



光環科技股份有限公司

TrueLight Corporation

Stock Code:3234

TrueLight Corporation

2022

Annual Report

Notice to readers

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

Taiwan Stock Exchange Market Observation Post System :

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5. Overseas Listings and Access to the Listing Information: None

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TrueLight Corporation

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Letter to Shareholders

Dear Shareholders:

In 2022, due to multiple factors such as the global epidemic, shortage of parts and materials, power cuts, delays in global transportation networks, and slow construction of 5G base stations, the momentum of customer procurement is not as expected. The Ukrainian-Russian war and the continuous interest rate hikes in various countries have also reduced global consumption and investment confidence, and inhibited the recovery of the global economy. The same is true for optical communication bids and consumer market demand, which in turn affects TL's overall operating performance.

1. Operating Performance in 2022

The company's consolidated net operating income in 2022 was NT\$990 million, a decrease of 25% from 2021. The consolidated net loss for the current period in 2022 was NT\$46 million, the basic loss per share was NT\$0.34, and the net value per share was NT\$10.06.

1.1 Consolidated financial results :

Unit: (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT LOSS PER SHARE)

Project \ Year	2022	2021
Operating revenue	989,635	1,313,847
Gross profit from operation, net	256,604	232,201
Net operating loss	(58,328)	(120,670)
Profit (loss) for the year	(46,094)	(140,546)
Total comprehensive income for the year	(44,554)	(141,828)
Basic loss per share	(0.34)	(1.74)

1.2 Consolidated Profitability Analysis :

Project \ Year	2022	2021
Return on Assets (%)	(1.91)	(6.47)
Return on Equity (%)	(5.89)	(16.40)
Ratio of income before tax to paid-in capital (%)	(6.05)	(17.48)
Net profit rate (%)	(4.66)	(10.70)

1.3 Budget implementation :

The Company does not announce financial forecasts and therefore does not apply.

2. Business Plan for 2023

2.1 Marketing and Sales :

The Major revenue of Year 2022 is from the optical communication market, including FTTH (fiber to the home), 3G/4G/5G LTE deployment, LAN (Local Area Network) and SAN (Storage Area Network) markets.

Besides, VCSEL products have been certified by several major mobile phone and earphone manufacturers applying in sensing components for mobile phones and true

wireless Bluetooth earphones in the consumer market. The product also contributes to part of revenue and helps to extend the product portfolio. The company is continuing to develop new product application to expand product visibility.

This year, under the impact of not stable international situation, inflation and the covid-19, the market demand has declined, affecting demand for components. The company is still committed to the development of new products and expanding the product application. The company successfully developed 10G/25G VCSEL components for industrial applications entering the short-reach base station application, also completed the development of 10G/25G industrial multi-wavelength products and moved into mass production. The product can be applied for the deployment of 5G base station. The company is also developing the components suitable for ultra-temperature range for industry applications. With the popularity of the internet and various online applications, high-speed networks have become necessary requirement in daily life. Therefore, in the long-term, fiber optical communication, mobile networks and data centers are still key projects in infrastructure construction. And the optical sensor applying for consumer products is also becoming more and more popular. The company is the only company in the Greater China region that has the ability to develop and mass-production VCSELs product from Chip to OSA not only for fiber optics but also for consumer application. Future growth opportunities can be expected.

2.2 Research and Development :

The company has a strong R&D strength, and has a total of 83 Patent Rights in 2022 years (including one new Patented from Taiwan). 2 patents are under license (Taiwan and the United States), and 7 patents are under public/actual examination.

In the fields of cloud computing, 4G LTE (Long Term Evolution) and 5G base stations, access networks and FTTH (Fiber to the Home) applications, we continuously develop higher-speed lasers and various optical detector components, which can be used to produce products such as TO-can and optical sub-modules, in order to enhance product competitiveness and expand market share.

In the application of active optical cable (AOC) and its modules in data centers, we develop Chip on Board (CoB) key technology to provide high-density, high-speed, pluggable 100G QSFP28 SR4 and 400G QSFP56-DD SR8 products to meet market and customer demands.

In terms of demand for consumer products at the terminal, the company is dedicated to innovating its VCSEL series components for applications such as proximity sensors, True Wireless Stereo (TWS), 3D sensing, communication and sensing chips, Virtual Reality (VR), and more. It is worth mentioning that the small-angle component exclusively designed by the company, used for phone ranging and VCSEL components for Bluetooth wireless earphones, has been adopted by several module manufacturers and phone manufacturers due to its excellent reliability characteristics. It has accumulated over 1.5 billion component shipment records. With the rise of different sensing applications (including wireless Bluetooth earphones/ranging, etc.), the company has also developed VCSEL crystal chips with high conversion efficiency (45%) and small angles, and has widely used them in different sensing products with different requirements.

In summary, the company has a complete technical platform, from Epitaxy, component design, wafer process and mass production capabilities, that can meet the needs of different customers. In the future, it will be able to expand more product sales opportunities and drive growth opportunities.

2.3 Manufacturing :

The company continuous delivery optical communication and consumer products with international certified. The company has recently gradually developed a high-end product OEM model to meet the needs of worldly known corporations. Due to higher requirements

for product quality, the automation manufacturing equipment and testing system which we planning and purchasing are constantly improving. The hardware and software are continuously strengthened, which improves the quality and stability of the overall products.

The company introduces new process technologies and integrate vertical needs and benefits through cooperating advanced products with worldly known corporations. It can strengthen the long-term autonomy of products and fully grasp product functions and quality. Then we can occupy a good market position early in life, with a view to enhancing long-term competitiveness and increasing profitability.

2.4 Quality Management :

In accordance with international laws and customer's requirements, the company has also taken responsibility to continue improve green manufacturing. All suppliers and OEMs of the company should comply with the RoHS, REACH, China RoHS, RBA, EICC and they are asked for non-use of conflict minerals and hazardous substances in manufactured production processes or products in the supply chain. At the same time, continues to improvement of quality processes and product feature/yield rate/reliability, etc., to achieve the quality goals.

Our core values are integrity, practicality, excellence and sharing. Continuous maintenance and keep effective of quality management system (ISO 9001:2015), environmental management system (ISO 14001:2015), occupational safety and health management system (ISO 45001:2018), Taiwan occupational safety and health management system (CNS45001), hazardous substance process management system (IECQ QC080000:2017); deeply to committed social responsibility of environment, enhance quality and satisfy customer demands.

3. Affected by the external competitive environment, regulatory environment and overall business environment

Since the US-China trade war in 2019 followed by the spread of COVID-19 epidemic in 2020, and Russia's invasion of Ukraine without warning on February 24, 2022, inflation has ravaged the world, and central banks of various countries have scrambled to increase their value to fight inflation. The Federal Reserve raised its benchmark interest rate on March 2022, ending a two-year period of near-zero rates. The United States has raised interest rates by a total of 4.25 percentage points which is faster than other major economies. Many commodities in the international market are priced in US dollars. The appreciation of the US dollar will not only increase the cost of imports, but also intensify inflationary pressures. The decline in market demand under the pressure of inflation also affects the overall operating performance of the company.

Furthermore, the epidemic has lasted for three years, China still adheres to the Zero-COVID policy and continues to locktown until the end of September 2022. Therefore, the policy has caused China's economic data to slow down and China's domestic consumption to decline. It also caused delays in infrastructure construction, posing a serious impact on both the supply and demand sides of the mainland Chinese economy. Fortunately, the company has started to develop and expand sales in other regions in 2019. In 2022, the proportion of our sales to China has dropped from 32.69% in the previous year to 22.65%, while sales in Europe and the United States increased from 18.17% in 2021 to 24.19% in 2022, and has reduced the negative impact of this factor on the company's operations.

In terms of changes in laws and regulations, we will continue to pay attention to the implementation of information on amendments to various laws and regulations, such as amendments to company laws, labor standards laws, industrial safety and environmental protection, and corporate governance, so as to meet the requirements of laws and regulations. In terms of the overall economy, due to the frequent impact of global economic changes and the impact of geopolitical conflicts, growth variables are still very large.

Although the current global economic and trade growth is slow, while the pressure of inflation and interest rate hikes persists, the war between Russia and Ukraine continues, and the US-China technology war continues, the downside risk of the global economy is still high, we are still optimistic about the coming year. The operation this year is expected to recover gradually, driven by demand for 5G, data centers, consumer products, and high-speed product applications after factors such as the epidemic and inflation continue to stabilize.

The company continues to uphold the belief of honesty, practicality, pursuit of excellence, and sharing of results, as the goal of creating maximum benefits for shareholders and employees, and abides by government regulations and fulfills corporate social responsibilities. We sincerely thank shareholders, customers, suppliers and correspondent banks for their trust and support in TL.

Thank you!

Liu, Sheng Hsien, Chairman

2. Company Profile

2.1 Established Date: September 1st, 1997

2.2 History:

Y1997	TL was established in ITRI with a capital of 30 million NTD.
Y1998	TL was moved to Hsinchu Science Park, set up a fab and became the 1st company of Taiwan to sell VCSELs.
Y1999	Obtained the permission and began operations in the factory. Introduced VCSEL-based 100M Transceiver products.
Y2000	Procurement of the building at Hsinchu Science Park. Recipient of “TAIWAN OUTSTANDING PHOTONICS PRODUCT AWARD 2000”. Mass production of VCSEL and PIN series products (Chip, TO-Can).
Y2001	Established TrueLight (B.V.I.) Ltd. ISO 9001 certification. Capacity expansion by new TO-Can production line setup. Introduced VCSEL/PIN for SAN/Ethernet application to the U.S.
Y2002	Became a public listing company in Taiwan Emerging Stock Market. Became the main PINTIA supplier of FTTH/FTTx market.
Y2003	Listed on Taiwan OTC Market (Stock Code: 3234)
Y2004	TL obtained opinion book of “Technology-Based Enterprise with Successful Product or Technique Development and Marketing Potential” from Industrial Development Bureau, Ministry of Economic Affairs. New OSA production line setup.
Y2005	ISO 14001 EMS International Certification Began mass production of OSA outsourcing to expand the business scale.
Y2006	Introduced the components of Laser mouse in CE market.
Y2007	The conversion of employee stock option certificates into ordinary shares: NTD105,630,000, and the paid-in capital increased to NTD705,630,000.
Y2008	Capital increase of NTD21,056,000 from surplus transfer, increased paid-in capital to NTD726,686,000. Expansion capacity of FP LD chips, DFP LD chips and TO-Cans. BOD approved the setup of China subsidiary thru OBU.
Y2009	Setup H.K. ProRay Limited and approved its reinvestment in ProRay limited Zhuhai, China. Private placement of the 1st convertible bonds. Capital alteration to NTD1,200,000. Occupational Safety and Health System OHSAS 18001 and TOSHMS Certificate approved. LD TO assembly capacity expansion. Introduced FP LD TO-Can for E-PON and Ethernet/SONET application.
Y2010	Conversion of employee shares subscription warrant into ordinary shares: NTD5,520,000; the paid-in capital increased to NTD732,206,000. Began mass production of FP LD series.
Y2011	Stock began trading on Taiwan Stock Exchange: TWSE: 3234 9,900,990 ordinary shares converted from privately placed convertible corporate bonds; The paid-in capital increased to NTD831,216,000. OTC cash capital increase: 98,400,000 shares; The paid-in capital increased to NTD929,616,000. Conversion of employee stock warrants to common stocks: NTD1,840,000; The

	<p>paid-in capital increased to NTD931,456,000 Treasury stock buyback: 1,717,000 shares BOD resolved cash capital increase for the 2 subsidiaries, BOSA Tech and ProRay Limited. BOD resolved to establish the remuneration committee. Began mass production of 10Gbps GaAs PINTIA TO-CAN assembly, OSA, pigtail, Near infrared high-speed photodiode array and APD chips.</p>
Y2012	<p>Conversion of employee stock warrants to common stocks: NTD4,560,000; The paid-in capital increased to NTD936,016,000. Introduced the InGaAs PINTIA TO series products for 3G LTE application to Korea market. Began mass production of 1310nm High Power FP LD Chip/TO, 8G GaAs PINTIA ROSM (for SR Application) series.</p>
Y2013	<p>Treasury stock transferred to employees: 1,717,000 shares Issuance of new restricted employee shares: 1,900,000 shares; The paid-in capital increased to NTD955,016,000. Conversion of employee stock warrants to common stocks: NTD300,000; The paid-in capital increased to NTD955,316,000. Surplus transferred to the paid-in capital: NTD56,510,770; The paid-in capital increased to NTD 1,011,827,000. Obtained the Certification of CG6008 General Assessment Criteria for Corporate Governance System. TIPS 2007 Certificate approved. IECQ QC 080000 Certificate approved. Got the incentives of Advanced Technology Development Project from Central Taiwan Science Park (Project of finger point /vein biometric module development). Expanded the capacity of TO assembly production lines. Introduced OEM of G-PON DFB TO-Can. Scale expansion by introduced 40Gbps SR4 chip-on-board (COB), 10Gbps InGaAs PINTIA LC ROSM (For LR Application), 10Gbps GaAs PINTIA LC ROSM (For SR Application) series of products. Successfully developed the manual tester for Edge-emitting lasers, the simple type auto tester for chip visual inspection, and the auto tester for SMSR of DFB lasers. Began mass production of 5Gbps Analog PD pigtail module and 6Gbps 1310nm LD pigtail module related products.</p>
Y2014	<p>Cancellation of the new restricted employee shares and their dividends: 147,408 shares; The paid-in capital decreased to NTD1,010,353,000. Treasury stock buyback: 5,000,000 shares. Officially established the Remuneration Committee. BOD resolved the NTD. 800 million of capital expenditure increase. Scale expansion by introduced the OEM of 40G QSFP, 10Gbps VCSEL TOSM and APDTIA TO-Can series products. Successfully developed the auto feeding tester of PINTIA DC/AC, the tray tester for VCSEL QC, the tray tester for auto alignment of APD chips, and the auto tester for TO-Can Lens inspection. Began mass production of 10Gbps 1310nm Fabry-Perot Edge-Emitting Lasers, 1.25Gbps 4QW FP LD devices, and EPON series assembly.</p>
Y2015	<p>Treasury stock transferred to employees: 2,350,000 shares Issuance of new restricted employee shares: 2,865,000 shares; The paid-in capital increased to NTD1,039,003,000.</p>

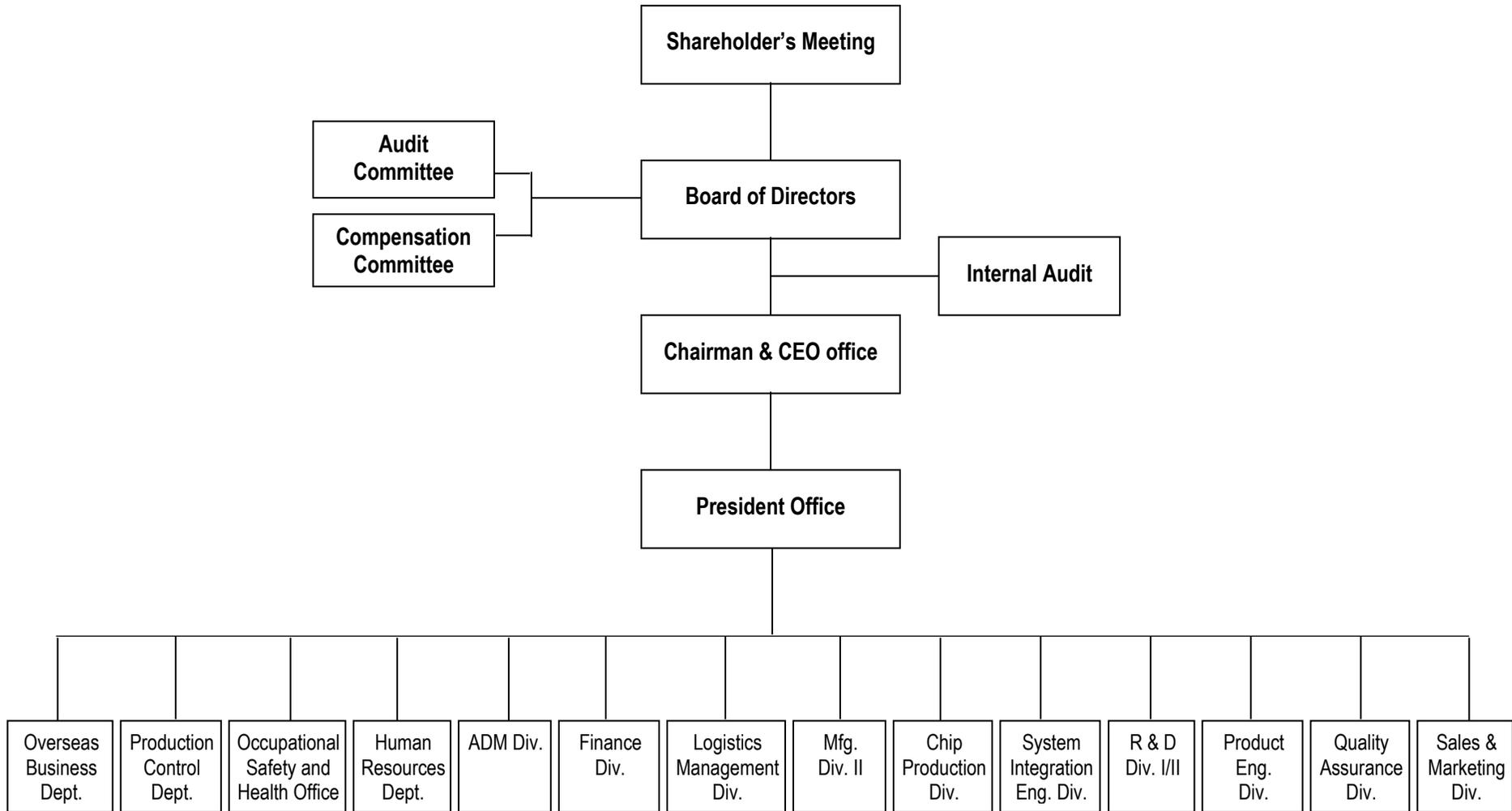
	<p>Cancellation of the new restricted employee shares: 74,200 shares; The paid-in capital decreased to NTD1,038,261,000.</p> <p>Approved the 1st Issuance of domestic secured convertible bonds.</p> <p>Approved the 2nd Issuance of domestic unsecured convertible bonds.</p> <p>Expansion of Fab and assembly line.</p> <p>Introduced modules of finger point /vein biometric product.</p> <p>Introduced the process of Shrink Epitaxy Top InP.</p> <p>Completed the subsidy case of The High Scope Research and Development Plan of the Central Science Park (Fingerprint and Finger vein Dual Biometric Module Development Plan)</p>
Y2016	<p>BOD approved the disposal of BosaComm Ltd, BOSA TECH INTERNATIONAL LIMITED and BOSA-OPTO Technologies (Shen Zhen) Co., LTD.</p> <p>BOD passed the cash capital reduction proposal, and 31,148,000 shares were canceled in June; The paid-in capital decreased to NTD726,783,000.</p> <p>Treasury shares transferred to employees: 2,420,000 shares</p> <p>Cancellation of the new restricted employee shares: 68,600 shares; The paid-in capital decreased to NTD726,097,000.</p> <p>Treasury stock buyback: 220,000 shares.</p> <p>The resolution of BOD approved the capital increase of US\$9,500,000 for the subsidiary, ProRay.</p> <p>BOD resolved to expand production capacity and increase capital expenditure. The total transaction amount should not exceed NT\$500 million.</p> <p>BOD approved the sale of machinery and equipment to ProRay with a total amount of NT\$247,798,000 (approximately equal to US\$7,744,000)</p> <p>Expanded the OSA Subassembly line; Introduced COB (chip-on-board) production technology, and successfully developed VR component series products for HMD applications.</p>
Y2017	<p>Cancellation of the new restricted employee shares: 81,970 shares; The paid-in capital decreased to NTD725,277,000.</p> <p>Treasury shares transferred to employees: 161,000 shares.</p> <p>Introduced advanced wafer process technology / equipment to enhance the manufacturing and production capacity.</p> <p>Introduce MOCVD (Metal-organic Chemical Vapor Deposition) production technology to enhance product development and manufacturing capabilities.</p> <p>Successfully developed CoS (chip-on-submount) series products.</p> <p>Successfully developed and introduced self-made VCSEL epitaxial wafers and high-efficiency VCSEL components for consumer 3D sensing products.</p>
Y2018	<p>BOD resolved to issue 3,606,000 new shares with restrictions on employee rights in installments, and 2,600,000 shares were issued on August; The paid-in capital increased to NTD751,277,000.</p> <p>Successfully developed VCSEL chips for 3D sensing, 40Gbps SR4 QSFP+ (Quad Small Form-factor Pluggable) and 100G QSFP28 SR4 COB series products for enriching the company's operating scale.</p>
Y2019	<p>Issuance of new restricted employee shares: 1,006,000 shares (January); The paid-in capital increased to NTD761,337,000.</p> <p>Cancellation of the new restricted employee shares: 145,000 shares; The paid-in capital decreased to NTD759,887,000.</p> <p>Capacity expansion of VCSEL for consumer products.</p>
Y2020	<p>BOD resolved to issue 3,794,000 new shares with restrictions on employee rights in installments, and 486,000 shares were issued on October; The paid-in capital increased to NTD764,747,000.</p>

