

## **Silicon Optronics, Inc. and Subsidiaries**

**Consolidated Financial Statements for the  
Six Months Ended June 30, 2023 and 2022 and  
Independent Auditors' Review Report**

## INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders  
Silicon Optronics, Inc.

### Introduction

We have reviewed the accompanying consolidated balance sheets of Silicon Optronics, Inc. and its subsidiaries (collectively referred to as the "Group") as of June 30, 2023 and 2022, the related consolidated statements of comprehensive income for the three months end June 30, 2023 and 2022 and for the six months ended June 30, 2023 and 2022, of changes in equity, and of cash flows for the six months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### Scope of Review

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

### Basis for Qualified Conclusion

As explained in Note 10, the financial statements of certain insignificant subsidiaries were not reviewed by independent accountants. Those statements reflect total assets of NT\$ 39,803 thousand and NT\$ 49,834 thousand, all constituting 1% of the consolidated total assets, and total liabilities of NT\$ 3,293 thousand and NT\$ 14,587 thousand, all constituting 0% of the consolidated total liabilities as of June 30, 2023 and 2022, respectively; and total comprehensive income of NT\$ 1,481 thousand, NT\$ 312 thousand, NT\$ 1,085 thousand and NT\$ 2,297 thousand, constituting (4)%、1%、(1)% and 1% of the consolidated total comprehensive income for the three months end and six months then ended June 30, 2023 and 2022, respectively.

### Qualified Conclusion

Based on our reviews, except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of certain insignificant subsidiaries, and the information disclosed in the footnotes been reviewed by independent accountants described in the preceding paragraph, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Silicon Optronics, Inc. and its subsidiaries as of June 30, 2023 and 2022, their consolidated financial performance for the three months end and six months then ended June 30, 2023 and 2022 and cash flows for the six months then ended June 30, 2023 and 2022, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard No. 34, "Interim Financial Reporting" as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

August 3, 2023

### Notice to Readers

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

**SILICON OPTRONICS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(In Thousands of New Taiwan Dollars)

	June 30, 2023		December 31, 2022		June 30, 2022			June 30, 2023		December 31, 2022		June 30, 2022	
	(Reviewed)		(Audited)		(Reviewed)			(Reviewed)		(Audited)		(Reviewed)	
<b>ASSETS</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>LIABILITIES AND EQUITY</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>CURRENT ASSETS</b>							<b>CURRENT LIABILITIES</b>						
Cash and cash equivalents (Note 6)	\$ 960,431	29	\$ 762,636	21	\$ 296,219	8	Short-term loan (Note 15)	\$ 200,000	6	\$ 150,000	4	\$ -	-
Financial assets at amortized cost - current (Notes 7 and 25)	-	-	-	-	508,878	15	Contract liabilities - current (Note 19)	31,319	1	69,012	2	30,648	1
Accounts receivable - net (Note 8)	37,898	1	34,869	1	10,127	-	Accounts payable	97,555	3	269,262	7	292,811	8
Inventories (Note 9)	1,776,005	54	2,410,944	65	2,249,829	64	Other current liabilities (Note 16)	43,774	1	62,818	2	174,433	5
Prepayments and other current assets (Notes 14 and 25)	164,167	5	188,820	5	83,034	2	Dividends payable (Note 18)	-	-	-	-	270,035	8
Total current assets	<u>2,938,501</u>	<u>89</u>	<u>3,397,269</u>	<u>92</u>	<u>3,148,087</u>	<u>89</u>	Current tax liabilities (Notes 4 and 21)	3,801	-	51,774	1	50,833	2
							Lease liabilities - current (Note 12)	6,821	-	6,783	-	6,850	-
<b>NON-CURRENT ASSETS</b>							Long-term loan-current portion (Note 15)	100,000	3	100,000	3	-	-
Financial assets at amortized cost - noncurrent(Notes 7, 25 and 27)	3,528	-	3,528	-	3,512	-	Refund liability (Note 16)	48,032	2	53,941	2	40,641	1
Property, plant and equipment (Note 11)	39,897	1	45,355	1	47,019	1	Total current liabilities	<u>531,302</u>	<u>16</u>	<u>763,590</u>	<u>21</u>	<u>866,251</u>	<u>25</u>
Right-of-use assets (Note 12)	11,072	1	14,482	1	17,778	1	<b>NON-CURRENT LIABILITIES</b>						
Goodwill	199,228	6	199,228	5	199,228	6	Long-term loan (Note 15)	300,000	10	300,000	8	-	-
Intangible assets (Note 13)	6,075	-	3,287	-	6,040	-	Deferred income tax liabilities (Notes 4 and 21)	3,118	-	1,509	-	1,352	-
Deferred tax assets (Notes 4 and 21)	78,420	3	31,490	1	14,616	-	Lease liabilities - non-current (Note 12)	4,034	-	7,454	-	10,630	-
Other non-current assets (Notes 14 and 17)	8,565	-	5,254	-	91,497	3	Guarantee deposits	-	-	-	-	6,977	-
Total non-current assets	<u>346,785</u>	<u>11</u>	<u>302,624</u>	<u>8</u>	<u>379,690</u>	<u>11</u>	Total non-current liabilities	<u>307,152</u>	<u>10</u>	<u>308,963</u>	<u>8</u>	<u>18,959</u>	<u>-</u>
							Total liabilities	<u>838,454</u>	<u>26</u>	<u>1,072,553</u>	<u>29</u>	<u>885,210</u>	<u>25</u>
							<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY(Notes 18 and 23)</b>						
							Common stock	784,559	24	784,559	21	781,689	22
							Capital surplus	1,188,558	36	1,167,789	32	1,143,938	33
							Retained earnings						
							Legal reserve	180,425	5	168,164	5	168,164	5
							Special reserve	-	-	5,759	-	5,759	-
							Unappropriated earnings	390,519	12	598,041	16	641,539	18
							Other equity						
							Exchange differences on translating the financial statements of foreign operations	( 234)	-	23	-	( 1,527)	-
							Treasury shares	( 96,995)	( 3)	( 96,995)	( 3)	( 96,995)	( 3)
							Total equity	<u>2,446,832</u>	<u>74</u>	<u>2,627,340</u>	<u>71</u>	<u>2,642,567</u>	<u>75</u>
<b>TOTAL</b>	<u>\$ 3,285,286</u>	<u>100</u>	<u>\$ 3,699,893</u>	<u>100</u>	<u>\$ 3,527,777</u>	<u>100</u>	<b>TOTAL</b>	<u>\$ 3,285,286</u>	<u>100</u>	<u>\$ 3,699,893</u>	<u>100</u>	<u>\$ 3,527,777</u>	<u>100</u>

