ⅳ/Ⅵ.16		
Items that may not be reclassified subsequently to profit or loss			
Unrealized loss on investments in equity instruments at fair value through other comprehensive income		(523)	(5,724)
Total other comprehensive income, net of tax		(523)	(5,724)
Total comprehensive income		$89,047	$5,975
Net income attributable to:			
Stockholders of the parent		$89,570	$11,699
Comprehensive income attributable to:			
Stockholder of the parent		$89,047	$5,975
Earnings per share (NTD)	Ⅳ/Ⅵ.18		
Earnings per share-basic		$2.32	$0.30
Earnings per share-diluted		$2.32	$0.30

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

APOGEE OPTOCOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended 31 December 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

ITEMS	Equity attributable to the parent company								Total Equity
			Retained Earnings			Other Equity			
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Unrealized gain (Loss) on financial assets at fair value through other comprehensive income	Treasury Shares	Total	
Balance as of 1 January 2021	$385,090	$692,108	$70,721	$15,428	$232,178	$(19,156)	$(417)	$1,375,952	$1,375,952
Legal Reserve	-	-	13,787	-	(13,787)	-	-	-	-
Special Reserve	-	-	-	3,728	(3,728)	-	-	-	-
Cash dividends	-	-	-	-	(96,250)	-	-	(96,250)	(96,250)
Net income for the year ended 31 December 2021	-	-	-	-	11,699	-	-	11,699	11,699
Other comprehensive income, net of tax for the year ended 31 December 2021	-	-	-	-	-	(5,724)	-	(5,724)	(5,724)
Total comprehensive income	-	-	-	-	11,699	(5,724)	-	5,975	5,975
Share-based payment transaction	-	333	-	-	-	-	417	750	750
Balance as of 31 December 2021	$385,090	$692,441	$84,508	$19,156	$130,112	$(24,880)	$ -	$1,286,427	$1,286,427
Balance as of 1 January 2022	$385,090	$692,441	$84,508	$19,156	$130,112	$(24,880)	$ -	$1,286,427	$1,286,427
Legal Reserve	-	-	1,170	-	(1,170)	-	-	-	-
Special Reserve	-	-	-	5,724	(5,724)	-	-	-	-
Cash dividends	-	-	-	-	(77,018)	-	-	(77,018)	(77,018)
Net income for the year ended 31 December 2022	-	-	-	-	89,570	-	-	89,570	89,570
Other comprehensive income, net of tax for the year ended 31 December 2022	-	-	-	-	-	(523)	-	(523)	(523)
Total comprehensive income	-	-	-	-	89,570	(523)	-	89,047	89,047
Balance as of 31 December 2022	$385,090	$692,441	$85,678	$24,880	$135,770	($25,403)	$ -	$1,298,456	$1,298,456

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

APOGEE OPTOCOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended 31 December 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

ITEMS	2022.1.1~ 2022.12.31	2021.1.1~ 2021.12.31
Cash flows from operating activities:		
Net income before tax	$111,759	$3,623
Adjustments for:		
Income and expense adjustments:		
Depreciation	170,697	152,549
Amortization	944	856
Expected credit losses	(1,275)	(130)
Net (profit) of financial assets and liability at fair value through profit or loss	284	(176)
Interest expense	888	354
Interest revenue	(3,413)	(986)
Cost of share-based payment service	-	333
Changes in operating assets and liabilities:		
Notes receivable-net	147	104
Accounts receivable-net	17,418	218
Inventories	(7,749)	14,232
Prepayments	(11,511)	2,370
Other current assets	27,814	(664)
Other non-current assets	(126)	(359)
Notes payable	47	(710)
Accounts payable	1,788	(9,135)
Other payables	(1,018)	(24,067)
Other current liabilities	(19)	(275)
Cash generated from operations	306,675	138,137
Interest received	3,067	1,032
Interest paid	(193)	(345)
Income tax paid	(3,576)	(26,777)
Net cash provided by operating activities	305,973	112,047

ITEMS	2022.1.1~ 2022.12.31	2021.1.1~ 2021.12.31
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	-	(6,901)
Acquisition of financial assets measured at amortized cost	(124,405)	(92,912)
Proceeds from financial assets at fair value through profit or loss	(284)	265
Acquisition of property, plant and equipment	(17,230)	(250,222)
Acquisition of intangible assets	-	(879)
Increase in prepayment for equipment	(5,395)	-
Decrease in prepayment for equipment	-	149,816
Net cash used in investing activities	(147,314)	(200,833)
Cash flow from financing activities		
Increase in short-term loans	-	10,500
Decrease in short-term loans	(10,000)	-
Increase in guarantee deposits	100	-
Cash payments for the principal portion of the lease liability	(11,879)	(10,974)
Cash dividends	(77,018)	(96,250)
Treasury stock purchased by employees	-	417
Net cash used in financing activities	(98,797)	(96,307)
Net Increase (decrease) in cash and cash equivalents	59,862	(185,093)
Cash and cash equivalents at beginning of period	335,357	520,450
Cash and cash equivalents at end of period	$395,219	$335,357

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

APOGEE OPTOCOM CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Stated)

I. History and organization

(1) APOGEE OPTOCOM CO., LTD. ("the Company") was approved to be established on 23 July 2003, Republic of China. Its registration place and main operating base are located on the 4th floor, No. 7, Nan-Ke 3rd Road, Hsin-shi District, Tainan City, Taiwan (R.O.C). Its main business is to operate DWDM interference.

(2) The company and the original parent company Next Tech Technologies Co., Ltd. completed the merger on 29 July 2007 as the basis of merger.

(3) The company's shares were listed on the "Taipei Exchange" on 17 December 2014, and started to list on Taiwan Stock Exchange (TWSE) on 24 March 2021.