	<p>VCSEL components for optical communication have been successfully imported into self-made VCSEL epitaxial wafers.</p> <p>128 Gbps VCSELs are used in high-speed data centers and high-security data security markets.</p> <p>25 Gbps 1270/1290/1310/1330/1350/1370 nm industrial-grade DFB is a WDM solution for 5G base station transmission.</p> <p>2W/ 4W VCSEL array: Applied in the field of ToF sensing, such as the standard equipment included in Apple's new generation of mobile phones, will drive other mobile phone manufacturers to follow up.</p>
Y2021	<p>Apply CoC/CoB Submodule in cloud computing /data center to enrich the operation scale.</p> <p>850/ 940nm single-mode and polarization-stable VCSELs are used in the precision sensing market.</p> <p>Development of small angle (15-18°) VCSEL components.</p>
Y2022	<p>Mid power O-band laser components are used in cloud data centers.</p> <p>56G GaAs, 56G InGaAs, and 56G DFB photodetectors are used in cloud data centers.</p> <p>940nm small angle (18~20 degree) oxide VCSEL</p> <p>Development of 850nm 56G PAM4 VCSEL.</p> <p>850nm 32Gps industrial-grade VCSEL chip (Rms<0.45nm)</p>
Y2023 (as of the printed date of the annual report)	<p>QSFP-DD SR8 optical modules are designed to support 400G Ethernet, suitable for data center links up to 100m over multi-mode fiber with FEC.</p> <p>56G APD-TIA ROSM is used in high-speed transmission.</p> <p>Successfully developed 1310nm PD with low visible light interference (proximity sensor for mobile phone).</p>

3. Corporate Governance Report

3.1 Organization

3.1.1 Organization Chart



3.1.2 Main Duty Of the Department

Dept.	Main Duty
Chairman & CEO Office	Chairman is responsible for convening the board of directors, supervising the company's operations, deciding on the company's important strategies, planning the company's future business direction and goals.
President Office	1.The President Office is the staff unit of President, adhering to President's instructions to plan the operation and track the business of each department. 2.Responsible for contract review and related legal advice, accepting visits from investment legal persons.
Internal Audit	1.Annual audit plan formulating, regular and irregular audit work executing. 2.Independently evaluate and confirm the effectiveness of internal control, risk management and governance processes.
Overseas Business Dept.	1.Manpower, production, business planning and management of overseas subsidiaries. 2.Provide overseas subsidiaries with technical and management support.
Production Control Dept.	1.According to the operation plan and sales demand, formulate and implement the production schedule. 2.Control the schedule of supply demand, initiate production orders, control the progress, and monitor the performance to ensure the achievement of production goals.
Occupational Safety and Health Office	1.Planning, implementation, and supervision of labor safety and health management, training, and various environmental protection tasks. 2.Responsible for occupational disaster investigation and follow-up processing; promote and implement ISO14001, OHSAS 18001, TOSHMS.
Human Resources Dept.	1.Personnel recruitment, appointment, promotion, transfer, resignation, retirement, assessment, rewards and punishments, insurance, salary and benefits and other personnel operations. 2.Management and maintenance of rules and regulations, staff training; study and implementation of human resource plans. 3.Responsible for the maintenance and communication between labor and management.
ADM Div.	Operation, maintenance and regular detection of equipment for treating waste water/waste gas/waste solvent; waste removal and management.
Finance Div.	Financial budget preparation, execution, supervision and integration; accounting and financial related operation review, external merger and division planning; risk managing, report preparing, analyzing and stock affairs processing.
Logistics Management Div.	1.Establish an effective property management and information control system to improve the performance of production and sales operations. 2.Coordinate and manage the company's import, export and bonded examine business. 3.Information system design and management. 4.Purchasing affairs and supplier management.
Mfg. Div. II.	Planning, execution, and control of operations for TO-Can/OSA/Submodule.
Chip Production Div.	1.Planning, execution, and control of operations for wafer/chip products. 2.The process control and maintenance of wafer/chip products. 3.The transfer of new products from R&D to manufacturing, increase product yield and improve process. 4.The process control and maintenance of products such as TO-Can/OSA/Submodule. 5.Manufacturing and OEM of TO-Can products
System Integration Eng. Div.	1.Cross-product and cross-process engineering problem analysis and improvement. Development of new process modules and introduction of new equipment. 2.Update and improvement of existing process design
R&D I/II Div.	1.Coordinate R&D management, formulating strategies and goals for "product development, technology development, and intellectual property management". 2.Establish new product and technology projects, plan, control, maintain, and improve their implementation and sustainability. 3.Execute research and development cycle and design development control, manage and

Dept.	Main Duty
	<p>maintain process management.</p> <p>4. Establish the R&D team's awareness and enhance intellectual property energy according to the TIPS (Taiwan Intellectual Property Management System) regulations, ensuring R&D compliance with relevant intellectual property laws and regulations.</p> <p>5. Apply for and manage external projects and alternative personnel, maintain and manage product or technology implementation and data maintenance management.</p> <p>6. Supervise the implementation of design development control procedures, research and development cycle, ISO 9000, ISO 14001, RoHS, PFOS, GP, Halogen Free, OHSAS18001 & TOSHMS, green design, TIPS (Taiwan Intellectual Property Management System, including intellectual property management manual), and intellectual property (IP, including NDA), ensuring that products meet environmental regulations, quality systems, customer requirements, environmental-related substances, and intellectual property regulations.</p>
Product Eng. Div.	<p>1. Responsible for the development, publication, design and display of extensible technologies and products, and engaging in engineering introduction.</p> <p>2. Planning, control, implementation and closure of project plans (internal research projects and external subsidy plans), research and development of customized products, technology/engineering introduction.</p> <p>3. Validation analysis of products, customer complaints, materials or customer applications.</p>
Quality Assurance Div.	<p>1. Set up the company's quality goals.</p> <p>2. Plan and execute the quality control of incoming, process and outputs.</p> <p>3. Maintenance and management the calibration system and document control system.</p> <p>4. Maintenance and execute the ISO 9001 and QC 080000 system.</p> <p>5. Response to customer's quality feedback cases and promotion of internal improvement.</p>
Sales and Marketing Division	<p>1. Managing and expanding foreign and domestic market, deal with customer inquiry and maintain the customer relationship</p> <p>2. Market research and information collection, analyze market competitors, and develop countermeasures</p> <p>3. Coordinating for product portfolio and marketing plan</p> <p>4. Supporting for strategic planning for business model and product development</p>

3.2 Directors and Management Team

3.2.1 Directors

As of 2023/3/30

Title	Nationality/ Place of Incorporation	Name	Gender Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Position(s) held concurrently in the company and /or in any other company	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark(s) (Note)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	R.O.C.	Liu Sheng Hsien	Male 66~70	2021/7/15	3	1999/6/21	2,234,753	2.92	2,118,753	2.77	1,623,000	2.12	0	0	University of Illinois- BSEE Paradiam Tech- Manager of Prod./Eng. Dept., ISSI-Division Director, Manufacturing, Best Integrated Technology- Chairman, UTC-VP, Sales Opnet Technologies Co., Ltd. -Independent Director, BOSA Tech International (HK) Limited -Director BOSA Tech (SZ) Limited-Director YLTLINK Technology Corp. -Corporate representative director of TL Corp.	TrueLight Corp. -Chairman &CEO ProRay Limited -Director Zhuhai FTZ. ProRay Optoelectronics Technology Co., Ltd. -Director -Legal Representative	None	None	None	Note 1

Title	Nationality/ Place of Incorporation	Name	Gender Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Position(s) held concurrently in the company and /or in any other company	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark(s) (Note)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	R.O.C.	Liu, Han Xing	Male 71~75	2021/7/15	3	2015/5/28 (Director) 2012/5/30 ~ 2014/7/31 (Independent Director)	145,600	0.19	150,600	0.20	96,000	0.13	0	0	University of California, Berkeley -PhD, Electrical Prime Education and Experience Engineering Hitron Technologies Inc. Hsinchu SBIP Subsidiary-President, Bell Communications Research -Researcher -Manager TrueLight Corporation- Independent Director Chief Telecom Inc.- Independent Director	TrueLight Corp. -President ProRay Limited -Director Zhuhai FTZ. ProRay Optoelectronics Technology Co., Ltd. -Director YLTLINK Technology Corporation -Director -CEO -Corporate representative director of TL Corp.	None	None	None	None

Title	Nationality/ Place of Incorporation	Name	Gender Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Position(s) held concurrently in the company and /or in any other company	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark(s) (Note)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	R.O.C.	Chen Cheng Kang (Note2)	Male 71~75	2021/7/15	3	2015/5/28	0	0	0	0	0	0	0	0	NCKU- BSEE Illinois Institute of Technology -MSEE AMI -Senior Engineer, Communicating Products CA Area Design Centre, HP (Hewlett Packard), USA -Supervisor /Item Manager of European CSM -Director, Sales TSMC -Senior Director, Corporate Development/ Marketing 2 IC design houses -Special Assistant to CEO Nationz Technologies -Technical Adviser A venture capital company, Beijing -Semiconductor industry consultant	None	None	None	None	None

Title	Nationality/ Place of Incorporation	Name	Gender Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Position(s) held concurrently in the company and /or in any other company	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark(s) (Note)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	R.O.C.	Lai, Jiun Hao	Male 61~65	2021/7/15	3	2018/6/21	0	0	0	0	0	0	0	0	NTU-BSEE UC Santa Barbara -MSEE ASICtronics Solutions (San Jose, CA)-Co-founder TSMC North America -Department Manager, ASIC -Director, Div. of Design Service -Director, Div. of Start-up customers Global Unichip Corp. -President Megachips Corp. (TSE:6875)-Director	Global Unichip Corp. -Consultant DigiTimes -Consultant M31 -Consultant Giga Solution Tech. Co., Ltd -Director, Legal Representative of Ardentec Corp. SOI -Independent Director -Member of the Remuneration Committee Andes Technology -Independent Director -Member of the Remuneration Committee Wolley, Inc. (San Jose, CA, USA)-Director Focal Tech -Member of the Remuneration Committee Skymizer Taiwan Inc. -Chairman	None	None	None	None

Title	Nationality/ Place of Incorporation	Name	Gender Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Position(s) held concurrently in the company and /or in any other company	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark(s) (Note)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	U.S.	Juine- Kai Tsang	Male 71~75	2021/7/15	3	2015/5/28	0	0	0	0	0	0	0	0	NTU-BS, Physics University of Illinois, Urbana- Champaign -MS, Physics -Ph.D, Physics VentureTech Alliance-Managing Partner Sentelic Corporation -Director, Legal Representative of VentureTech Alliance Fund II, L.P. Cayman	VentureTech Alliance Management Company- Managing Partner Great Team Backend Foundry, Inc. (BVI)-Director LIQUIDLEDS Lighting Corp. -Director, Legal Representative of VentureTech Alliance Fund II, L.P., Cayman Aether Systems Inc. --Director, Legal Representative of VentureTech Alliance Fund II, L.P., Cayman MA-tek -Independent Director -Member of Audit / Remuneration Committee	None	None	None	None

Title	Nationality/ Place of Incorporation	Name	Gender Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Position(s) held concurrently in the company and /or in any other company	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark(s) (Note)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	R.O.C.	Yang, Tsen Shau	Male 66~70	2021/7/15	3	2018/6/21	1,729	0	4,729	0.01	0	0	0	0	Stanford University - PhD, EE Myson Technology, Inc. -VP -President Century Technology, Inc. -VP Wuhan Trimode Technology Inc. -President Intelligent Silicon Solution Corporation -Consultant	Wuhan Trimode Technology Inc. -Consultant Intelligent Silicon Solution Corporation -Director -President	None	None	None	None

Title	Nationality/ Place of Incorporation	Name	Gender Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Position(s) held concurrently in the company and /or in any other company	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark(s) (Note)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	R.O.C.	Chien, Yi Sen	Male 66~70	2021/7/15	3	2006/6/27~ 2014/5/30 (Supervisor) 2003/6/26~ 2006/6/26 (Independent Director)	0	0	0	0	0	0	0	0	NCTU -BS, Transportation Management Indiana University -MBA Citibank Taipei Branch -Second VP Antay Securities Investment Consultant -President Ting Kong Securities Co., Ltd. -President Pixon Technologies Corporation -Chairman OptoMedia Technology Inc. -Director Myson Century, Inc. -President/Chairman (Director, Legal Representative of China Motor Corporation)	CFP Technology Corp. -Chairman Appo Tech -Director, Legal Representative of Appo Tech Cayman Inc. TAGC -Chairman Lianxin Energy Co., Ltd. -Chairman (Director, Legal Representative of Appo Tech) Changyang Energy Co., Ltd. -Chairman (Director, Legal Representative of Appo Tech)	None	None	None	None

Note 1: Where the Chairman of the Board of Directors and the President or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (such as increasing the number of independent director seats, and more than half of all directors must not concurrently serve as employees or managers) must be disclosed.

Chairman of the company also serves as a CEO concurrently in order to improve operating efficiency and decision-making execution ability. Chairman also communicates closely with the directors to fully communicate the company's operations and planning guidelines to implement corporate governance. However, in order to improve the position of BOD and strengthen the supervision function, the company currently has the following specific measures:

A. Chairman of the company is also the CEO. In order to make the division of responsibilities clear, the BOD passed a resolution on 2014/08/08 to appoint Mr. Han-Xing Liu as the president of the company.

B. There are 6 directors in the 9th session, including 4 independent directors and 2 employee directors, accounting for 66.66% and 33.33% of all directors.

C. The professional background of the independent directors includes electrical machinery, telecommunications, physics, accounting, etc. They can be fully discussed in the Audit Committee and the Compensation Committee and make suggestions for the board of directors' reference to implement corporate governance.

D. Continue to cultivate the succession planning of important management levels, please refer to page 48~50 of the annual report.

Note2: Resigned on February 8, 2022, and his relevant information was disclosed until the resignation date.

Major shareholders of corporate shareholders: The directors of the company are not represented by the shareholder, so this form is not applicable.

3.2.1.1 Professional qualifications and independence analysis of directors and supervisors :

All the directors of the company are currently not involved in any of the provisions of Article 30 of Company Act.

Title	Name	Member of Audit/ Compensation	Professional Qualification Requirements, and Work Experience (Please refer to P.12-19 of the Annual Report)	Independence Criteria	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Chairman and CEO	Liu, Sheng Hsien	-	The chairman has extensive industrial experience as well as skills in operations management, leadership policy and marketing, leading the company's sustainable operations.	N.A.	0
Director and President	Liu, Han Xing	-	Possesses abundant experience and qualifications as well as skills in operations, marketing, optical communication technology, business administration, etc., leading the company to grasp industrial needs and related operating risks. The company will continue to rely on the expertise of Director Liu, Han Xing to continuously improve the quality of corporate governance.		0
Director	Chen, Cheng Kang (Note)	-	Possesses a wealth of marketing skills, as well as expertise in technology and consulting. During his tenure, he has made numerous strategic and operational recommendations for TrueLight.		0
Independent Director	Lai, Jiun Hao	V	He has many years of experience in the field of ASIC/CAD. During his stay in the United States, he worked for LSI Logic and Toshiba, and founded the ASICtronics Solutions company. Later on, he worked in the office of TSMC North America, where he was in charge of design services and emerging customer groups. The independent director Lai, Jiun Hao actively assists TrueLight in innovation, enhancement of competitiveness, and expansion of the international market. The company will continue to rely on the expertise of the independent director Lai, Jiun Hao in the fields of industry, business planning, business administration, corporate governance, etc. to assist in continuous refinement of corporate governance quality.	All the independent directors meet the following requirements: 1. Compliance with the provisions of Article 14-2 of the Securities and Exchange Act promulgated by the Financial Supervisory Commission as well as the	2

Title	Name	Member of Audit/ Compensation	Professional Qualification Requirements, and Work Experience (Please refer to P.12-19 of the Annual Report)	Independence Criteria	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	Tsang, Juine Kai	V	He has extensive experience and qualifications in the industry as well as complete and abundant experience and qualifications in corporate governance, market information, product application, and expanding domestic and overseas markets. The independent director Tsang, Juine Kai takes the initiative to assist TrueLight in grasping product information, understanding the pulse of the market, and expanding domestic and foreign markets. The company will continue to rely on the expertise of the independent director Tsang, Juine Kai in the fields of industry, business planning, overseas business expansion, business administration, corporate governance, enhancement of the company's competitiveness, etc. to assist TrueLight in continuous refinement of corporate governance quality and operations.	Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies 2.No amount of remuneration received for providing business, legal, financial, accounting and other services to the company or its affiliates in the last two years	1
	Chien, Yi Sen	V	He specializes in the field of finance, and the company will continue to rely on the expertise of the independent director Chien, Yi Sen in the fields of finance, business administration, corporate governance, etc. to assist in continuous refinement of corporate governance quality.		0
	Yang, Tsen Shau	V (Convenor of the Audit and Compensation Committee)	He has abundant experience and qualifications in the field of IC design, and extensive experience in corporate management, marketing, research and development, etc. The independent director Yang, Tsen Shau takes the initiative to assist TrueLight in consulting on product issues and marketing. The company will continue to rely on the expertise of the independent director Yang, Tsen Shau in the fields of industry, business administration, corporate governance, etc. to assist in continuous refinement of corporate governance quality.		0

Note: Resigned on February 8, 2022, and his relevant information was disclosed until the resignation date.

3.2.1.2 The diversity policy and status of independence of the board of directors:

A. The diversity policy :

The " Corporate Governance Best Practice Principles " and " Procedures for Election of

Directors " formulated by the company stipulate that the composition of the board of directors should consider diversity, and formulate appropriate and diversified policies for the company's operations, business models and development needs. It is appropriate to evaluate various aspects of diversity, for example: A. Basic conditions and values (such as: gender, age, nationality and culture, etc.) B. Professional knowledge and skills: professional background (such as: law, accounting, industry, finance, marketing or technology), professional skills and industrial experience, etc. Board members should generally have the knowledge, skills and accomplishments necessary to perform their duties. The overall capabilities they should possess include operational judgment, accounting and financial analysis, operational management, crisis management, industry knowledge, international market outlook, leadership, and decision-making.

There are 7 directors in the 9th term of the company, 4 of which are independent directors. Director Chen, Cheng-Kang had resigned on February 8, 2022. The professional background of the directors covers electrical machinery, telecommunications, physics, financial accounting, etc. The members of the board of directors have industrial experience and diverse knowledge backgrounds, and can give professional advice from different aspects.

The implementation situation is as follows:

Name	Title	Gender	Nationality	Age	Employee of the company	Independent Director term of office	Diversified Core Projects					
						3~9 years	Management	Leadership Decision	Optical Communication Technology	Marketing	Finance	Bank/ Securities
Liu, Sheng Hsien	Chairman and CEO	Male	R.O.C.	66~70	✓		✓	✓		✓		
Liu, Han Xing	Director and President	Male	R.O.C.	71~75	✓		✓	✓	✓	✓	✓	
Chen, Cheng Kang (Note 1)	Director	Male	R.O.C.	71~75			✓	✓		✓		
Tsang, Juine Kai	Independent Director	Male	U.S.	71~75		✓	✓	✓	✓			
Yang, Tsen Shau	Independent Director	Male	R.O.C.	66~70		✓	✓	✓	✓			
Lai, Jiun Hao	Independent Director	Male	R.O.C.	61~65		✓	✓	✓		✓		
Chien, Yi Sen	Independent Director	Male	R.O.C.	66~70		✓	✓	✓			✓	✓

Note 1: Resigned on February 8, 2022, and his relevant information was disclosed until the resignation date.

B. 2022 Board of Directors Goals and Achievements :

Goal	Achievement
Directors who concurrently serve as company managers should not exceed one-third of the directors' seats	2 directors have the status of company managers, accounting for 33.33% of the total, less than one-third. Achieved.
Independent directors shall serve no more than three consecutive terms	1 has a term of 7 years, 3 have terms of 4 years. None of the 4 independent directors have served for more than three terms. Achieved.
The number of independent directors exceeds half of all directors	4 independent directors, accounting for 66.66% of the total. Achieved.
Directors shall have more than half of the seats, and shall not have spouses or relatives within the second degree of kinship	The directors of the company and the independent directors do not have a spouse or a relationship within the second degree of relatives. Achieved.
Add at least one female board member	Although there are no female members in the current session of directors, the company attaches great importance to gender equality and will increase the number of female directors in the future. Not achieved.

C. The status of independence: There are 6 incumbent directors in the ninth term, including 4 independent directors and 2 employee directors, accounting for 66.66% and 33.33% of all directors respectively. No violation of Article 26-3, Paragraph 3 and Paragraph 4 of the Securities Exchange Act. Therefore, the board of directors of the company is independent.