**SILICON OPTRONICS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)  
**(Reviewed, Not Audited)**

	Three Months Ended June 30				Six Months Ended June 30			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Note 19)	\$ 381,716	100	\$ 572,929	100	\$ 800,134	100	\$ 1,255,067	100
OPERATING COSTS (Notes 9, 20 and 26)	<u>359,740</u>	<u>94</u>	<u>391,211</u>	<u>68</u>	<u>906,620</u>	<u>113</u>	<u>863,397</u>	<u>69</u>
GROSS PROFIT(LOSS)	<u>21,976</u>	<u>6</u>	<u>181,718</u>	<u>32</u>	( <u>106,486</u> )	( <u>13</u> )	<u>391,670</u>	<u>31</u>
OPERATING EXPENSES (Notes 20 and 26)								
Selling and marketing expenses	6,011	2	5,572	1	9,347	1	9,494	1
General and administrative expenses	11,867	3	14,447	2	21,680	3	28,969	2
Research and development expenses	<u>65,612</u>	<u>17</u>	<u>77,673</u>	<u>14</u>	<u>128,160</u>	<u>16</u>	<u>157,508</u>	<u>12</u>
Total operating expenses	<u>83,490</u>	<u>22</u>	<u>97,692</u>	<u>17</u>	<u>159,187</u>	<u>20</u>	<u>195,971</u>	<u>15</u>
OPERATING INCOME(LOSS)	( <u>61,514</u> )	( <u>16</u> )	<u>84,026</u>	<u>15</u>	( <u>265,673</u> )	( <u>33</u> )	<u>195,699</u>	<u>16</u>
NON-OPERATING INCOME AND EXPENSES (Note 20)								
Interest income	7,961	2	1,121	-	14,888	2	1,990	-
Other income	-	-	118	-	30	-	155	-
Other gains and losses	17,250	5	5,076	1	14,431	2	15,472	1
Financial costs	( <u>3,030</u> )	( <u>1</u> )	( <u>347</u> )	-	( <u>5,903</u> )	( <u>1</u> )	( <u>1,192</u> )	-
Total non-operating income and expenses	<u>22,181</u>	<u>6</u>	<u>5,968</u>	<u>1</u>	<u>23,446</u>	<u>3</u>	<u>16,425</u>	<u>1</u>
PROFIT(LOSS) BEFORE INCOME TAX	( <u>39,333</u> )	( <u>10</u> )	89,994	16	( <u>242,227</u> )	( <u>30</u> )	212,124	17
INCOME TAX (EXPENSE)/BENEFIT (Notes 4 and 21)	( <u>19</u> )	-	( <u>28,766</u> )	( <u>5</u> )	<u>41,207</u>	<u>5</u>	( <u>46,012</u> )	( <u>4</u> )
NET INCOME (LOSS)	( <u>39,352</u> )	( <u>10</u> )	61,228	11	( <u>201,020</u> )	( <u>25</u> )	166,112	13
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will not be reclassified subsequently to profit or loss:								
Exchange differences on translating the financial statements of foreign operations (Note 18)	<u>17</u>		<u>1,366</u>	-	( <u>257</u> )	-	<u>4,232</u>	<u>1</u>
Total comprehensive income (loss) For The Period	( <u>\$ 39,335</u> )	( <u>10</u> )	<u>\$ 62,594</u>	<u>11</u>	( <u>\$ 201,277</u> )	( <u>25</u> )	<u>\$ 170,344</u>	<u>14</u>
EARNINGS (LOSS) PER SHARE (Note 22)								
Basic	( <u>\$ 0.51</u> )		<u>\$ 0.79</u>		( <u>\$ 2.60</u> )		<u>\$ 2.15</u>	
Diluted	( <u>\$ 0.51</u> )		<u>\$ 0.79</u>		( <u>\$ 2.60</u> )		<u>\$ 2.14</u>	

**SILICON OPTRONICS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(In Thousands of New Taiwan Dollars)  
(Reviewed, Not Audited)

	Ordinary Share Capital		Capital Surplus	Retained Earnings			Other Equity Exchange Difference on Translating the Financial Statements of Foreign Operations	Treasury Shares	Total Equity
	Number of Shares (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings			
BALANCE, JANUARY 1, 2022	78,153	\$ 781,529	\$ 1,132,749	\$ 94,057	\$ 4,250	\$ 821,078	(\$ 5,759)	(\$ 96,995)	\$ 2,730,909
Appropriation and distribution of 2021 retained earnings									
Legal reserve	-	-	-	74,107	-	( 74,107)	-	-	-
Special reserve	-	-	-	-	1,509	( 1,509)	-	-	-
Cash dividends	-	-	-	-	-	( 270,035)	-	-	( 270,035)
Net income for the six months ended June 30, 2022	-	-	-	-	-	166,112	-	-	166,112
Other comprehensive income(loss)for the six months ended June 30, 2022	-	-	-	-	-	-	4,232	-	4,232
Total comprehensive income(loss)for the six months ended June 30, 2022	-	-	-	-	-	166,112	4,232	-	170,344
Share-based payment transaction	16	160	9	-	-	-	-	-	169
Compensation cost of employee share options	-	-	11,180	-	-	-	-	-	11,180
BALANCE, JUNE 30, 2022	<u>78,169</u>	<u>\$ 781,689</u>	<u>\$ 1,143,938</u>	<u>\$ 168,164</u>	<u>\$ 5,759</u>	<u>\$ 641,539</u>	<u>(\$ 1,527)</u>	<u>(\$ 96,995)</u>	<u>\$ 2,642,567</u>
BALANCE, JANUARY 1, 2023	78,456	\$ 784,559	\$ 1,167,789	\$ 168,164	\$ 5,759	\$ 598,041	\$ 23	(\$ 96,995)	\$ 2,627,340
Appropriation and distribution of 2022 retained earnings									
Legal reserve	-	-	-	12,261	-	( 12,261)	-	-	-
Reversal of special reserve	-	-	-	-	( 5,759)	5,759	-	-	-
Dividends not received by shareholders beyond the deadline	-	-	1	-	-	-	-	-	1
Net income for the six months ended June 30, 2023	-	-	-	-	-	( 201,020)	-	-	( 201,020)
Other comprehensive income(loss)for the six months ended June 30, 2023	-	-	-	-	-	-	( 257)	-	( 257)
Total comprehensive income(loss)for the six months ended June 30, 2023	-	-	-	-	-	( 201,020)	( 257)	-	( 201,277)
Compensation cost of employee share options	-	-	20,768	-	-	-	-	-	20,768
BALANCE, JUNE 30, 2023	<u>78,456</u>	<u>\$ 784,559</u>	<u>\$ 1,188,558</u>	<u>\$ 180,425</u>	<u>\$ -</u>	<u>\$ 390,519</u>	<u>(\$ 234)</u>	<u>(\$ 96,995)</u>	<u>\$ 2,446,832</u>