(4) The number of employees of the company and its subsidiaries as of 31 December 2022 and 2021 were 241 and 242 , respectively.

(5) The company is also the ultimate controller of the group to which it belongs.

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

The consolidated financial statements of the Company and its subsidiaries (hereinafter referred to as "the Group") for the years ended 31 December 2022 and 2021 were authorized for issue in accordance with a resolution of the board of directors on 9 March 2023.

III. 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 1 January 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	1 January 2023
b	Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023
c	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023

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

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

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

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

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

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

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

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 "Consolidated Financial Statements" and IAS 28 "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"	1 January 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2024
d	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024
e	Non-current Liabilities with Covenants – Amendments to IAS 1	1 January 2024

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

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

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

(b) IFRS 17 "Insurance Contracts"

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

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

IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after 1 January 2023 (from the original effective date of 1 January 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 1 January 2023.

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

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

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

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

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

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

The above mentioned 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 determined that the newly published standards and interpretations have no material impact on the Group.

IV. Summary of significant accounting policies

(1) Statement of compliance

The Group's consolidated financial statements were prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers (Regulations), IFRSs, IASs, IFRIC and SIC, which are endorsed by FSC (TIFRSs).

(2) Basis of preparation

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

(3) Basis of consolidation

Preparation principle of consolidated financial statement

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

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

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

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

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

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

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

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

If the Group loses control of a subsidiary, it:

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

The consolidated entities are listed as follows:

			Percentage of ownership (%)	
Investor	Subsidiary	Main businesses	31 Dec. 2022	31 Dec. 2021
The Company	Ferrule Precision Co., Ltd.	Mainly engaged in manufacturing of wired and wireless communication equipment, etc.	100%	100%

(4) Foreign currency transactions

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

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

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

(a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
(b) Foreign currency items within the scope of IFRS 9 *Financial Instruments* are accounted for based on the accounting policy for financial instruments.
(c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

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

(5) Translation of financial statements in foreign currency

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

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

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

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

(6) Current and non-current distinction

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

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

(8) Financial instruments

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

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

A. Financial instruments: Recognition and Measurement

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

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:
(a) the Group's business model for managing the financial assets and
(b) the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

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

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

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

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

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

Financial asset measured at fair value through other comprehensive income

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

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

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

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

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

Financial asset measured at fair value through profit or loss

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

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

B. Impairment of financial assets

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

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

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

The loss allowance is measures as follows:

(a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
(b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
(c) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

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

C. <u>Derecognition of financial assets</u>

A financial asset is derecognized when:

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

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

D. <u>Financial liabilities and equity</u>

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

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

Equity instruments

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

Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

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

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

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

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

E. Offsetting of financial instruments

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

(9) Derivative instrument

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

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

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

(10) Fair value measurement

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

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

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

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

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

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

(11) Inventories

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

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

Raw materials – Purchase cost on a first in, first out basis
Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

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

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

(12) Property, plant and equipment

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

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

Buildings	5～50 years
Machinery and equipment	2～10 years
Utilities equipment	3～10 years
Transportation equipment	3～5 years
Office equipment	3～6 years
Other equipment	3～6 years

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

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

(13) Leases

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

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

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

Group as a lessee

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

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

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
(b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

(c) amounts expected to be payable by the lessee under residual value guarantees;
(d) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
(e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

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

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

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

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

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

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

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

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

For the rent concession arising as a direct consequence of the Covid-19 pandemic, the Group elected not to assess whether it is a lease modification but accounted it as a variable lease payment.

Group as a lessor

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

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

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

(14) Intangible assets

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

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

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

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

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

Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life (3 to 5 years).

(15) Impairment of non-financial assets

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

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

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

(16) Treasury shares

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

(17) Revenue recognition

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

Sale of goods

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

The credit period of the Group's sale of goods is from 30 to 120 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Group usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract.

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

(18) Borrowing costs

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

(19) Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore fund assets are not included in the Company's parent company only financial statements.

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

(20) Share-based payment transactions

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

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

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

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

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

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

(21) Income taxes

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

Current income tax

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

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

Deferred tax

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

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

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

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

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

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

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

V. Significant accounting judgements, estimates and assumptions

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

Estimates and assumptions

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

(a) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flows model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note XII.7 for more details.

(b) Inventories

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

(c) Income tax

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

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies. Please refer to Note VI.17 for more details on unrecognized deferred tax assets.

VI. Contents of significant accounts

(1) Cash and cash equivalents

	31 Dec. 2022	31 Dec. 2021
Cash on hand and petty cash	$1,126	$1,128
Demand deposits	241,176	244,885
Time deposits	152,917	89,344
Total	$395,219	$335,357

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

	31 Dec. 2022	31 Dec. 2021
Non-listed companies stocks	$1,498	$2,021

The Group’s financial assets at fair value through other comprehensive income were not pledged.

(3) Financial assets measured at amortized cost

	31 Dec. 2022	31 Dec. 2021
Time deposits (contract term over three months)	$234,405	$110,000
Current	$234,405	$110,000

The Group classified certain financial assets as financial assets measured at amortized cost.

Please refer to Note VI (12) for more details on accumulated impairment and financial assets measured at amortized cost were not pledged and Note XII for more details on credit risk.

(4) Notes receivables

	31 Dec. 2022	31 Dec. 2021
Notes receivables	$-	$147
Less: loss allowance	-	-
Total	$-	$147

Notes receivables were not pledged.

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

(5) Trade receivables

	31 Dec. 2022	31 Dec. 2021
Trade receivables	$134,564	$151,982
Less: loss allowance	(854)	(2,129)
Total	$133,710	$149,853

Trade receivables were not pledged.

