

Silicon Optronics, Inc.

**Parent Company Only Financial Statements for the
Years Ended December 31, 2022 and 2021 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Silicon Optronics, Inc.

Opinion

We have audited the accompanying parent company only financial statements of Silicon Optronics, Inc. (the "Company"), which comprise the parent company only balance sheets as of December 31, 2022 and 2021, the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2022 and 2021, and the parent company only financial performance and the parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 the parent company only financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of the Company's parent company only financial statements for the year ended December 31, 2022 are described as follows:

Sales Revenue

The Company's sales revenue derived from its key customers accounted for a high proportion of the overall sales revenue. Since the sales amount from the transactions with these customers is significant to the overall sales revenue, we believe that there is a risk in the validity of the Company's sales transactions; therefore, we identified the validity of sales revenue from the key customers as a key audit matter for the year ended December 31, 2022. For the accounting policies on the revenue recognition, refer to Note 4 (k) to the parent company only financial statements.

Our main audit procedures performed in respect of the above-mentioned key audit matter are as follows:

1. We obtained an understanding of the design and implementation of internal control on revenue recognition and tested the effectiveness of these controls.
2. We confirmed the occurrence of sales revenue as follows: we selected samples and inspected the relevant supporting documents and accounting records, and we verified the accuracy of the amounts and revenue recognized.

Inventory Valuation

As of December 31, 2022, the Company's inventory balance was \$2,410,944 thousand, accounting for 65% of the combined total assets. For the related accounting policies, please refer to Note 4 (e) to the parent company only financial statements. Since the amount of the inventory is significant and the assessment of net realizable value involves significant management judgements, thus, we considered the inventory valuation as a key audit matter.

Our main audit procedures performed in respect of the above-mentioned key audit matter are as follows:

1. Based on our understanding of the industry and nature of the products of the Company, we verified the appropriateness of the method of inventory aging management, and we also selected samples of and tested the appropriateness of the aging classification.
2. We performed recalculations and determined that the assessment of the net realizable value was reasonable, and we verified that the inventories were measured at the lower of cost and net realizable value based on the most recent raw material quotes or sales data, and we also assessed the reasonableness of the assessment of changes in the provision for inventory write-downs.
3. We obtained and verified the details of inventory valuation and obsolescence losses and aging data, and analyzed the reasons for the differences in the provision for loss in 2022 compared to 2021, to assessed that the provision for inventory valuation and obsolescence losses was appropriate.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if,

individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
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 Company's internal control.
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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision, and performance of the 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 the parent company only financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Ming-Hui Chen and Tung-Hui Yeh.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 15, 2023

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying parent company only financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and parent company only financial statements shall prevail.

SILICON OPTRONICS, INC.

PARENT COMPANY ONLY BALANCE SHEETS DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

ASSETS	2022		2021		LIABILITIES AND EQUITY	2022		2021	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 4 and 6)	\$ 721,827	20	\$ 857,516	22	Short-term loan (Notes 4 and 15)	\$ 150,000	4	\$ -	-
Financial assets at amortized cost - current (Notes 4, 7 and 25)	-	-	538,582	14	Contract liabilities - current (Note 19)	69,012	2	35,139	1
Accounts receivable - net (Notes 4 and 8)	34,869	1	14,680	-	Accounts payable (Note 4)	265,258	7	348,900	9
Inventories (Notes 4, 5 and 9)	2,410,944	65	1,517,061	40	Accrued expenses and other current liabilities (Notes 4 and 16)	53,135	2	11,512	-
Prepayments and other current assets (Notes 4, 14 and 25)	134,228	4	34,005	1	Other payables to related parties (Notes 4 and 26)	6,744	-	179,172	5
Total current assets	<u>3,301,868</u>	<u>90</u>	<u>2,961,844</u>	<u>77</u>	Current tax liabilities (Notes 4 and 21)	51,763	1	149,168	4
NON-CURRENT ASSETS					Lease liabilities - current (Notes 4 and 12)	4,136	-	4,210	-
Financial assets at amortized cost - noncurrent (Notes 4, 7, 25 and 27)	3,528	-	3,512	-	Current portion of long - term borrowing (Note 15)	100,000	3	100,000	3
Investment accounted for using the equity method (Notes 4 and 10)	290,911	8	277,919	7	Refund liabilities - current (Note 16)	53,941	2	17,118	-
Property, plant and equipment (Notes 4, 11 and 27)	45,088	1	486,952	13	Total current liabilities	<u>753,989</u>	<u>21</u>	<u>845,219</u>	<u>22</u>
Right-of-use assets (Notes 4 and 12)	9,005	-	4,843	-	NON-CURRENT LIABILITIES				
Intangible assets (Notes 4 and 13)	2,809	-	980	-	Long-term loan (Notes 4 and 15)	300,000	8	250,000	7
Deferred tax assets (Notes 4 and 21)	31,490	1	13,919	1	Deferred income tax liabilities (Notes 4 and 21)	1,509	-	-	-
Other non-current assets (Notes 4, 14 and 17)	3,041	-	83,842	2	Lease liabilities - non-current (Notes 4 and 12)	4,902	-	706	-
Total non-current assets	<u>385,872</u>	<u>10</u>	<u>871,967</u>	<u>23</u>	Guarantee deposits	-	-	6,977	-
TOTAL	<u>\$ 3,687,740</u>	<u>100</u>	<u>\$ 3,833,811</u>	<u>100</u>	Total non-current liabilities	<u>306,411</u>	<u>8</u>	<u>257,683</u>	<u>7</u>
					Total liabilities	<u>1,060,400</u>	<u>29</u>	<u>1,102,902</u>	<u>29</u>
					EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY (Notes 4, 18 and 23)				
					Ordinary shares	784,559	21	781,529	20
					Capital surplus	1,167,789	32	1,132,749	30
					Retained earnings				
					Legal reserve	168,164	5	94,057	3
					Special reserve	5,759	-	4,250	-
					Unappropriated earnings	598,041	16	821,078	21
					Other equity				
					Exchange differences on translating the financial statements of foreign operations	23	-	(5,759)	-
					Treasury shares	(96,995)	(3)	(96,995)	(3)
					Total equity	<u>2,627,340</u>	<u>71</u>	<u>2,730,909</u>	<u>71</u>
					TOTAL	<u>\$ 3,687,740</u>	<u>100</u>	<u>\$ 3,833,811</u>	<u>100</u>

The accompanying notes are an integral part of the parent company only financial statements.

SILICON OPTRONICS, INC.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 19)	\$ 2,029,090	100	\$ 3,996,496	100
OPERATING COSTS (Notes 9, 20 and 26)	<u>1,534,568</u>	<u>76</u>	<u>2,609,116</u>	<u>65</u>
GROSS PROFIT	<u>494,522</u>	<u>24</u>	<u>1,387,380</u>	<u>35</u>
OPERATING EXPENSES (Notes 20 and 26)				
Selling and marketing expenses	15,546	1	21,448	1
General and administrative expenses	52,961	3	75,847	2
Research and development expenses	<u>295,891</u>	<u>14</u>	<u>417,728</u>	<u>10</u>
Total operating expenses	<u>364,398</u>	<u>18</u>	<u>515,023</u>	<u>13</u>
OPERATING INCOME	<u>130,124</u>	<u>6</u>	<u>872,357</u>	<u>22</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 20)	10,369	1	5,235	-
Other income (Note 20)	137	-	152	-
Other gains and losses (Note 20)	9,195	-	7,463	-
Financial costs (Note 20)	(4,869)	-	(3,553)	-
Share of income of subsidiaries (Notes 4 and 10)	<u>7,210</u>	<u>-</u>	<u>11,197</u>	<u>1</u>
Total non-operating income and expenses	<u>22,042</u>	<u>1</u>	<u>20,494</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	152,166	7	892,851	23
INCOME TAX EXPENSE (Notes 4 and 21)	<u>(29,608)</u>	<u>(1)</u>	<u>(151,801)</u>	<u>(4)</u>
NET PROFIT FOR THE YEAR	<u>122,558</u>	<u>6</u>	<u>741,050</u>	<u>19</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 17)	56	-	18	-
Item that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations (Notes 4 and 18)	<u>5,782</u>	<u>-</u>	<u>(1,509)</u>	<u>-</u>
Total other comprehensive (loss) income	<u>5,838</u>	<u>-</u>	<u>(1,491)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 128,396</u>	<u>6</u>	<u>\$ 739,559</u>	<u>19</u>
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 1.59</u>		<u>\$ 9.61</u>	
Diluted	<u>\$ 1.58</u>		<u>\$ 9.53</u>	

The accompanying notes are an integral part of the parent company only financial statements.

SILICON OPTRONICS, INC.

**PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)**

	Ordinary Share Capital		Capital Surplus	Retained Earnings			Unappropriated Earnings	Other Equity Exchange Differences on Translating the Financial Statements of Foreign Operations	Treasury Shares	Total Equity
	Number of Shares (In Thousands)	Amount		Legal Reserve	Special Reserve					
BALANCE, JANUARY 1, 2021	78,106	\$ 781,059	\$ 1,131,714	\$ 65,911	\$ 2,365	\$ 325,938	\$ (4,250)	\$ (96,995)	\$ 2,205,742	
Appropriation of 2020 earnings										
Legal reserve	-	-	-	28,146	-	(28,146)	-	-	-	
Special reserve	-	-	-	-	1,885	(1,885)	-	-	-	
Cash dividends distributed by the Company	-	-	-	-	-	(215,897)	-	-	(215,897)	
Net profit for the year ended December 31, 2021	-	-	-	-	-	741,050	-	-	741,050	
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	18	(1,509)	-	(1,491)	
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	741,068	(1,509)	-	739,559	
Issuance of ordinary shares under employee share options	47	470	1,035	-	-	-	-	-	1,505	
BALANCE, DECEMBER 31, 2021	78,153	781,529	1,132,749	94,057	4,250	821,078	(5,759)	(96,995)	2,730,909	
Appropriation of 2021 earnings										
Legal reserve	-	-	-	74,107	-	(74,107)	-	-	-	
Special reserve	-	-	-	-	1,509	(1,509)	-	-	-	
Cash dividends distributed by the Company	-	-	-	-	-	(270,035)	-	-	(270,035)	
Net profit for the year ended December 31, 2022	-	-	-	-	-	122,558	-	-	122,558	
Other comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	56	5,782	-	5,838	
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	122,614	5,782	-	128,396	
Issuance of ordinary shares under employee share options	303	3,030	3,091	-	-	-	-	-	6,121	
Share-based payment	-	-	31,949	-	-	-	-	-	31,949	
BALANCE, DECEMBER 31, 2022	78,456	\$ 784,559	\$ 1,167,789	\$ 168,164	\$ 5,759	\$ 598,041	\$ 23	\$ (96,995)	\$ 2,627,340	

The accompanying notes are an integral part of the parent company only financial statements.

SILICON OPTRONICS, INC.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 152,166	\$ 892,851
Adjustments for:		
Depreciation expenses	66,687	99,227
Amortization expenses	1,544	2,598
Finance costs	4,869	3,553
Interest income	(10,369)	(5,235)
Share-based payment	31,949	-
Share of profit of subsidiaries	(7,210)	(11,197)
Gain on disposal of property, plant and equipment	(4,408)	-
Net (gain) loss on foreign currency exchange	(7,155)	531
Gain from lease modification	(49)	-
Changes in operating assets and liabilities		
Accounts receivable	(20,101)	18,427
Inventories	(893,883)	(667,538)
Prepayments and other current assets	(90,186)	(13,805)
Contract liabilities	33,031	19,371
Accounts payable	(79,677)	233,802
Accounts payable to related parties	-	(155,010)
Other payables to related parties	(4,768)	3,639
Accrued expenses and other current liabilities	(124,242)	87,157
Refund liabilities	36,823	17,118
Net defined benefit liabilities	(33)	(35)
Cash generated from (used in) operations	(915,012)	525,454
Income tax paid	(143,075)	(46,335)
Net cash generated from (used in) operating activities	<u>(1,058,087)</u>	<u>479,119</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	(16)	(601,348)
Proceeds from financial assets at amortized cost	539,508	821,480
Payments for property, plant and equipment	(35,921)	(64,385)
Proceeds from disposal of property, plant and equipment	417,891	-
Increase in refundable deposits	-	(82,157)
Decrease in refundable deposits	81,547	-
Payments for intangible assets	(3,373)	(3,475)
Interest received	8,359	5,265
Net cash generated from investing activities	<u>1,007,995</u>	<u>75,380</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loans	150,000	-
Proceeds from long-term loans	400,000	-
Repayments of long-term loans	(350,000)	-
Proceeds of guarantee deposits received	-	6,977

(Continued)

SILICON OPTRONICS, INC.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
Repayments of guarantee deposits received	\$ (6,977)	\$ -
Repayment of the principal portion of lease liabilities	(4,145)	(4,168)
Dividends paid	(270,035)	(215,897)
Exercise of employee share options	6,121	1,505
Interest paid	<u>(4,869)</u>	<u>(3,553)</u>
Net cash used in financing activities	<u>(79,905)</u>	<u>(215,136)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(5,692)</u>	<u>(231)</u>
NET INCREASE (DECREASE) IN CASH	(135,689)	339,132
CASH AT THE BEGINNING OF THE YEAR	<u>857,516</u>	<u>518,384</u>
CASH AT THE END OF THE YEAR	<u>\$ 721,827</u>	<u>\$ 857,516</u>

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

SILICON OPTRONICS, INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Silicon Optronics, Inc. (the “Company”) was incorporated in the Republic of China (“ROC”) on May 24, 2004 and commenced business on May 27, 2004. The Company’s main business activities include the design, development and sales of complementary metal-oxide semiconductors.

The Company’s shares have been listed on the Taiwan Stock Exchange (TWSE) since July 2018.

The parent company only financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The parent company only financial statements were approved by the board of directors and authorized for issue on March 15, 2023.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC).

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Company’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2023

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by International Accounting Standards Board</u>
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments will be applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occurred on or after January 1, 2022.

1) Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments specify that the Company should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- The Company may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- a) The Company changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- b) The Company chose the accounting policy from options permitted by the standards;
- c) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
- d) The accounting policy relates to an area for which the Company is required to make significant judgements or assumptions in applying an accounting policy, and the Company discloses those judgements or assumptions; or
- e) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

2) Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Company may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Company uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

3) Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The amendments clarify that the initial recognition exemption under IAS 12 does not apply to transactions in which equal taxable and deductible temporary differences arise on initial recognition. The Company shall recognize a deferred tax asset (to the extent that it is probable that

taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations on January 1, 2022, and the Company shall recognize the cumulative effect of initial application in retained earnings at that date. The Company shall apply the amendments prospectively to transactions other than leases and decommissioning obligations that occur on or after January 1, 2022. The Group shall restate its comparative information when it initially applies the aforementioned amendments.

Except for the above impact, as of the date the parent company only financial statements were authorized for issue, the Company has assessed that the application of other standards and interpretations will not have a material impact on the Company's financial position and financial performance.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

- 1) Amendments to IAS 1 "Classification of Liabilities as Current or Non-current" (referred to as the "2020 amendments") and "Non-current Liabilities with Covenants" (referred to as the "2022 amendments")

The 2020 amendments clarify that for a liability to be classified as non-current, the Company shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Company will exercise that right.

The 2020 amendments also stipulate that, if the right to defer settlement is subject to compliance with specified conditions, the Company must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date. The 2022 amendments further clarify that only covenants with which an entity is required to comply on or before the reporting date should affect the classification of a liability as current or non-current. Although the covenants to be complied with within twelve months after the reporting period do not affect the classification of a liability, the Company shall disclose information that enables users of financial statements to understand the risk of the Company that may have difficulty complying with the covenants and repay its liabilities within twelve months after the reporting period.

The 2020 amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Company's own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Company's own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32 "Financial Instruments: Presentation", the aforementioned terms would not affect the classification of the liability.

Except for the above impact, as of the date the parent company only financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

The parent company only financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

When preparing the parent company only financial statements, the Company accounted for subsidiaries and associates using the equity method. In order for the amount of net income, other comprehensive income and equity in the parent company only financial statements to agree with the amount attributable to shareholders of the parent company in the consolidated financial statements, the differences in the accounting treatments between the parent company only basis and the consolidated basis are adjusted under the heading of investments accounted for using the equity method, share of profits of subsidiaries and share of other comprehensive income of subsidiaries in the parent company only financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and

- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Foreign currencies

In preparing the Company's financial statements, transactions in currencies other than the Company's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

At the time of the preparation of the parent company only financial statements, the assets and liabilities of the Company and its foreign operations (including subsidiaries operating in other countries or those using currencies which are different from the Company's functional currency) are converted into NT dollars at each balance sheet date. Income and expense items are translated at the average exchange rates for the period and the resulting currency translation differences are recognized in other comprehensive income.

e. Inventories

Inventories consist of raw materials, supplies, finished goods and work in progress and are stated at the lower of cost and net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary refers to an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost, and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. In addition, changes to the Company's share of other equity in the subsidiary are recognized based on its shareholding ratio.

When the Company's change in the ownership interest in the subsidiary does not result in loss of control, it is treated as an equity transaction. The difference between the carrying amount of the investment and the fair value of the consideration paid or received is directly recognized as equity.

When the Company's share of loss in the subsidiary is equal to or exceeds its interest in the subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further loss according to the shareholding ratio.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Company directly disposed of the related assets or liabilities.

Profit or loss resulting from downstream transactions is eliminated in full only in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Company.

g. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Impairment of property, plant and equipment, right-of-use asset, intangible assets other than goodwill and assets related to contract costs

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets, excluding goodwill, for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of a corporate asset, the asset is tested for impairment in the context of the cash-generating unit to which the asset belongs.

Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. Financial instruments

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

Financial assets and financial liabilities are initially recognized at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement category

Financial assets are classified as financial assets at amortized cost.

i. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) 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.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables, other receivables time deposits with original maturities of more than 3 months and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income 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 asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and
- ii) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Company always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The impairment loss of all financial assets is recognized in profit or loss by reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

2) Equity instruments

Equity instruments issued by the Company are classified as equity in accordance with the substance of the contractual arrangements and the definitions of an equity instrument.

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

All the financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

k. Revenue recognition

The Company identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

1) Revenue from the sale of goods

Revenue from the sale of goods comes from the sale of image sensing products. Revenue and receivables from the sale of goods are recognized when the goods are delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risk of obsolescence. The transaction price received in advance is recognized as a contract liability until the goods has been delivered to the customer.

The Company does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

2) Revenue from the rendering of services

Revenue from the rendering of services comes from providing entrusted design services in accordance with customer contract specifications and are recognized when performance obligations are fulfilled.

l. Leases

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

The Company as lessee

Except for short-term leases and low-value asset leases that are recognized as expenses on a straight-line basis over the lease terms, the Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Subsequently, the right-of-use assets are measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right of-use assets are presented on a separate line in the parent company only balance sheet.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprises fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If implicit rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Company accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the parent company only balance sheets

m. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than those stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

n. Employee benefits

Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and rereasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Rereasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Rereasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

o. Share-based payment arrangements

Employee share options granted

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Company's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vested immediately.

At the end of each reporting period, the Company revises its estimate of the number of employee share options expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options.

p. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable (refundable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there

will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Company considers the possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key Sources of Estimation Uncertainty

a. Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2022	2021
Cash on hand	\$ 85	\$ 172
Bank deposits	383,932	718,944
Cash equivalents (investments with original maturities of 3 months or less)		
Time deposits in banks	<u>337,810</u>	<u>138,400</u>
	<u>\$ 721,827</u>	<u>\$ 857,516</u>

The market interest rate intervals of the time deposits held in banks at the end of the reporting period were as follows:

	<u>December 31</u>	
	2022	2021
Time deposits	4.72%-5.20%	0.35%

7. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	2022	2021
<u>Current</u>		
Time deposit with original maturities of more than 3 months (a)	<u>\$ -</u>	<u>\$ 538,582</u>
<u>Non-current</u>		
Pledged time deposits (c)	<u>\$ 3,528</u>	<u>\$ 3,512</u>

- a. The interest rates ranges of time deposits with original maturities of more than 3 months was 0.08 %-2.45% per annum as of December 31, 2021.
- b. Refer to Note 25 for information relating to their credit risk management and impairment of financial assets at amortized cost.
- c. Refer to Note 27 for information relating to investments in financial assets at amortized cost pledged as security.

8. ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	2022	2021
<u>Accounts receivable-unrelated parties</u>		
At amortized cost		
Gross carrying amount	\$ 34,869	\$ 14,680
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 34,869</u>	<u>\$ 14,680</u>

At amortized cost

The average credit period of sales of goods was 30 days. No interest was charged on trade receivables.

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to the past default records of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation, whichever occurs earlier. For trade receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Company's provision matrix.

December 31, 2022

Item	Not Past Due	Past Due Up to 60 Days	Past Due 61 to 90 Days	Past Due 91 to 120 Days	Past Due 121 to 150 Days	Past Due 151 to 180 Days	Past Due Over 181 Days	Total
Gross carrying amount	\$ 31,519	\$ 3,350	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,869
Loss allowance (Lifetime ECL)	-	-	-	-	-	-	-	-
Amortized cost	<u>\$ 31,519</u>	<u>\$ 3,350</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,869</u>

December 31, 2021

Item	Not Past Due	Past Due Up to 60 Days	Past Due 61 to 90 Days	Past Due 91 to 120 Days	Past Due 121 to 150 Days	Past Due 151 to 180 Days	Past Due Over 181 Days	Total
Gross carrying amount	\$ 13,369	\$ 1,311	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,680
Loss allowance (Lifetime ECL)	-	-	-	-	-	-	-	-
Amortized cost	<u>\$ 13,369</u>	<u>\$ 1,311</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,680</u>

9. INVENTORIES

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Finished goods	\$ 1,660,740	\$ 814,864
Work in progress	746,774	698,577
Raw materials	<u>3,430</u>	<u>3,620</u>
	<u>\$ 2,410,944</u>	<u>\$ 1,517,061</u>

The nature of the cost of goods sold is as follows:

	For the Year Ended December 31	
	2022	2021
Cost of inventories sold	\$ 1,445,300	\$ 2,628,206
Inventory write-downs (reversed) (a)	<u>89,268</u>	<u>(19,090)</u>
	<u>\$ 1,534,568</u>	<u>\$ 2,609,116</u>

a. Inventory write-downs were reversed as a result of sale has been recognized inventory obsolescence.

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in subsidiaries

	December 31	
	2022	2021
NUEVA IMAGING, INC.	\$ 254,407	\$ 245,698
Silicon Optronics (Cayman) Co., Ltd.	<u>36,504</u>	<u>32,221</u>
	<u>\$ 290,911</u>	<u>\$ 277,919</u>

Name of subsidiary

	Proportion of Ownership and Voting Rights	
	December 31	
	2022	2021
NUEVA IMAGING, INC.	100%	100%
Silicon Optronics (Cayman) Co., Ltd.	100%	100%

The share of profit and loss and other comprehensive income of the subsidiaries accounted for using the equity method for the years ended December 31, 2022 and 2021 was recognized based on the subsidiaries' financial statements audited by the accountants for the same periods.

11. PROPERTY, PLANT AND EQUIPMENT

	Testing Equipment	R&D Equipment	Molding Equipment	Computer	Office Equipment	Photomasks	Total
<u>Cost</u>							
Balance at January 1, 2022	\$ 910	\$ 473,084	\$ 13,659	\$ 118	\$ -	\$ 124,048	\$ 611,819
Additions	-	-	1,058	368	-	32,726	34,152
Disposal	<u>(180)</u>	<u>(473,084)</u>	<u>(2,313)</u>	<u>-</u>	<u>-</u>	<u>(64,553)</u>	<u>(540,130)</u>
Balance at December 31, 2022	<u>\$ 730</u>	<u>\$ -</u>	<u>\$ 12,404</u>	<u>\$ 486</u>	<u>\$ -</u>	<u>\$ 92,221</u>	<u>\$ 105,841</u>

(Continued)

	Testing Equipment	R&D Equipment	Molding Equipment	Computer	Office Equipment	Photomasks	Total
<u>Accumulated depreciation</u>							
Balance at January 1, 2022	\$ 281	\$ 52,564	\$ 5,867	\$ 26	\$ -	\$ 64,946	\$ 123,684
Depreciation expense	167	7,037	3,466	101	-	51,762	62,533
Disposal	(180)	(59,601)	(2,313)	-	-	(64,553)	(126,647)
Balance at December 31, 2022	<u>\$ 268</u>	<u>\$ -</u>	<u>\$ 7,020</u>	<u>\$ 127</u>	<u>\$ -</u>	<u>\$ 52,155</u>	<u>\$ 59,570</u>
<u>Accumulated impairment</u>							
Balance at January 1, 2022 and December 31, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,183</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,183</u>
Carrying amounts at December 31, 2022	<u>\$ 462</u>	<u>\$ -</u>	<u>\$ 4,201</u>	<u>\$ 359</u>	<u>\$ -</u>	<u>\$ 40,066</u>	<u>\$ 45,088</u>
<u>Cost</u>							
Balance at January 1, 2021	\$ 1,273	\$ 473,084	\$ 12,665	\$ 155	\$ 29	\$ 108,800	\$ 596,006
Additions	615	-	4,089	118	-	64,555	69,377
Disposal	(978)	-	(3,095)	(155)	(29)	(49,307)	(53,564)
Balance at December 31, 2021	<u>\$ 910</u>	<u>\$ 473,084</u>	<u>\$ 13,659</u>	<u>\$ 118</u>	<u>\$ -</u>	<u>\$ 124,048</u>	<u>\$ 611,819</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2021	\$ 1,035	\$ 21,026	\$ 4,643	\$ 116	\$ 28	\$ 55,325	\$ 82,173
Depreciation expense	224	31,538	4,319	65	1	58,928	95,075
Disposal	(978)	-	(3,095)	(155)	(29)	(49,307)	(53,564)
Balance at December 31, 2021	<u>\$ 281</u>	<u>\$ 52,564</u>	<u>\$ 5,867</u>	<u>\$ 26</u>	<u>\$ -</u>	<u>\$ 64,946</u>	<u>\$ 123,684</u>
<u>Accumulated impairment</u>							
Balance at January 1, 2021 and December 31, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,183</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,183</u>
Carrying amounts at December 31, 2021	<u>\$ 629</u>	<u>\$ 420,520</u>	<u>\$ 6,609</u>	<u>\$ 92</u>	<u>\$ -</u>	<u>\$ 59,102</u>	<u>\$ 486,952</u>

(Concluded)