## SILICON OPTRONICS, INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Six Months Ended June 30	
	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit (Loss) before income tax	(\$ 242,227)	\$ 212,124
Adjustments for:		
Depreciation expense	28,729	41,612
Amortization expense	2,292	3,044
Finance costs	5,903	1,192
Interest income	( 14,888)	( 1,990)
Share based compensation	20,768	11,180
Gain on disposal of property, plant and equipment	-	( 4,408)
Loss (gain) on foreign exchange, net	( 5,174)	( 2,219)
Loss from lease modification	-	333
Changes in operating assets and liabilities		
Accounts receivable	( 2,566)	4,553
Inventories	634,939	( 732,768)
Prepayments and other current assets	25,234	3,446
Contract liabilities	( 37,885)	( 5,357)
Accounts payable	( 178,276)	( 61,198)
Accrued expenses and other current liabilities	( 20,316)	( 45,236)
Refund liability	( 5,909)	23,523
Cash generated from operations	210,624	( 552,169)
Income tax paid	( 52,087)	( 143,912)
Net cash generated from (used in) operating activities	<u>158,537</u>	<u>( 696,081)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from financial assets at amortized cost	-	30,414
Payments of property, plant and equipment	( 17,832)	( 19,916)
Proceeds from disposal of property, plant and equipment	-	417,891
Increase in refundable deposits	( 3,480)	( 930)
Payments for intangible assets	( 5,066)	( 3,373)
Payments for right-of-use assets	( 1,150)	( 1,153)
Interest received	15,511	1,990
Net cash generated from (used in) investing activities	<u>( 12,017)</u>	<u>424,923</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds of short-term borrowings	\$ 430,000	\$ -
Repayment of short-term borrowings	( 380,000)	-
Repayment of long-term borrowings	-	( 350,000)
Repayment of the principal portion of lease liabilities	( 3,375)	( 3,365)
Exercise of employee stock options	-	169
Interest paid	( 5,908)	( 1,192)
Overdue failure to receive dividends converted into capital reserves	1	-
Net cash generated from (used in) investing activities	<u>40,718</u>	<u>( 354,388)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>		
	<u>10,557</u>	<u>2,131</u>
<b>NET INCREASE IN CASH</b>	197,795	( 623,415)
<b>CASH AT THE BEGINNING OF PERIOD</b>		
	<u>762,636</u>	6 <u>919,634</u>
<b>CASH AT THE END OF PERIOD</b>	<u>\$ 960,431</u>	<u>\$ 296,219</u>

## SILICON OPTRONICS, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2023 AND 2022 (Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise) (Reviewed, Not Audited)

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#### 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 consolidated financial statements of the Company and its subsidiary (collectively referred to as the “Group”) are presented in the Company’s functional currency, the New Taiwan dollar.

#### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on August 03, 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)

Except for the following, the initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies

- b. The IFRSs endorsed by the FSC for application starting from 2023
  - 1) Amendments to IAS 1 “Disclosure of Accounting Policies”

When applying the amendments, the Group refers 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. Moreover:

Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;

The Group may consider the accounting policy information 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 accounting policy information is likely to be considered material to the financial statements if that information relates to material transactions, other events or conditions and:

- a) The Group 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 Group 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 Group is required to make significant judgments or assumptions in applying an accounting policy, and the Group discloses those judgments 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 Group has applied the amendments since January 1, 2023. The Group defines accounting estimates as monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Group may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Group 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 Group applied the amendments and recognized 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. The Group shall apply the amendments prospectively to transactions other than leases and decommissioning obligations that occur on or after January 1, 2022.

## 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”	Undecided
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
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024

Amendments to IAS 12 “International Tax Reform - Pillar Two Model Rules” Note 3

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.

Note 3: After the issuance of these amendments, the exceptions and disclosure of applicable facts will apply immediately and retroactively in accordance with the provisions of IAS 8; other disclosure requirements will apply to the annual reporting period starting after January 1, 2023, and the end of the interim period. These other disclosure requirements are not applicable to interim financial reports for the period before December 31, 2023.

Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”

The amendments clarify that for a liability to be classified as non-current, the Group 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 Group will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Group 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 amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Group’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 Group’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 consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’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

These interim consolidated financial statements have been prepared in accordance with [the Regulations Governing the Preparation of Financial Reports by Securities Issuers, or other regulations and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

##### b. Basis of preparation

The consolidated 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.

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Refer to Notes 10 and 30 for detailed information on subsidiaries (including the percentages of ownership and main businesses).

d. Other significant accounting policies

Except for the following, please refer to the consolidated financial statements for the year ended December 31, 2022.

1) Retirement benefits

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

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Except for the following, refer to the statements of critical accounting judgments and key sources of estimation uncertainty to the consolidated financial statements for the year ended December 31, 2022.

## 6. CASH AND CASH EQUIVALENTS

	June 30, 2023	December 31, 2022	June 30, 2022
Cash on hand	\$ 179	\$ 85	\$ 175
Bank deposits	835,692	424,741	296,044
Cash equivalents (investments with original maturities of 3 months or less)			
Time deposits in banks	124,560	337,810	-
	<u>\$ 960,431</u>	<u>\$ 762,636</u>	<u>\$ 296,219</u>

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

	June 30, 2023	December 31, 2022	June 30, 2022
Time deposits	5.15%	4.72%~5.20%	-

**7. FINANCIAL ASSETS AT AMORTIZED COST**

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Current</u>			
Time deposit with original maturities of more than 3 months (a)	\$ -	\$ -	\$ 508,878
<u>Non-current</u>			
Pledged time deposits (a and c)	\$ 3,528	\$ 3,528	\$ 3,512

- a. The interest rates rangess of time deposits with original maturities of more than 3 months were 0.08%-2.45% per annum as of June 30, 2022, respectively.
- 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**

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Accounts receivable - unrelated parties</u>			
At amortized cost			
Gross carrying amount	\$ 37,898	\$ 34,869	\$ 10,127
Less: Allowance for impairment loss	-	-	-
	\$ 37,898	\$ 34,869	\$ 10,127

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 Group 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 Group 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 Group's credit risk was significantly reduced.

The Group 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 Group'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 Group's different customer base.

The Group 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 Group 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 Group's provision matrix.

June 30, 2023

	Not Past Due	Past Due Up to 60 Days	Past Due 61 ~90 Days	Past Due 91 ~120 Days	Past Due 121~150 Days	Past Due 151~180 Days	Past Due Over 181 Days	Total
Gross carrying amount	\$ 37,798	\$ 100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,898
Loss allowance (Lifetime ECL)	-	-	-	-	-	-	-	-
Amortized cost	\$ 37,798	\$ 100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,898

December 31, 2022

	<u>Not Past Due</u>	<u>Past Due Up to 60 Days</u>	<u>Past Due 61 ~90 Days</u>	<u>Past Due 91 ~120 Days</u>	<u>Past Due 121~150 Days</u>	<u>Past Due 151~180 Days</u>	<u>Past Due Over 181 Days</u>	<u>Total</u>
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>

June 30, 2022

	<u>Not Past Due</u>	<u>Past Due Up to 60 Days</u>	<u>Past Due 61 ~90 Days</u>	<u>Past Due 91 ~120 Days</u>	<u>Past Due 121~150 Days</u>	<u>Past Due 151~180 Days</u>	<u>Past Due Over 181 Days</u>	<u>Total</u>
Gross carrying amount	\$ -	\$ 10,127	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,127
Loss allowance (Lifetime ECL)	-	-	-	-	-	-	-	-
Amortized cost	<u>\$ -</u>	<u>\$ 10,127</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,127</u>