3.2.2 Management Team

As of 2023/3/30 Unit: share

Title	Nationality	Name	Gender	Date Elected	Shares Currently Held		Shares Currently Held by Spouse & Minors		Shares Held in The Name of Others		Prime Education and Experience	Current Position in The Company	Managers Who are Spouses or within Second-degree Relative of Consanguinity to Each Other			Remark
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman & CEO	ROC	Liu, Sheng-Hsien	Male	90.1.1	2,118,753	2.77	1,623,000	2.12	0	0	University of Illinois-BSEE Paradium Tech-Manager of Prod./Eng. Dept., ISSI-Division Director, Manufacturing, Best Integrated Technology-Chairman, UTC-VP, Sales Opnet Technologies Co., Ltd. -Independent Director, BOSA Tech International (HK) Limited -Director BOSA Tech (SZ) Limited-Director YLTLINK Technology Corp. -Corporate representative director of TL Corp.	ProRay Limited -Director Zhuhai FTZ. ProRay Optoelectronics Technology Co., Ltd. -Director -Legal Representative	None	None	None	Please refer to Note 1 of 3.2.1
President	ROC	Liu, Han-Xing	Male	103.8.8	150,600	0.20	96,000	0.13	0	0	University of California, Berkeley -PhD, Electrical Prime Education and Experience Engineering Hitron Technologies Inc. Hsinchu SBIP Subsidiary-President, Bell Communications Research -Researcher -Manager TrueLight Corporation-Independent Director Chief Telecom Inc.-Independent Director	ProRay Limited -Director Zhuhai FTZ. ProRay Optoelectronics Technology Co., Ltd. -Director YLTLINK Technology Corporation -Director -CEO -Corporate representative director of TL Corp.	None	None	None	None
Executive VP	ROC	Wu, Cheng-Zu	Male	102.3.27	144,000	0.19	0	0	0	0	National Cheng Kung University-Master degree of Electrical Engineering Industrial Technology Research Institute EOSL-Section Manager OCP ASIA, INC. (GIGACOMM CORP.) -Product Integration Manager	YLTLINK Technology Corporation -Supervisor Zhuhai FTZ. ProRay Optoelectronic Technology Co., Ltd. -Director	None	None	None	None

Title	Nationality	Name	Gender	Date Elected	Shares Currently Held		Shares Currently Held by Spouse & Minors		Shares Held in The Name of Others		Prime Education and Experience	Current Position in The Company	Managers Who are Spouses or within Second-degree Relative of Consanguinity to Each Other			Remark
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
VP/ Finance Supervisor / Accounting Supervisor	ROC	Chen, Ping-Ling	Female	99.3.1	196,962	0.26	46,009	0.06	0	0	Newport International University-MBA Microelectronics Technology Inc. -Assistant Manager of Finance Dept. Zhuhai FTZ. ProRay Optoelectronics Technology Co., Ltd.-Supervisor of	TrueLight (BVI) Limited-Director Opto Radiant Enterprise Ltd.-Director (Note 1) ProRay Limited-Director Zhuhai FTZ. ProRay Optoelectronics Technology Co., Ltd.-Supervisor	None	None	None	None
VP	ROC	Fu, Hsueh-Hsing	Male	94.4.1	24,820	0.03	0	0	0	0	NTHU University-Master of IEEM, UMAX Computer Co., Ltd.-Engineering Manager PRORAY Technology Co., Ltd.-Director Zhuhai FTZ. ProRay Optoelectronics Technology Co., Ltd.-Legal Representative, Director TrueLight (BVI) Limited-Director	None	None	None	None	None
VP	ROC	Chen, Chih-Cheng	Male	106.5.12	100,500	0.13	0	0	0	0	National Taiwan University-Ph.D. EE, Copax Photonics, Corp. -Senior Engineer -Assistant Project Manager Arima Lasers Corp.-Senior Engineer TrueLight Corp. -Project Manager /Manager /Senior Manager -Director /Senior Director	None	None	None	None	None
Senior Director	ROC	Ou, Chun-Miao	Female	104.1.5	59,627	0.08	0	0	0	0	National Chung Hsing University-MBA	None	None	None	None	None
Senior Director	ROC	Wu, Jun-Han	Male	105.3.26	61,900	0.08	0	0	0	0	National Sun Yat-sen University (NSYSU)- Master of the Graduate Institute of Photonics	None	None	None	None	None
Director	ROC	Chang, Ching-Fang	Female	104.1.5	75,276	0.10	0	0	0	0	Chung Hua University-Bachelor of Finance Cameo Communications, Inc.-Project Manager W-LINK Systems Inc.-Project Manager AnaChip Corp.-Assistant Project Manager	None	None	None	None	None

Title	Nationality	Name	Gender	Date Elected	Shares Currently Held		Shares Currently Held by Spouse & Minors		Shares Held in The Name of Others		Prime Education and Experience	Current Position in The Company	Managers Who are Spouses or within Second-degree Relative of Consanguinity to Each Other			Remark
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	ROC	Wu, Tsan-Hung	Male	107.7.02	84,249	0.11	0	0	0	0	Tatung Institute of Technology -Bachelor, Dept. of Business Management Chung Hua University -Master, Dept. of Information Management, Lam Soon Industries Inc-System Analyst E-Tech Corporation-Session Manager TrueLight Corporation -Session Manager /Assistant Manager /Manager /Senior Manager	None	None	None	None	None
Director	ROC	Tai, Chuan-Chia	Male	107.7.02	53,000	0.07	0	0	0	0	NSYSU-Bachelor, EE NSYSU-Master, Dept. of Photonics TrueLight Corp. -Engineer /Section Manager /Deputy Manager /Manager /Senior Manager	None	None	None	None	None
Director	ROC	Huang, Chia-Ming	Male	2021/4/9	7,000	0.01	0	0	0	0	NCKU-Bachelor, Department of Physics National Yang Ming Chiao Tung University -Master of Science, Electrical and Computer Engineering program, Vate Technology-Senior Engineer, TrueLight Corp. -Section Manager /Manager /Senior Manager	None	None	None	None	None

Note1: BOD of the company approved the establishment of an overseas company on August 26, 2016, but the investment funds have not been remitted as of the publication date of the Annual Report.

3.3 Remuneration of Directors, Independent Directors, Supervisors, President, and Vice Presidents in Y2022

3.3.1 Remuneration of Directors and Independent Directors (Individual disclosure of name and method of remuneration)

Unit: NT\$ thousands

Title	Name	Remuneration of Directors								Total Remuneration(A+B+C+D) and the Ratio to Net Income (%)		Relevant Remuneration Received by Directors Who Are Also Employees						Total Compensation (A+B+C+D+E+F+G) and the Ratio to Net Income (%)		Remuneration from ventures other than subsidiaries or from the parent company			
		Base Compensation (A)		Severance Pay and Pensions (B)		Bonus to Directors (C)		Business Execution (D)				Salary Bonuses and Allowances (E)		Severance Pay and Pensions (F)		Profit Sharing Employee Bonus (G)							
		The Company	All Companies in the consolidated financial statements	The Company	All Companies in the consolidated financial statements	The Company	All Companies in the consolidated financial statements	The Company	All Companies in the consolidated financial statements	The Company	All Companies in the consolidated financial statements	The Company	All Companies in the consolidated financial statements	The Company	All Companies in the consolidated financial statements	Cash	Stock	Cash	Stock		The Company	All Companies in the consolidated financial statements	
Chairman and Chief Executive Officer	Liu Sheng Hsien	0	0	0	0	0	0	0	0	0	0	8,120	8,120	0	0	0	0	0	0	8,120	8,120	0	0
Director	Liu, Han Xing	0	0	0	0	0	0	0	0	0	0	5,600	6,800	108	108	0	0	0	0	5,708	6,908	0	0
Director	Chen Cheng Kang	50	50	0	0	0	0	0	0	50	50	0	0	0	0	0	0	0	0	0	0	0	0
Independent Director	Juine Kai Tsang	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Independent Director	Lai, Jiun Hao	600	600	0	0	0	0	0	0	600	600	0	0	0	0	0	0	0	0	0	0	0	0
Independent Director	Yang, Tsen Shau	600	600	0	0	0	0	0	0	600	600	0	0	0	0	0	0	0	0	0	0	0	0
Independent Director	Chien, Yi Sen	600	600	0	0	0	0	0	0	600	600	0	0	0	0	0	0	0	0	0	0	0	0

1. Please describe the policy, system, standard, and structure of remuneration to Director and independent directors, and the correlation between duties, risk, and time input with the amount of remuneration :

(1) Base Compensation:

(A) The compensation to directors is based on the overall operating performance of the company, and the degree of the directors' participation in the company's operations and contribution. The amount of the compensation is based on the industry standard, reviewed by Compensation Committee, and approved by Board of Directors. A general director who executes the company's business will receive his compensation (salary) for concurrently serving the company's duties but not the compensation. The compensation is paid in accordance with Articles of Incorporation, according to the degree of his participation in the company's operations and contribution, and in consideration of domestic and foreign industry standards, the Board of Directors are authorized to agree.

(B) The compensation to independent directors is based on the overall operating performance of the company. The amount of the compensation is based on the industry standard, reviewed by Compensation Committee, and approved by Board of Directors.

(2) Bonus to Directors: According to Articles of Incorporation, no more than 4% of profit will be appropriated as the director's remuneration. Directors draw up distribution the proposal and submit it to the shareholders' meeting for resolution. The distribution of remuneration is based on comprehensive consideration of directors' responsibilities to Board of Directors, degree of participation and contribution.

2. Except as disclosed in the preceding table, the remuneration received by the directors of the Company in recent years for the services provided to all companies in the financial statements (e.g. as consultants to non-employees, etc.):

None

3.3.2 Remuneration for President and VP (disclose their names and remuneration method)

Unit: NT\$ thousands / thousands Share

Title	Name	Salary (A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Compensation (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Remuneration from ventures other than subsidiaries or from the parent company (Note)
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
Chairman & CEO	Liu, Sheng-Hsien	20,566	22,006	540	540	3,465	3,465	0	0	0	0	24,571 (93.83%)	26,011 (99.33%)	0
President	Liu, Han-Xing													
VP / Finance Supervisor / Accounting Supervisor	Chen, Ping-Ling													
Executive VP	Wu, Cheng-Zu													
VP	Fu, Hsueh-Hsing													
VP	Chen, Chih-Cheng													

Remuneration Range

Range of Remuneration	Name of President and Vice Presidents	
	The company	Companies in the consolidated financial statements (E)
Less than NT\$1,000,000	-	-
NT\$1,000,000 (inclusive)~NT\$2,000,000 (exclusive)	-	-
NT\$2,000,000 (inclusive)~NT\$3,500,000 (exclusive)	Wu, Cheng-Zu, Chen, Ping-Ling, Fu, Hsueh-Hsing, Chen, Chih-Cheng	Wu, Cheng-Zu , Chen, Ping-Ling, Fu, Hsueh-Hsing, Chen, Chih-Cheng,
NT\$3,500,000 (inclusive)~NT\$5,000,000 (exclusive)	-	-
NT\$5,000,000 (inclusive)~NT\$10,000,000 (exclusive)	Liu, Sheng-Hsien, Liu, Han-Xing	Liu, Sheng-Hsien, Liu, Han-Xing
NT\$10,000,000 (inclusive)~NT\$15,000,000 (exclusive)	-	-
NT\$15,000,000 (inclusive)~NT\$30,000,000 (exclusive)	-	-
NT\$30,000,000 (inclusive)~NT\$50,000,000 (exclusive)	-	-
NT\$50,000,000 (inclusive)~NT\$100,000,000 (exclusive)	-	-
More than NT\$100,000,000	-	-
Total number of people	6	6

3.3.3 Managerial officers with the top five highest remuneration amounts in a TWSE/TPEX-listed company (disclose their names and remuneration method)

Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Compensation (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Remuneration from ventures other than subsidiaries or from the parent company (Note 7)
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
Chairman & CEO	Liu, Sheng-Hsien	6,960	6,960	0	0	1,160	1,160	0	0	0	0	8,120 (31.01%)	8,120 (31.01%)	0
President	Liu, Han-Xing	4,800	6,000	108	108	800	800	0	0	0	0	5,708 (21.80%)	6,908 (26.38%)	0
Executive VP	Wu, Cheng-Zu	2,589	2,829	108	108	433	433	0	0	0	0	3,130 (11.95%)	3,370 (12.87%)	0
VP /Finance Supervisor /Accounting Supervisor	Chen, Ping-Ling	2,511	2,511	108	108	457	457	0	0	0	0	3,076 (11.75%)	3,076 (11.75%)	0
VP	Chen, Chih-Cheng	1,878	1,878	108	108	322	322	0	0	0	0	2,308 (8.81%)	2,308 (8.81%)	0

3.3.4 Names and Distributions of Employee Profit-Sharing Compensation to Managerial Officers:
None

3.3.5 Separately compare and describe total remuneration, as a percentage of net income stated in the parent company only financial reports or individual financial reports, as paid by this company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, supervisors, general managers, and assistant general managers, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure.

3.3.5.1 Analysis of the ratio of the total amount of remuneration paid to the company's Directors, President and VPs by the company and all companies with consolidated statements in the last two years to the net (profit) after tax of the individual financial report: The net loss after tax in 2022 is NT\$26,187,000, and the net loss after tax in 2021 is NT\$132,770,000.

Item Title	The Company				All companies with Consolidated Statements			
	Y2022		Y2021		Y2022		Y2021	
	Total Amount	Proportion of net (loss) profit after tax	Total Amount	Proportion of net (loss) profit after tax	Total Amount	Proportion of net (loss) profit after tax	Total Amount	Proportion of net (loss) profit after tax
Director	1,850	(7.06%)	2,201	(1.66%)	1,850	(7.06%)	2,201	(1.66%)
President & VPs	24,571	(93.83%)	23,893	(18.00%)	26,011	(99.33%)	25,333	(19.08%)

3.3.5.2 The company's remuneration policy, criteria and composition, the procedure for determining remuneration, and its correlation with business performance and future risks:

A. Policy, criteria and composition of remuneration payment:

Director remuneration: Director remuneration is paid in accordance with Article 20 of the company's Articles of Incorporation, determined by the company in accordance with their level of participation in the company's operations and the value of their contribution and taking into account the standards of six companies in the peer industry, reviewed by the Remuneration Committee, and then submitted to the Board of Directors for a resolution.

The payment of director remuneration is in accordance with Article 24 of the company's Articles of Incorporation. If the company makes a profit in the year, no more than 4% of the profit shall be set aside as the director remuneration, which shall be reviewed by the Remuneration Committee and submitted to the Board of Directors for a resolution, and then reported to the shareholders meeting.

Manager remuneration: The payment of salaries, bonuses, separation pays and pensions and special allowances is handled based on the content of their duties and work responsibilities, taking into account the salary criteria in the peer industry and considering the company's future development, profit situation and the company's performance appraisal guidelines, reviewed by the Remuneration Committee, and then submitted to the Board of Directors for a resolution.

The payment of employee remuneration is in accordance with Article 24 of the company's Articles of Incorporation, reviewed by the Remuneration Committee, submitted to the Board of Directors for a resolution, and then reported to the shareholders meeting.

B. Procedures for determining remuneration: In accordance with the company's Remuneration Committee Organizational Rules, the Remuneration Committee

shall review the policy, system, criterion and structure of the annual and long-term performance goals as well as salary and remuneration for directors and managers, and then submit them to the Board of Directors for review.

The 2022 director performance evaluation has been completed on 2023/3/8. The director remuneration structure is in line with the company's current operating conditions as well as the correlation between performance and remuneration. If the current remuneration needs to be adjusted due to changes in the business environment in the future, the management may draw up a plan and submit it to the Remuneration Committee for a project review.

Manager performance evaluation: It is conducted in accordance with the company's Performance Appraisal Guidelines by the manager's superior every year in comprehensive consideration of the overall performance within the scope of their duties and personal work results, communication and coordination, organizational skills, innovation and seeking for improvement, proposal quality, continuous learning, moral integrity, and other items. The 2022 performance appraisal operation has been completed. The manager remuneration structure and performance system are both in line with the company's current operating conditions and the correlation between performance and remuneration.

- C. The correlation between remuneration and business performance as well as future risks: The remuneration paid to the company's directors, president and vice presidents may be properly adjusted in response to changes in the overall economy and industrial prosperity and in consideration of the company's future development, profitability and operating risks as well as risk factors in the future. In addition, the directors, president, and vice presidents shall not be led to engage in acts in pursuit of remuneration beyond the company's risk appetite, so as to avoid inappropriate situations such as the company's incurring losses after paying remuneration.

3.4 Implementation of Corporate Governance

3.4.1 Board of Directors

4 meetings of the Board of Directors (A) have been held in 2022, and the attendance status is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Chairman and CEO	Liu, Sheng Hsien	4	0	100	
Director	Liu, Han-Xing	4	0	100	
	Chen, Cheng-Kang	-	-	-	2022/2/8 Resigned
Independent Director	Tsang, Juine-Kai	4	0	100	
	Lai, Jiun-Hao	4	0	100	
	Yang, Tsen-Shau	4	0	100	
	Chien, Yi-Sen	4	0	100	
<p>Other mentionable items:</p> <p>1.If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified:</p> <p>(1) Matters referred to in Article 14-3 of the Securities and Exchange Act.: please refer to page 32~34 Note1.</p> <p>(2) Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors:None.</p> <p>2.If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: please refer to page 32~34Note1.</p> <p>3.TWSE/TPEX-listed companies are required to disclose the evaluation cycle and period, scope of evaluation, evaluation method, and evaluation items of the self (or peer) evaluations conducted by the Board of Directors, and to fill out "Implementation Status of Board Evaluations" :</p> <p>The Board of Directors of the company passed the Board of Directors Performance Evaluation Guidelines on March 13, 2012, which stipulates that the internal performance evaluation of the Board of Directors shall be carried out at least once a year, and an evaluation conducted by an external professional independent organization or a team of external experts and scholars shall be carried out once every three years as necessary. The evaluation scope may include the performance evaluation of the overall Board of Directors, individual director members and functional committees. The evaluation methods include internal self-evaluation by the Board of Directors, self-evaluation by directors, peer evaluation, external professional institutions or experts commissioned, or by other appropriate means for conducting the performance evaluation.</p> <p>The 2022 performance evaluation of the overall Board of Directors, individual directors, and functional committees (Audit Committee and Remuneration Committee) adopted self-evaluation questionnaires, and the evaluation results have been discussed and approved by the Remuneration Committee on March 8, 2023, and submitted to and passed by the Board of Directors on March 8, 2023. For the evaluation scope, please refer to Note 2 on page 34 of the annual report for details.</p> <p>4.Measures taken to strengthen the functionality of the board: please refer to page 22.</p>					

Note 1:

Date	Proposal Content	Audit Committee			Board of Directors		
		Matters listed in the Securities and Exchange Act §14-5	Recusals of Directors due to conflicts of interests	Resolution	Matters listed in the Securities and Exchange Act §14-5	Recusals of Directors due to conflicts of interests	Resolution
2022/3/9	The company's 2021 financial report and business report	✓	-	Approved as proposed	-	-	Approved as proposed
	The company's 2021 annual assessment of the effectiveness of the internal control system and the approval of the statement of the internal control system	✓	-		-	-	
	Independence of certified accountants for financial	✓	-		✓	-	

Date	Proposal Content	Audit Committee			Board of Directors		
		Matters listed in the Securities and Exchange Act §14-5	Recusals of Directors due to conflicts of interests	Resolution	Matters listed in the Securities and Exchange Act §14-5	Recusals of Directors due to conflicts of interests	Resolution
	reports of the company and the appointment and remuneration of certified accountants in 2022						
	Proposal of amending provisions of the company's "Regulations Governing the Acquisition and Disposal of Assets"	✓	-		✓	-	
2022/5/10	The company intends to endorse the subsidiary Zhuhai FTZ. ProRay Optoelectronics Technology Co., Ltd.	✓	-		✓	Liu, Sheng Hsien Liu, Han Xing	
	Proposed review of the subsidiary YLTLink Technology Corporation's proposed application for a quota to FCB Leasing Co., Ltd.	✓	-		✓		
	Proposal to lift the restriction on non-competition of directors of the company	✓	Lai, Jiun Hao Chien, Yi Sen		✓	Lai, Jiun Hao Chien, Yi Sen	
2022/8/3	Proposal to apply for the conversion of the special shares held by the company into common shares in YLTLink	✓	-		✓	Liu, Sheng Hsien Liu, Han Xing	
2022/11/9	Proposal of amending the regulations of the company's *Internal Control System, *Internal Audit Implementation Rules, *Procedures for Handling Material Inside Information, *Standard Operating Procedures for Handling Directors' Requests, *Rules for Performance Evaluation of Board of Directors	✓	-		✓	-	
	The 2023 salary plan for the company's managers	-	-	-	✓	Liu, Sheng Hsien Liu, Han Xing	
	Proposal of the company's director remuneration	-	-	-	✓	Liu, Sheng Hsien Liu, Han Xing Chen Cheng Kang Juine, Kai Tsang Lai, Jiun Hao Yang, Tsen Shau	Approved as proposed (This case was related to the remuneration of all directors, Therefore, there were 2 stages of

Date	Proposal Content	Audit Committee			Board of Directors		
		Matters listed in the Securities and Exchange Act §14-5	Recusals of Directors due to conflicts of interests	Resolution	Matters listed in the Securities and Exchange Act §14-5	Recusals of Directors due to conflicts of interests	Resolution
					Chien, Yi Sen	voting)	

The above motion:

1. Resolutions that had not been approved by the Audit Committee and approved by more than 2/3 of all directors: None
2. The company's handling of the opinions of the audit committee: all were first passed by the resolution of the audit committee and submitted to the resolution of the board of directors
3. Independent directors hold objections or reservations or suggestions: None
4. The Company's Handling of Independent Directors' Opinions: N.A.