The Company's property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Testing equipment	2-5 years
R&D equipment	15 years
Molding equipment	3 years
Computers	3 years
Office equipment	5 years
Photomasks	2 years

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Carrying amounts</u>		
Buildings	<u>\$ 9,005</u>	<u>\$ 4,843</u>

	For the Year Ended December 31	
	2022	2021

Depreciation charge for right-of-use assets
Buildings

	<u>\$ 4,154</u>	<u>\$ 4,152</u>
--	-----------------	-----------------

Except for the aforementioned addition and recognized depreciation, the Company did not have significant sublease or impairment of right-of-use assets during the years ended December 31, 2022 and 2021.

b. Lease liabilities

	December 31	
	2022	2021

Carrying amounts

Current

	<u>\$ 4,136</u>	<u>\$ 4,210</u>
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Non-current

	<u>\$ 4,902</u>	<u>\$ 706</u>
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The discount rate for lease liabilities was as follows:

	December 31	
	2022	2021

Buildings

	1.46%	1%
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c. Material lease activities and terms

The Company did not have significant new lease contracts in 2022 and 2021. The Company leases buildings for the use of offices with lease terms of 3-4 years. The Company does not have bargain purchase options to acquire the buildings at the expiry of the lease periods. In addition, the Company is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	December 31	
	2022	2021

Expenses relating to short-term leases

	<u>\$ 450</u>	<u>\$ 505</u>
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Expenses relating to low-value asset leases

	<u>\$ 38</u>	<u>\$ 60</u>
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Total cash outflow for leases

	<u>\$ (4,728)</u>	<u>\$ (4,805)</u>
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13. INTANGIBLE ASSETS

Software

Cost

Balance at January 1, 2022

	<u>\$ 1,259</u>
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Additions

	<u>3,373</u>
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Balance at December 31, 2022

	<u>\$ 4,632</u>
--	-----------------

(Continued)

	Software
<u>Accumulated amortization</u>	
Balance at January 1, 2022	\$ 279
Amortization expense	<u>1,544</u>
Balance at December 31, 2022	<u>\$ 1,823</u>
Carrying amounts at December 31, 2022	<u>\$ 2,809</u>
<u>Cost</u>	
Balance at January 1, 2021	\$ 5,827
Additions	3,475
Disposal	<u>(8,043)</u>
Balance at December 31, 2021	<u>\$ 1,259</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2021	\$ 5,724
Amortization expense	2,598
Disposal	<u>(8,043)</u>
Balance at December 31, 2021	<u>\$ 279</u>
Carrying amounts at December 31, 2021	<u>\$ 980</u> (Concluded)

Except for the recognition of amortization expense, there were no significant addition, disposal and impairment of the Company's other intangible assets for the year ended December 31, 2022 and 2021.

The above items of intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Software	3 years
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14. OTHER ASSETS

	<u>December 31</u>	
	2022	2021
<u>Current</u>		
Prepayments for purchases	\$ 88,397	\$ 2,322
Overpaid sales tax	26,280	-
Tax receivables	16,565	30,605
Others	<u>2,986</u>	<u>1,078</u>
	<u>\$ 134,228</u>	<u>\$ 34,005</u> (Continued)

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Non-current</u>		
Refundable deposits	\$ 1,525	\$ 82,415
Net defined benefit assets	<u>1,516</u>	<u>1,427</u>
	<u>\$ 3,041</u>	<u>\$ 83,842</u>
		(Concluded)

15. BORROWINGS

a. Short-term loan

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Unsecured loan</u>		
Bank loan	<u>\$ 150,000</u>	<u>\$ -</u>

The range of weighted average effective interest rates on bank loans was 2.08%-2.5% per annum on December 31, 2022.

b. Long-term loan

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Secured loan (Note 27)</u>		
Bank loan (1)	\$ -	\$ 350,000
<u>Unsecured loan</u>		
Bank loan (2)	400,000	
Less: Current portion	<u>100,000</u>	<u>100,000</u>
Long-term loan	<u>\$ 300,000</u>	<u>\$ 250,000</u>

1) In the year ended December 31, 2020, the Company acquired new bank loan facilities in the amount of \$350,000 thousand, with a floating interest rate of 0.9908% per annum. Interest is paid monthly, and the principal is to be repaid in seven equal semiannual installments starting from April 2022. The loan is to be repaid before July 1, 2025. However, the aforesaid loan has been repaid in advance on May 3, 2022.

2) The Company acquired new bank loan with a floating interest rate of 1.9514% per annum. Interest is paid monthly, and the principal is to be repaid in seven equal semiannual installments starting from July 2023. The loan is to be repaid before July 5, 2025.

16. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Current</u>		
Other payables		
Payables for bonuses	\$ 19,863	\$ 64,439
Payables for employees' compensation	13,440	78,500
Payables for purchases of equipment	8,371	10,222
Payables for remuneration of directors	2,500	10,000
Others	<u>8,762</u>	<u>15,860</u>
	52,936	179,021
Other liabilities		
Receipts under custody	<u>199</u>	<u>151</u>
	<u>\$ 53,135</u>	<u>\$ 179,172</u>
Refund liabilities (a)	<u>\$ 53,941</u>	<u>\$ 17,118</u>

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act ("LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the Bureau); the Company has no right to influence the investment policy and strategy.

The amounts included in the parent company only balance sheets in respect of the Company's benefit plans are as follows:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Present value of defined benefit obligation	\$ 365	\$ 291
Fair value of plan assets	<u>(1,881)</u>	<u>(1,718)</u>
Net defined benefit assets	<u>\$ (1,516)</u>	<u>\$ (1,427)</u>

Movements in net defined benefit assets were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Assets
Balance at January 1, 2022	\$ 291	\$ (1,718)	\$ (1,427)
Net interest expense (income)	<u>3</u>	<u>(14)</u>	<u>(11)</u>
Recognized in profit or loss	<u>3</u>	<u>(14)</u>	<u>(11)</u>
Remeasurement			
Actuarial (gain) loss			
Actuarial loss - changes in financial assumptions	(31)	-	(31)
Actuarial loss - experience adjustments	<u>102</u>	<u>(127)</u>	<u>(25)</u>
Recognized in other comprehensive loss (income)	<u>71</u>	<u>(127)</u>	<u>(56)</u>
Contributions from the employer	<u>-</u>	<u>(22)</u>	<u>(22)</u>
Balance at December 31, 2022	<u>\$ 365</u>	<u>\$ (1,881)</u>	<u>\$ (1,516)</u>
Balance at January 1, 2021	\$ 285	\$ (1,659)	\$ (1,374)
Net interest expense (income)	<u>1</u>	<u>(7)</u>	<u>(6)</u>
Recognized in profit or loss	<u>1</u>	<u>(7)</u>	<u>(6)</u>
Remeasurement			
Actuarial (gain) loss			
Actuarial loss - changes in financial assumptions	(18)	-	(18)
Actuarial loss - experience adjustments	<u>23</u>	<u>(23)</u>	<u>-</u>
Recognized in other comprehensive loss (income)	<u>5</u>	<u>(23)</u>	<u>(18)</u>
Contributions from the employer	<u>-</u>	<u>(29)</u>	<u>(29)</u>
Balance at December 31, 2021	<u>\$ 291</u>	<u>\$ (1,718)</u>	<u>\$ (1,427)</u>

Through the defined benefit plans under the Labor Standards Act, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2022	2021
Discount rate	1.4%	0.8%
Expected rate of salary increase	3.0%	3.0%

If possible reasonable changes in each of the significant actuarial assumptions occur and all other assumptions remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	December 31	
	2022	2021
Discount rate		
0.25% increase	<u>\$ (12)</u>	<u>\$ (11)</u>
0.25% decrease	<u>\$ 12</u>	<u>\$ 11</u>
Expected rate of salary increase/decrease		
0.25% increase	<u>\$ 11</u>	<u>\$ 10</u>
0.25% decrease	<u>\$ (11)</u>	<u>\$ (10)</u>

The sensitivity analysis presented above may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2022	2021
Expected contributions to the plans for the next year	<u>\$ 22</u>	<u>\$ 22</u>
Average duration of the defined benefit obligation	14 years	15 years

18. EQUITY

a. Common stock

	December 31	
	2022	2021
Number of shares authorized (in thousands)	<u>100,000</u>	<u>100,000</u>
Shares authorized	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>78,456</u>	<u>78,153</u>
Shares issued	<u>\$ 784,559</u>	<u>\$ 781,529</u>

A total of 15,000 thousand shares from the authorized share capital was reserved for the issuance of employee share options. The increase in the Company's share capital is mainly due to the employees' exercise of their employee share options.

b. Capital surplus

	December 31	
	2022	2021
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Arising from issuance of ordinary shares	\$ 1,118,553	\$ 1,115,462
Arising from exercise of employee share options	12,754	12,286
<u>May not be used for any purpose</u>		
Arising from employee share options	<u>36,482</u>	<u>5,001</u>
	<u>\$ 1,167,789</u>	<u>\$ 1,132,749</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

Reconciliations of the balance for each class of capital surplus were as follows:

	Premium on Issue of Shares	Arising from Employee Share Options	Total
Balance at January 1, 2021	\$ 1,114,427	\$ 17,287	\$ 1,131,714
Issuance of ordinary shares under employee share options	<u>1,035</u>	<u>-</u>	<u>1,035</u>
Balance at December 31, 2021	1,115,462	17,287	1,132,749
Share-based payment	-	31,949	31,949
Issuance of ordinary shares under employee share options	<u>3,091</u>	<u>-</u>	<u>3,091</u>
Balance at December 31, 2022	<u>\$ 1,118,553</u>	<u>\$ 49,236</u>	<u>\$ 1,167,789</u>

c. Retained earnings and dividend policy

Under the Company's articles of incorporation (the "Articles"), where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting accumulated losses of previous years, setting aside as legal reserve 10% of the remaining profit, however, when the statutory surplus reserve has exceeded 50% of the total capital, it may not be set aside any more. When the special surplus reserve is set aside in accordance with Article 41 of the Securities and Exchange Law, the insufficient amount of the "net amount of other equity deductions accumulated in the previous period" shall be set aside the same amount of special surplus reserve from the undistributed earnings of the previous period before the distribution of earnings, Items other than the current after tax net profit added to the current after tax net profit are included in the current undistributed earnings. Setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors after the amendment, refer to "Employees' compensation and remuneration of directors" in Note 20 (g).

Considering that the Company is in a period of operational growth, taking into account the interests of the Company's shareholders and long-term capital and business planning, no more than 90% of the accumulated distributable earnings should be distributed as dividends, out of which no less than 10% of the total dividends distributed should be in the form of cash dividends. If the Company has no distributable earnings for the year, or if there are earnings but the amount of earnings is much lower than that distributed in the previous year, or considering the Company's financial, business and operational factors, the Company may distribute all or part of the earnings in accordance with the law or regulations of the competent authorities.

The appropriations of earnings for 2021 and 2020 which had been approved in the shareholders in their meetings on June 23, 2022 and July 1, 2021, respectively, were as follows:

	Appropriation of Earnings	
	For the Year Ended December 31	
	2021	2020
Legal reserve	\$ 74,107	\$ 28,146
Special reserve	\$ 1,509	\$ 1,885
Cash dividends	\$ 270,035	\$ 215,897
Dividends per share (NT\$)	\$ 3.5	\$ 2.8

The appropriations of earnings for 2022 had been proposed by the Company's board of directors on March 15, 2023. The appropriations and dividends per share were as follows:

	Appropriation of Earnings
Legal reserve	\$ 12,261
Special reserve	\$ (5,759)
Cash dividends	\$ -
Dividends per share (NT\$)	\$ -

The appropriations of earnings for 2022 are subject to the resolution of the shareholders' in their meeting to be held on June 16, 2023.

d. Other equity items

	For the Year Ended December 31	
	2022	2021
Balance, beginning of year	\$ (5,759)	\$ (4,250)
Exchange differences on translation of the financial statements of foreign operations	<u>5,782</u>	<u>(1,509)</u>
Balance, end of year	<u>\$ 23</u>	<u>\$ (5,759)</u>

e. Treasury shares

	For the Year Ended December 31	
	2022	2021
Treasury shares (in thousands of shares)	<u>1,000</u>	<u>1,000</u>

The Company resolved in its board of directors' meeting held on August 12, 2019 to buy back 1,000 thousand of its ordinary shares listed on the Taiwan Stock Exchange within the period starting August

13, 2019 to October 12, 2019 for transfer to its employees, at a purchase price ranging from NT\$53 to NT\$115 per share.

In October 2019, the Company completed the repurchase of 1,000 thousand shares for \$96,995 thousand.

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

19. REVENUE

	For the Year Ended December 31	
	2022	2021
Revenue from contracts with customers		
Revenue from the sale of goods	\$ 2,021,104	\$ 3,992,611
Others	<u>7,986</u>	<u>3,885</u>
	<u>\$ 2,029,090</u>	<u>\$ 3,996,496</u>

a. Contract balances

	December 31, 2022	December 31, 2021	January 1, 2020
Accounts receivable (Note 8)	<u>\$ 34,869</u>	<u>\$ 14,680</u>	<u>\$ 32,842</u>
Contract liabilities - current			
Sale of goods	<u>\$ 69,012</u>	<u>\$ 35,139</u>	<u>\$ 15,940</u>

Revenue recognized in the current reporting period from the contract liabilities at the beginning of the year is as follows:

	For the Year Ended December 31	
	2022	2021
From the contract liabilities at the beginning of the year		
Sale of goods	<u>\$ 29,311</u>	<u>\$ 12,696</u>

b. Disaggregation of revenue

	For the Year Ended December 31	
	2022	2021
<u>Primary geographical markets</u>		
Hong Kong	\$ 1,620,387	\$ 3,475,865
Taiwan (the Company's operating location)	170,578	236,401
Others	<u>238,125</u>	<u>284,230</u>
	<u>\$ 2,029,090</u>	<u>\$ 3,996,496</u>

(Continued)

	<u>For the Year Ended December 31</u>	
	2022	2021
<u>Major goods</u>		
CMOS	\$ 1,995,249	\$ 3,967,619
Other	<u>33,841</u>	<u>28,877</u>
	<u>\$ 2,029,090</u>	<u>\$ 3,996,496</u> (Concluded)

20. NET PROFIT FROM CONTINUING OPERATIONS

a. Interest income

	<u>For the Year Ended December 31</u>	
	2022	2021
Bank deposits	\$ 9,434	\$ 4,703
Financial asset at amortized cost	928	4,525
Others	<u>7</u>	<u>7</u>
	<u>\$ 10,369</u>	<u>\$ 5,235</u>

b. Other income

	<u>For the Year Ended December 31</u>	
	2022	2021
Others	<u>\$ 137</u>	<u>\$ 152</u>

c. Other gains and losses

	<u>For the Year Ended December 31</u>	
	2022	2021
Net foreign exchange gain	\$ 4,738	\$ 7,530
Gain on disposal of property, plant and equipment	4,408	-
Other gains	49	-
Other expenses	<u>-</u>	<u>(67)</u>
	<u>\$ 9,195</u>	<u>\$ 7,463</u>

d. Finance costs

	<u>For the Year Ended December 31</u>	
	2022	2021
Interest on bank loans	\$ 4,774	\$ 3,481
Interest on lease liabilities	<u>95</u>	<u>72</u>
	<u>\$ 4,869</u>	<u>\$ 3,553</u>

e. Depreciation and amortization

	<u>For the Year Ended December 31</u>	
	2022	2021
Property, plant and equipment	\$ 62,533	\$ 95,075
Right-of-use assets	4,154	4,152
Intangible assets	<u>1,544</u>	<u>2,598</u>
Total	<u>\$ 68,231</u>	<u>\$ 101,825</u>
An analysis of depreciation by function		
Operating costs	\$ 14,485	\$ 20,980
Operating expenses	<u>52,202</u>	<u>78,247</u>
	<u>\$ 66,687</u>	<u>\$ 99,227</u>
An analysis of amortization by function		
Research and development expenses	<u>\$ 1,544</u>	<u>\$ 2,598</u>

f. Employee benefits expense

	<u>For the Year Ended December 31</u>	
	2022	2021
Post-employment benefits		
Defined contribution plans	\$ 3,529	\$ 3,213
Defined benefit plans	<u>(11)</u>	<u>(6)</u>
	3,518	3,207
Other employee benefits	<u>159,206</u>	<u>229,517</u>
Total employee benefits expense	<u>\$ 162,724</u>	<u>\$ 232,724</u>
An analysis of employee benefits expense by function		
Operating expenses	<u>\$ 162,724</u>	<u>\$ 232,724</u>

g. Employees' compensation and remuneration of directors

According to the Company's Articles, the Company accrued employees' compensation at a rate of no less than 0.005% and no higher than 25% and remuneration of directors and supervisors at a rate of no higher than 3%. The employees' compensation and remuneration of directors for the years ended December 31, 2022 and 2021 were resolved in the board of directors' meetings on March 15, 2023 and March 16, 2022, respectively.