**9. INVENTORIES**

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Finished goods	\$ 1,290,778	\$ 1,660,740	\$ 1,658,363
Work in progress	477,996	746,774	586,235
Raw materials	<u>7,231</u>	<u>3,430</u>	<u>5,231</u>
Total	<u>\$ 1,776,005</u>	<u>\$ 2,410,944</u>	<u>\$ 2,249,829</u>

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Cost of inventories sold	\$ 330,013	\$ 390,921	\$ 671,971	\$ 858,498
Inventory write-downs (reversed)	<u>29,727</u>	<u>290</u>	<u>234,649</u>	<u>4,899</u>
	<u>\$ 359,740</u>	<u>\$ 391,211</u>	<u>\$ 906,620</u>	<u>\$ 863,397</u>

**10. SUBSIDIARIES**

<u>Investor</u>	<u>Investee</u>	<u>Main Business</u>	<u>Percentage% of Ownership</u>		
			<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Silicon Optronics, Inc.	NUEVA IMAGING, INC. ("NUEVA")	Research and development and design of high order CMOS Image Sensor products	100%	100%	100%
	Silicon Optronics (Cayman) Co., Ltd. ("Silicon Cayman")	Investment business	100%	100%	100%
Silicon Optronics (Cayman) Co., Ltd.	Silicon Optronics (Shanghai) Co., Ltd.	Design, development and testing of integrated circuits and related electronic products, technical service consultation and transfer of R&D results	100%	100%	100%

Except for US NUEVA which fulfills the definition of a major subsidiary per Article 2 of the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, the remaining entities are non-major subsidiaries Silicon Optronics (Shanghai) Co., Ltd. is an immaterial subsidiary; its financial statements have not been reviewed.

**11. PROPERTY, PLANT AND EQUIPMENT**

	<u>Testing Equipment</u>	<u>R&amp;D Equipment</u>	<u>Molding Equipment</u>	<u>Computer</u>	<u>Office Equipment</u>	<u>Photomasks</u>	<u>Total</u>
Cost							
Balance at January 1, 2023	\$ 1,071	\$ -	\$ 12,404	\$ 1,561	\$ 1,791	\$ 92,221	\$ 109,048
Additions	-	-	-	74	-	18,756	18,830
Disposal	-	-	( 2,762 )	-	-	( 38,519 )	( 41,281 )
Effect of exchange rate changes	( 10 )	-	-	( 33 )	20	-	( 23 )

Balance at June 30, 2023	\$ 1,061	\$ -	\$ 9,642	\$ 1,602	\$ 1,811	\$ 72,458	\$ 86,574
<b>Accumulated depreciation</b>							
Balance at January 1, 2023	\$ 561	\$ -	\$ 7,020	\$ 1,064	\$ 1,710	\$ 52,155	\$ 62,510
Depreciation expense	91	-	1,464	118	14	22,496	24,183
Disposal	-	-	( 2,663 )	-	-	( 38,519 )	( 41,182 )
Effect of exchange rate changes	( 9 )	-	-	( 28 )	20	-	( 17 )
Balance at June 30, 2023	\$ 643	\$ -	\$ 5,821	\$ 1,154	\$ 1,744	\$ 36,132	\$ 45,494
<b>Accumulated impairment</b>							
Balance at January 1, 2023 and June 30, 2023	\$ -	\$ -	\$ 1,183	\$ -	\$ -	\$ -	\$ 1,183
Balance at January 1, 2023	\$ 418	\$ -	\$ 2,638	\$ 448	\$ 67	\$ 36,326	\$ 39,897
Balance at June 30, 2023	\$ 510	\$ -	\$ 4,201	\$ 497	\$ 81	\$ 40,066	\$ 45,355
<b>Cost</b>							
Balance at January 1, 2022	\$ 1,246	\$ 473,084	\$ 13,659	\$ 1,109	\$ 1,623	\$ 124,048	\$ 614,769
Additions	-	-	-	-	-	10,541	10,541
Disposal	-	( 473,084 )	( 947 )	-	-	( 45,046 )	( 519,077 )
Reclassified	-	-	( 88 )	-	-	-	( 88 )
Effect of exchange rate changes	7	-	-	22	116	-	145
Balance at June 30, 2022	\$ 1,253	\$ -	\$ 12,624	\$ 1,131	\$ 1,739	\$ 89,543	\$ 106,290
<b>Accumulated depreciation</b>							
Balance at January 1, 2022	\$ 535	\$ 52,564	\$ 5,867	\$ 856	\$ 1,519	\$ 64,946	\$ 126,287
Depreciation expense	109	7,037	1,856	69	16	28,175	37,262
Disposal	-	( 59,601 )	( 947 )	-	-	( 45,046 )	( 105,594 )
Effect of exchange rate changes	6	-	-	18	109	-	133
Balance at June 30, 2022	\$ 650	\$ -	\$ 6,776	\$ 943	\$ 1,644	\$ 48,075	\$ 58,088
<b>Accumulated impairment</b>							
Balance at January 1, 2022 and June 30, 2022	\$ -	\$ -	\$ 1,183	\$ -	\$ -	\$ -	\$ 1,183
Balance at January 1, 2022	\$ 711	\$ 450,520	\$ 6,609	\$ 253	\$ 104	\$ 59,102	\$ 487,299
Balance at June 30, 2022	\$ 603	\$ -	\$ 4,665	\$ 188	\$ 95	\$ 41,468	\$ 47,019

The Group'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

	June 30, 2023	December 31, 2022	June 30, 2022
<b>Carrying amount</b>			
Buildings	\$ 11,072	\$ 14,482	\$ 17,778
	Three Months Ended June 30	Six Months Ended June 30	
	2023	2022	2023
Additions to right-of-use assets			\$ 1,150
Depreciation charge for right-of-use assets			\$ 1,153
Buildings	\$ 2,271	\$ 2,192	\$ 4,546
			\$ 4,350

Except for the aforementioned addition and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the years ended June 30, 2023 and 2022.

### b. Lease liabilities

	June 30, 2023	December 31, 2022	June 30, 2022
<b>Carrying amount</b>			
Current	\$ 6,821	\$ 6,873	\$ 6,850
Non-current	\$ 4,034	\$ 7,454	\$ 10,630

The discount rate for lease liabilities was as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Buildings	1.46%	1.46%	1.46%

c. Material lease activities and terms (the Group is lessee)

The Group did not have significant new lease contracts in June 30, 2023 and 2022. The Group leases buildings for the use of offices with lease terms of 2-3 years. The Group does not have bargain purchase options to acquire the buildings at the expiry of the lease periods. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Expenses relating to short-term leases	\$ 117	\$ 100	\$ 233	\$ 217
Expenses relating to low-value asset leases	\$ 9	\$ 10	\$ 17	\$ 22
Total cash outflow for leases			( \$ 3,718 )	( \$ 3,636 )