Note 2:

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation items	Evaluation result
Once a year	2022/1/1~2022/12/31	1. The entire Board of Directors 2. Individual board members 3. Functional Committees (Audit / Compensation Committee)	1. Internal self-assessment of the board of directors 2. Internal self-assessment of the board members 3. Internal self-assessment of the functional committees	1. Board of directors' performance: The degree of participation in the company's operation(10Qs) The enhancement of decision quality(11Qs) The composition and the structure of board of directors(6Qs) The elections and continuing education of directors(5Qs) The internal controls(6Qs) A total of 38 evaluation indicators 2. Individual board members performance: The understanding of the company's objects and tasks(3Qs) The awareness of director's duties(4Qs) The degree of participation in the company's operation(6Qs) The development and communication of internal relationship(3Qs) The profession of directors and continuing education(4Qs) The internal controls(3Qs) A total of 23 evaluation indicators 3. Functional committees' performance: The degree of participation in the company's operation(4Qs) The awareness of the duties(6Qs) The enhancement of decision quality(4Qs) Composition and member appointment of the committee(4Qs) The internal controls(3Qs) A total of 23 evaluation indicators	1. The evaluation result is "excellent". The board's performance evaluation is in line with expectations, and the operation is in good condition. 2. The evaluation result is "excellent". The directors' performance evaluation is in line with expectations, and the operation is in good condition. 3. The evaluation result is "excellent". The committees' performance evaluation is in line with expectations, and the operation is in good condition.

3.4.2 Audit Committee :

4 meetings of the Audit Committee (A) have been held in 2022, and the attendance status is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Independent Director	Yang, Tsen-Shau (Convener)	4	0	100	
	Lai, Jiun-Hao	4	0	100	
	Chien, Yi-Sen	4	0	100	
	Tsang, Juine-Kai	4	0	100	

Other mentionable items: :

A.If any of the following circumstances occur, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified:

- Matters referred to in Article 14-5 of the Securities and Exchange Act.: please refer to page 26 Note1.
- Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors. : None.

B.If there are independent directors' avoidance of motions in conflict of interest, the director's names, contents of motion, causes for avoidance and voting should be specified : please refer to page 26 Note1.

C.Communications between the independent directors, the Company's chief internal auditor and CPAs :

- The internal audit supervisor attends meetings on a quarterly basis, and communicates the result of the audit report and the situation of internal control with the independent directors not only face-to-face but also thru email or phone if necessary. The internal audit supervisor will deliver the audit report and follow-up report to the independent directors for review before the end of the next month. The company's independent directors communicated well with the internal audit supervisor.

Date	Reporting Summary	Result
2022/03/09 Pre-meeting of Audit Committee Meeting / Board Meeting	1. Execution reporting : - Finance cycle—Other activities - Supervision and management of subsidiaries 2. Annual self-assessment of the internal control systems effectiveness and Internal Control System Statements discussing	All presented members had agreed to pass and submitted to the board of directors for discussion. No objection
2022/05/10 Pre-meeting of Audit Committee Meeting / Board Meeting	Execution reporting : - Labor and wage cycle - Sale and receipt cycle	All presented members had agreed to pass and submitted to the board of directors for discussion.
2022/08/03 Pre-meeting of Audit Committee Meeting / Board Meeting	Execution reporting : - Finance cycle—Other activities - Production & warehousing cycle - Property, plant and equipment cycle	All presented members had agreed to pass and submitted to the board of directors for discussion.
2022/11/09 Pre-meeting of Audit Committee Meeting / Board Meeting	1. Execution reporting : - R&D Cycle - Procurement and payment cycle - Electronic data processing cycle 2. Candidates for corporate governance executives reporting 3. Discussion on the revision of the internal control system and the implementation rules of the internal audit operation 4. The arrangement of Y2023 annual audit plan discussing	All presented members had agreed to pass and submitted to the board of directors for discussion. No objection No objection No objection

- The accountant had attended 4 meetings of the audit committee in 2022, and fully communicated with the independent directors on the company's overall operation, internal control inspection situation, audit scope and findings of the audit process in written or face-to-face communication.

The Company's audit committee and accountants had good communication.

Date	Summary of Report/Discussion Communication Items	Recommendations and Implementation Results
2022/3/9	2021 annual financial report instructions.	The accountant participated in the Audit Committee meeting, and communicated, reported and discussed with the governance unit and the independent directors on the audit and review matters before the Audit Committee meeting officially started. During the meeting, the accountant made a full explanation on the questions raised by the independent directors, which were reported to the Board of Directors after the approval of the Audit Committee.
2022/5/10	Q1, 2022 financial statement instructions.	
2022/8/3	Q2, 2022 financial statement instructions.	
2022/11/9	Q3, 2022 financial statement instructions.	

Audit Committee's functions and powers as well as annual focus of work:

1. The Audit Committee of the company is composed of 4 independent directors. The purpose of the Audit Committee is to assist the Board of Directors in fulfilling its supervision of the company's implementation of the fair presentation of its financial statements, the selection (removal) as well as independence and performance of certified public accountants, the effective implementation of the company's internal control, the company's compliance with laws and regulations, and the management and control of the company's existing or potential risks.
2. The Audit Committee held four meetings in 2022. The main points of deliberation matters are as follows:
 - (1) Formulation of or amendment to the internal control system in accordance with Article 14-1 of the Securities and Exchange Act
 - (2) Assessment of the effectiveness of the internal control system
 - (3) Formulation of or amendment to the handling procedures for significant financial and business activities such as acquisition or disposal of assets, engaging in derivatives trading, lending funds to others, and providing endorsements or guarantees to others in accordance with Article 36-1 of the Securities and Exchange Act
 - (4) Matters involving directors' own interests
 - (5) Significant asset or derivatives trading
 - (6) Significant loans, endorsements or guarantees provided
 - (7) Offering, issuing or privately placing securities of equity nature
 - (8) Appointment, dismissal or remuneration of certified public accountants
 - (9) The annual financial report signed or sealed by the chairman, manager and accounting supervisor and the second quarter financial report that must be audited and attested by an accountant
 - (10) Other major events stipulated by the company or the competent authority

3. Review of financial reports

The Board of Directors prepared the company's 2022 business report, financial statements, and the proposal for loss provision. Among them, the financial statements have been completed with the audit by the appointed PwC Taiwan, and an audit report was issued. The aforementioned statements and documents have been completed with the audit by the Audit Committee applying mutatis mutandis the rules for supervisors, which found no discrepancy therein.

4. Assessment of the effectiveness of the internal control system

In accordance with the provisions of the Regulations Governing Establishment of Internal Control Systems by Public Companies, the audit unit shall evaluate the effectiveness of the overall internal control system based on the self-evaluation report, the deficiencies found, the improvement status of abnormal events and information from other sources, and propose 2022 Statement of the Internal Control System based on the evaluation results.

3.4.3 If the company has a remuneration committee or nomination committee in place, the composition and operation of such committee shall be disclosed:

3.4.3.1. Information on Remuneration Committee Members

Date:2023/3/30

Capacity	Qualifications	Professional qualifications and experience	Independence analysis	Number of other public companies at which the person concurrently serves as remuneration committee member
	Name			
Independent Director	Yang, Tsen-Shau (Convener)	please refer to page 12~21		0
	Lai, Jiun-Hao			3
	Chien, Yi-Sen			0
	Tsang, Juine-Kai			1

3.4.3.2 Operation of the Remuneration Committee

A. There are 4 members in the 5th Salary and Remuneration Committee of the company.

B. The term of office of the fifth committee member: 2021/8/10/~2024/7/14; 2 meetings had been held in 2022.

2 meetings(A) in 2022. The qualifications and attendance of the members were as follows:

Title Name	Title Name	No. of meetings attended in person (B)	No. of meetings attended by proxy	In-person attendance rate (%) (B / A)	Remarks
Independent Director	Yang, Tsen-Shau (Convener)	2	2	100	
	Lai, Jiun-Hao	2	2	100	
	Chien, Yi-Sen	2	2	100	
	Tsang, Juine-Kai	2	2	100	

Other information required to be disclosed:

1.If the board of directors does not accept, or amends, any recommendation of the remuneration committee, specify the board meeting date, meeting session number, content of the recommendation(s), the outcome of the resolution(s) of the board of directors, and the measures taken by the Company with respect to the opinions given by of the remuneration committee (e.g., if the salary/compensation approved by the board is higher than the recommendation of the remuneration committee, specify the difference(s) and the reasons). : None.

2.With respect to any matter for resolution by the remuneration committee, if there is any dissenting or qualified opinion of a committee member that is on record or stated in writing, specify the remuneration committee meeting date, meeting session number, content of the motion, the opinions of all members, and the measures taken by the Company with respect to the members' opinion. : None.

3.Operation of the Remuneration Committee:

Date	Proposal Content and Subsequent Handling	Resolution	The company's handling of the opinions of the Remuneration Committee
2022/3/9	1. Review the annual and long-term performance goals as well as the salary and remuneration policies, systems, criteria and structure for the company's directors 2. Review the annual and long-term performance goals as well as the salary and remuneration policies,	Approved by all members present	Submitted to the Board of Directors and approved by all directors' present

	systems, criteria and structure for the company's managers		
2022/11/9	<ol style="list-style-type: none"> 1. Review of the Company's director remuneration 2. Review of the company's 2023 manager compensation planning 3. Review of the company's 2023 estimated percentages for director remuneration and employee remuneration 4. Review of the 2023 work plan of the company's Remuneration Committee 5. Amendment to the company' Board of Directors Performance Evaluation Guidelines 		All the proposals were passed with the consent of all directors' present, except for Proposal 1 and Proposal 2 where some of the directors voluntarily recused themselves from discussion and voting due to their own interests therein. Please refer to the information on the operation of the Board of Directors for the content of recusal.
<p>4. Responsibilities of the Remuneration Committee</p> <p>The committee faithfully performs the following functions and powers with the due care of a good administrator, and submits its recommendations to the Board of Directors for discussion.</p> <p>(1) Formulate and regularly review the policy, system, criterion and structure of the performance goals and remuneration for directors and managers.</p> <p>(2) Regularly evaluate and determine the remuneration of directors and managers.</p>			

3.4.3.3 Nomination committee : None.

3.4.4 Corporate Governance – Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
1. Has the Company established and disclosed its Corporate Governance Best-Practice Principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	✓		The company has formulated the Corporate Governance Best Practice Principles and disclosed them on the company's website and Market Observation Post System.	No major difference
2. Shareholding Structure and Shareholders' Rights				
(1) Does the Company have Internal Operation Procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If yes, have these procedures been implemented accordingly?	✓		(1) A spokesperson and acting spokesperson have been appointed, and an e-mail address is located on the company's website, to handle questions raised by shareholders.	No major difference
(2) Does the Company know the identity of its major shareholders and the parties with ultimate control of the major shareholders?	✓		(2) The company regularly updates the register of shareholders and the register of major shareholders based on the data maintained by the stock affairs agency unit, grasps major shareholders and their ultimate controllers, and regularly reports changes in equity of insiders.	No major difference
(3) Has the Company built and implemented a risk management system and a firewall between the Company and its affiliates?	✓		(3) The Subsidiary Management Operational Guidelines and the internal control system have been formulated.	No major difference
(4) Has the Company established internal rules prohibiting insider trading of securities based on undisclosed information?	✓		(4) The Procedures for Preventing Insider Trading, the Procedures for Handling Material Inside Information, and the Ethical Corporate Management Best Practice Principles have been formulated to prevent company insiders from accidentally violating insider trading rules due to unawareness of laws and regulations or deliberately violating insider trading rules. The implementation status of educational advocacy in 2022	No major difference

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
			<p>was as follows:</p> <p>A. Directors and managers: The financial unit provided the laws and regulations as well as instructions advocacy manual and briefing files related to insider trading and insider equity for directors and managers to refer to.</p> <p>B. Employees: Please refer to page 61~62 of the annual report.</p>	
<p>3. Composition and responsibilities of the board of directors</p> <p>(1) Have a diversity policy and specific management objectives been adopted for the board and have they been fully implemented?</p> <p>(2) Has the Company voluntarily established other functional committees in addition to the remuneration committee and the audit committee?</p> <p>(3) Has the Company established rules and methodology for evaluating the performance of its Board of Directors, implemented the performance evaluations on an annual basis, and submitted the results of performance evaluations to the board of directors and used them as reference in determining salary/compensation for individual directors</p>	<p>✓</p> <p>✓</p> <p>✓</p>	<p>✓</p> <p>✓</p>	<p>(1) Please refer to page 21~22 of the annual report.</p> <p>(2) In accordance with Article 26 of the company's Corporate Governance Best Practice Principles, the Board of Directors may establish nomination, risk management, and other functional committees, in consideration of the size of the Board of Directors and the number of independent directors, in order to improve the supervisory function and strengthen management functions, and may also establish the environmental protection or other committees based on the concept of corporate social responsibility and sustainable management, which are also clearly stipulated in the Articles of Incorporation.</p> <p>(3) Please refer to pages 32 and 34 of the annual report.</p>	<p>No major difference</p> <p>In the future, the company will evaluate whether to establish other functional committees in accordance with laws and regulations or depending upon operational needs.</p> <p>No major difference</p>

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the reasons																
	Yes	No	Summary description																	
and their nomination and additional office terms? (4) Does the Company regularly evaluate its external auditors' independence?	✓		<p>(4) The Audit Committee of the company evaluates the independence and competency of certified public accountants every year. The certified public accountants issue a statement of independence and conduct the evaluation by reference to the audit quality indicators (AQIs) - 5 major aspects, 13 indicators and the evaluation content as shown in the table below. After the evaluation, there was no situation where the accountants' independence was compromised and thus their participation in the audit and attestation for the company was inappropriate, and therefore the independence of the certified public accountants was not in doubt. The independence of certified public accountants for the company's financial reports as well as the appointment and remuneration of certified public accountants in 2023 have been discussed and approved by the Audit Committee and the Board of Directors on 2023/3/8. The evaluation content is as follows:</p> <table border="1"> <thead> <tr> <th>Item</th> <th>Evaluation content</th> <th>Conformed</th> <th>Not conformed</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Not in circumstances affecting independence due to direct or significantly indirect financial interests with the company</td> <td>✓</td> <td></td> </tr> <tr> <td>2</td> <td>Having not served as a director, supervisor, manager of the company or in a position that has a significant impact on the attestation work currently or in the past two years</td> <td>✓</td> <td></td> </tr> <tr> <td>3</td> <td>Not in a relationship of a spouse, direct blood relative, a direct relative by marriage, or a collateral blood relative</td> <td>✓</td> <td></td> </tr> </tbody> </table>	Item	Evaluation content	Conformed	Not conformed	1	Not in circumstances affecting independence due to direct or significantly indirect financial interests with the company	✓		2	Having not served as a director, supervisor, manager of the company or in a position that has a significant impact on the attestation work currently or in the past two years	✓		3	Not in a relationship of a spouse, direct blood relative, a direct relative by marriage, or a collateral blood relative	✓		No major difference
Item	Evaluation content	Conformed	Not conformed																	
1	Not in circumstances affecting independence due to direct or significantly indirect financial interests with the company	✓																		
2	Having not served as a director, supervisor, manager of the company or in a position that has a significant impact on the attestation work currently or in the past two years	✓																		
3	Not in a relationship of a spouse, direct blood relative, a direct relative by marriage, or a collateral blood relative	✓																		

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No	Summary description	
			within the second degree with the responsible person or manager of the company	
			4 No in a close relationship with the company and its related parties, directors, supervisors, managers, which is likely to compromise their objectivity or affect their independence	✓
			5 The certified public accountants have not provided audit services for the company for seven consecutive years	✓
			6 Whether the certified public accountants have complied with the Certified Public Accountant Norm of Professional Ethics Bulletin No. 10 regarding independence, and whether the audit quality indicators (AQIs) information and the Independence Statement issued by the certified public accountants have been obtained	✓
			7 Not in circumstances otherwise that may affect their independence	✓
			8 The quality and timeliness of auditing and taxation services have met the needs	✓
			9 Having taken the initiative to keep the company updated on taxation, securities management laws and regulations as well as newly revised IFRS accounting standards	✓
			10 Provided the company with financial and tax consulting services from time to time	✓

<p>4. Does the TWSE/TPEX listed company have in place an adequate number of qualified corporate governance officers and has it appointed a chief corporate governance officer with responsibility corporate governance practices (including but not limited to providing information necessary for directors and supervisors to perform their duties, aiding directors and supervisors in complying with laws and regulations, organizing board meetings and annual general meetings of shareholders as required by law, and compiling minutes of board meetings and annual general meetings)?</p>	✓	<p>On November 9, 2022, the Board of Directors appointed the vice president Chen, Ping Lin of the company to serve concurrently as the corporate governance supervisor with the purpose to assist the directors in faithfully performing their duties with the due care of a good administrator so as to achieve the benefits of strengthening the efficiency and implementation skills of the Board of Directors. The following affairs are jointly handled by the chief corporate governance officer and the finance division:</p> <ol style="list-style-type: none"> 1. Assist the Board of Directors, Audit Committee, Remuneration Committee and shareholders meetings in handling related matters in accordance with the law 2. Assist directors in their assuming office and continuing education 3. Provide information required by directors to perform their duties 4. Assist the Board of Directors in implementing corporate governance and regulatory compliance 5. Other matters stipulated in the company's Articles of Incorporation or contracts, etc. 6. Prepare the minutes of the Board of Directors and shareholders meetings, handle amendments of company registration and other related matters <p>The company's corporate governance supervisor took office on November 9, 2022, and is expected to complete the corporate governance supervisor training hours within one year after taking office.</p> <table border="1" data-bbox="943 1157 1805 1445"> <thead> <tr> <th>Date</th> <th>Host By</th> <th>Training Title</th> <th>Duration</th> </tr> </thead> <tbody> <tr> <td>2022/11/30</td> <td rowspan="2" style="text-align: center;">ARDF</td> <td>Practical Cases of Breach of Trust and Analysis of Legal Responsibilities</td> <td style="text-align: center;">6hrs</td> </tr> <tr> <td>2022/12/21</td> <td>Analysis of Common Deficiencies of Internal Control Management in Enterprises and Practical Cases</td> <td style="text-align: center;">6hrs</td> </tr> </tbody> </table>	Date	Host By	Training Title	Duration	2022/11/30	ARDF	Practical Cases of Breach of Trust and Analysis of Legal Responsibilities	6hrs	2022/12/21	Analysis of Common Deficiencies of Internal Control Management in Enterprises and Practical Cases	6hrs	No major difference
Date	Host By	Training Title	Duration											
2022/11/30	ARDF	Practical Cases of Breach of Trust and Analysis of Legal Responsibilities	6hrs											
2022/12/21		Analysis of Common Deficiencies of Internal Control Management in Enterprises and Practical Cases	6hrs											

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
5. Has the Company established channels for communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) and created a stakeholder's section on its company website? Does the Company appropriately respond to stakeholders' questions and concerns on important corporate social responsibility issues?	✓		The company has the spokespersons and acting spokesperson as well as stock affairs personnel in place, has communication channels such as investor relations and the stakeholder mailbox on the company website, and provides sound responses to issues and inquiries. Please refer to page 47~48 of the annual report.	No major difference
6. Has the Company appointed a professional shareholder services agent to handle matters related to its shareholder meetings?	✓		The company commissioned the Stock Affairs Agency Department of Yuanta Securities Co., Ltd. to handle the affairs of the shareholders meeting.	No major difference
7. Information Disclosure (1) Has the Company established a corporate website to disclose information regarding its financials, business, and corporate governance status? (2) Does the Company use other information disclosure channels (e.g., maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)? (3) Does the company publish and report its annual financial report within two months after the end of the fiscal year, and publish and	✓ ✓	 ✓	(1) The website of the company is: http://www.truelight.com.tw , which discloses the company profile, business information, as well as financial and corporate governance related information. (2) The company assigned a dedicated person to be in charge of the collection and disclosure of company information, as well as regular or irregular disclosure of information relating to the company on the Market Observation Post System. The company's website can also be linked to the Market Observation Post System in the hope of promptly and appropriately disclosing information that is likely to affect the decision-making of shareholders and stakeholders. The company is invited to participate in institutional investor conferences from time to time, so that investors can understand the company's operating conditions. (3) The company has not yet announced and filed its annual financial report within two months after the end of the fiscal year. In addition, the financial reports for the first, second, and	No major difference No major difference As the preparation period for the annual financial

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
report its financial reports for the first, second, and third quarters as well as its operating statements for each month before the specified deadlines?			third quarters and the operating conditions of each month were all announced and filed prior to the prescribed deadlines.	report coincided with the Lunar New Year holiday, we will evaluate the required manpower and work schedule, etc. to decide whether to make filings in advance.
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' continuing education, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing liability insurance for directors and supervisors)?	✓		<ol style="list-style-type: none"> 1. The company has always regarded employees as the biggest asset, and pays special attention to the rights and interests as well as benefits of employees. In addition to complying with government regulations for labor insurance and health insurance, it also provides group insurance and arranges health checkups, has established the welfare committee to organize activities such as: anti-pandemic subsidies, year-end lottery drawing party, Labor Day and Mid-Autumn Festival gift money, and offers employees a variety of skill-training opportunities so as to cultivate talent. 2. As to suppliers, based on the relationship of coexistence and co-prosperity, the company gives suppliers the profits they deserve so as to create a win-win situation. The company also attaches great importance to the rights of stakeholders. When stakeholders intend to view and copy company registration information, they may do so in accordance with the laws and regulations. 3. All directors of the company have a professional background and have completed continuing education courses in accordance with laws and regulations. 4. The directors of the company recused themselves from any 	No major difference

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
			<p>proposals involving their interests. Please refer to the annual report on the Operational Status of the Board of Directors and Audit Committee.</p> <p>5. The dedicated personnel are in charge of the company's risk management policies and risk measurement standards, and the internal control system has been formulated in accordance with the law and audited by the internal audit. The implementation is in good condition. In addition, the company also takes out insurance such as property insurance and product transportation insurance to avoid risks.</p> <p>6. The company maintains smooth communication channels with customers, and the implementation is in good condition.</p> <p>7. The company has taken out liability insurance for the directors and managers, and the insurance amount is US\$3 million.</p>	

9. Please describe improvements that have already been made based on the Corporate Governance Evaluation results released for the most recent fiscal year by the Corporate Governance Center, Taiwan Stock Exchange, and specify the priority enhancement objectives and measures planned for any matters still awaiting improvement.