Accrual rate

	<u>For the Year Ended December 31</u>	
	2022	2021
Employees' compensation	7.99%	8.00%
Remuneration of directors and supervisors	1.49%	1.02%

Amount

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Employees' compensation	\$ 13,440	\$ 78,500
Remuneration of directors and supervisors	2,500	10,000

If there is a change in the amounts after the annual parent company only financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the parent company only financial statements for the years ended December 31, 2021 and 2020.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2022 and 2021 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

21. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Current tax		
In respect of the current year	\$ 25,606	\$ 147,381
Income tax on unappropriated earnings	19,771	1,776
Adjustments for prior years	<u>(293)</u>	<u>(683)</u>
	45,670	148,474
Deferred tax		
In respect of the current year	<u>(16,062)</u>	<u>3,327</u>
Income tax expense recognized in profit or loss	<u>\$ 29,608</u>	<u>\$ 151,801</u>

A reconciliation of accounting profit and income tax expense is as follows:

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Profit before tax from continuing operations	<u>\$ 152,166</u>	<u>\$ 892,851</u>
Income tax expense calculated at the statutory rate	\$ 30,433	\$ 178,570
Nondeductible expenses in determining taxable income	(1,442)	(2,239)
Income tax on unappropriated earnings	19,771	1,776
Unrecognized deductible temporary differences	16,062	(3,327)
Investment credits of the current year	(19,447)	(25,623)
Deferred tax		
Temporary differences	(16,062)	3,327
Adjustments for prior years' tax	<u>(293)</u>	<u>(683)</u>
Income tax expense recognized in profit or loss	<u>\$ 29,608</u>	<u>\$ 151,801</u>

b. Current tax liabilities

	<u>December 31</u>	
	2022	2021
Current tax liabilities		
Income tax payable	\$ <u>51,763</u>	\$ <u>149,168</u>

c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the Year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Closing Balance
<u>Deferred tax assets</u>			
Allowance for impairment loss	\$ 13,636	\$ 17,854	\$ 31,490
Foreign exchange loss	<u>283</u>	<u>(283)</u>	<u>-</u>
	<u>\$ 13,919</u>	<u>\$ 17,571</u>	<u>\$ 31,490</u>
<u>Deferred tax liabilities</u>			
Gain on foreign currency exchange	\$ <u>-</u>	\$ <u>1,509</u>	\$ <u>1,509</u>

For the Year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Closing Balance
<u>Deferred tax assets</u>			
Allowance for impairment loss	\$ 17,454	\$ (3,818)	\$ 13,636
Foreign exchange loss	<u>-</u>	<u>283</u>	<u>283</u>
	<u>\$ 17,454</u>	<u>\$ (3,535)</u>	<u>\$ 13,919</u>
<u>Deferred tax liabilities</u>			
Gain on foreign currency exchange	\$ <u>208</u>	\$ <u>(208)</u>	\$ <u>-</u>

d. Income tax assessments

The Company's tax returns through 2020 have been assessed by the tax authorities.

22. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<u>For the Year Ended December 31</u>	
	2022	2021
Basic earnings per share	\$ <u>1.59</u>	\$ <u>9.61</u>
Diluted earnings per share	\$ <u>1.58</u>	\$ <u>9.53</u>

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Earnings used in the computation of basic earnings per share	\$ 122,558	\$ 741,050
Effect of potentially dilutive ordinary shares:		
Employee share options	-	-
Bonuses issued to employees	<u>-</u>	<u>-</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 122,558</u>	<u>\$ 741,050</u>

Number of shares

Unit: In Thousands of Shares

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Weighted average number of ordinary shares used in the computation of basic earnings per share	77,206	77,121
Effect of potentially dilutive ordinary shares:		
Employee share options	198	25
Bonuses issued to employees	<u>355</u>	<u>624</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>77,759</u>	<u>77,770</u>

The Company may settle the bonuses to employees in cash or shares; therefore, the Company assumes the entire amount of the bonus will be settled in shares and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

23. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee share option plan

Qualified employees of the Company were granted 2,000 options on July 29, 2013 and 3,200 options on May 16, 2013. Each option entitles the holder to subscribe for one thousand ordinary shares of the Company, and the total number of new ordinary shares required to be issued for the exercise of the employee share options is 2,000 shares and 3,200 shares, respectively. The options granted are valid for 10 years and exercisable at certain percentages after the second year from the grant date.

Information on employee share options is as follows:

	<u>2021 Employee Share Option Plan</u>		<u>2013 Employee Share Option Plan</u>		<u>2013 Employee Share Option Plan</u>	
	<u>Number of Options (In Thousands)</u>	<u>Weighted - Average Exercise Price (NT\$)</u>	<u>Number of Options (In Thousands)</u>	<u>Weighted - Average Exercise Price (NT\$)</u>	<u>Number of Options (In Thousands)</u>	<u>Weighted - Average Exercise Price (NT\$)</u>
<u>For the year ended December 31, 2022</u>						
Balance at January 1	-	\$ 99.60	55	\$ 32.21	603	\$ 17.20
Options granted	3,500	99.60	-	-	-	-
Options exercised	-	-	(55)	31.00	(248)	17.79
Options forfeited	-	-	-	-	(355)	15.81
Balance at December 31	<u>3,500</u>	<u>99.60</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Options exercisable, end of period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

	<u>2013 Employee Share Option Plan</u>		<u>2013 Employee Share Option Plan</u>	
	<u>Number of Options (In Thousands)</u>	<u>Weighted - Average Exercise Price (NT\$)</u>	<u>Number of Options (In Thousands)</u>	<u>Weighted - Average Exercise Price (NT\$)</u>
<u>For the year ended December 31, 2021</u>				
Balance at January 1	100	\$ 33.00	605	\$ 17.17
Options exercised	<u>(45)</u>	<u>32.21</u>	<u>(2)</u>	<u>10.25</u>
Balance at December 31	<u>55</u>	<u>32.21</u>	<u>603</u>	<u>17.20</u>
Options exercisable, end of period	<u>55</u>		<u>603</u>	

Information on outstanding options as follows:

Share Option Plan	<u>December 31, 2022</u>		<u>December 31, 2021</u>		
	<u>Range of Exercise Price(NT\$)</u>	<u>Weighted-average Remaining Contractual Life (In Years)</u>	<u>Share Option Plan</u>	<u>Range of Exercise Price(NT\$)</u>	<u>Weighted-average Remaining Contractual Life (In Years)</u>
2021 Employee share option plan	\$ 99.60	11.23	2021 Employee share option plan	\$ -	-
2013 Employee share option plan	-	-	2013 Employee share option plan	32.21	1.62
2012 Employee share option plan	-	-	2012 Employee share option plan	10.25-19.03	0.82

The resolution for the granting of the 2021 employee share options was passed in the board of directors' meeting on July 1, 2021, and their fair values were assessed using the Black-Scholes pricing model; the inputs to the model are as follows:

Grant-date share price (NT\$)	\$103.5
Exercise price (NT\$)	\$103.5
Expected volatility	43.11%-39.21%
Expected life	2.5-4.5 years
Expected dividend yield	-
Risk-free interest rate	0.79%-0.92%
Fair value of stock options	30.73

The cost of share-based compensation for the year ended December 31, 2022, is \$ 31,949 thousand.

24. CAPITAL MANAGEMENT

The Company manages its capital to ensure that will be able to continue as a going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

Key management personnel of the Company review the capital structure on an annual basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company may adjust the number of new shares issued, and/or the amount of new debt issued or existing debt redeemed.

The Company is not subject to any externally imposed capital requirements.

25. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

The management believes the carrying amounts of financial assets and financial liabilities not carried at fair value approximate their fair values.

b. Categories of financial instruments

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Financial assets</u>		
Financial assets at amortized cost (Note 1)	\$ 761,749	\$ 1,496,705
<u>Financial liabilities</u>		
Amortized cost (Note 2)	830,373	720,634

Note 1: The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, accounts receivable, refundable deposit and pledged time deposits.

Note 2: The balances include financial liabilities measured at amortized cost, which comprise short-term loan, accounts payable, other payables (including related parties), current portion of long-term borrowing, long-term loan and guarantee deposits.

c. Financial risk management objectives and policies

The Company's major financial instruments included accounts receivable, accounts payable and borrowings. The Company's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

There had been no change in the Company's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Company has foreign currency sales and purchases, which expose the Company to foreign currency risk. Approximately 92% of the Company's sales is denominated in currencies other than the functional currency of the Company, whilst almost 98% of costs is denominated in the Company's functional currency. Exchange rate exposures are managed within approved policy parameters.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities are set out in Note 28.

Sensitivity analysis

The Company is mainly exposed to the exchange rate fluctuations in the USD.

The sensitivity analysis regarding foreign currency risk is mainly calculated for USD denominated monetary items on the balance sheet date.

When the NTD appreciates/depreciates by 1% against the USD, the Group's net profit before tax for the years ended December 31, 2022 and 2021 would decrease/increase by \$2,532 thousand and \$1,174 thousand, respectively.

b) Interest rate risk

The Company is exposed to interest rate risk arising from financial assets and financial liabilities at both fixed and floating interest rates.

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting periods were as follows:

	<u>December 31</u>	
	2022	2021
Fair value interest rate risk		
Financial assets	\$ 341,338	\$ 680,494
Cash flow interest rate risk		
Financial assets	383,922	718,934
Financial liabilities	550,000	350,000

Sensitivity analysis

The sensitivity analysis regarding interest rate risk is calculated based on the changes in the cash flow of floating-rate liabilities on the balance sheet date.

If interest rates had been 0.5% higher/lower, pre-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by \$(830) thousand and \$1,845 thousand, respectively.

2) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in a financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure of

counterparties to discharge an obligation mainly arise from the carrying amount of the respective recognized financial assets as stated in the parent company only balance sheets.