### 13. INTANGIBLE ASSETS

	Patents	Software	Total
<u>Cost</u>			
Balance at January 1, 2023	\$ 15,278	\$ 27,572	\$ 42,850
Additions	-	5,066	5,066
Effect of exchange rate changes	214	346	560
Balance at June 30, 2023	\$ 15,492	\$ 32,984	\$ 48,476
<u>Accumulated amortization</u>			
Balance at January 1, 2023	\$ 15,278	\$ 24,285	\$ 39,563
Amortization expense	-	2,292	2,292
Effect of exchange rate changes	214	332	546
Balance at June 30, 2023	\$ 15,492	\$ 26,909	\$ 42,401
Balance at January 1, 2023	\$ -	\$ 3,287	\$ 3,287
Balance at June 30, 2023	\$ -	\$ 6,075	\$ 6,075
<u>Cost</u>			
Balance at January 1, 2022	\$ 13,771	\$ 21,936	\$ 35,707
Additions	-	3,373	3,373
Effect of exchange rate changes	1,015	1,524	2,539
Balance at June 30, 2022	\$ 14,786	\$ 26,833	\$ 41,619
<u>Accumulated amortization</u>			
Balance at January 1, 2022	\$ 11,246	\$ 19,003	\$ 30,249
Amortization expense	1,430	1,614	3,044
Effect of exchange rate changes	878	1,408	2,286
Balance at June 30, 2022	\$ 13,554	\$ 22,025	\$ 35,579
Balance at January 1, 2022	\$ 2,525	\$ 2,933	\$ 5,458
Balance at June 30, 2022	\$ 1,232	\$ 4,808	\$ 6,040

Except for the recognition of amortization expense, there were no significant additions, disposals and impairment of the Group's other intangible assets for the years ended June 30, 2023 and 2022.

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

Patents	3-7 years
Software	1-6 years

### 14. OTHER ASSETS

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Current</u>			
Prepayments for purchases	\$ 88,988	\$ 88,397	\$ 1,316

Prepaid income tax	43,373	54,571	57,915
Tax receivables of business tax	29,605	16,565	13,435
Overpaid sales tax	-	26,280	9,823
Others	2,201	3,007	545
	<u>\$ 164,167</u>	<u>\$ 188,820</u>	<u>\$ 83,034</u>
<b>Non-current</b>			
Refundable deposits	\$ 7,049	\$ 3,738	\$ 90,070
Net defined benefit assets	1,516	1,516	1,427
	<u>\$ 8,565</u>	<u>\$ 5,254</u>	<u>\$ 91,497</u>

## 15. LONG-TERM LOAN

### a. Short-term loan

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Unsecured loan</u>			
Bank loan	\$ 200,000	\$ 150,000	\$ -

The range of weighted average effective interest rates on bank loans were 1.80%-2.20% and 2.08%-2.50% per annum as of June 30, 2023 and December 31, 2022.

### b. Long-term loan

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Unsecured loan (Note 27)</u>			
Bank loan (1)	\$ 400,000	\$ 400,000	\$ -
Less: Current portion	100,000	100,000	-
Long-term loan	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ -</u>

1) The Group acquired new bank loan with a floating interest rate of 2.0930% per annum. Interest is paid monthly, and the principal is to be repaid in three annual installments starting from July 2023. The loan is to be repaid before July 5, 2025.

## 16. OTHER LIABILITIES

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Current</u>			
Other payables			
Payables for employees' compensation	\$ 13,440	\$ 13,440	\$ 97,050
Payables for bonuses	11,155	29,166	61,696
Payables for purchases of equipment	9,647	8,371	832
Payables for remuneration of directors	-	2,500	2,490
Others	9,359	9,142	12,071
	43,601	62,619	174,139
Other liabilities			
Receipts under custody	173	199	294
	<u>\$ 43,774</u>	<u>\$ 62,818</u>	<u>\$ 174,433</u>
Refund liabilities (a)	<u>\$ 48,032</u>	<u>\$ 53,941</u>	<u>\$ 40,641</u>

a. Sales revenue is measured at the fair value of the consideration received or receivable, and deducted from estimated customer returns, discounts and other similar discounts. Based on historical experience and considering different contract conditions, the combined company estimates the possible sales discounts and recognizes the refund liabilities accordingly.

## 17. RETIREMENT BENEFIT PLANS

For the three months ended June 30, 2023 and 2022, the pension expenses of defined benefit plans were \$ 6 thousand and \$ 6 thousand, respectively, for the six months ended June 30, 2023 and 2022 are NT\$ 11 thousand and NT\$ 11 thousand, respectively and these were calculated based on the pension cost rate determined by the actuarial calculation on December 31, 2022 and 2021, respectively.

**18. EQUITY****a. Common stock**

	June 30, 2023	December 31, 2022	June 30, 2022
Numbers of shares authorized (in thousands)	100,000	100,000	100,000
Shares authorized	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Number of shares issued and fully paid (in thousands)	78,456	78,456	78,169
Shares issued	<u>\$ 784,559</u>	<u>\$ 784,559</u>	<u>\$ 781,689</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**

	June 30, 2023	December 31, 2022	June 30, 2022
<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	\$ 1,118,553	\$ 1,115,471
Arising from employee share options exercised price	12,754	12,754	12,357
<u>May be used to offset a deficit only</u>			
Shareholders' overdue dividends not received	1	-	-
<u>May not be used for any purpose</u>			
Arising from employee share options	57,250	36,482	16,110
	<u>\$ 1,188,558</u>	<u>\$ 1,167,789</u>	<u>\$ 1,143,938</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	Others	Total
Balance at January 1, 2022	\$ 1,115,462	\$ 17,287	\$ -	\$ 1,132,749
Share-based payment transaction	-	11,180	-	11,180
Compensation cost of employee share options	9	-	-	9
Balance at June 30, 2022	<u>\$ 1,115,471</u>	<u>\$ 28,467</u>	<u>\$ -</u>	<u>\$ 1,143,938</u>
Balance at January 1, 2023	\$ 1,118,553	\$ 49,236	\$ -	\$ 1,167,789
Shareholders' overdue dividends not received	-	-	1	1
Share-based payment transaction	-	20,768	-	20,768
Balance at June 30, 2023	<u>\$ 1,118,553</u>	<u>\$ 70,004</u>	<u>\$ 1</u>	<u>\$ 1,188,558</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, 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 2022 and 2021, which had been approved in the shareholders' meetings on June 16, 2023 and June 23, 2022, respectively, were as follows:

	Appropriation of Earnings	
	For the Year Ended December 31	
	2022	2021
Legal reserve	\$ 12,261	\$ 74,107
Special reserve	( \$ 5,759 )	\$ 1,509
Cash dividends	\$ -	\$ 270,035
Dividends per share (NT\$)	\$ -	\$ 3.5

#### d. Other equity items

	Six Months Ended June 30	
	2023	2022
Balance, beginning of year	\$ 23	( \$ 5,759 )
Exchange differences on translation of the financial statements of foreign operations	( 257 )	4,232
Balance, end of year	( \$ 234 )	( \$ 1,527 )

#### e. Treasury shares

	June 30, 2023	December 31, 2022	June 30, 2022
Treasury shares (In thousand of shares)	<u>1,000</u>	<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.