Trade receivables are generally on 30-120 day terms. The total carrying amount as of 31 December 2022 and 2021 were NT$134,564 thousand and NT$151,982 thousand, respectively. The Group follows the requirement of IFRS 9 to assess the impairment. Please refer to Note VI.12 for more details of the loss allowance of trade receivables and Note XII for details of credit risk management.

(6) Inventories

	31 Dec. 2022	31 Dec. 2021
Raw materials	$26,983	$30,810
Work in progress	26,018	27,727
Finished goods	56,649	55,588
Merchandise	13,794	1,570
Total	$123,444	$115,695

The cost of inventories recognized in expenses amounted to NT$367,727 thousand and NT$326,841 thousand for the years ended 31 December 2022 and 2021, respectively, including the inventory valuation and obsolescence losses of NT$24,799 thousand and NT$35,231 thousand for the years ended 31 December 2022 and 2021, respectively.

No inventories were pledged.

(7) Property, plant and equipment

	Buildings	Machinery and equipment	Utilities equipment	Transportation equipment	Office equipment	Other equipment	Total
Cost:							
As at 1 Jan. 2022	$138,376	$1,417,770	$28,496	$3,874	$4,421	$2,868	$1,595,805
Additions	-	14,436	-	-	1,895	899	17,230
Disposals	-	(56,450)	-	-	(1,100)	-	(57,550)
Other	-	(24,960)	-	-	-	-	(24,960)
As at 31 Dec. 2022	$138,376	$1,350,796	$28,496	$3,874	$5,216	$3,767	$1,530,525
As at 1 Jan. 2021	$130,888	$1,176,644	$28,416	$3,874	$4,285	$1,476	$1,345,583
Additions	7,488	241,126	80	-	136	1,392	250,222
As at 31 Dec. 2021	$138,376	$1,417,770	$28,496	$3,874	$4,421	$2,868	$1,595,805
Depreciation and impairment:							
As at 1 Jan. 2022	$96,321	$844,118	$19,379	$3,539	$4,055	$1,005	$968,417
Depreciation	8,650	146,149	3,241	148	399	633	159,220
Disposals	-	(56,450)	-	-	(1,100)	-	(57,550)
As at 31 Dec. 2022	$104,971	$933,817	$22,620	$3,687	$3,354	$1,638	$1,070,087
As at 1 Jan. 2021	$87,905	$714,894	$16,123	$3,362	$3,775	$734	$826,793
Depreciation	8,416	129,224	3,256	177	280	271	141,624
As at 31 Dec. 2021	$96,321	$844,118	$19,379	$3,539	$4,055	$1,005	$968,417
Net carrying amount as at:							
31 Dec. 2022	$33,405	$416,979	$5,876	$187	$1,862	$2,129	$460,438
31 Dec. 2021	$42,055	$573,652	$9,117	$335	$366	$1,863	$627,388

Property, plant, and equipment were not pledged.

(8) Short-term loans

	Interest rate range	31 Dec. 2022	31 Dec. 2021
Unsecured bank loans	1.6%~2.225%	$7,500	$17,500

The Group unused credit of short-term loans amounted to NT$272,500 thousand and NT$292,500 thousand, as at 31 December 2022 and 2021, respectively.

(9) Post-employment benefits

<u>Defined contribution plan</u>

The Group adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Group will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Group have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Expenses under the defined contribution plan for the years ended 31 December 2022 and 2021 were NT$6,438 thousand and NT$6,809 thousand, respectively.

(10) Equities

A. Common stock

As of 31 December 2022 and 2021, the Company's authorized capital was both NT$600,000 thousand, divided into 60,000 thousand shares, with par value at NT$10 per shares, issued in batches. The paid-in capital was both NT$385,090 thousand, divided into 38,509 thousand shares. The outstanding shares were both amounted to 38,509 thousand shares after taking away both 0 thousand treasury stocks. Each share has one voting right and a right to receive dividends.

B. Capital surplus

	31 Dec. 2022	31 Dec. 2021
Additional paid-in capital	$657,660	$657,660
Treasury stock transactions	30,456	30,456
Other	4,325	4,325
Total	$692,441	$692,441

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

C. Treasury stock

a. The Company implements the treasury stock policy and repurchases the Company's shares from the Taipei Exchange. Changes in treasury stock are as follows:

For the year ended 31 December 2022: None.

For the year ended 31 December 2021

Cause	Number of shares-beginning of year	Addition	Decrease	Number of shares-end of year
Transfer to employees	9 thousand shares	-	9 thousand shares	-

b. As of 31 December 2022 and 2021, the amount of treasury stock distributed to employees were NT$0 thousand and NT$417 thousand, respectively, and the Group recognized cost of share-based payment service and paid-in capital in excess of par-treasury stock transaction in the amount of NT$0 thousand and NT$333 thousand, respectively.

c. The treasury stocks held by the Group hall not be pledged, nor shall they be entitled to distribution of dividends and voting rights according to the Securities and Exchange Act.

D. Retained earnings and dividend policies

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 after deducting items (a) and (b) as legal reserve
d. Set aside or reverse special reserve in accordance with relevant law and regulations
e. The distribution of the remaining portion, if any, will be recommended by the board of directors and resolved in the shareholders' meeting.

The policy of dividend distribution is on the capital budgets, current and future investment environment, fund requirements, financial structure and surplus, etc. The dividend distribution will seek to balance the cash and share distribution ratio. Accordingly, at least 10% of the dividends must be paid in the form of cash.

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

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

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

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders’ equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. Where relevant assets are subsequently used, disposed of or reclassified, the original proportion of special reserve may be reversed for the distribution of earnings.

The Company did not set aside special reserve following the first adoption of the IFRS.