The Company transacts with a large number of unrelated customers; thus, no concentration of credit risk was observed.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank facilities and ensures compliance with loan covenants.

Bank borrowings are significant sources of liquidity for the Company. For the Company's unutilized financing facilities, please refer to (b) Financing facilities below.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following tables detail the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows.

Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

December 31, 2022

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1 Year to 5 Years
<u>Non-derivative financial liabilities</u>				
Lease liabilities	\$ 353	\$ 707	\$ 3,180	\$ 4,947
Accounts payable	177,827	86,708	723	-
Other payables - related parties	6,744	-	-	-
Payables for purchase of equipment	5,975	2,396	-	-
Variable interest rate liabilities	<u>150,650</u>	<u>1,301</u>	<u>105,041</u>	<u>307,318</u>
	<u>\$ 341,549</u>	<u>\$ 91,112</u>	<u>\$ 108,944</u>	<u>\$ 312,265</u>

Further information on the maturity analysis of the above financial liabilities was as follows:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	\$ 4,240	\$ 4,947	\$ -	\$ -	\$ -	\$ -
Interest rate liabilities	<u>256,992</u>	<u>307,318</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 261,232</u>	<u>\$ 312,265</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2021

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1 Year to 5 Years
<u>Non-derivative financial liabilities</u>				
Lease liabilities	\$ 353	\$ 707	\$ 3,180	\$ 707
Accounts payable	269,324	79,576	-	-
Other payables - related parties	11,512	-	-	-
Payables for purchase of equipment	5,154	5,068	-	-
Variable interest rate liabilities	<u>289</u>	<u>578</u>	<u>102,189</u>	<u>253,304</u>
	<u>\$ 286,632</u>	<u>\$ 85,929</u>	<u>\$ 105,369</u>	<u>\$ 254,011</u>

Further information on the maturity analysis of the above financial liabilities was as follows:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	\$ 4,240	\$ 707	\$ -	\$ -	\$ -	\$ -
Interest rate liabilities	<u>103,056</u>	<u>253,304</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 107,296</u>	<u>\$ 254,011</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

b) Financing facilities

	December 31	
	2022	2021
Unsecured bank overdraft facilities, reviewed annually and payable on demand:		
Amount used	\$ 550,000	\$ -
Amount unused	<u>200,000</u>	<u>200,000</u>
	<u>\$ 750,000</u>	<u>\$ 200,000</u>
Secured bank overdraft facilities:		
Amount used	\$ -	\$ 350,000
Amount unused	<u>250,000</u>	<u>100,000</u>
	<u>\$ 250,000</u>	<u>\$ 450,000</u>

26. TRANSACTIONS WITH RELATED PARTIES

Besides information disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed below.

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
Silicon Optronics (Shanghai) Co., Ltd.	Subsidiaries
NUEVA IMAGING, INC.	Subsidiaries
Powerchip Semiconductor Manufacturing Corp.	Substantive related parties (Non-related since April 18, 2021)

b. Purchases

<u>Related Party Category</u>	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Substantive related parties		
Powerchip Semiconductor Manufacturing Corp.	\$ <u> -</u>	\$ <u>437,695</u>

The purchase prices and payment terms were based on negotiations and thus not comparable with those in the market.

c. Technical service expense

<u>Related Party Category</u>	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Subsidiaries		
Silicon Optronics (Shanghai) Co., Ltd.	\$ 59,206	\$ 113,784
NUEVA IMAGING, INC.	<u>51,889</u>	<u>41,114</u>
	<u>\$ 111,095</u>	<u>\$ 154,898</u>

The technical service contracts between the Company and its related parties are based on the prices and terms agreed upon by both parties, therefore no other appropriate transaction counterparties are available for comparison.

d. Other payables to related parties

<u>Related Party Category</u>	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Subsidiaries		
NUEVA IMAGING, INC.	\$ 3,580	\$ 2,625
Silicon Optronics (Shanghai) Co., Ltd.	<u>3,164</u>	<u>8,887</u>
	<u>\$ 6,744</u>	<u>\$ 11,512</u>

e. Remuneration of key management personnel

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ <u>71,174</u>	\$ <u>15,226</u>

The remuneration of directors and other key management personnel departments is determined by the remuneration committee based on individual performance and market trends.

27. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets of the Company were provided as collateral for long-term bank borrowings and as guarantee for the tariff on imported raw materials:

	December 31	
	2022	2021
Property, plant and equipment - R&D equipment	\$ -	\$ 420,520
Pledged time deposits (classified as financial assets at amortized cost-noncurrent)	<u>3,528</u>	<u>3,512</u>
	<u>\$ 3,528</u>	<u>\$ 424,032</u>

28. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than the functional currencies and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

December 31, 2022

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 22,079	30.71 (USD:NTD)	\$ 678,047
CNY	2,309	4.408 (CNY:NTD)	<u>10,178</u>
			<u>\$ 688,225</u>
<u>Financial liabilities</u>			
Monetary items			
USD	13,833	30.71 (USD:NTD)	<u>\$ 424,820</u>

December 31, 2021

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 17,962	27.68 (USD:NTD)	\$ 497,189
CNY	2,282	4.344 (CNY:NTD)	<u>9,915</u>
			<u>\$ 507,104</u>
<u>Financial liabilities</u>			
Monetary items			
USD	13,721	27.68 (USD:NTD)	<u>\$ 379,809</u>

The significant unrealized foreign exchange gains (losses) were as follows:

	For the Year Ended December 31			
	2022		2021	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
USD	30.71 (USD:NTD)	\$ 7,861	27.68 (USD:NTD)	\$ (953)
CNY	4.408 (CNY:NTD)	<u>(317)</u>	4.344 (CNY:NTD)	<u>(464)</u>
		<u>\$ 7,544</u>		<u>\$ (1,417)</u>

29. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others: None;
- 2) Endorsements/guarantees provided: None;
- 3) Marketable securities held (excluding investments in subsidiaries): None;
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None;
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None;
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: Please see Table 1 attached ;
- 7) Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: None;
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None;
- 9) Information about the derivative instruments transaction: None;

b. Names, locations, and related information of investees over which the Company exercises significant influence (excluding information on investment in Mainland China): Please see Table 2 attached;

c. Information on investments in mainland China: Please see Table 3 attached.

d. Information on major shareholders: The name, amount and proportion of shareholders with a shareholding ratio of 5% or more: Please see Table 4 attached.

SILICON OPTRONICS, INC. AND SUBSIDIARIES

**DISPOSAL OF INDIVIDUAL REAL ESTATE AT PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Seller	Property	Event Date	Original Acquisition Date	Carrying Amount	Transaction Amount	Collection	Gain (Loss) on Disposal	Counterparty	Relationship	Purpose of Disposal	Price Reference	Other Terms
Silicon Optronics, Inc.	BIS equipment	2022.03.16	2020.05.01	\$ 413,483	\$ 417,891	Paid	\$ 4,408	Powerchip Semiconductor Manufacturing Corp.	Non-related parties	Research development progress completed	\$ 417,891	None

SILICON OPTRONICS, INC. AND SUBSIDIARIES

INFORMATION ON INVESTEEES

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Investor Company	Investee Accounted for using the Equity Method	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2022			Net Income of Investee Accounted for using the Equity Method	Investment Income	Note
				December 31, 2022	December 31, 2021	Number of Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
Silicon Optronics, Inc.	NUEVA IMAGING INC.	USA	Product development & design of high-end CMOS Image Sensor Investment holding company	\$ 358,500	\$ 358,500	6,000	100	\$ 254,407	\$ 3,403	\$ 3,403	Subsidiary
	Silicon Optronics (Cayman) Co., Ltd.	Cayman Islands		5,237	5,237	170	100	36,504	3,807	3,807	Subsidiary

SILICON OPTRONICS, INC. AND SUBSIDIARIES

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investee Company	Main Businesses and Products	Paid-in Capital (US\$ in Thousands)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022 (US\$ in Thousands)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022 (US\$ in Thousands)	Net Income (Loss) of the Investee	Percentage of Ownership of Direct or Indirect Investment (%)	Investment Gain (Loss)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022
					Outward	Inward						
Silicon Optronics (Shanghai) Co., Ltd.	Design, test and research and development of IC and related electronic products with consultation on technology services and technology transfer	US\$ 175 thousand	Note 1	\$ 5,374 (US\$ 175 thousand)	\$ -	\$ -	\$ 5,374 (US\$ 175 thousand)	\$ 3,807	100	\$ 3,807	\$ 36,504	\$ -

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2022 (US\$ in Thousands)	Investment Amount Authorized by Investment Commission, MOEA (US\$ in Thousands)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (US\$ in Thousands)
\$ 5,374 (US\$ 175 thousand)	Note 1	\$ 1,576,404

Note 1: Through Silicon Optronics (Cayman) Co., Ltd. investment Silicon Optronics (Shanghai) Co., Ltd., the Amount of Investment Stipulated was approved by Investment Commission, MOEA approved investment amount US\$175 thousands.

Note 2: Amount was recognized on the basis of audited financial statements.

Note 3: Based on the exchange rate as of December 31, 2022.