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

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Revenue from contracts with customers				
Revenue from the sale of goods	\$ 381,716	\$ 571,640	\$ 800,134	\$ 1,253,778
Others	-	1,289	-	1,289
	<u>\$ 381,716</u>	<u>\$ 572,929</u>	<u>\$ 800,134</u>	<u>\$ 1,255,067</u>

#### a. Contract balances

	June 30, 2023	December 31, 2022	June 30, 2022	January 1, 2022
Accounts receivable (Note 8)	<u>\$ 37,898</u>	<u>\$ 34,869</u>	<u>\$ 10,127</u>	<u>\$ 14,680</u>

Contract liabilities - current				
Sale of goods	\$ 31,319	\$ 69,012	\$ 30,648	\$ 35,139

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

	Six Months Ended June 30	
	2023	2022
From the contract liabilities at the beginning of the year		
Sale of goods	\$ 61,709	\$ 27,301

b. Disaggregation of revenue

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
<u>Primary geographical markets</u>				
Hong Kong	\$ 252,270	\$ 479,897	\$ 565,640	\$ 1,058,760
Taiwan (the Group's operating location)	63,823	42,870	121,649	89,382
Others	65,623	50,162	112,845	106,925
	<u>\$ 381,716</u>	<u>\$ 572,929</u>	<u>\$ 800,134</u>	<u>\$ 1,255,067</u>
<u>Major goods</u>				
CMOS	\$ 374,822	\$ 567,521	\$ 788,219	\$ 1,241,632
Others	6,894	5,408	11,915	13,435
	<u>\$ 381,716</u>	<u>\$ 572,929</u>	<u>\$ 800,134</u>	<u>\$ 1,255,067</u>

20. NET PROFIT FROM CONTINUING OPERATIONS

a. Interest income

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Bank deposit	\$ 7,944	\$ 665	\$ 14,855	\$ 1,107
Financial assets at amortized cost	13	455	26	880
Others	4	1	7	3
	<u>\$ 7,961</u>	<u>\$ 1,121</u>	<u>\$ 14,888</u>	<u>\$ 1,990</u>

b. Other income

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Others	\$ -	\$ 118	\$ 30	\$ 155

c. Other gains and losses

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Net foreign exchange gain	\$ 17,187	\$ 5,409	\$ 14,241	\$ 11,397
Gain on disposal of property, plant and equipment	-	-	-	4,408
Other gains	63	61	190	61
Other losses	-	(394)	-	(394)
	<u>\$ 17,250</u>	<u>\$ 5,076</u>	<u>\$ 14,431</u>	<u>\$ 15,472</u>

d. Finance costs

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Interest on bank loans	\$ 2,987	\$ 333	\$ 5,810	\$ 1,160
Interest on lease liabilities	43	14	93	32
	<u>\$ 3,030</u>	<u>\$ 347</u>	<u>\$ 5,903</u>	<u>\$ 1,192</u>

e. Depreciation and amortization

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Property, plant and equipment	\$ 11,812	\$ 14,086	\$ 24,183	\$ 37,262
Right-of-use assets	2,271	2,192	4,546	4,350
Intangible assets	1,148	1,552	2,292	3,044
Total	<u>\$ 15,231</u>	<u>\$ 17,830</u>	<u>\$ 31,021</u>	<u>\$ 44,656</u>
An analysis of depreciation by function				
Operating costs	\$ 2,857	\$ 3,355	\$ 5,363	\$ 8,217
Operating expenses	11,226	12,923	23,366	33,395
	<u>\$ 14,083</u>	<u>\$ 16,278</u>	<u>\$ 28,729</u>	<u>\$ 41,612</u>
An analysis of amortization by function				
Research and development expenses	<u>\$ 1,148</u>	<u>\$ 1,552</u>	<u>\$ 2,292</u>	<u>\$ 3,044</u>

Please refer to Note 13 for the information of amortization expenses of intangible assets allocated to each line.

f. Employee benefits expense

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Post-employment benefits				
Defined contribution plans	\$ 930	\$ 923	\$ 1,858	\$ 1,680
Defined benefit plans	6	6	11	11
	936	929	1,869	1,691
Other employee benefits	58,095	73,909	110,063	136,875
Total employee benefits expense	<u>\$ 59,031</u>	<u>\$ 74,838</u>	<u>\$ 111,932</u>	<u>\$ 138,566</u>
An analysis of employee benefits expense by function				
Operating expenses	<u>\$ 59,031</u>	<u>\$ 74,838</u>	<u>\$ 111,932</u>	<u>\$ 138,566</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 rate of no higher than 3%. The employees' compensation and remuneration of directors for the three months and six months ended June 30, 2023 and 2022, were as follows:

Accrual rate

	Six Months Ended June 30	
	2023	2022
Employees' compensation	-	8.00%
Remuneration of directors and supervisors	-	1.07%

Amount

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Employees' compensation	<u>\$ -</u>	<u>\$ 7,830</u>	<u>\$ -</u>	<u>\$ 18,550</u>
Remuneration of directors and supervisors	<u>\$ -</u>	<u>\$ 920</u>	<u>\$ -</u>	<u>\$ 2,490</u>

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate. The appropriations of employees' compensation and remuneration of directors and

supervisors for 2022 and 2021 that were resolved by the board of directors on March 15, 2023 and March 16, 2022, respectively, are as shown below:

	<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

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2022 and 2021.

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

### a. Income tax recognized in profit or loss

The major components of tax expense (income) were as follows:

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Current tax				
In respect of the current year	(\$ 2,853)	\$ 8,142	(\$ 1,692)	\$ 24,602
Income tax on unappropriated earnings	5,806	19,771	5,806	19,771
Adjustments for prior years	-	632	-	983
Deferred tax				
In respect of the current year	( 2,934)	221	( 45,321)	656
Income tax expense recognized in profit or loss	<u>\$ 19</u>	<u>\$ 28,766</u>	<u>(\$ 41,207)</u>	<u>\$ 46,012</u>

### b. Income tax assessments

The Company's tax returns through 2019 have been assessed by the tax authorities.

## 22. EARNINGS PER SHARE

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Basic earnings(loss) per share	( \$ 0.51 )	\$ 0.79	( \$ 2.60 )	\$ 2.15
Diluted earnings(loss) per share	( \$ 0.51 )	\$ 0.79	( \$ 2.60 )	\$ 2.14

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

### Net Profit(Loss) for the Year

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Earnings(Loss) used in the computation of basic earnings per share	( \$ 39,352 )	\$ 61,228	( \$ 201,020 )	\$ 166,112
Effect of potentially dilutive ordinary shares:				
Employee share options	-	-	-	-
Bonuses issued to employees	-	-	-	-

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Earnings(Loss) used in the computation of diluted earnings per share	(\$ 39,352)	\$ 61,228	(\$ 201,020)	\$ 166,112

Number of shares

	Unit: In Thousands of Shares			
	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Weighted average number of ordinary shares used in the computation of basic earnings per share	77,456	77,165	77,456	77,159
Effect of potentially dilutive ordinary shares:				
Employee share options	-	3	-	9
Bonuses issued to employees	-	210	-	547
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>77,456</u>	<u>77,378</u>	<u>77,456</u>	<u>77,715</u>

Since the Group can offer to settle the bonuses to employees in cash or shares, the Company assumes the entire amount of the bonus would be settled in shares and the resulting potential shares are 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, 2012, 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 option 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.