Details of the 2022 and 2021 earnings distribution and dividends per share as approved and resolved by the board of directors’ meeting and shareholders’ meeting on 9 March 2023 and 14 June 2022, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NT$)	
	2022	2021	2022	2021
Legal reserve	$8,957	$1,170		
Special reserve	523	5,724		
Common stock -cash dividend	77,018	77,018	$2	$2

Please refer to Note VI.14 for details on employees’ compensation and remuneration to directors and supervisors.

(11) Operating revenue

Revenue from contracts with customers	For the years ended 31 Dec. 2022	2021
Sale of goods	$609,230	$500,228
Other revenue	14,763	18,599
Total	$623,993	$518,827

Analysis of revenue from contracts with customers during the years ended 31 December 2022 and 2021 are as follows:

A. Disaggregation of revenue:

	For the years ended 31 Dec. 2022	2021
Self-made	$609,230	$500,228
Original equipment manufacturer	14,763	18,599
Total	$623,993	$518,827

Timing of revenue recognition:	For the years ended 31 Dec. 2022	2021
At a point in time	$623,993	$518,827

(12) Expected credit losses/ (gains)

	For the years ended 31 Dec. 2022	2021
Operating expenses – Expected credit losses/(gains)		
Trade receivables	$(1,275)	$(130)

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

The Group measures the loss allowance of its trade receivables (including note receivables and trade receivables) at an amount equal to lifetime expected credit losses, and 100% allowance loss is handed out for transactions with counterparties in financial difficulties. The amount of 100% allowance loss, and both are NT$225 thousand as of 31 December 2022 and 2021. The Group considers the grouping of trade 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 follows:

As at 31 December 2022

Group 1	Not yet due	Overdue		
	(note)	1-90 days	91-180 days	Total
Gross carrying amount	$112,585	$21,584	$170	$134,339
Loss rate	0%~0.2%	0.3%~32.2%	63.5%~81.6%	
Lifetime expected credit losses	(192)	(298)	(139)	(629)
Subtotal	$112,393	$21,286	$31	$133,710

As at 31 December 2021

Group 1	Not yet due	Overdue		
	(note)	1-90 days	91-180 days	Total
Gross carrying amount	$133,430	$15,155	$-	$148,585
Loss rate	0%~0.4%	2.8%~42.9%	83.3%~100%	
Lifetime expected credit losses	(490)	(730)	-	(1,220)
Subtotal	$132,940	$14,425	$-	$147,365

Group 2	Not yet due	Overdue		
	(note)	1-90 days	91-180 days	Total
Gross carrying amount	$-	$-	$3,172	$3,172
Loss rate			0%~35%	
Lifetime expected credit losses	-	-	(684)	(684)
Subtotal	$-	$-	$2,488	$2,488

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

The movement in the provision for impairment of note receivables and trade receivables as of 31 December 2022 and 2021 is as follows:

	Trade receivables
Bal. as at 1 Jan. 2022	$2,129
(Reversal) for the current period	(1,275)
Bal. as at 31 Dec. 2022	$854
Bal. as at 1 Jan. 2021	$2,259
Addition for the current period	(130)
Bal. as at 31 Dec. 2021	$2,129

(13) Leases

(1) Group as a lessee

The Group leases various properties, including real estate such as land and buildings.

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

A. Amounts recognized in the balance sheet

a. Right-of-use assets

The carrying amount of right-of-use assets

	31 Dec. 2022	31 Dec. 2021
Land	$2,846	$4,293
Buildings	45,509	899
Total	$48,355	$5,192

For the years ended 31 December 2022 and 2021, the Group's additions to right-of-use assets amounting to NT$54,640 thousand and NT$0 thousand.

b. Lease liabilities

	31 Dec. 2022	31 Dec. 2021
Lease liabilities	$48,860	$5,402
Current	$11,323	$1,034
Non-current	$37,537	$4,368

Please refer to Note VI.15(3) for the interest on lease liabilities recognized during the years ended 31 December 2022 and 2021, and refer to Note XII.5 Liquidity Risk Management for the maturity analysis for lease liabilities.

B. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the years ended 31 Dec.	
	2022	2021
Land	$100	$146
Buildings	11,377	10,779
Total	$11,477	$10,925

C. Income and costs relating to leasing activities

	For the years ended 31 Dec.	
	2022	2021
The expenses relating to short-term leases	$981	$1,635
The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets)	98	82

D. Cash outflow relating to leasing activities

For the years ended 31 December 2022 and 2021, the Group's total cash outflows for leases amounted to NT$12,556 thousand and NT$12,847 thousand, respectively.

(14) Summary statement of employee benefits, depreciation and amortization expenses by function:

Function / Category	For the years ended 31 Dec.					
	2022			2021		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	$93,025	$70,192	$163,217	$93,000	$60,195	$153,195
Labor and health insurance	10,195	5,824	16,019	10,887	5,843	16,730
Pension	3,765	2,673	6,438	4,147	2,662	6,809
Other employee benefits expense	3,394	1,983	5,377	4,768	1,985	6,753
Depreciation	123,330	47,367	170,697	101,912	50,637	152,549
Amortization	83	861	944	83	773	856

According to the Articles of Incorporation, 1%~5% of profit of the current year is distributable as employees' compensation and no higher than 5% of profit of the current year is distributable as remuneration to directors. However, the Company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the board of directors' resolution regarding the employees' compensation and remuneration to directors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on the profit of the year ended 31 December 2022, the Company estimated the amounts of the employees' compensation and remuneration to directors for the year ended 31 December 2022 to be NT$1,500 thousand and NT$2,000 thousand, respectively, recognized as employee benefits expense. As such, employees' compensation and remuneration to directors for the year ended 31 December 2021 amounted to NT$$80 thousand and NT$100 thousand, respectively, recognized as employee benefits expense.