9.1 The company has improved the situation as follows:

Index No.	Improved situation:
1.1	Reported to the Shareholders Meeting the directors' remuneration on 2022/5/26.
1.2 & 1.6	More than half of the directors (including at least 1 independent director) and the convener of the audit committee have attended the Shareholders Meeting in person on May 26, 2022, and the attendance list had been disclosed in the Shareholders Meeting Minutes.
2.11	The financial reports for Q1 to Q3 of 2022 had been discussed and reviewed by the audit committee before being submitted to the board of directors for discussion and resolution.
2.18	The internal performance evaluation of the functional committee has been conducted on 2023/3/8, and the implementation status and evaluation results are disclosed in the Annual Report.

4.14	The topic of communication between the company and stakeholders in 2021 has been submitted to the board of directors' report on 5/10, 2022
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9.2 Items and measures that have not yet been improved and need to be strengthened:

Index No.	Item	Strengthening Items and Measures
1.11	Does the company upload the English version of the Annual Report 16 days before the Shareholders Meeting?	Will be announced according to the index content
1.18	Does the company record important content of shareholders' questions and company's replies in the Shareholders Meeting Minutes?	
1.19	Is the company's Shareholders Meeting broadcast live online or upload the whole process of uninterrupted audio and video recording after the Shareholders Meeting?	
3.5	Does the company upload the Annual Financial Report disclosed in English 16 days before the Shareholders Meeting?	

Note 1: Communication between the company and stakeholders: The status of communication with stakeholders during 2022 will be reported to BOD in Q2 of 2023.

Stakeholder	Important Issues of Concern	Communication Channels and Responses	Communication with Stakeholders in 2022
Investor Relations	Financial condition and profit performance Industry outlook and competitiveness R&D and innovation Sustainable operations Risk management	Contact Person : Spokesperson, J. S. Pan TEL : +886-35780080 Answer investor questions by phone and email Irregularly release significant information on the Market Observation Post System or release company news on the company's website Irregularly hold institutional investor conferences	1. There is an e-mail box and a contact number in place on the company's website to handle related questions raised by shareholders. 2. 14 announcements of significant information and regularly or irregularly disclosed information required by laws and regulations on the Market Observation Post System
Customer Relations	Customer relationship maintenance Product quality and competitiveness R&D and innovation Risk management Product liability Green product	Contact Person : Senior Director, Ou, Chun-Miao TEL : +886-35780080 Customer satisfaction survey Irregular customer meetings Customer audit Respond to issues of customers' concerns via email Intellectual property management and non-disclosure agreement	1. Customer satisfaction survey: Taking the top 20 customers in the company's performance ranking as samples, the response rate was 100%. After calculating the scores of each aspect with the responding weighted ratio, the total average was 93.27. 2. Customer audit: With 10 copies of document assessments and 1 actual audit, the

	Environmental policy	Foreign exhibitions	assessment results were all passed.
Supplier Relations	Product quality and Competitiveness R&D and innovation Product liability Supplier environmental assessment Procurement practices	Contact Person : VP, Fu, Hsueh-Hsing TEL : +886-35780080 Supplier meeting Annual evaluation and assessment of suppliers and contractors Evaluation, guidance and assessment of supplier quality capabilities The products provided must pass the third-party accredited inspection Supplier environmental safety and health performance assessment Respond to issues of suppliers' concerns via email Intellectual property management and non-disclosure agreement	1. With 47 copies of supplier assessment sheets, the assessment results were all Grade A. 2. Supplier audit: With 4 copies of document assessments and 1 actual audit, the assessment results were all passed.
Employee Relations	Labor and employment relations, salary and benefits Occupational safety and health Employee welfare human rights protection Talent training	Contact Person : VP, Chen, Ping-Ling TEL : +886-35780080 Company announcement Irregularly hold employee forums Regularly hold labor-management meetings Dedicated nursing staff to provide health consultation and emergency medical treatment Employee health check Physician's visit at the factory every month to provide health services Set up suggestion boxes on each floor Sexual harassment prevention advocacy and complaint handling channel	1. Labor-management meetings were held 4 times. 2. The Occupational Safety, Health and Fire Prevention Management Committee held 4 meetings. 3. Internally announced 12 pieces or more information on employee welfare, training, and medical information to employees so as to improve medical health. Physicians provide 12 sessions of health services, 1 session of Q&A lecture on health issues, and 1 session of intraocular pressure test for employees.

Note 2. Succession planning and operation for members of the Board of Directors and important management

(1) Director selection and succession planning and operation

The company has established a comprehensive director selection system, carefully considering the composition and diversity criteria of the Board of Directors. The selection process of all directors is fair, open and just, in line with the provisions of the company's Articles of Incorporation, Director

Election Guidelines and Corporate Governance Principles. The company selects directors who possess the knowledge, technology and literacy necessary to perform their duties based on their professional background in the industry, fields of work and practical experience.

The succession planning of the board members of the company, in addition to conforming with the requirements stipulated by laws and regulations, shall be based on the company's developmental direction as well as medium and long-term strategic goals, considering the professional knowledge, skills, experience, gender and other diversified backgrounds and independence criteria required for the board members, based on which we seek suitable candidates. In addition to possessing diversified professional knowledge and skills (such as law, accounting, industry, finance, marketing, or technology) and industry experience, director succession candidates shall possess overall capabilities including operational judgment skills, accounting and financial analysis skills, business management skills (including the operation and management of subsidiaries), crisis handling skills, industry knowledge, international market outlook, leadership, decision-making skills, as well as the ability to be in line with the company's business axis, medium and long-term steady growth and development strategy, and the ability to continuously improve corporate governance, risk management knowledge and skills so as to give full play to the decision-making and supervisory functions of the Board of Directors.

The company conducts performance appraisals for directors every year, and also has performance target appraisals for senior management personnel, both of which can be used as a reference for the selection of director successors in the future.

The disclosure of the background information, educational background, concurrent positions in other companies, and information on the operation of the Board of Directors and functional committees of the Board of Directors of the company has been released on the company's annual report. Also, in response to international emphasis on concerns and trends in issues such as corporate governance and corporate social responsibility development in recent years, directors are encouraged to participate in continuing education and report continuing education certificates to the company. The company discloses records of directors' participation in continuing education as well as information contained in the company's annual report on the Market Observation Post System.

(2) Succession selection of important management levels

The selection and cultivation of important management successors are critical to the sustainable operation of an enterprise. The successor plan is to undertake the corporate management and to keep pace with the times providing the manpower required for the sustainable operation of the enterprise. When working on the succession plan for important management levels, TrueLight's successors shall not only possess excellent work abilities, but also have values consistent with those of the company, with their personality traits of honesty and integrity. At present, in terms of the company's talent cultivation and training, the average age of the company's vice presidents and assistant managers is 51.4 years old, and 3 of them are female and 7 of them are male, which is at the mature and stable stage in life. Successors (candidates) must have excellent executive power and ability to take action, and their values and concepts as well as personality attributes need to align with the company's expectations, including integrity, innovation, and winning

customer satisfaction.

The company's vice president-level employees are important management levels, and there are currently four of them in total. Each of them has completed the job description and job planning, appointed and trained the substitute for the duties. The company uses the existing performance appraisal system to evaluate and review the company's future potential successor candidates to facilitate future development and progress. In addition to retaining talents, the company also recruits outstanding talents externally, making use of internal and external talents collected to increase the breadth and depth of the company's succession candidates.

3.4.5 Promotion of Sustainable Development-Implementation Status and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons :

Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
1. Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the board of directors authorized senior management to handle related matters under the supervision of the board?		✓	The company has not yet established a dedicated (or non-dedicated) unit to promote sustainable development. The company actively practices sustainable development with integrity, pragmatism, excellence, and sharing to be in line with international development trends. Through the responsibility of corporate citizenship, we strive to enhance our contribution to the economy of country, improve the quality of life of employees and society, and promote sustainable development.	It will be discussed in the future.
2. Does the company conduct risk assessments of environmental, social and corporate governance (ESG) issues related to the company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?	✓		The risk assessment boundary is mainly based on the company. In addition, in order to strengthen the control and supervision of the operating risks of subsidiaries, the Subsidiary Management Operational Guidelines were formulated to establish the overall operating risk management mechanism of the company and its subsidiaries.	No major difference

Item	Implementation status				Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description		
			Topic	Evaluation item		Risk management policies and measures
			Environment	Environmental impact and management	The company has formulated the Environmental Management Manual, the Risk and Opportunity Management Procedures, and the Environmental Aspect Identification and Management Procedures to implement environmental risk assessments related to the company's operations, and to formulate corresponding control strategies for dealing with risks and opportunities so as to grasp the environmental impact and safety and health risks related to company activities and services, to provide safe, healthy and environmentally friendly working conditions, and to reduce occupational accidents and environmental impacts.
			Social	Occupational safety product safety and supply chain management	<ol style="list-style-type: none"> 1. Passed the ISO 45001 Occupational Safety and Health Management System Certification and the CNS 45001/TOSHMS Taiwan Occupational Safety and Health Management System Certification. 2. Continued to promote green manufacturing, and the green supply chain control of RoHS (EU) 2015/863, establish a responsible supply chain so to comply with RoHS, REACH, China RoHS and

Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			<p>other directives, including requiring suppliers to abide by the Responsible Business Alliance Code of Conduct (RBA) and Conflict-free minerals and other directives.</p> <p>Corporate governance</p> <p>Regulatory compliance</p> <p>Strengthen the functions of directors</p>	<p>1. Implement the internal control system, continue to deepen the corporate governance policy, review the company's internal norms in accordance with the amendments to laws and regulations, ensure that employees abide by laws and regulations, and reduce the risk of violations.</p> <p>2. Apply for a patent to protect the rights and interests of the products developed by the company.</p> <p>1. Plan annual continuing education courses for directors, and provide directors with the necessary information for business execution and regulatory compliance.</p> <p>2. Take out director liability insurance for directors to protect them from lawsuits or claims.</p>
<p>3. Environmental Issues</p> <p>(1) Has the Company set an environmental management system designed to industry characteristics?</p>	✓		<p>The company is a professional supplier of optical communication parts and components, and has established an ISO14001 environmental management system and obtained certification. (Certification date 2005/7/14, validity period</p>	No major difference

Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons																
	Yes	No	Summary description																	
			2022/7/11~2024/7/15)																	
(2) Does the Company endeavor to use energy more efficiently and to use renewable materials with low environmental impact?	✓		The company has prescribed a written environmental policy to implement affairs in accordance with the spirit of environmental protection, and to educate employees and inform suppliers thereof so that they understand the company's philosophy of supporting green environmental protection and responding to the sustainable operations of the global environment. The company also takes practical actions to reduce paper consumption, adopts an electronic online paperless sign-off system, encourages employees to print on both sides, reduces the use of paper cups, sorts garbage, as well as recycles and reuse of resources.	No major difference																
(3) Has the Company evaluated the potential risks and opportunities posed by climate change for its business now and in the future and adopted relevant measures to address them?	✓		The company has assessed the risks and opportunities in the ISO14001 environmental management system, and continues to pay attention to issues in order to take follow-up response measures.	No major difference																
(4) Did the company collect data for the past two years on greenhouse gas emissions, volume of water consumption, and the total weight of waste, and establish policies for greenhouse gas reduction, reduction of water consumption, or management of other wastes?	✓		<p>The company's (excluding subsidiaries) greenhouse gas emissions, water consumption, resource recovery rate, and total weight of waste:</p> <p>1. Greenhouse gas emissions: Unit: metric tons of CO₂e</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Scope 1</th> <th>Scope 2</th> <th>Sum</th> </tr> </thead> <tbody> <tr> <td>2022</td> <td>488</td> <td>7,478</td> <td>7,966</td> </tr> <tr> <td>2021</td> <td>484</td> <td>7,673</td> <td>8,157</td> </tr> <tr> <td>2020</td> <td>488</td> <td>7,579</td> <td>8,067</td> </tr> </tbody> </table> <p>In 2022, the total greenhouse gas emissions in Scope 1 and Scope 2 were 7,966 metric tons of CO₂e, mainly from electricity emissions in Scope 2, accounting for 93.87% of the total plant emissions; followed by manufacturing process greenhouse gases in Scope 1, accounting for 6.13%.</p>	Year	Scope 1	Scope 2	Sum	2022	488	7,478	7,966	2021	484	7,673	8,157	2020	488	7,579	8,067	No major difference
Year	Scope 1	Scope 2	Sum																	
2022	488	7,478	7,966																	
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Item	Implementation status		Summary description	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons																
	Yes	No																		
			<p>In order to be in line with the international trend in reduction, we continue to promote energy-saving plans and work hard toward the goal of total carbon emission reduction. Electric power monitoring system: Through the intelligent monitoring system, we analyze the power consumption status of each load to formulate an energy-saving plan. It is estimated that the annual electricity consumption will be reduced by 200,000 kwh.</p> <p>Air-conditioning system: We adjust the ice water host system in accordance with the load in the factory and the weather conditions, and it is estimated that the annual electricity consumption will be reduced by 200,000 kwh.</p> <p>The target is to reduce electricity consumption by about 1% every year, and it is estimated that greenhouse gas emissions can be reduced by about 0.5–2%.</p> <p>2. Water resources:</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Total water consumption (metric tons)</th> <th>Manufacturing process recovery rate</th> <th>Factory-wise recovery rate</th> </tr> </thead> <tbody> <tr> <td>2022</td> <td>65,909</td> <td>57.5%</td> <td>34.5%</td> </tr> <tr> <td>2021</td> <td>57,279</td> <td>57.1%</td> <td>34.2%</td> </tr> <tr> <td>2020</td> <td>55,194</td> <td>56.5%</td> <td>34.1%</td> </tr> </tbody> </table> <p>In terms of water resources, the company recycles and reuse wastewater from the pure water manufacturing process. In 2022, the recovery rate on the manufacturing process was 57.5%, and it is expected to reduce the water consumption by about 1% year by year, and strive towards the recovery rate of the whole factory to reach 35%.</p> <p>3. Waste management policy and targets: In order to promote industrial waste reduction and reduce environmental impact and load, the target of “maintaining the recycling rate of waste resources at 15% or more” is set.</p> <p>The target for the recycling rate of waste resources has been met (calculation method: resource recycling waste output/factory-wise general industrial waste output)</p>	Year	Total water consumption (metric tons)	Manufacturing process recovery rate	Factory-wise recovery rate	2022	65,909	57.5%	34.5%	2021	57,279	57.1%	34.2%	2020	55,194	56.5%	34.1%	
Year	Total water consumption (metric tons)	Manufacturing process recovery rate	Factory-wise recovery rate																	
2022	65,909	57.5%	34.5%																	
2021	57,279	57.1%	34.2%																	
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Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons																								
	Yes	No	Summary description																									
			<table border="1"> <thead> <tr> <th>Year</th> <th>Resource recovery rate</th> </tr> </thead> <tbody> <tr> <td>2022</td> <td>64.64%</td> </tr> <tr> <td>2021</td> <td>44.86%</td> </tr> <tr> <td>2020</td> <td>44.1%</td> </tr> </tbody> </table> <p>Waste output Unit: metric tons</p> <table border="1"> <thead> <tr> <th>Year</th> <th>General industry</th> <th>Hazardous industry</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>2022</td> <td>13.88</td> <td>66.13</td> <td>80.01</td> </tr> <tr> <td>2021</td> <td>18.92</td> <td>54.65</td> <td>73.57</td> </tr> <tr> <td>2020</td> <td>20.70</td> <td>66.46</td> <td>87.16</td> </tr> </tbody> </table>	Year	Resource recovery rate	2022	64.64%	2021	44.86%	2020	44.1%	Year	General industry	Hazardous industry	Total	2022	13.88	66.13	80.01	2021	18.92	54.65	73.57	2020	20.70	66.46	87.16	
Year	Resource recovery rate																											
2022	64.64%																											
2021	44.86%																											
2020	44.1%																											
Year	General industry	Hazardous industry	Total																									
2022	13.88	66.13	80.01																									
2021	18.92	54.65	73.57																									
2020	20.70	66.46	87.16																									
4. Social Issues (1) Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?	✓		The company has formulated the Work Rules for employees in accordance with the Labor Standards Act and related laws regulations, respects the principles and spirit of international initiatives such as the United Nations Universal Declaration of Human Rights, advocates and clearly discloses the elimination of any human rights violations, and has formulated the Employee Code of Conduct, pays attention to gender equality, right to work, bans the use of child labor and strictly prohibits any illegal discrimination, etc. so as to protect the legitimate rights and interests of employees and implement fair and non-discriminatory treatment employment policies, and conducts online tests on the human rights policy for all employees.	No major difference																								
(2) Has the Company established and implemented reasonable employee welfare measures (include salary/compensation, leave, and other benefits), and are business performance or results appropriately reflected in employee salary/compensation?	✓		The company has formulated the work rules, which cover the company's salary assessment principles, bonus distribution rules, leave rules, pension payments, occupational accident compensation, performance appraisal, as well as reward and punishment rules. The Employee Welfare Committee was also established in accordance with the regulations to handle employee welfare measures. The company's remuneration policy is based on the principle of salary assessment. The Articles of Incorporation also stipulate that if the company makes annual	No major difference																								

Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			profits, 4%–10% thereof shall be appropriated as employee remuneration. The company's remuneration policy is based on the employee's educational background and work experience, professional knowledge, contribution to the company, to be linked to the company's operating performance and personal performance evaluation items: work results demonstration, communication and coordination, organizational skills, innovation and seeking improvement/quality of proposals, continuous learning, moral integrity and other items. In addition, for other benefits of the company and the pension system, please refer to pages 93-97 of the annual report.	
(3) Does the Company provide employees with a safe and healthy working environment, and implement regular safety and health education for employees?	✓		The company's workplaces are all equipped with safety and health devices that meet the standards, and the company properly implements safety and health laws and regulations; and regularly conducts training on professional knowledge, safety and health education, disaster prevention and protection of employee health. We also carry out regular health checks for active employees in accordance with the Labor Health Protection Regulations. We publish medical information every month to improve medical health and other related knowledge for employees.	No major difference
(4) Has the Company established effective career development training programs for employees?	✓		Please refer to pages 93-97 of the annual report.	No major difference
(5) Does the company comply with the relevant laws and international standards with regards to customer health and safety, customer privacy, and marketing and labeling of products and services, and implement consumer protection and grievance policies?	✓		The company shall collect and understand laws and regulations as well as international standards for products and services provided in order to comply therewith, and summarize the matters to be paid attention to and make announcements, so as to encourage the company's personnel to ensure information transparency and security of products and services in the course of research and develop, procurement, manufacture, provision or sale of the products and services. The company has formulated the Customer Complaint Handling Procedure to solve problems such as product abnormalities, and also conducts a customer satisfaction survey every year. Please refer to pages 47-48	No major difference

Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			of the annual report. And by obtaining the opinions of customers, we expect to achieve a win-win situation between the company and customers.	
(6) Has the company formulated supplier management policies requiring suppliers to comply with relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and what is the status of their implementation?	✓		In the Supplier Control Procedures, the company lists environmental protection, occupational safety and intellectual property as evaluation items. The company's dealings with suppliers also follow the company's Purchase Order, Purchase and Lease Contract Safety, Health and Environmental Protection Requirements Guidelines, no hazardous substance requirements, no infringement of other people's trade secrets, trademark rights, patent rights, copyrights and other intellectual property rights, and other norms. The company has established a long-term close cooperative relationship with its suppliers. On the basis of mutual trust and mutual benefit, the rights and interests of both parties are protected. The company also supports green environmental protection, fulfills corporate social responsibilities and responds to the global environmentally sustainable operations concept in the supply chain so as to jointly pursue win-win growth. For the 2022 evaluation results, please refer to pages 47-48 of the annual report.	No major difference
5. Does the company refer to international reporting standards or guidelines when preparing its sustainability report and other reports disclosing non-financial information? Does the company obtain third party assurance or certification for the reports above?		✓	The company has not yet prepared a sustainability report.	In the future, the company will evaluate and compile the sustainability report in accordance with laws and regulations or in accordance with operational needs.
6. If the Company has adopted its own sustainable development best practice principles based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviation from the principles in the Company's operations. The company has not yet formulated "Sustainable Development Best Practice Principles".				
7. Other important information to facilitate better understanding of the company's promotion of sustainable development: (1)The company respects and embraces multiculturalism, and provides equal job opportunities to job seekers and employees. Employee recruitment, salary,				

Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons								
	Yes	No	Summary description									
			<p>promotion and remuneration are based on their job category, educational background and work experience, professional knowledge and technology, professional seniority and experience as well as personal performance, regardless of their race, religion, nationality, gender, or age.</p> <p>Proportions of female employees in 2022</p> <table border="1"> <thead> <tr> <th>Index</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Female accounted for total employees (%)</td> <td>55.94</td> </tr> <tr> <td>Female accounted for all supervisors (%)</td> <td>28.21</td> </tr> <tr> <td>Female accounted for senior executives (%)</td> <td>25.00</td> </tr> </tbody> </table> <p>(2) In order to protect the natural environment for coexistence and common prosperity, the company fulfills its corporate social responsibilities, has formulated environmental policies as well as safety and health management, implements them through the introduction of management systems, and continuously improves environmental management performance, so as to achieve the goal of sustainable corporate operations.</p> <p>(3) The company actively stays on top of service technology manufacturing processes and packaging materials that meet customer needs, such as: lead-free, halogen-free, or in compliance with EU ROHs directives on environmental protection as well as environmental protection regulations and decrees for the prohibition from or restriction on hazardous substances.</p> <p>(4) The company strictly implements the contents of the industrial waste disposal plan, has commissioned professional and legitimate suppliers to clean up waste, and recycles resource waste in accordance with regulations.</p> <p>(5) Encourage the use of environmentally friendly packaging materials, reduce waste, and strengthen resource recycling and reuse.</p> <p>(6) Through education and training, we advocate the basic awareness of responsibility for employees to recognize environmental protection, resource recycling and energy conservation.</p> <p>(7) Comply with government laws and regulations on environmental protection, and fully assist government agencies in promoting environmental protection affairs.</p> <p>(8) Actively participate in a variety of activities organized by the Science Park Bureau and maintain a harmonious relationship with neighboring manufacturers.</p> <p>(9) System certificate:</p> <ol style="list-style-type: none"> Quality management system: ISO 9001: 2015 (certification date 2001/9/19, validity period 2022/7/11–2024/7/21) Environmental management system: ISO 14001: 2015 (certification date 2005/7/14, validity period 2022/7/11–2024/7/15) Occupational safety and health management system: ISO 45001: 2018 (certification date 2019/4/14, validity period 2021/4/20–2024/4/20) Taiwan occupational safety and health management system: CNS45001 (certification date 2020/4/13, validity period 2021/4/20–2024/4/19) Hazardous substance management system IECQ QC080000: 2017 (certification date 2013/8/28, validity period 2022/8/28–2025/8/27) 	Index	%	Female accounted for total employees (%)	55.94	Female accounted for all supervisors (%)	28.21	Female accounted for senior executives (%)	25.00	
Index	%											
Female accounted for total employees (%)	55.94											
Female accounted for all supervisors (%)	28.21											
Female accounted for senior executives (%)	25.00											

3.4.6 Ethical Corporate Management – Implementation Status and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons

Evaluation item	Implementation status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
<p>1. Establishment of ethical corporate management policies and programs</p> <p>(1) Does the company have an ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?</p> <p>(2) Whether the company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates, within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in Article 7, paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPE Listed Companies?</p> <p>(3) Does the company clearly set out the operating procedures, behavior guidelines, and punishment and appeal system for violations in the unethical conduct</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) The company has formulated the Ethical Corporate Management Best Practice Principles and the Procedures for Ethical Management and Guidelines for Conduct to regulate the company's business execution, under which we shall act honestly and justly, and abide by government laws and regulations. The Board of Directors and management also promise to actively implement the business philosophy of ethical corporate management.</p> <p>(2) The company operates in accordance with the Ethical Corporate Management Best Practice Principles and the Procedures for Ethical Management and Guidelines for Conduct, and has signed the Supplier Integrity Pledge with manufacturers/suppliers, which stipulates that if the manufacturer/suppliers are suspected of unethical conduct, the Company may withhold payment of all accounts payable. If it is verified that the unethical conduct of the manufacturer/supplier is true, TrueLight may immediately terminate the procurement contract.</p> <p>(3) The company has formulated the Ethical Corporate Management Best Practice Principles and the Procedures for Ethical Management and</p>	<p>No major difference</p> <p>No major difference</p> <p>No major difference</p>

Evaluation item	Implementation status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
prevention program, implement it, and regularly review and revise the plan?			Guidelines for Conduct, which specifically prescribes the matters to be paid attention to when performing business, and have been announced on the company website.	
<p>2. Ethical Management Practice</p> <p>(1) Does the company assess the ethics records of those it has business relationships with and include ethical conduct related clauses in the business contracts?</p> <p>(2) Has the company set up a dedicated unit to promote ethical corporate management under the board of directors, and does it regularly (at least once a year) report to the board of directors on its ethical corporate management policy and program to prevent unethical conduct and monitor their implementation?</p>	<p>✓</p> <p>✓</p>		<p>(1) The same as the description in Item 1 (2) above.</p> <p>(2) The company's dedicated unit for promoting ethical corporate management is the President's Office, which acts as a consultation contact point on ethical corporate management. The company's implementation status of ethical corporate management was reported to the Board of Directors on March 8, 2023. No offering or acceptance of any form of improper benefits was found, nor was there any report of unethical conduct or misconduct by internal or external personnel.</p> <p>Implementation status of the ethical corporate management policy in 2022:</p> <p>Regulatory compliance advocacy: Every year, high-level management conveys the importance of integrity to all employees, and the human resources unit conducts educational advocacy on ethical corporate management to all employees, including continuous advocacy to employees through the company's internal webpages,</p>	<p>No major difference</p> <p>No major difference</p>

Evaluation item	Implementation status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
(3) Has the company established policies to prevent conflict of interests, provided appropriate communication and complaint channels, and properly implemented such policies?	✓		internal emails, and by other means on related issues and making the available for employees to refer to on a constant basis, so as to strengthen employees' awareness of professional ethics and regulatory compliance. (3) Handled in accordance with Article 11 of the company's Procedures for Ethical Management and Guidelines for Conduct.	No major difference
(4) Does the company have effective accounting and internal control systems in place to enforce ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit compliance with the systems to prevent unethical conduct or hire outside accountants to perform the audits?	✓		(4) The company has established a complete accounting system and internal control system. The internal audit conducts in accordance with the internal audit plan and internal audit implementation rules. If any major abnormalities are found, the internal audit will immediately report it to the chairman as well as the Board of Directors.	No major difference
(5) Does the company provide internal and external ethical corporate management training programs on a regular basis?	✓		(5) The company adheres to the principles and obligations of ethical corporate management, and follows the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies. In 2022, the internal and external education and training related to ethical corporate management issues (including courses related to regulatory compliance with ethical corporate management, corporate governance, accounting system, and internal control):	No major difference

Evaluation item	Implementation status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			<p>A. Training for directors, managers and internal audit supervisors: a total of 9 person-times, totaling 92 hours.</p> <p>B. In 2022, the education and training courses for all new recruits included the educational advocacy on Ethical Corporate Management Laws and Regulations, and the Code of Ethical Corporate Management was advocated to all employees. There was also an online test for 1 hour. In 2022, there was a total of 320 person-times, with a completion rate of 100%, totaling 320 hours. In addition, the internal education and training in-person courses included 2 in-person sessions each of “Advocacy on the Code of Integrity”, “Personal Data Protection”, “Preventing Insider Trading”, “Understanding Intellectual Property Rights and the Importance of Confidentiality Obligations” and “Trademark and Copyright Seminar”, for a total of 18 person-times and a total of 18 hours. It is expected that through in-person courses, advocacy and online tests, the concept of ethical corporate management can be conveyed to all employees.</p>	
<p>3. Implementation of Complaint Procedures</p> <p>(1) Has the company established specific whistle-blowing and reward procedures, set up conveniently accessible whistle-blowing channels, and appointed appropriate</p>	✓		<p>(1) In accordance with the company's Procedures for Ethical Management and Guidelines for Conduct, the company encourages internal and</p>	No major difference

Evaluation item	Implementation status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
personnel specifically responsible for handling complaints received from whistle-blowers?			external personnel to report unethical conduct or misconduct, and has established a dedicated unit to handle reported cases so as to fully protect/keep confidential whistleblowers' identities. Bonuses will be given where appropriate in accordance with the severity of the violation. Internal staff who make false reporting or malicious accusations shall be subject to disciplinary action. If the violation is severe, the violators involved shall be removed from office or dismissed in accordance with the company's personnel rules. The company has established an independent reporting e-mail: GMO@truelight.com.tw Reporting dedicated hotline 03-5780080#5208 Reporting delivery address: No. 21, Prosperity Road 1, Hsinchu City, Hsinchu Science Park, 30078 The above reporting information is for internal and external use of the company.	
(2) Has the company established standard operation procedures for investigating the complaints received, follow-up measures taken after investigation, and mechanisms ensuring such complaints are handled in a confidential manner?	✓		(2) Handled in accordance with Article 21 of the company's Procedures for Ethical Management and Guidelines for Conduct.	No major difference
(3) Has the company adopted proper measures to protect whistle-blowers from retaliation for filing complaints?	✓		(3) The company's personnel handling the reported case shall make a written statement to keep the identity of the reporter and the and reported	No major difference

Evaluation item	Implementation status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			content confidential, and the company undertakes to protect the reporter from being improperly dealt with due to the reporting.	
4.Strengthening Information Disclosure Does the company disclose its ethical corporate management policies and the results of their implementation on its website and the Market Observation Post System (MOPS)?	✓		The company has fully disclosed related information on the company website and Market Observation Post System for investors' reference.	No major difference
5.If the company has adopted its own ethical corporate management best practice principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviations between the principles and their implementation: No major difference				
6.Other important information to facilitate a better understanding of the status of operation of the company's ethical corporate management policies (e.g., the company's reviewing and amending of its ethical corporate management best practice principles). The company upholds the integrity of business dealings with suppliers, and also promotes the company's determination to operate with integrity to suppliers.				

3.4.7. If the company has adopted corporate governance best-practice principles or related bylaws, disclose how these are to be searched. :

The company has formulated “Regulations Governing the Acquisition and Disposal of Assets”, “Operating Procedures of Endorsement / Guarantees”, “Procedure for Lending Funds to Other Parties and or Guarantee”, “Rules and Procedures of Board Meetings”, “Rules of Procedure for Shareholders Meeting”, “Corporate Governance Best Practice Principles”, “Guidelines for the Adoption of Codes of Ethical Conduct of directors /supervisors”, “Procedures for Ethical Management and Guidelines for Conduct”, “Ethical Corporate Management Best Practice Principles”, “Rules Governing the Scope of Powers of Independent Directors”, “Directions for the Implementation of Continuing Education for Directors and Supervisors”, “Procedures for Handling Material Inside Information”, “Procedures for the Prevention of Insider Trading”.

The disclosure of important company information is handled in accordance with the "Securities and Exchange Act" and "Taipei Exchange Procedures for Verification and Disclosure of Material Information of Companies with TPEX Listed Securities" The company adheres to three principles in the disclosure of information: (1) accurate, complete and timely (2) information disclosure that should be based on evidence (3) fair disclosure to ensure the rights and interests of the company and all stakeholders.

3.4.8 Other significant information that will provide a better understanding of the state of the company's implementation of corporate governance may also be disclosed. :

3.4.8.1 Continuing education/training of directors in 2022

Date	Title	Name	Duration	Host by	Training Title
2022/8/25	Chairman and CEO	Liu, Sheng-Hsien	3 hrs	TPEX	OTC/ Emerging Company Insider Equity Promotion Meeting
	Director and President	Liu, Han-Xing	3 hrs		
2022/10/25	Chairman and CEO	Liu, Sheng-Hsien	3 hrs	TABF	Corporate Governance Lecture
		Yang, Tsen-Shau	3 hrs		
2022/11/17			3 hrs		Corporate Governance Forum
2022/5/13	Independent Director	Chien, Yi-Sen	3 hrs	ARDF	Practical Cases of Breach of Trust and Analysis of Legal Responsibilities
			3 hrs		Analysis of the latest annual IFRS Q&A
2022/3/15	Independent Director	Tsang, Juine-Kai	3 hrs	TCGA	Legal Responsibilities for Corporate Fraud and the Court's Knowledge of Handling Criminal Cases
2022/7/5			3 hrs		2030/2050 Green Industrial Revolution
2022/8/10			3 hrs		CFC Individual Controlled Foreign Enterprise
	3 hrs	Tax Law Update			

3.4.8.2 The company purchased liability insurance for directors and managers as follows, and submitted a report to BOD on November 09, 2022:

Object	Insurance Company	Insured amount	Insurance Period (Note)
Directors and Managers	Fubon Insurance Co., Ltd.	USD3,000,000	2022.11.10~2023.11.10

Note: Previous period: 2021.11.10~2022.11.10

3.4.8.3 Training status of managers and internal auditors in 2022:

Date	Title / Name	Duration	Host by	Training Title
2022/11/30	Finance Supervisor / Accounting Supervisor- Chen, Ping-Ling	6 hrs	ARDF	The Latest Policy Development and Internal Control Management Practices Related to "ESG Sustainability" and "Self- Compilation of Financial Reports"
	The agent of Accounting/Finance/Internal Audit Supervisor- Chang, Ching-Fang	6 hrs		
2022/11/7		6 hrs		Analysis of Common Deficiencies of Internal Control Management in Enterprises and Practical Cases
2022/12/21	Finance Supervisor / Accounting Supervisor- Chen, Ping-Ling	6 hrs		
2022/9/22	Internal Audit Supervisor- Liao, Shiou-Ping	6 hrs	IAA	Risk-Oriented Internal Audit Methods and Practices
2022/11/24		6 hrs		Analysis of Laws and Regulations of BOD and Functional Committees (Audit, Remuneration) and the Audit Focusing

3.4.9 The section on the state of implementation of the company's internal control system shall furnish the following :

3.4.9.1 Statement on Internal Control. :

<p>TrueLight Corporation Internal Control System Statement</p> <p style="text-align: right;">Date: Mar. 08, 2023</p> <p>TL states the following with regard to its internal control system during fiscal year 2022, based on the findings of a self-evaluation:</p> <ol style="list-style-type: none">1. TL is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. TL has established such a system aimed at providing reasonable assurance of the achievement of objectives in the effectiveness and efficiency of operations (including profits, performance, and safeguard of asset security), reliability of financial reporting, and compliance with applicable laws and regulations.2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three goals mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in environment or circumstances. The internal control system of TL contains self-monitoring mechanisms, however, and TL takes corrective actions as soon as a deficiency is identified.3. TL judges the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (hereinbelow, the "Regulations"). The internal control system judgment criteria adopted by the Regulations divide internal control into five elements based on the process of management control:<ol style="list-style-type: none">I. control environmentII. risk assessmentIII. control activitiesIV. information and communicationsV. monitoring.Each element further contains several items. Please refer to the Regulations for details.4. TL has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.5. Based on the findings of the evaluation mentioned in the preceding paragraph, TL believes that as of Dec. 31th, 2022 its internal control system (including its supervision and management of subsidiaries), encompassing internal controls for knowledge of the degree of achievement of operational effectiveness and efficiency objectives, reliability of financial reporting, and compliance with applicable laws and regulations, is effectively designed and operating, and reasonably assures the achievement of the above-stated objectives.6. This Statement will become a major part of the content of TL's Annual Report and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.7. This Statement has been passed by the Board of Directors Meeting of TL held on Mar. 08, 2023, where 0 of the 6 attending directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement. <p style="text-align: center;">TrueLight Corporation</p> <p style="text-align: center;">Sam Liu, Chairman </p> <p style="text-align: center;">Hanxing Liu, President </p>
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3.4.9.2 Where a CPA has been hired to carry out a special audit of the internal control system, furnish the CPA audit report. : **None.**

3.4.10 If there has been any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder equity or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement : **None.**

3.4.11 Material resolutions of a shareholders meeting or a board of directors meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.:

3.4.11.1 Shareholder Meeting Major Resolution and Execution:

Date	Proposal	Resolution
2022/5/22	1. Acknowledgement of 2021 business report and financial statements	Passed as proposed via Board of Directors vote
	2. Acknowledgement of 2021 loss provision	Passed as proposed via Board of Directors vote not to distribute dividends.
	3. Amendments to some provisions of the company's Procedures for Acquisition or Disposal of Assets	Passed as proposed via Board of Directors vote and announced on the company website and Market Observation Post System
	4. Lifting of non-compete restrictions for directors	Passed as proposed via Board of Directors vote and announced on the company website and Market Observation Post System

3.4.11.2 Board Meeting Major Resolutions:

Date	Important Resolutions
2022/3/9	<ol style="list-style-type: none"> 1. Approved the company's 2021 financial report and business report 2. Approved the company's 2021 loss provision 3. Approved the review on the policy, system, criterion and structure of the company's annual and long-term performance goals as well as salary and remuneration for managers 4. Approved the review on the policy, system, criterion and structure of the company's annual and long-term performance goals as well as salary and remuneration for directors 5. Approved the independence of certified public accountants for the company's financial report as well as the appointment and remuneration of certified public accountants in 2022 6. Approved the company's 2021 internal control system effectiveness assessment and the issuance of an internal control statement 7. Approved the review on the credit line extended by the company's financial institutions 8. Approved the company's 2022 business plan 9. Approved the proposed amendments to some provisions of the company's Regulations Governing the Acquisition and Disposal of Assets 10. Approved the related matters on the convening of the 2022 regular shareholders meeting
2022/5/10	<ol style="list-style-type: none"> 1. Approved the company's proposed endorsement and guarantee to the subsidiary Zhuhai FTZ ProRay Optoelectronics Technology Co., Ltd. 2. Approved the proposed review of the intended application made by the

Date	Important Resolutions
	subsidiary YLTLINK Technology Corporation for a line of credit to FCB Leasing Co., Ltd. 3. Approved the financial report for the first quarter of 2022 4. Approved the lifting of the non-compete restrictions for the directors of the company
2022/8/3	1. Approved the financial report for the second quarter of 2022 2. Approved the review on the credit line extended by the company's financial institutions 3. Approved the intended application for conversion of the special shares in YLTLINK Technology Corporation held by the company into ordinary shares
2022/11/9	1. Approved the Company's director remuneration 2. Approved the company's 2023 manager salary and remuneration planning 3. Approved the company's 2023 director and employee remuneration estimated percentages 4. Approved the financial report for the third quarter of 2022 5. Approved the discussion on the 2023 work plan of the company's Remuneration Committee 6. Approved the amendments to the company's Internal Control System, Internal Audit Operation Implementation Rules, Procedures for Handling Material Inside Information, Standard Operating Procedures for Handling Director Requests and the Board of Directors Performance Evaluation Guidelines 7. Approval of the company's 2023 audit plan proposed to be submitted for approval 8. Approved the appointment of the company's chief corporate governance officer
2023/3/8	1. Approved the lifting of the non-compete restrictions for the directors of the company 2. Approved the proposed review of the intended application made by the subsidiary YLTLINK Technology Corporation for a line of credit to Chailease Holding, Hsinchu Branch 3. Approval of the company's 2022 financial report and business report 4. Approval of the company's 2022 loss provision 5. Approved the policy, system, criterion and structure of the company's annual and long-term performance goals as well as salary and remuneration for directors and managers 6. Approved the independence of certified public accountants for the company's financial reports as well as the appointment and remuneration of certified public accountants in 2023 7. Approved the company's 2022 internal control system effectiveness assessment and the issuance of the internal control statement 8. Approved the review on the credit line extended by the company's financial institutions 9. Approved the company's 2023 business plan 10. Approved the amendments to the company's Articles of Incorporation and Rules of Procedures for Shareholders Meetings 11. Approved matters related to the convening of the 2023 regular shareholders meeting

3.4.12 Where, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, a director or supervisor has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting

opinion has been recorded or prepared as a written declaration, disclose the principal content thereof : **None.**

3.4.13 A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, of the company's chairperson, general manager, chief accounting officer, chief financial officer, chief internal auditor, chief corporate governance officer, and chief research and development officer : **None.**

3.5 Information on CPA (External Auditor) Professional Fees

Unit: NT\$ thousands

Name of accounting firm	Names of CPAs	Period covered by the CPA audit	Audit fees	Non-audit fees (Note)	Total	Remarks
PricewaterhouseCoopers, Taiwan	Cheng, Ya-Huei Chiang, Tsai-Yen	2022/1/1-2022/12/31	2,135	1,155	3,290	-

Note: NT\$585,000 for tax attestation, NT\$250,000 for legal consultation, NT\$290,000 for transfer pricing report, and NT\$30,000 for others.

3.2.1 When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed. : **None.**

3.5.2 When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed : **None.**

3.6 Information on replacement of certified public accountant: If the company has replaced its certified public accountant within the last 2 fiscal years or any subsequent interim period, it shall disclose the following information :

3.6.1 Information regarding the former CPAs

Date of replacement	Approved by BOD on March 24, 2021		
Reason for replacement and explanation	The internal rotation policy of the accounting firm, under which the original accountants Lin, Yu Kuan and Jiang, Tsai Yan were replaced by Cheng, Ya Hui and Jiang, Tsai Yan.		
Describe whether the Company terminated or the CPAs terminated or did not accept the engagement	Parties		
	Circumstances	CPAs	The Company
	Terminated the engagement	N.A. for the internal rotation	
No longer accepted (discontinued) the engagement			
If the CPAs issued an audit report expressing any opinion other than an unqualified opinion during the 2 most recent years, specify the opinion and the reasons	None		
Disagreement with the Company?	Yes		Accounting principles or practices
			Disclosure of financial reports
			Audit scope or steps
			Other
	No	✓	
	Specify details		

Other disclosures (Any matters required to be disclosed under sub-items d to g of Article 10.6.A)	None
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3.6.2 Information Regarding the Successor CPAs

Name of accounting firm	PricewaterhouseCoopers, Taiwan
Names of CPAs	Cheng, Ya-Huei Chiang Tsai-yen
Date of engagement	2021/3/24 approved by BOD. Changed from Q1, 2021
Subjects discussed and results of any consultation with the CPAs prior to the engagement, regarding the accounting treatment of or application of accounting principles to any specified transaction, or the type of audit opinion that might be issued on the company's financial report	None
Successor CPAs' written opinion regarding the matters of disagreement between the Company and the former CPAs	None

3.6.3 The reply letter from the former CPA regarding the Company's disclosures regarding the matters under Article 10.6.A and 10.6.B(c) of the Regulations : None.