Qualified employees of the Company were granted 5,000 options on July 22, 2021, 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 option is 5,000 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:

	2021 Employee Share Option Plan		2013 Employee Share Option Plan		2012 Employee Share Option Plan	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)
For the Six Months Ended June 30, 2023						
Balance at January 1	-	-	-	-	-	-
Options granted	3,500	99.60	-	-	-	-
Option exercised	-	-	-	-	-	-
Option forfeited	-	-	-	-	-	-
Option expired	<u>3,500</u>	99.60	-	-	-	-
Balance at June 30	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
For the Six Months Ended June 30, 2022						
Balance at January 1	-	-	55	\$ 32.21	603	\$ 17.20
Options granted	3,500	103.50	-	-	-	-
Option exercised	-	-	-	-	( 16 )	10.25
Option forfeited	-	-	-	-	( 110 )	10.25
Option expired	<u>3,500</u>	103.50	<u>55</u>	32.21	<u>477</u>	19.03
Balance at June 30	<u>-</u>	<u>-</u>	<u>55</u>	<u>-</u>	<u>477</u>	<u>-</u>

Information on outstanding options as follows:

Share Option Plan	June 30, 2023			December 31, 2022			June 30, 2022		
	Range of Exercise Price (NT\$)	Weighted-average Remaining Contractual Life (In Years)		Range of Exercise Price (NT\$)	Weighted-average Remaining Contractual Life (In Years)		Range of Exercise Price (NT\$)	Weighted-average Remaining Contractual Life (In Years)	
2021 Employee share option plan	\$ 99.60	10.74		\$ 99.60	11.23		\$ 103.50	9.71	
2013 Employee share option plan	-	-		-	-		32.21	1.12	
2012 Employee share option plan	-	-		-	-		19.03	0.42	

The resolution for the granting of the 2022 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

Share-based compensation were \$20,768 thousand and \$11,180 thousand for the three months ended June 30, 2023 and 2022, respectively.

## 24. CAPITAL MANAGEMENT

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

Key management personnel of the Group 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 Group may adjust the number of new shares issued, and/or the amount of new debt issued or existing debt redeemed.

The Group 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

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Financial assets</u>			
Financial assets at amortized cost (Note 1)	\$ 1,008,906	\$ 804,771	\$ 908,806
<u>Financial liabilities</u>			
Amortized cost (Note 2)	707,202	827,633	572,337

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

Note 2: The balances include financial liabilities measured at amortized cost, which comprise accounts payable (including related parties), Dividends payable, Salary and bonus payable, other payables (including related parties), Long-term loan-current portion, long-term debt and refund liability.

c. Financial risk management objectives and policies

The Group's major financial instruments included accounts receivable, accounts payable and long-term borrowings. The Group'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 Group 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 Group'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 Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Group has foreign currency sales and purchases, which exposes the Group to foreign currency risk. Approximately 86% of the Group's sales is denominated in currencies other than the functional currency of the entity making the sale, whilst almost 96% of costs is denominated in the entity'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 Group 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 six months ended June 30, 2023 and 2022 would decrease/increase by \$ 6,664 thousand and \$ 104 thousand, respectively.

b) Interest rate risk

The Group 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 Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting periods were as follows.

	June 30, 2023	December 31, 2022	June 30, 2022
Fair value interest rate risk			
Financial assets	\$ 128,088	\$ 341,338	\$ 512,390
Cash flow interest rate risk			
Financial assets	835,682	424,731	296,034
Financial liabilities	600,000	550,000	-

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 six months ended June 30, 2023 and 2022 would have increased/decreased by \$ 589 thousand and \$ 740 thousand, respectively.

2) Credit risk management

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

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

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group'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 Group. For the Group's unutilized financing facilities, please refer to (2) Financing facilities below.

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

The following tables detail the Group'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 Group 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.

June 30, 2023

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1 Year to 5 Years</b>
<u>Non-derivative financial liabilities</u>				
Leas liabilities	\$ 578	\$ 1,156	\$ 5,200	\$ 4,055
Accounts payable	81,516	16,039	-	-
Payables for purchases of equipment	7,132	2,515	-	-
Interest rate liabilities	<u>200,698</u>	<u>101,221</u>	<u>4,709</u>	<u>305,233</u>
	<u>\$ 289,924</u>	<u>\$ 102,931</u>	<u>\$ 9,909</u>	<u>\$ 309,288</u>

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

	<u>Less than 1 Year</u>	<u>1-5 Years</u>	<u>5-10 Years</u>	<u>10-15 Years</u>	<u>15-20 Years</u>	<u>20+ Years</u>
Lease liabilities	\$ 6,934	\$ 4,055	\$ -	\$ -	\$ -	\$ -
interest rate liabilities	<u>306,628</u>	<u>305,233</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 313,562</u>	<u>\$ 309,288</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2022

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1 Year to 5 Years</b>
<u>Non-derivative financial liabilities</u>				
Leas liabilities	\$ 579	\$ 1,158	\$ 5,209	\$ 8,519
Accounts payable	177,839	90,700	723	-
Payables for purchases of equipment	5,975	2,396	-	-
Interest rate liabilities	<u>150,650</u>	<u>1,301</u>	<u>105,041</u>	<u>307,318</u>
	<u>\$ 335,043</u>	<u>\$ 95,555</u>	<u>\$ 110,973</u>	<u>\$ 314,837</u>

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

	<u>Less than 1 Year</u>	<u>1-5 Years</u>	<u>5-10 Years</u>	<u>10-15 Years</u>	<u>15-20 Years</u>	<u>20+ Years</u>
Lease liabilities	\$ 6,946	\$ 7,519	\$ -	\$ -	\$ -	\$ -
interest rate liabilities	<u>256,992</u>	<u>307,318</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 253,938</u>	<u>\$ 314,837</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

June 30, 2022

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1 Year to 5 Years</b>
<u>Non-derivative financial liabilities</u>				
Leas liabilities	\$ 575	\$ 1,151	\$ 6,329	\$ 9,769
Accounts payable	223,647	69,164	-	-
Payables for processing	-	1,682	-	-
Payables for purchases of equipment	674	158	-	-
Long-term loan	<u>-</u>	<u>270,035</u>	<u>-</u>	<u>-</u>
	<u>\$ 224,896</u>	<u>\$ 342,190</u>	<u>\$ 6,329</u>	<u>\$ 9,769</u>

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

	<u>Less than 1 Year</u>	<u>1-5 Years</u>	<u>5-10 Years</u>	<u>10-15 Years</u>	<u>15-20 Years</u>	<u>20+ Years</u>
Lease liabilities	\$ 8,055	\$ 9,769	\$ -	\$ -	\$ -	\$ -