A resolution was passed at a board of directors meeting held on 9 March 2023 to distribute NT$1,500 thousand and NT$2,000 thousand in cash as employees' compensation and remuneration to directors of 2022, respectively. No material differences existed between the estimated amount and the actual distribution of the employee compensation and remuneration to directors for the year ended 31 December 2022.

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

(15) Non-operating income and expenses

(a) Other income

	For the years ended 31 Dec.	
	2022	2021
Rental income	$3,413	$986
Interest income	891	1,310
Others	2,799	2,685
Total	$7,103	$4,981

(b) Other gains and losses

	For the years ended 31 Dec.	
	2022	2021
Foreign exchange (losses) gains, net	$32,838	$(13,169)
Gains (losses) on financial assets (liabilities) at fair value through profit or loss	(284)	176
Other losses	(12)	-
Total	$32,542	$(12,993)

(c) Finance costs

	For the years ended 31 Dec.	
	2022	2021
Interest on borrowings from bank	$(191)	$(198)
Interest on lease liabilities	(697)	(156)
Total finance costs	$(888)	$(354)

(16) Components of other comprehensive income

Components of other comprehensive income for the year ended 31 December 2022 are as follows:

	Arising during the period	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:			
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	$(523)	$-	$(523)

Components of other comprehensive income for the year ended 31 December 2021 are as follows:

	Arising during the period	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:			
Unrealized gains (losses) from debt instruments investment measured at fair value through other comprehensive income	$(5,724)	$-	$(5,724)

(17) Income tax

The major components of income tax expense (income) for the years ended 31 December 2022 and 2021 are as follows:

Income tax expense (income) recognized in profit or loss

	For the years ended 31 Dec.	
	2022	2021
Current income tax expense (income):		
Current income tax charge	$26,146	$9,585
Adjustments in respect of current income tax of prior periods	-	(9,911)
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	(3,957)	(7,750)
Total income tax expense (income)	$22,189	$(8,076)

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the years ended 31 Dec.	
	2022	2021
Accounting profit (loss) before tax from continuing operations	$111,759	$3,623
Tax at the domestic rates applicable to profits in the country concerned	$22,352	$725
Tax effect of revenues exempt from taxation	92	(69)
Tax effect of deferred tax assets/liabilities	(255)	(26)
Corporate income surtax on undistributed retained earnings	-	1,205
Adjustments in respect of current income tax of prior periods	-	(9,911)
Total income tax expense (income) recognized in profit or loss	$22,189	$(8,076)

Deferred tax assets (liabilities) relate to the following:

For the year ended 31 December 2022

	Beginning balance as at 1 Jan. 2022	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as at 31 Dec. 2022
Temporary differences				
Unrealized exchange (gain)	$1,397	$(1,003)	$-	$394
Allowance for inventory impairments and obsolescence losses	22,972	4,960	-	27,932
Valuation on financial assets at fair value through profit or loss	-	-	-	-
Impairment on property, plant, and equipment	440	-	-	440
Deferred tax income/(expense)		$3,957	$-	
Net deferred tax assets/ (liabilities)	$24,809			$28,766
Reflected in balance sheet as follows:				
Deferred tax assets	$24,809			$28,766
Deferred tax liabilities	$-			$-

For the year ended 31 December 2021

	Beginning balance as at 1 Jan. 2021	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as at 31 Dec. 2021
Temporary differences				
Unrealized exchange (gain)	$712	$685	$-	$1,397
Allowance for inventory impairments and obsolescence losses	15,925	7,047	-	22,972
Valuation on financial assets at fair value through profit or loss	(18)	18	-	-
Impairment on property, plant, and equipment	440	-	-	440
Deferred tax income/ (expense)		$7,750	$-	
Net deferred tax assets/(liabilities)	$17,059			$24,809
Reflected in balance sheet as follows:				
Deferred tax assets	$17,077			$24,809
Deferred tax liabilities	$18			$-

The following table contains information of the unused tax losses of the Group's subsidiary, Ferrule Precision Co., Ltd.:

		Unused tax losses as at		
Year	Tax losses for the period	31 Dec. 2022	31 Dec. 2021	Expiration year
2013	$6,426	$6,082	$6,082	2023
2014	33,810	33,810	33,810	2024
2015	43,219	43,219	43,219	2025
2016	20,314	20,314	20,314	2026
2017	37,981	37,981	37,981	2027
2018	4,830	4,830	4,830	2028
2019	1,372	1,372	1,372	2029
2020	444	444	444	2030
2022	460	460	-	2032
		$148,512	$148,052	

Unrecognized deferred tax assets

As of 31 December 2022 and 2021, deferred tax assets that have not been recognized amounted to NT$29,702 thousand and NT$29,610 thousand, respectively.

The assessment of income tax returns

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

	The assessment of income tax returns
The Company	Assessed and approved up to 2020
Subsidiary-Ferrule Precision Co., Ltd.	Assessed and approved up to 2020

(18) Earnings per share

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

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting for interest on the convertible preference shares) 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.

	For the year ended 31 Dec.	
	2022	2021
(1) Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT$)	$89,570	$11,699
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	38,509	38,505
Basic earnings per share (NT$)	$2.33	$0.30
(2) Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT$)	$89,570	$11,699
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	38,509	38,505
Effect of dilution:		
Employee compensation－stock (in thousands)	25	1
Weighted average number of ordinary shares outstanding after dilution (in thousands)	38,534	38,506
Diluted earnings per share (NT$)	$2.32	$0.30

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.

VII. Related party transactions

Key management personnel compensation

	For the year ended 31 Dec.	
	2022	2021
Short-term employee benefits	$12,573	$13,905
Post-employment benefits	216	216
Total	$12,789	$14,121

VIII. Assets pledged as security

The Group assets were not pledged as security.