3.7 Where the company's chairperson, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm, the name and position of the person, and the period during which the position was held, shall be disclosed. The term "affiliated enterprise of a certified public accountant's accounting firm" means one in which the certified public accountants at the accounting firm of the attesting certified public accountant hold more than 50 percent of the shares, or of which such accountants hold more than half of the directorships, or a company or institution listed as an affiliated enterprise in the external publications or printed materials of the accounting firm of the certified public accountant. : **None**.

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

3.8.1 Changes in Shareholding of Directors, Supervisors, Managerial Officers, and Major Shareholders

Unit: : Share

Job title	Name	2022		Current fiscal year as of <u>2023/3/30</u>	
		Shareholding increase (or decrease)	Pledged shareholding increase (or decrease)	Shareholding increase (or decrease)	Pledged shareholding increase (or decrease)

Chairman and Chief Executive Officer	Liu, Sheng Hsien	(46,000)	0	(50,000)	0
Director and President	Liu, Han Xing	0	0	0	0
Director	Chen Cheng Kang (Note)	0	0	0	0
Independent Director	Juine-Kai Tsang	0	0	0	0
Independent Director	Lai, Jiun Hao	0	0	0	0
Independent Director	Chien, Yi Sen	0	0	0	0
Independent Director	Yang, Tsen Shau	0	0	0	0
VP/ Finance Supervisor/ Accounting Supervisor	Chen, Ping-Ling	0	0	0	0
VP	Fu, Hsueh-Hsing	(10,000)	0	0	0
Executive VP	Wu, Cheng-Zu	0	0	0	0
VP	Chen, Chih-Cheng	(17,000)	0	0	0
Senior Director	Ou, Chun-Miao	0	0	0	0
Senior Director	Wu, Jun-Han	0	0	0	0
Director	Chang, Ching-Fang	0	0	0	0
Director	Wu, Tsan-Hung	0	0	(10,000)	0
Director	Tai, Chuan-Chia	0	0	0	0
Director	Huang, Chia-Ming	0	0	0	0

Note: Resigned on February 8, 2022, and his relevant information was disclosed until the resignation date.

- 3.8.2 Where the counterparty in any such transfer or pledge of equity interests is a related party, disclose the counterparty's name, its relationship between that party and the company as well as the company's directors, supervisors, managerial officers, and ten-percent shareholders, and the number of shares transferred or pledged : **None.**

3.9 Relationship information, if among the company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another :

Relationships Among the Top 10 Shareholders

March 26, 2023

Name	Shareholding		Shareholding of spouse and minor children		Total shareholding by nominee arrangements		Specify the name of the entity or person and their relationship to any of the other top 10 shareholders with which the person is a related party or has a relationship of spouse or relative within the 2nd degree		Remarks
	Shares	% (Note1)	Shares	% (Note1)	Shares	% (Note1)	Name of entity or individual	Relationship	
Liu, Sheng- Hsien	2,138,753	2.80%	1,623,000	2.12%	0	0	Chou, Lu-Lu	Spouse	
Chou, Lu-Lu	1,623,000	2.12%	2,138,753	2.80%	203,000	0.27%	Liu, Sheng-Hsien	Spouse	
Hung, Jui- Jung	1,025,000	1.34%	0	0	0	0	None	None	
Cheng yi Investment Limited Principal: CHAO, YING CHENG	855,300	1.12%	0	0	0	0	None	None	
	0	0%	Note2	Note2	Note2	Note2	None	None	
Chang, Chun-Kuei	598,000	0.78%	0	0	0	0	None	None	
Chase Custody JP Morgan Securities Limited Investment Account	584,039	0.76%	0	0	0	0	None	None	
Yu, Hung-Chen	573,000	0.75%	0	0	0	0	None	None	
Cheng Shin Rubber Ind., Co., Ltd. Principal: Chen, Jung Hua	561,906	0.73%	0	0	0	0	None	None	
	0	0%	Note2	Note2	Note2	Note2	None	None	
Lu, Wei-Hsu	500,000	0.65%	0	0	0	0	None	None	
Chung, Shu-Hui	481,000	0.63%	0	0	0	0	None	None	

Note1. The actual number of shares issued was 76,474,692.

Note2. Due to non-insider access to the relevant information.

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

Total Ownership of Shares in Investee Enterprises

Date:2023/3/30 Unit: Share; %

Investee enterprise (Note)	Investment by the Company		Investment by the Directors, Supervisors, Managerial Officers and Directly or Indirectly Controlled Entities of the Company		Total investment	
	Shares	Shareholdin g ratio	Shares	Shareholding ratio	Shares	Shareholdin g ratio
TrueLight (B.V.I.) Limited	13,000,000	100%	0	0	13,000,000	100%
ProRay Limited	12,500,000	100%	0	0	12,500,000	100%
Zhuhai FTZ ProRay Co., Ltd	0	100%	0	0	0	100%
Optomedia Technology Inc.	2,435,913	30%	0	0	2,435,913	30%
YLTLINK Technology Corporation	7,398,456	41%	0	0	7,398,456	41%

Note: This refers to investee enterprises in which the Company makes long-term investment calculated according to the equity method.

4. Capital Overview

4.1 Capital and Shares:

4.1.1 Sources of Capital :

Sources of Capital

Date:2023/3/30 Unit: NT\$ thousands/ Shares in thousands

Year / Month	Issued price	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of capital	Capital paid in by assets other than cash	Other
2020/10(Note)	-	120,000	1,200,000	76,475	764,747	Issued 486,000 new shares with restricted employee rights	None	-

Note: It was approved by the Hsinchu Science Park Bureau of the Ministry of Science and Technology with the approval letter No.: Chu-Shan-Tzu-1090028845 on October 15, 2020.

Date:2023/3/30 unit : shares

Type of stock	Authorized Capital			Remarks
	Outstanding shares	Unissued shares	Total	
Registered Common Stock	76,474,692	43,525,308	120,000,000	Listed on OTC

Information Relating to the Shelf Registration System : None.

4.1.2 Shareholder Composition :

Date:2023/3/26 unit : shares

Shareholder composition Quantity	Government agencies	Financial institutions	Other legal entities	Individuals	Foreign institutions and foreign individuals	Total
	No. of shareholders	0	0	182	29,960	39	30,181
No. of shares held	0	0	2,047,156	72,108,879	2,318,657	76,474,692
Shareholding ratio	0.00%	0.00%	2.68%	94.29%	3.03%	100.00%

4.1.3 Distribution of Shareholding :

Date:2023/3/26 unit : shares

Range of no. of shares held	No. of shareholders	Shareholding (shares)	Shareholding (%)
1~999	19,019	1,110,640	1.45
1,000~5,000	8,730	18,261,111	23.88
5,001~10,000	1,258	10,067,616	13.16
10,001~15,000	417	5,414,082	7.08
15,001~20,000	236	4,363,518	5.71
20,001~30,000	212	5,376,063	7.03

Range of no. of shares held	No. of shareholders	Shareholding (shares)	Shareholding (%)
30,001~40,000	94	3,347,943	4.38
40,001~50,000	46	2,121,360	2.77
50,001~100,000	107	7,656,205	10.01
100,001~200,000	37	5,593,076	7.31
200,001~400,000	12	2,921,000	3.82
400,001~600,000	9	4,600,025	6.02
600,001~800,000	0	0	0
800,001~1,000,000	1	855,300	1.12
Add additional ranges above 1,000,001 if necessary, based on actual circumstances	3	4,786,753	6.26
Total	30,181	76,474,692	100

Note: Issuance of Preferred Shares : None.

4.1.4 Major Shareholders (Shareholdings more than 5% or the Top 10 Shareholders)

2023/3/26; Unit: Shares

Names of major shareholders	Shares	Shareholding (shares)	Shareholding (%) (Note)
Liu, Sheng- Hsien		2,138,753	2.80%
Chou, Lu-Lu		1,623,000	2.12%
Hung, Jui- Jung		1,025,000	1.34%
Cheng yi Investment Limited		855,300	1.12%
Chang, Chun-Kuei		598,000	0.78%
Chase Custody JP Morgan Securities Limited Investment Account		584,039	0.76%
Yu, Hung-Chen		573,000	0.75%
Cheng Shin Rubber Ind., Co., Ltd.		561,906	0.73%
Lu, Wei-Hsu		500,000	0.65%
Chung, Shu-Hui		481,000	0.63%

Note: Outstanding shares 76,474,692

4.1.5 Provide share prices for the past 2 fiscal years, together with the company's net worth per share, earnings per share, dividends per share, and related information.

Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT\$/ thousand share

Item		Year	2021	2022	As of March 30,2023(Note8)
Market price per share (Note 1)	Highest		45.6	30.6	26.35
	Lowest		23.9	18.15	20.75
	Average		33.4	25.91	23.68
Net worth per share (Note 2)	Before distribution		10.30	10.06	-
	After distribution		10.30	(Note9)	-
Earnings per share (Note 3)	Weighted average shares		76,112	76,475	76,475
	Before Adjustment		(1.74)	(0.34)	-
	After Adjustment		(1.74)	(Note9)	-
Dividends per share	Adjustment		0	(Note9)	-
	Share Dividend	From Retained Earnings	0	-	-
		From Capital Surplus	0	-	-
	Cumulative Unpaid Dividends (Note 4)		0	-	-
Return on investment analysis	Price/Earnings Ratio (Note5)		(19.2)	(76.21)	-
	Price/Cash Dividends Ratio (Note6)		-	-	-
	Cash Dividend Yield (Note7)		-	-	-

Note 1: List the highest and lowest market price of common shares in each fiscal year and calculate the average market price by weighing transacted prices against transacted volumes in each respective fiscal year.

Note 2: Calculate the net worth per share based on the number of outstanding shares at year-end. Calculate the amount of distribution based on the amount resolved by the board of directors or resolved in the next year's shareholders meeting.

Note 3: If retrospective adjustments are required because of issuance of stock dividends, the earnings per share should be disclosed in the amounts before and after the retrospective adjustments.

Note 4: If equity securities are issued with terms that allow undistributed dividends to be accrued and accumulated until the year the Company makes profit, the amount of cumulative undistributed dividends up until the current year should be disclosed separately.

Note 5: Price/earnings ratio = average closing price per share for the year / earnings per share.

Note 6: Price / dividend ratio = average closing price per share for the year / cash dividends per share.

Note 7: Cash dividend yield = cash dividend per share / average closing price per share for the year.

Note 8: Net worth per share and earnings per share are based on audited (auditor-reviewed) data as at the latest quarter before the publication date of the annual report. For all other fields, calculations are based on the data for the current year as of the date of publication of the annual report.

Note 9: The resolution made by the Board of Directors in 2022 not to distribute the dividends, which has not yet passed by the shareholders meeting.

4.1.6 Company's dividend policy and implementation thereof

4.1.6.1 Dividend policy: The company's Articles of Incorporation stipulate that if the company has a surplus in its annual final accounts, it shall pay taxes in accordance with the law, and after making up for the accumulated losses, another 10% thereof shall be set aside as the statutory surplus reserve. However, when the statutory surplus reserve has

reached the paid-in capital of the company, it may not be set aside, and the special surplus reserve shall be set aside or reversed from the rest to in accordance with laws and regulations; If there is still any surplus, together with the accumulated undistributed surplus, the Board of Directors shall draw up a surplus distribution proposal and submit it to the shareholders meeting for a resolution.

The company's dividend policy adopts the principle of stability and balance, considering the company's environment and growth stage and in response to future capital needs and long-term financial planning, so as to meet shareholders' needs for cash inflows. The company allocates no less than 5% of the distributable surplus every year to distribute dividends to shareholders. However, when the accumulated distributable surplus is less than 10% of the paid-in share capital, it may decide not to distribute dividends; when distributing dividends to shareholders, they may be paid in cash or stock, among which the cash dividend shall not be less than 10% of the total amount of the dividends and bonuses to shareholders.

4.1.6.2 Distribution status of dividends proposed at this shareholders meeting: The company has no distributable surplus in 2022. It has been approved by the company's Board of Directors on 2023/3/8 that no dividends will be distributed, and it has been submitted to the regular shareholders meeting for approval.

4.1.6.3 If a material change in dividend policy is expected : **None.**

4.1.7 Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting : **None.**

4.1.8 Profit-sharing compensation of employees, directors :

4.1.8.1 The percentages or ranges with respect to employee, director, and supervisor profit-sharing compensation, as set forth in the company's articles of incorporation.: If the company makes profits in the year, 4%–10% thereof shall be allocated as employee remuneration, and the Board of Directors shall resolve to distribute them in the form of stocks or cash. The distribution targets include employees of subordinate companies who meet certain conditions; The Board of Directors of the company may resolve to set aside no more than 4% of the foregoing amount of profit as remuneration for directors and supervisors. Proposals on the distribution of employee remuneration as well as remuneration for directors and supervisors shall be reported to the shareholders meeting. However, if the company still has accumulated losses, it shall reserve the amount for making up for the loss in advance, and then allocate the amount for employee remuneration as well as director and supervisor remuneration in accordance with the percentages mentioned in the preceding paragraph.

4.1.8.2 The basis for estimating the amount of employee, director, and supervisor profit-sharing compensation, for calculating the number of shares to be distributed as employee profit-sharing compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period and information on any approval by the board of directors of distribution of profit-sharing compensation : On 2023/3/8, the resolution of the Board of Directors approved that the company will not set aside and distribute the remuneration for employees and directors in accordance with the regulations due to the loss of the current period in 2022.

4.1.8.3 The actual distribution of employee, director, and supervisor profit-sharing compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor profit-sharing compensation, additionally the discrepancy, cause, and how it is treated. : The company had not made a profit in 2021, so the employees and directors

had not been paid.

4.1.9 Status of a company repurchasing its own shares : **None**

4.2 Issuance of Corporate Bonds: None

4.3 Issuance of Preferred Shares : None

4.4 Issuance of Global Depository Receipts : None

4.5 Issuance of Employee Stock Warrants : None

4.6 Issuance of New Restricted Employee Shares : None

4.7 Status of New Shares Issuance in Connection with Mergers and Acquisitions : None

4.8 Financing Plans and Implementation : None

5. Operational Profiles

5.1 Description of the business

5.1.1 Business Scope

The main business items of the company are design, research and development, Production and sales are applied to "optical fiber communication, 4G/5G mobile communication base station interconnection, cloud data center, 3D Sensing/Near-Field Sensing/Flood Illumination" Vertical Cavity Surface Emitting Laser (VCSEL), Edge laser (FP / DFB), photodiode (PIN / PINTIA)", including components, sub-modules, Light engine/AOC and other types of products.

Provide necessary assistance and services for the inspection, maintenance, processing and installation of the products related to the preceding paragraph, as well as their import and export trade business.

5.1.1.1 The company's current products (services) and the proportion of sales in 2022

Product Category	%
Chips and components	71%
Optical transmission and connection modules	26%
Others	3%
Total	100%

5.1.1.2 New products (services) planned for development

In response to the growth of broadband communication needs and the rise of the Internet of Things, the construction and upgrade of infrastructure such as cloud data centers and 4G/5G wireless network base stations are continuously carried out, which also drives the growth of new applications such as active optical cables (AOC, HDMI ...), sensing elements (3D sensing), and ranging elements (proximity sensor). This further accelerates the evolution of optoelectronic component product technology and the thriving market.

TL adheres to the principles of self-developed and proprietary manufacturing technology, and establishes a production chain from upstream Epitaxy design and manufacturing, to midstream chip design and production, to downstream active component packaging and manufacturing, to strengthen the company's core competitiveness. It also establishes different product lines (including surface-emitting lasers, edge-emitting lasers and related optical detection components, module components, and active optical cables) to serve different market demands. In addition to continuously supplying different bandwidth optical communication components, TL is also focused on developing VCSEL components for applications in the consumer market (including smartphone proximity sensors, lighting, 3D sensing, Bluetooth headphones, eye tracking, smartphone sensing), security and surveillance, and industrial automation products. TL's long-term product technology development direction is summarized as follows:

- A. Vertical-Cavity Surface-Emitting Laser (VCSEL) for Optical Communication
Applications: Development and production of VCSEL chips, optical sub-modules (TO, OSA, OSM) and fiber optic communication transceiver modules with high-speed data rates of 10Gbps, 14Gbps, 25Gbps, and 28Gbps, primarily at a wavelength of 850 nm.
- B. VCSELs for Consumer Applications: Development of VCSEL chips or arrays with different features such as small angle, high power, and high conversion efficiency at wavelengths between 850 nm and 940 nm, for use in products such as mobile phone proximity sensors, flash, 3D sensing, Bluetooth earphones, eye tracking, and smart phone sensing.
- C. Edge-Emitting Lasers (FP/DFB): Development of FP and DFB chips and optical sub-modules (TO, OSA, OSM) with data rates of 10Gbps and 25Gbps, at wavelengths of 1270nm, 1290nm, 1310nm, 1330nm, 1350nm, 1370nm, 1490nm, 1550nm, and

1610nm.

- D. Joint Development of High-Power DFB Light Sources for use in high-speed modules for data centers.
- E. Photodetectors (PD/APD): Development of PIN chips, APD and optical sub-modules (TO, OSA, OSM) with data rates of 10Gbps and 25Gbps, at wavelengths of 850nm, 1310nm, 1550nm, and 1610nm.
- F. Single Fiber Bi-Directional Sub-Module (BOSA): Applications of high-speed 10GEAPON/XGPON/XGSPON Single Fiber Bi-Directional Sub-Modules (BOSA) in high bandwidth fiber optic communication (FTTx).
- G. High-speed 25G DFB/APD/PD Sub-Module (OSA) products for use in 5G base station transmission.
- H. High-density high-speed pluggable 100G QSFP28 SR4 and 400G QSFP56-DD SR8 for use in active optical cables and modules in data centers and cloud computing.
- I. Chips and optical sub-modules at frequencies of 2.2GHz, 2.5GHz, 3.5GHz, 5GHz, and 6GHz for special CATV and video system applications.
- J. Development of in-house MOCVD epitaxy technology for more efficient and independent product development, strengthening the company's core competitiveness and future growth potential.
- K. Development of automated production systems.
- L. Development of 56G/112G GaAs PD and 56G/112G InGaAs PD for cloud data centers.

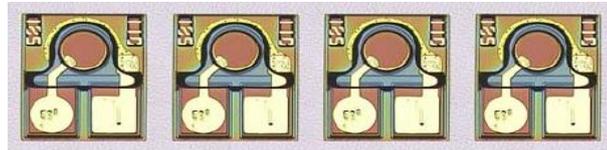
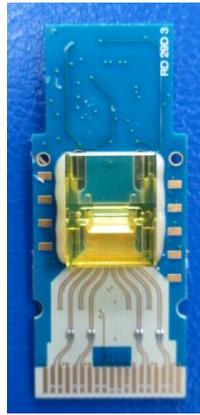
5.1.2 Industry Overview

5.1.2.1 Current Status and Development of the Industry

The upstream core technology and products of the optical communication industry supply chain are related components of laser diodes (VCSEL, FP LD, DFB LD) and photodetectors (PIN and APD). Based on the demand for fiber-optic two-way transmission, the company has developed various optical and electronic components and components that can be paired at both the transmitting end laser diode and the corresponding receiving end photodetector, such as: 850nm/940nm VCSEL and GaAs PD components, 1270nm/1290nm/ 1310nm/1330nm/1490nm/1530nm/1550nm/1610nm FP, DFB, and InGaAs PD, APD components that receive long-wavelength 1260~1620nm.

The current development of the industry mainly focuses on fiber-to-the-home (FTTx) EPON/GPON, future 10GEAPON/XGPON/XGSPON, 4G/5G LTE base stations, data center 40GBE/100GBE/400GBE AOC, consumer virtual reality (VR), Internet of Things (IoT), and Silicon Photonics.

In addition, in terms of consumer electronics (CE) and computer information (IT) product applications, the company sells chips that customers can package into various modules; for example, the VCSEL chip is packaged into proximity sensors, 3D sensing modules or smartphone sensing, applied to the market of smart phones and Bluetooth headsets and other 3C products. These products are representative of this type of product.