SILICON OPTRONICS, INC. AND SUBSIDIARIES**INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2022**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Samoa Shangzhao Lake Co., Ltd.	17,691,413	22.54
Egis Technology Inc.	12,640,756	16.11
Samoa Full Guest Investment Limited	4,875,458	6.21
Xiao Dong Luo	4,583,587	5.84

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the parent company only financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

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SILICON OPTRONICS, INC.

STATEMENT OF ACCOUNTS RECEIVABLE

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Client Name	Amount
Client A	\$ 26,301
Client B	4,639
Client C	2,801
Client D	1,093
Client E	<u>35</u>
	<u>\$ 34,869</u>

SILICON OPTRONICS, INC.

STATEMENT OF INVENTORY

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Amount	
	Cost	Net Realizable Value
Finished goods	\$ 1,660,740	\$ 2,333,904
Work in progress	746,774	1,521,565
Raw materials	<u>3,430</u>	<u>6,042</u>
	<u>\$ 2,410,944</u>	<u>\$ 3,861,511</u>

SILICON OPTRONICS, INC.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investees	Balance, January 1, 2022		Investment Gain (Loss) Recognized by Using Equity Method (Note 1)	Exchange Differences on the Translation of Financial Statements of Foreign Operations	Balance, December 31, 2022			Net Asset Value
	Number of Shares (In Thousands)	Amount			Number of Shares (In Thousands)	%	Amount	
NUEVA IMAGING, INC.	6,000	\$ 245,698	\$ 3,403	\$ 5,306	6,000	100	\$ 254,407	\$ 55,179
Silicon Optronics (Cayman) Co., Ltd.	170	<u>32,221</u>	<u>3,807</u>	<u>476</u>	170	100	<u>36,504</u>	<u>36,504</u>
		<u>\$ 277,919</u>	<u>\$ 7,210</u>	<u>\$ 5,782</u>			<u>\$ 290,911</u>	<u>\$ 91,683</u>

Note 1: The net value was based on audited financial statements of the same period.

Note 2: Above investments accounted for using equity method were not pledged as security.

SILICON OPTRONICS, INC.**STATEMENT OF CHANGE IN RIGHT-OF-USE ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Item	Buildings
Cost	
Balance at January 1, 2022	\$ 17,297
Additional	11,083
Lease modification	<u>(17,297)</u>
Balance at December 31, 2022	<u>11,083</u>
Accumulated depreciation	
Balance at January 1, 2022	12,454
Depreciation	4,154
Lease modification	<u>(14,530)</u>
Balance at December 31, 2022	<u>2,078</u>
Carrying amount at December 31, 2022	<u>\$ 9,005</u>

SILICON OPTRONICS, INC.**STATEMENT OF SHORT-TERM LOAN
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Bank	Balance at December 31	Contract Period	Interest Rate (%)	Financing facilities	Pledged as Collateral or Provided as Guarantee
Bank SinoPac Company Limited	\$ 70,000	2022.12.14- 2023.01.11	2.5	\$ 200,000	None
Taishin international bank co. ltd	<u>80,000</u>	2022.12.15- 2023.01.16	2.08	<u>100,000</u>	None
	<u>\$ 150,000</u>			<u>\$ 300,000</u>	

SILICON OPTRONICS, INC.

STATEMENT OF PAYABLES

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Name	Amount
Non- related parties	
A Vendor	\$ 242,972
B Vendor	12,525
Other (Note)	<u>9,761</u>
	<u>\$ 265,258</u>

Note: The amount of each item in others does not exceed 5% of the account balance.

SILICON OPTRONICS, INC.

STATEMENT OF LONG-TERM LOANS

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Type	Summary	Balance, End of Year	Contract Period	Range of Interest Rates (%)	Pledged as Collateral or Provided as Guarantee
Bank borrowings					
KGI commercial Bank Co., Ltd. (Note)	-	\$ 400,000	2022.07.05-2025.07.05	1.9514	None
Less: Current portion		<u>(100,000)</u>			
		<u>\$ 300,000</u>			

Note: Interest is paid monthly, and principal is repaid in three equal installments starting from July 2022. The Company has completed repayment of the loan before July 5, 2025.

SILICON OPTRONICS, INC.

STATEMENT OF LEASE LIABILITIES

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Lease Term	Discount Rate (%)	Balance, End of Year
Buildings	2022.07.01-2025.02.01	1.46	\$ 9,038
Less: Lease liabilities - current			<u>(4,136)</u>
Lease liabilities - non-current			<u>\$ 4,902</u>

SILICON OPTRONICS, INC.

**STATEMENT OF NET REVENUE
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Item	Quantity	Unit	Amount
CMOS	62,579	Thousand pieces	\$ 1,995,249
Others			<u>33,841</u>
			<u>\$ 2,029,090</u>

SILICON OPTRONICS, INC.**STATEMENT OF OPERATING COSTS****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

Item	Amount
Raw materials	
Raw materials at the beginning of the year	\$ 3,620
Purchases in the current year	1,698,651
Transfer out to expenses	5,752
Raw materials at the end of the year	<u>(3,430)</u>
Consumption of raw materials	1,704,593
Manufacturing fee	<u>731,186</u>
Manufacturing cost	2,435,779
Work in progress at the beginning of the year	698,577
Transfer out to expenses	(12,284)
Work in progress at the end of the year	<u>(746,774)</u>
Finished goods cost	2,375,298
Finished goods at the beginning of the year	814,864
Others	(3,695)
Finished goods at the end of the year	<u>(1,660,740)</u>
Cost of goods sold	1,525,727
Other adjustments	8,531
Labor cost	<u>310</u>
Operating cost	<u>\$ 1,534,568</u>

SILICON OPTRONICS, INC.**STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In thousands of New Taiwan Dollars)**

Item	Marketing Expense	General and Administrative Expense	Research and Development Expense
Payroll and related expense	\$ 8,953	\$ 28,094	\$ 107,061
Pension expense	224	725	2,569
Director's remuneration	-	2,500	-
Shipping fee	3,120	11	6
Import and export fee	1,001	22	119
Insurance fee	397	4,526	4,295
Park management fee	-	4,706	-
Professional service fee	3	4,233	410
Technical services	-	-	111,095
Depreciation fee	-	4,255	47,947
Others (Note)	<u>1,848</u>	<u>3,889</u>	<u>22,389</u>
	<u>\$ 15,546</u>	<u>\$ 52,961</u>	<u>\$ 295,891</u>

Note: The amount of each item in others does not exceed 5% of the account balance.

SILICON OPTRONICS, INC.

**SUMMARY OF EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES BY FUNCTION
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In thousands of New Taiwan Dollars)**

	For the Year Ended December 31, 2022			For the Year Ended December 31, 2021		
	Classified as Cost of Revenue	Classified as Operating Expenses	Total	Classified as Cost of Revenue	Classified as Operating Expenses	Total
Employee benefits expenses						
Salary and bonus	\$ -	\$ 144,108	\$ 144,108	\$ -	\$ 208,095	\$ 208,095
Insurance	-	8,949	8,949	-	6,441	6,441
Pension	-	3,518	3,518	-	3,207	3,207
Remuneration of directors	-	2,500	2,500	-	10,000	10,000
Others	-	3,649	3,649	-	4,981	4,981
	<u>\$ -</u>	<u>\$ 162,724</u>	<u>\$ 162,724</u>	<u>\$ -</u>	<u>\$ 232,724</u>	<u>\$ 232,724</u>
Depreciation	<u>\$ 14,485</u>	<u>\$ 52,202</u>	<u>\$ 66,687</u>	<u>\$ 20,980</u>	<u>\$ 78,247</u>	<u>\$ 99,227</u>
Amortization	<u>\$ -</u>	<u>\$ 1,544</u>	<u>\$ 1,544</u>	<u>\$ -</u>	<u>\$ 2,598</u>	<u>\$ 2,598</u>

Note 1: For the year of 2022 and 2021, the Company had an average of 62 and 65 employees, respectively, which included 3 non-employee directors for both years.

Note 2: Average labor costs for the years ended December 31, 2022 and 2021 were NT\$2,716 thousand and NT\$3,592 thousand, respectively.

Note 3: Average salary and bonus for the years ended December 31, 2022 and 2021 were NT\$2,443 thousand and NT\$3,356 thousand, respectively. The average salary and bonus decreased by 27.21% year over year.

Note 4: The Company has established an audit committee, and the remuneration of independent directors has been incorporated into the remuneration of the directors for disclosure.

Note 5: The Company's salary and remuneration policy (including directors, independent directors, managers and employees): The Company's salary and remuneration policy is to provide employees with salaries and benefits above the average level of the industry. Employee remuneration includes monthly salary, quarterly settlement of bonuses for operating performance, and employee remuneration based on annual profitability. The amount and distribution of the Company's employee compensation are proposed by the remuneration committee to the board of directors, and the board of directors approves it. Please refer to Note 20 (g) Employee Compensation and Directors' Compensation for relevant information about the Company's employee compensation and director's compensation allotment.