IX. Significant contingencies and unrecognized contractual commitments

None.

X. Losses due to major disasters

None.

XI. Significant subsequent events

None.

XII. Financial instruments

(1) Categories of financial instruments

Financial assets

	As at	
	31 Dec. 2022	31 Dec. 2021
Financial assets at fair value through profit or loss:		
Financial assets at fair value through other comprehensive income	$1,498	$2,021
Financial assets measured at amortized cost		
Cash and cash equivalents (exclude cash on hand)	394,093	334,228
Financial assets measured at amortized cost	234,405	110,000
Notes receivable	-	147
Accounts receivables	133,710	149,853
Subtotal	762,208	594,228
Total	$763,706	$596,249

Financial liabilities

	As at	
	31 Dec. 2022	31 Dec. 2021
Financial liabilities at amortized cost:		
Short-term loans	$7,500	$17,500
Accounts and other payables	83,373	82,558
Lease liabilities	48,860	5,402
Total	$139,733	$105,460

(2) Financial risk management objectives and policies

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

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

(3) Market risk

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

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

Foreign currency risk

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

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

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 US dollars. The information of the sensitivity analysis is as follows:

When NTD strengthens/weakens against USD by 1%, the profit for the years ended 31 December 2022 and 2021 is increased/decreased by NT$3,441 thousand and NT$2,058 thousand, respectively.

<u>Interest rate risk</u>

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

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for the years ended 31 December 2022 and 2021 to increase/decrease by NT$234 thousand and NT$427 thousand, respectively.

<u>Equity price risk</u>

The fair value of the Group’s listed and unlisted equity securities and conversion rights of the Euro-convertible bonds issued are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group’s listed and unlisted equity securities are classified under financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income, while conversion rights of the Euro-convertible bonds issued are classified as financial liabilities at fair value through profit or loss as it does not satisfy the definition of an equity component. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group’s senior management on a regular basis. The Group’s board of directors reviews and approves all equity investment decisions.

(4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for trade 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 counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As of 31 December 2022, 31 December 2021, contract assets and trade receivables from top ten customers represented 90% and 79% of the total contract assets and trade receivables of the Group, respectively. The credit concentration risk of other contract assets and trade receivables is insignificant.

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

(5) Liquidity risk management

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

Non-derivative financial liabilities

	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	>4 years	Total
As at 31 Dec. 2022						
Loans	$7,569	$ -	$ -	$ -	$ -	$7,569
Trade and other payables	83,373	-	-	-	-	83,373
Lease liabilities (Note)	11,880	13,939	11,880	9,821	3,241	50,761
As at 31 Dec. 2021						
Loans	$17,554	$ -	$ -	$ -	$ -	$17,554
Trade and other payables	82,558	-	-	-	-	82,558
Lease liabilities	1,102	186	186	186	4,733	6,393

Notes: Information about the maturities of lease liabilities is provided in the table below:

Lease liabilities	Maturities					
	Less than 1 year	2 to 5 years	6 to 10 years	11 to 15 years	>16 years	Total
As at 31 Dec. 2022	$11,880	$35,772	$661	$661	$1,787	$50,761
As at 31 Dec. 2021	$1,102	$744	$930	$930	$2,687	$6,393

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended 31 December 2022:

	Short-term loans	Leases liabilities	Total liabilities from financing activities
As at 1 Jan. 2022	$17,500	$5,402	$22,902
Cash flows	(10,000)	(11,879)	(21,879)
Non-cash changes	-	55,337	55,337
As at 31 Dec. 2022	$7,500	$48,860	$56,360

Reconciliation of liabilities for the year ended 31 December 2021:

	Short-term borrowings	Leases liabilities	Total liabilities from financing activities
As at 1 Jan. 2021	$7,000	$16,376	$23,376
Cash flows	10,500	(10,974)	(474)
As at 31 Dec. 2021	$17,500	$5,402	$22,902

(7) Fair values of financial instruments

(a) The methods and assumptions applied in determining the fair value of financial instruments:

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

a. The carrying amount of cash and cash equivalents, trade receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.

b. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.

c. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and 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 debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the GreTai Securities Market, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

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. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

(b) Fair value of financial instruments measured at amortized cost

The carrying amount of the Group's financial instruments measured at amortized cost is a reasonable approximation of fair value.

(8) Derivative financial instruments

The Group didn’t hold the related information for derivative financial instruments not qualified for hedge accounting and not yet settled as at 31 December 2022 and 2021.

(9) Fair value measurement hierarchy

(a) Fair value measurement hierarchy

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

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

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

Level 3 – Unobservable inputs for the asset or liability

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

(b) Fair value measurement hierarchy of the Group's assets and liabilities

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

As at 31 December 2022

Current financial assets at fair value:	Level 1	Level 2	Level 3	Total
Equity instrument measured at fair value through other comprehensive income				
Stocks	$-	$-	$1,498	$1,498

As at 31 December 2021

Current financial assets at fair value:	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts				
Equity instrument measured at fair value through other comprehensive income				
Stocks	-	-	$2,021	$2,021

Transfers between Level 1 and Level 2 during the period

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

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

	At fair value through other comprehensive income
	Stocks
Beginning balances as at 1 January 2022	$2,021
Total gains and losses recognized for the year ended 31 December 2022:	
Acquisition/issues for the year ended 31 December 2022	-
Amount recognized in profit or loss (presented in “other profit or loss”)	-
Amount recognized in OCI (presented in “Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	(523)
Ending balances as at 31 December 2022	$1,498

	At fair value through other comprehensive income
	Stocks
Beginning balances as at 1 January 2021	$844
Total gains and losses recognized for the year ended 31 December 2021:	
Acquisition/issues for the year ended 31 December 2021	6,901
Amount recognized in profit or loss (presented in “other profit or loss”)	-
Amount recognized in OCI (presented in “Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	(5,724)
Ending balances as at 31 December 2021	$2,021

Total gains and losses recognized in profit or loss for the years ended 31 December 2022 and 2021 in the table above contain gains and losses related to assets on hand as at 31 December 2022 and 2021 both in the amount of NT$0.