## b) Financing facilities

	June 30, 2023	December 31, 2022	June 30, 2023
Unsecured bank overdraft facilities, reviewed annually and payable on demand:			
Amount used	\$ 600,000	\$ 550,000	\$ -
Amount unused	<u>150,000</u>	<u>200,000</u>	<u>200,000</u>
	<u>\$ 750,000</u>	<u>\$ 750,000</u>	<u>\$ 200,000</u>
Secured bank overdraft facilities:			
Amount used	\$ -	\$ -	\$ -
Amount unused	<u>250,000</u>	<u>250,000</u>	<u>100,000</u>
	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>\$ 100,000</u>

## 26. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

## a. Remuneration of key management personnel

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Short-term employee benefits	<u>\$ 8,881</u>	<u>\$ 9,066</u>	<u>\$ 18,759</u>	<u>\$ 25,205</u>

The remuneration of directors and other key management personnel is determined by the remuneration committee based on with 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:

	June 30, 2023	December 31, 2022	June 30, 2022
Pledged time deposits (classified as financial assets a amortized cost-noncurrent)	<u>\$ 3,528</u>	<u>\$ 3,528</u>	<u>\$ 3,512</u>

## 28. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group'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:

June 30, 2023

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 25,548	31.14(USD:NTD)	\$ 795,565
CNY	306	4.282(RMB:NTD)	<u>1,310</u>
			<u>\$ 796,875</u>
<u>Financial liabilities</u>			
Monetary items			
USD	4,149	31.14(USD:NTD)	<u>\$ 129,197</u>

December 31, 2022

	Foreign Currency	Exchange Rate	Carrying Amount
--	------------------	---------------	-----------------

<u>Financial assets</u>				
Monetary items				
USD	\$	22,119	30.71(USD:NTD)	\$ 679,287
CNY		2,309	4.408(RMB:NTD)	10,178
				<u>\$ 689,465</u>
<u>Financial liabilities</u>				
Monetary items				
USD		13,833	30.71(USD:NTD)	\$ 424,820

June 30, 2022

		<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>Financial assets</u>				
Monetary items				
USD	\$	10,796	29.72(USD:NTD)	\$ 320,854
CNY		2,308	4.439(RMB:NTD)	10,243
				<u>\$ 331,097</u>
<u>Financial liabilities</u>				
Monetary items				
USD		10,445	29.72(USD:NTD)	\$ 310,415

The Group is mainly exposed to the USD and CNY. The following information was aggregated by the functional currencies of the entities in the Group, and the exchange rates between the presentation currency and the respective functional currencies were disclosed. The significant unrealized foreign exchange gains (losses) were as follows:

Three Months Ended June 30				
2023			2022	
<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Net Foreign Exchange Gains (Losses)</u>	<u>Exchange Rate</u>	<u>Net Foreign Exchange Gains (Losses)</u>
NTD	1 (NTD:NTD)	\$ 17,077	1 (NTD:NTD)	\$ 5,148
CNY	4.374 (CNY:NTD)	110	4.446 (CNY:NTD)	261
USD	30.705 (USD:NTD)	-	29.455 (USD:NTD)	-
		<u>\$ 17,187</u>		<u>\$ 5,409</u>
Six Months Ended June 30				
2023			2022	
<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Net Foreign Exchange Gains (Losses)</u>	<u>Exchange Rate</u>	<u>Net Foreign Exchange Gains (Losses)</u>
NTD	1 (NTD:NTD)	\$ 14,813	1 (NTD:NTD)	\$ 10,956
CNY	4.408 (CNY:NTD)	( 572 )	4.426 (CNY:NTD)	215
USD	30.55 (USD:NTD)	-	28.725 (USD:NTD)	226
		<u>\$ 14,241</u>		<u>\$ 11,397</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: See None;
  - 7) Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: See 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;
  - 10) Intercompany relationships and significant intercompany transactions: See Table 1;
- 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;
  - c. Information on investments in mainland China: See Table 3.
  - d. Information on major shareholders: the name, amount and proportion of shareholders with a shareholding ratio of 5% or more: See Table 4

### **30. SEGMENT INFORMATION**

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided.

The segment revenues and operating results for the three months ended June 30, 2023 and 2022 and for the six months ended June 30, 2023 and 2022 are shown in the consolidated income statements for the three months ended June 30, 2023 and 2022 and six months ended June 30, 2023 and 2022. The segment assets as of June 30, 2023, December 31, 2022 and June 30, 2022 are shown in the consolidated balance sheets as of June 30, 2023, December 31, 2022 and June 30, 2022.

## SILICON OPTRONICS, INC. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE SIX MONTHS ENDED JUNE 30, 2023

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

Company Name	Counterparty	Nature of Relationship (Note 3)	Intercompany Transactions			
			Financial Statement Item	2023		Terms
				Amount	Percentage of Consolidated Total Gross Sales or Total Assets	
Silicon Optronics, Inc.	NUEVA IMAGING INC.	1	Technical service expense	\$ 27,583	3%	-
	NUEVA IMAGING INC.	1	Other payable from related parties	3,598	-	-
	Silicon Optronics (Shanghai) Co., Ltd.	1	Technical service expense	32,060	4%	-
	Silicon Optronics (Shanghai) Co., Ltd.	1	Other payable from related parties	4,161	-	-

Note 1: Represents the transactions from parent company to subsidiary.

Note 2: The intercompany transactions, prices and terms are determined in accordance with mutual agreements.

SILICON OPTRONICS, INC. AND SUBSIDIARIES

INFORMATION ON INVESTEEES  
 June 30, 2023  
 (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 June 30, 2023			Net Income of Investee Accounted for using the Equity Method	Investment Income	Note
				June 30, 2023	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	\$ 358,500	\$ 358,500	6,000	100	\$ 257,385	\$ 2,155	\$ 2,155	Subsidiary
	Silicon Optronics (Cayman) Co., Ltd.	Cayman Islands	Investment holding company	5,237	5,237	170	100	36,510	1,085	1,085	Subsidiary

## SILICON OPTRONICS, INC. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE SIX MONTHS ENDED JUNE 30, 2023

(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, 2023 (US\$ in Thousands)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of June 30, 2023 (US\$ in Thousands)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of June 30, 2023	Accumulated Repatriation of Investment Income as of June 30, 2023	Note
					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	\$ 5,450 (US\$ 175 thousand)	\$ -	\$ -	\$ 5,450 (US\$ 175 thousand)	\$ 1,085	100	\$ 1,085	\$ 36,510	\$ -	

Accumulated Outward Remittance for Investment in Mainland China as of June 30, 2023 (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)
\$ 5,450 (US\$ 175 thousand)	Note 1	\$ 1,468,099

Note 1: Through Silicon Optronics (Cayman) Co., Ltd.'s investment in Silicon Optronics (Shanghai) Co., Ltd., the investment was approved by the Investment Commission, MOEA with the approved amount of US\$ 175 thousand.

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

Note 3: Based on the exchange rate as of June 30, 2023.

**TABLE 4****SILICON OPTRONICS, INC. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS  
FOR THE SIX MONTHS ENDED JUNE 30, 2023**

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 consolidated 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.