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 at 31 December 2022

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
At fair value through other comprehensive income: Stocks	Market Approach	discount for lack of liquidity	25%	The higher the discount for lack of liquidity, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of liquidity would result in increase (decrease) in the Group's equity by NT$ 200 thousand.

As at 31 December 2021

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
At fair value through other comprehensive income: Stocks	Asset-Based Approach	discount for lack of liquidity	25%	The higher the discount for lack of liquidity, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of liquidity would result in increase (decrease) in the Group's equity by NT$269 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 re-measured or re-assessed as per the Group's accounting policies at each reporting date.

(10) Significant assets and liabilities denominated in foreign currencies

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

Unit: thousands

	As at 31 December 2022		
	Foreign currencies	Foreign exchange rate	NTD
Financial assets			
Monetary items:			
USD	$11,361	30.71	$348,896
JPY	91,285	0.2324	21,214
CNY	1,966	4.408	8,666
EUR	371	32.72	12,139
Financial liabilities			
Monetary items:			
USD	156	30.71	4,791
JPY	9,971	0.2324	2,317

	As at 31 December 2021		
	Foreign currencies	Foreign exchange rate	NTD
Financial assets			
Monetary items:			
USD	$7,576	27.68	$209,704
JPY	223,933	0.2405	53,856
CNY	1,881	4.344	8,171
EUR	424	31.32	13,280
Financial liabilities			
Monetary items:			
USD	140	27.68	3,875
JPY	69,470	0.2405	16,707

Due to the wide variety of functional currencies of the Group's group consolidation, it cannot disclose by foreign currencies the exchange gains and losses of monetary financial assets and financial liabilities that have a significant impact. The foreign currency exchange profit and (loss) of the Group for the years ended 31 December 2022 and 2021 were NT$32,838 thousand and NT$(13,169) thousand, respectively.

(11) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and adjusts it, in light of 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.

XIII. Other disclosure

(1) Information at significant transactions:

(a) Financing provided to others for the year ended 31 December 2022: Please refer to Attachment 1.
(b) Endorsement/Guarantee provided to others for the year ended 31 December 2022: Please refer to Attachment 2.
(c) Securities held as of December 31, 2022 (excluding subsidiaries, associates and joint venture): Please refer to Attachment 3.
(d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended 31 December 2022: None.
(e) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended 31 December 2022: None.
(f) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended 31 December 2022: None.
(g) Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20 percent of the capital stock f for the year ended 31 December 2022: None.
(h) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of capital stock as of 31 December 2022: None.
(i) Financial instruments and derivative transactions: Note XII.
(j) The business relationship, significant transactions and amounts between parent company and subsidiaries: None.

(2) Information on investees:

(a) Names, locations, main businesses and products, original investment amount, investment as of 31 December 2022, net income (loss) of investee company and investment income (loss) recognized as of 31 December 2022: (Excluding investment in Mainland China): Please refer to Attachment 4.

(b) Those who have direct or indirect control over the investee group must disclose the relevant information about the transactions of items a to j of the preceding paragraph by the investee group, but if the total assets or operating income of the investee group has not reached the issuance 10% of the amount of each person, or who directly or indirectly controls their personnel, finances or business, may only disclose the relevant information about the first item to the fourth item transaction: None.

(3) Investment in Mainland China: None.

(4) Information on major shareholders: Please refer to Attachment 5.

XIV. Segment information

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

The parent company: Mainly engaged in the manufacturing, processing and trading of DWDM interference filters and optical communication coated optical components.

Subsidiary: It mainly produces and sells optical communication ceramic ferrules, which is a subsidiary directly invested by the Company.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured based on accounting policies consistent with those in the consolidated financial statements.

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

(1) Segment information about profit and assets (loss and liabilities)

Year ended 31 Dec. 2022

	The company	Subsidiary	Adjustment and elimination	Consolidated
Revenue				
External customer	$623,993	$ -	$ -	$623,993
Inter-segment	-	-	-	-
Total revenue	$623,993	$ -	$ -	$623,993
Segment profit	$111,759	$(460)	$460	$111,759

[1] Inter-segment revenue are eliminated on consolidation and recorded under the "adjustment and elimination" column, all other adjustments and eliminations are disclosed below.

Year ended 31 Dec. 2021

	The company	Subsidiary	Adjustment and elimination	Consolidated
Revenue				
External customer	$518,827	$ -	$ -	$518,827
Inter-segment	-	-	-	-
Total revenue	$518,827	$ -	$ -	$518,827
Segment profit	$3,623	$344	$(344)	$3,623

(2) Geographic information:

(a) From outside client revenue

	For the year ended 31 Dec.	
	2022	2021
Taiwan	$172,461	$152,056
China	409,291	324,887
Others	42,241	41,884
Total	$623,993	$518,827

Revenue is classified based on the country where the customer is located.

(b) Non-current assets:

The amount of non-current assets (excluding financial assets and deferred income tax assets) of the Group in 2022 and 2021 were NT$518,925 thousand and NT$638,135 thousand, respectively, both were in Taiwan.

(c) Important client information:

	For the year ended 31 Dec.	
	2022	2021
Client A	$136,275	$82,768
Client B	94,163	32,390

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Stated)

ATTACHMENT 1

Financing provided to others:

No. (Note 1)	Lender	Counterparty	Financial statement account	Related Party	Maximum balance for the period	Ending balance	Actual amount provided (Note 5)	Interest rate	Nature of financing (Note2)	Amount of sales to (purchases from) counterparty	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit of financing amount for individual counterparty (Note 3)	Limit of total financing amount (Note 4)
													Item	Value		
0	APOGEE OPTOCOM CO., LTD.	Ferrule Precision Co., Ltd.	Other receivables	Y	$20,000	$20,000	-	Short-term +0.1%	Short-term financing	-	Working capital	-	-	$-	$129,846	$519,382

Note1: The financial information of the parent company and its subsidiaries are coded as follows:

(1) The parent company is coded 0.

(2) The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Nature of financing should be business contacts or short-term financing.

Note 3: Limit of financing amount for individual company:

(1) Business contacts: Limit of financing amount for individual counterparty shall not exceed the amount required for operation as of the most recent year but shall not exceed 20% of the lender's net value stated in the financial report as of 31 December 2022.

(2) When short-term financing is necessary: The amount of financing shall not exceed 20% of the Company’s net worth. Individual financing shall exceed 10% of the Company’s net worth. The amount of financing shall refer to the accumulated balance of the Company’s short-term financing.

(3) Financing between the Company and foreign companies of which the Company directly and indirectly holds 100% voting shares right is not subject to the requirements under the second paragraph.

Note 4: The maximum amount of financing to subsidiaries fully owned by the Company is 40% of the Company's net value.

Note 5: The above transitions were all made between consolidated entities in the Group and have been reversed.

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Stated)

ATTACHMENT 2

Endorsement/Guarantee provided to others:

No. （Note 1）	Endorser/ Guarantor	Receiving party		Limit of guarantee/endorsement amount for receiving party（Note 3）	Maximum balance for the period	Ending balance	Actual amount provided	Amount of collateral guarantee/ endorsement	Percentage of accumulated guarantee amount to net assets value from the latest financial statement	Limit of total guarantee/ endorsement amount (Note 4)	Parent company's guarantee/ endorsement amount to subsidiaries	Subsidiaries' guarantee/ endorsement amount to parent company	Guarantee/ endorsement amount to company in Mainland China
		Company name	Relationship（Note 2）										
0	APOGEE OPTOCOM CO., LTD.	Ferrule Precision Co., Ltd.	2	$389,537	$40,000	$20,000	$7,500	-	1.54%	$519,382	Y	N	N

Note1: The financial information of the parent company and its subsidiaries are coded as follows:

(1) The parent company is coded 0.

(2) The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: According to the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" issued by the R.O.C. Securities and Futures Bureau, the receiving parties shall be disclosed as one of the following:

(1) A company with which it does business.

(2) A subsidiary company directly holds more than 50% of the common shares.

(3) An investment company that the parent company and subsidiary jointly hold more than 50 % of the voting shares.

(4) A parent company that directly or indirectly through a subsidiary holds more than 50% of the common shares.

(5) A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.

(6) A company that all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages.

Note 3: Limit of guarantee/endorsement amount for a single entity is 30% of the net worth of the Company’s financial report reviewed by the certified public accountants.

Note 4: Limit of total guarantee/ endorsement amount is 40% of the net worth of the Company’s financial report reviewed by the certified public accountants as of 31 December 2022.

ATTACHMENT 3

Securities held as of 31 December 2022 (excluding subsidiaries, associates and joint venture)

Unit: NTD thousand

Holding Company	Type and name of securities	Relationship	Financial statement account	as of 31 December 2022				Note
				Shares (thousand)	Book value (thousands)	Percentage of ownership (%)	Fair value	
APOGEE OPTOCOM CO., LTD.	stock- Opulence Optronics Co., Ltd.	-	Financial assets measured at fair value through other comprehensive gains and losses - non-current	1,515	$1,498	11.63%	$1,498	-

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Stated)

ATTACHMENT 4

Names, locations, main businesses and products, original investment amount, investment as of 31 December 2022, net income (loss) of investee company and investment income (loss) recognized as of 31 December 2022: (Excluding investment in Mainland China)

Unit: NTD thousand

Investor	Investee company	Address	Main businesses and products	Initial Investment		Investment as of 31 December 2022			Net income (loss) of investee company	Investment income (loss) recognized	Note
				Ending balance	Beginning balance	Number of shares(thousand)	Percentage of ownership (%)	Book value			
APOGEE OPTOCOM CO., LTD.	Ferrule Precision Co., Ltd.	2nd Floor, No. 16, Lane 31, Section 1, Huandong Road, Xinshi District, Tainan City	Mainly engaged in manufacturing of wired and wireless communication equipment	$5,720	$5,720	700	100%	$(7,005)	$(460)	$(460)	(Note1)

Note 1: The above transitions were all made between consolidated entities in the Group and have been reversed.

ATTACHMENT 5

Information on major shareholders:

shareholdings / major shareholders name	Number of Shares (thousand)	Percentage of ownership
Dingfeng Investment Co., Ltd.	6,344,472	16.47%
Shenglin Investment Co., Ltd.	5,489,146	14.25%

Remarks:

(1) The major shareholders in this table are shareholders holding more than 5% of the common and preference shares that have completed delivery of non-physical registration (including treasury shares) on the last business day of each quarter calculated by the Taiwan Depository & Clearing Corporation. However, the share capital recorded in the Company's financial report and the number of shares actually delivered by the Company without physical registration may differ due to calculation basis.

(2) For shares that are entrusted by the shareholders, the information thereto shall be based on the shares disclosed by the individual trust account opened by the trustees. For information on shareholders, who are required to declare to be insiders holding of more than 10% of shares in accordance with the Securities and Exchange Act, and their own equity interest including trusted shares and ownership that has the right to make decisions on trust property, please refer to MOPS.