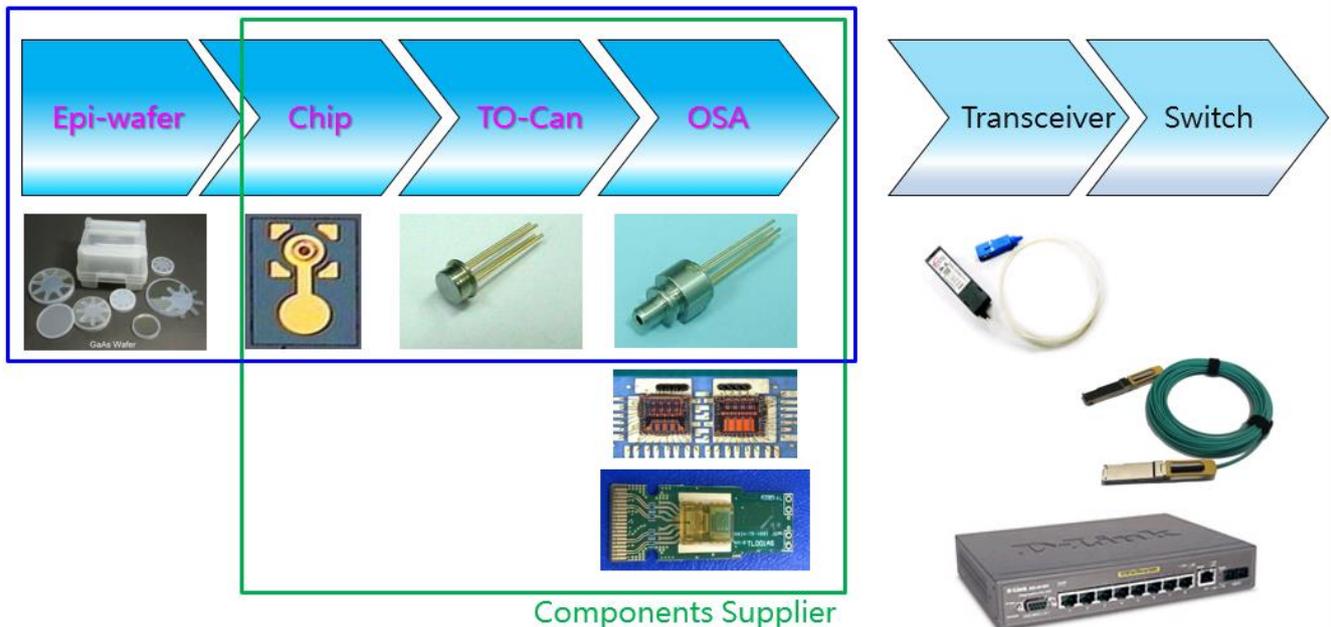
COB prototype with TrueLight's Standard 10Gbps/25Gbps GaAs and VCSEL Array (For Non-Hermetic Application) and in-house High Precise Assembly Technology.

5.1.2.2 Relationships between the upstream, midstream, and downstream in the industry

TL positions itself as a professional component supplier and belongs to the midstream to upstream in the optical communication industry chain. We provide optical communication components (chips, TOs, OSAs, OSMs, BOSAs, COBs, etc.) to customers for assembling transceiver modules or AOC cables, which are then sold to downstream communication equipment manufacturers. We also provide ODM and OEM services for communication optical receiving and transmitting components.

In the application of consumer electronics (CE) and computer information (IT) products, we sell chips to customers who package them into various module types, which are then sold to downstream smartphone operators or 3C product manufacturers.

Our Supply Chain (major in Industry of Fiber-Optics)



5.1.2.3. Product Development Trends

With the rise of the internet, the demand for massive data centers and high-bandwidth last-mile networks is growing, and FTTH-related PON network technologies require low-cost, high-transmission efficiency long-wavelength (1270nm, 1290nm, 1310nm, 1330nm, 1490nm, 1530nm, 1550nm, 1610nm) fiber-optic transmission modules. At the same time, due to the trend of integrating data (Data), audio (Audio), and video (Video), as well as the

future Internet of Things (IoT) and the increasing demand for cloud network data access speed and data processing capacity, the market continues to grow for higher-capacity broadband networks. Furthermore, the future HDTV, 3D TV, 3G Wireless, 4G/5G LTE (Long-Term Evolution), mobile communication 6G ecosystem, and high-speed, high-capacity data centers (Data Center) and cloud computing will further drive the demand and growth momentum of optical communication components.

TL has been continuously developing key chip-on-board (COB) technology for VCSEL, FP-LD, DFB-LD, and PINTIA, APDTIA, and cloud computing Active Optical Cable, as well as prototype products and higher-density high-speed pluggable 100G QSFP28 SR4 and 400G QSFP56-DD SR8 products that are required. All products meet strict quality requirements for Datacom and Telecom industry standards and have been recognized by customers.

With VCSEL laser light source as the core technology, various VCSEL products are developed for sensor applications, such as proximity sensors, 3D sensors, ToF (Time-of-Flight) distance sensors, and other consumer applications, suitable for smart phones, Bluetooth headphones, eye-tracking, smart home appliances, and 3C products. In addition, through the development process of biometric recognition technology, the laser and photovoltaic response technology related to the human body obtained from the development of biometric recognition technology will occupy a place in the future application of laser in biomedical photonics.



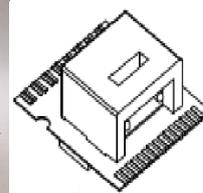
Biometric Authentication Device



palmar digital veins module



100G QSFP 28 AOC / 400Gbps Parallel Optical Engine



5.1.2.4. Competitive situation

TL is the first company in the Asia-Pacific region to possess the research and development, manufacturing, and sales capabilities for both long-wave and short-wave products. The company is based in Taiwan and leverages its expertise in component development and production to manufacture high-quality and high-performance critical optical communication components, which are primarily used by the company itself, but also sold to countries such as the US, South Korea, Japan, and mainland China. The company also possesses fully automated packaging and testing equipment and technology with a large production scale, allowing it to market high-quality, high-performance, and competitive TO products to the major manufacturers in the optical communication market. It is worth mentioning that the PINTIA TO-46 and LD/DFB TO-56 produced by the company have a high market share in the global FTTX market.

In recent years, although components manufactured in China have made some gains in some low-speed and ultra-low-cost optical communication markets, the company continues to develop high-performance cutting-edge products, introduces advanced wafer manufacturing technology and machines, establishes its own MOCVD epitaxy technology, and improves its product research and development and manufacturing capabilities. The company also continues to manufacture high-quality and competitively priced products while strengthening its control over production costs, thereby enhancing the overall competitiveness of its products for customers and providing prompt engineering and customer support services.

5.1.3 An overview of the company's technologies and its research and development work

5.1.3.1 Expenses for R&D: Unit: NT\$ thousands

Year	Amount
2022	187,137
2023/1/1~2023/3/30	49,068

5.1.3.2 Research and Development Achievements of Patents

Date:2023/3/30

Country		Taiwan	USA	Korea	China	Japan	Total
Patents	Granted	31	23	2	23	6	85
	Expired	21	3	0	7	0	31
	Pending	1	2	0	3	0	6

A. Total of Patent Rights in Taiwan, 31 Pieces:

1. Manufacturing method of oxide-confined semiconductor laser 【Patent Reg. No.I 274449】
2. Method For Producing An Oxide Confined Semiconductor Laser 【Patent Reg. No.I 268030】
3. Multiple Function Thin-film Resistor-capacitor Array 【Patent Reg. No.I 311370】
4. Bi-directional Optical Signal Transmitting And Receiving Device 【Patent Reg. No. I 310846】
5. Packaging Structure For The Horizontal Cavity Surface Emitting Laser Diode With Monitor Photodiode 【Patent Reg. No. I 328323】
6. Light receiving and emitting device and bi-directional optical sub-module having the light receiving and emitting device 【Patent Reg. No.I 420836】
7. Dual Wavelength Laser Device For Optical Communication 【Patent Reg. No.I358209】
8. Light transceiver for fiber communication 【Patent Reg. No.I365623】
9. Avalanche Photodiode Fabricating Method And Photo Mask Thereof 【Patent Reg. No. I 491057】
10.Method For Fabricating Oxide-confined Vertical-cavity Surface-emitting Laser 【Patent Reg. No.I 497854】
11.Two-piece Casing Structure Of Transceiver Optical Sub-assembly And Fabrication Method Thereof 【Patent Reg. No.I 490581】
12.Vertical Cavity Surface Emitting Laser And Manufacturing Method Thereof 【Patent Reg. No.I 405379】
13.Vertical Cavity Surface Emitting Laser And Manufacturing Method Thereof 【Patent Reg. No.I 459670】
14.Inputting Module And Submount Thereof And Manufacturing Method Of The Submount 【Patent Reg. No.I 437477】
15.Optical Inputting Module And Its Light Source Unit Background Of The Invention 【Patent Reg. No.I 504026】
16.Edge Emitting Semiconductor Laser Element, Method For Manufacture The Same, And Chip Bar Having The Laser Element 【Patent Reg. No.I 573172】
17.Transceiver Optical Sub-assembly Having A Positioning Connecting Module And Method For Fabricating The Same 【Patent Reg. No.I 581028】
18.Biometric Authentication Device And Method 【Patent Reg. No. I 536272】
19.A Laser Cutting Method For Semiconductor Chip 【Patent Reg. No. I 603391】
20.Alignment Jig For Optical Lens Array 【Patent Reg. No. I 616691】
21.Beam Shaping Lens For Coherent Light Source Applications 【Patent Reg. No.M500899】
22.Thin Optical Imaging Module Of A Biometric Apparatus 【Patent Reg. No. I 557403】
23.Optical Coupling Module And Light Communication Apparatus Using The Same

【Patent Reg. No. I 667505】
24. Structure Of Vcsel And Method For Manufacturing The Same 【Patent Reg. No. I 710187】
25. A Receptacle Component For Pin And A Socket Having The Receptacle Component 【Patent Reg. No. I 671956】
26. High-speed Multi-channel Optical Transmitter Module And Method For Fabricating The Same 【Patent Reg. No. I 729066】
27. Edge-emitting Laser Having Small Vertical Emitting Angle 【Patent Reg. No. I 721167】
28. Packaging Assembly For High-speed Vertical-cavity Surface-emitting Laser 【Patent Reg. No. I 690127】
29. Structure And Fabricating Method Of Distributed Feedback Laser 【Patent Reg. No. I 710186】
30. Burn-in Testing Machine Having Monitoring Device And Monitoring Method Thereof 【Patent Reg. No. I 760611】
31. Structure Of Vertical Cavity Surface Emitting Laser 【Patent Reg. No. I 791116】

B. Total of Patent Rights in U.S.A, 23 Pieces:

1. Method For Producing An Oxide Confined Semiconductor Laser 【Patent Reg. No. US 7,416,930 B2】
2. Multiple Function Thin-film Resistor-capacitor Array 【Patent Reg. No. US 7,625,775 B2】
3. Bi-directional Optical Signal Transmitting And Receiving Device 【Patent Reg. No. US 7,364,374 B2】
4. Dual Wavelength Laser Device For Optical Communication 【Patent Reg. No. US 8,121,167 B2】
5. Method For Fabricating Oxide-confined Vertical-cavity Surface-emitting Laser 【Patent Reg. No. US 8,679,873 B2】
6. Packaging Device For Matrix-arrayed Semiconductor Light-emitting Elements Of High Power And High Directivity 【Patent Reg. No. US 8,324,722 B2】
7. Packaging Device For Matrix-arrayed Semiconductor Light-emitting Elements Of High Power And High Directivity 【Patent Reg. No. US 8,786,073 B2】
8. Packaging Device For Matrix-arrayed Semiconductor Light-emitting Elements Of High Power And High Directivity 【Patent Reg. No. US 8,786,074 B2】
9. Vertical Cavity Surface Emitting Laser And Manufacturing Method Thereof 【Patent Reg. No. US 8,530,358 B2】
10. Inputting Module And Submount Thereof And Manufacturing Method Of The Submount 【Patent Reg. No. US 8,658,961 B2】
11. Optical Inputting Module And Its Light Source Unit Background Of The Invention 【Patent Reg. No. US 8,653,438 B2】
12. Biometric Authentication Device And Method 【Patent Reg. No. US 9,245,164 B2】
13. Biometric Authentication Device And Method 【Patent Reg. No. US 9,830,498 B2】
14. Chip Array Structure For Laser Diodes And Packaging Device For The Same 【Patent Reg. No. US 9,293,893 B2】
15. Alignment Jig For Optical Lens Array 【Patent Reg. No. US 9,400,358 B2】
16. Thin Optical Imaging Module Of A Biometric Apparatus 【Patent Reg. No. US 9,854,141 B2】
17. Structure Of Vcsel And Method For Manufacturing The Same 【Patent Reg. No. US 9,929,536 B1】
18. Structure Of Vcsel And Method For Manufacturing The Same 【Patent Reg. No. US 10,122,152 B1】
19. High-speed Multi-channel Optical Transmitter Module And Method For Fabricating The Same 【Patent Reg. No. US 10,191,236 B1】
20. Edge-emitting Laser Having Small Vertical Emitting Angle

【Patent Reg. No.US10,014,663B1】
21.Edge-emitting Laser Having Small Vertical Emitting Angle 【Patent Reg. No.US10,522,974 B2】
22.Packaging Assembly For High-speed Vertical-cavity Surface-emitting Laser 【Patent Reg. No.US10,333,275B1】
23.Structure And Fabricating Method Of Distributed Feedback Laser 【Patent Reg. No.US10,581,223B2】

C. Total Of Patent Rights in Korea , 2 Pieces :

1. 다기능 박막 저항기-커패시터 어레이 및 그 제조방법 Multiple Function Thin-Film Resistor-Capacitor Array and Manufacturing Method Thereof 【Patent Reg. No. 10-0766214】
2. 양방향 광 신호 송수신 장치 Bi-directional Optical Signal Transmitting And Receiving Device 【Patent Reg. No. 10-0820004】

D. Total Of Patent Rights in China , 23 Pieces :

1. Multiple Function Thin-film Resistor-capacitor Array 【Patent Reg. No. 626285】
2. Bi-directional Optical Signal Transmitting And Receiving Device 【Patent Reg. No. 885515】
3. Triple Wavelength Bidirectional Optical Communication System 【Patent Reg. No.1389879】
4. Light receiving and emitting device and bi-directional optical sub-module having the light receiving and emitting device 【Patent Reg. No.1154666】
5. Dual Wavelength Laser Device For Optical Communication 【Patent Reg. No.1156679】
6. Light Transceiver For Fiber Communication 【Patent Reg. No.1427547】
7. Two-piece Casing Structure Of Transceiver Optical Sub-assembly And Fabrication Method Thereof 【Patent Reg. No. 1082627】
8. Vertical Cavity Surface Emitting Laser And Manufacturing Method Thereof 【Patent Reg. No.1292231】
9. Vertical Cavity Surface Emitting Laser And Manufacturing Method Thereof 【Patent Reg. No.1385148】
10.Inputting Module And Submount Thereof And Manufacturing Method Of The Submount 【Patent Reg. No.1781626】
11.Optical Inputting Module And Its Light Source Unit Background Of The Invention 【Patent Reg. No.1974915】
12.Edge Emitting Semiconductor Laser Element, Method For Manufacturing The Same, And Chip Bar Having The Laser Element 【Patent Reg. No.1641237】
13.Biometric Authentication Device And Method 【Patent Reg. No.3057490】
14.Chip Array Structure For Laser Diodes And Packaging Device For The Same 【Patent Reg. No.2991233】
15.A Laser Cutting Method For Semiconductor Chip 【Patent Reg. No.3226968】
16.Alignment Jig For Optical Lens Array 【Patent Reg. No.2449399】
17.Beam Shaping Lens For Coherent Light Source Applications 【Patent Reg. No.4395017】
18.Thin Optical Imaging Module Of A Biometric Apparatus 【Patent Reg. No.3908453】
19.A Receptacle Component For Pin And A Socket Having The Receptacle Component 【Patent Reg. No.3808465】
20.High-speed Multi-channel Optical Transmitter Module And Method For Fabricating The Same 【Patent Reg. No.4253481】
21.Edge-emitting Laser Having Small Vertical Emitting Angle 【Patent Reg. No.4590982】
22.Packaging Assembly For High-speed Vertical-cavity Surface-emitting Laser 【Patent Reg. No.4062814】
23.Structure And Fabricating Method Of Distributed Feedback Laser 【Patent Reg. No.4067688】

E. Total Of Patent Rights in Japan , 6 Pieces :

1. 双方向光信号送受信装置 Bi-directional Optical Signal Transmitting And Receiving Device 【Patent Reg. No.4575342】
2. 酸化物閉じ込め型の垂直共振器型面発光半導体レーザーの製造方法 Method For Producing An Oxide Confined Semiconductor Laser 【Patent Reg. No.特許 4852305】
3. 二つのスタックを備えた酸化物閉じ込め型の垂直共振器型面発光半導体レーザー装置 Dual Platform Semiconductor Laser Device 【Patent Reg. No. 特許4988193】
4. 生体認証装置及び生体認証方法 Biometric Authentication Device And Method 【Patent Reg. No. 特許5851385】
5. 薄型生体認証装置の光学結像装置 Thin Optical Imaging Module Of A Biometric Apparatus 【Patent Reg. No. 特許6462385】
6. 光結合構造及び光通信装置 Optical Coupling Module And Light Communication Apparatus Using The Same 【Patent Reg. No. 特許6335240】

F. Total Of Patent Application in Progress , 6 Pieces :

1. Burn-in Testing Machine Having Monitoring Device And Monitoring Method Thereof 【Patent Application No.201910425443.8】
2. Structure Of Vertical Cavity Surface Emitting Laser 【Patent Application No.201910544607.9】
3. Structure Of Vertical Cavity Surface Emitting Laser 【Patent Application No.16/884,787】
4. Surface Emitting Laser With Hybrid Grating Structure 【Patent Application No.108141251】
5. Surface Emitting Laser With Hybrid Grating Structure 【Patent Application No..201911166887.0】
6. Surface Emitting Laser With Hybrid Grating Structure 【Patent Application No.17/033,763】

5.1.4 Short and Long-Term Business Development Plan

5.1.4.1 Short-term Plan

- A. Promote new products and technologies to existing customers, increase the variety of product transactions with customers and immediately develop products according to customer needs in order to stabilize long-term relationships with customers.
- B. Design high-speed optical sub-module components to meet customers' needs for development cost and timeliness in receiving and transmitting optical module products.
- C. Actively establish overseas service centers, develop potential markets and customers, and enhance operational performance.
- D. Actively participate in international commercial exhibitions to expand sales channels, quickly gather industry information, and enhance marketing ability.

5.1.4.2 Long-term Plan

- A. Continuously strengthen the development capability of optical communication products and technologies, pay attention to the future development trend of the industry and product demand, so as to better meet the growth needs of each customer.
- B. Long-term training of reserve research and development, technical, business, and management personnel to enhance human capital and solidify the company's potential for development.
- C. Develop a diverse application market using existing optical and electronic component technology.
- D. Continuously improve production capabilities, increase product yield and effectively reduce costs.

5.2 The overview of Business

5.2.1 Market Analysis

5.2.1.1 Major Selling Product:

In the year of 2022, the main revenue is come from metal-can (TO) and optical sub-assemblies (OSA) product for fiber optics application. The two types of products were sold to BOSA or Transceiver manufacturer and provided to worldwide equipment and system suppliers. The consumer products are mainly sold in chips, which are delivered to the Sensor module manufacturer then provided to mobile phone and true wireless Bluetooth headset manufacturers. TrueLight's product are key optical component and end market is worldwide fiber optics and sensor market. The market is diverse with different application, so there is low risk of excessive concentration and able to lower the impact of seasonal demand changes.

The company's 2022 domestic/export sales ratios are approximately 36.10% and 63.90%. The sales ratio of each regional market is shown in the table below:

Geographic areas		Year	2022	
			Amount (Unit: NT\$ thousands)	%
Export	China		224,164	22.65%
	Others in Asia		168,717	17.05%
	Europe and America		239,464	24.20%
Domestic - Taiwan			357,290	36.10%
Total			989,635	100.00%

5.2.1.2 Major Selling Market

TrueLight is a leading manufacturer of optical communication components, providing various types of high-quality components. Customers are main manufacturers of optical communication modules, located in Japan, South Korea, China and Taiwan. In recent years, the popularization of service content created more demand of bandwidth, many governments treat optical communication is important infrastructure and expand the investment. In addition, due to the popularity of smart phones and mobile devices, 3G/4G/5G base stations became the necessary basic construction, which drives the growth of optical communication components.

TrueLight major product is for fiber optical communication, the product can meet the demand of fiber optical network construction of Taiwan, Japan, South Korea, China, European and American markets. Besides, TrueLight has also actively developed consumer product in recent years and successfully introducing proximity sensor into mobile phones and true wireless Bluetooth earphones and other applications for several international manufacturers. The success is helpful to expand the new application market. With the trend of increasing screen ratio and screen resolution of mobile phones, there is a demand for thinner and more sensitive components. Compared with traditional LEDs, lasers will have more significant advantages in packaging size, better S/N ratio and lower power consumption, so the future demand can be expected.

FTTX became the major fixed network solution around the world, markets in the Asia-Pacific region such as Japan and South Korea currently use GE-PON solution; Europe and America regions, India markets, and China markets use GPON as major solution. And the demand of XG-PON and XGS-PON are gradually increasing, and large-scale deployments have started in China, Europe and the United States. The FTTX solutions is gradually replace the xDSL and became the major network construction. With the popularization of mobile devices such as smart phones and handy deice, more user is relying on online content service. The telecom operators will have strong intension to increase the investment of

4G/5G networks so the growth of global mobile broadband is expected.

As far as the development of FTTH in Taiwan, Chunghwa Telecom is a leading domestic manufacturer, also mainly promotes fiber-to-the-home services. The plan to increase bandwidth has been a firm policy of governments around the world. In addition, the development of cloud applications has also driven strong demand for data computing centers. TrueLight has the ability to produce laser (VCSEL) and photodetector (PIN) for this application with mass production capability from Chip, TO to OSA. The market is expected to growth in the future.

5.2.1.3 Competition analysis:

A. Advantage:

TrueLight is a leading manufacturer in the design, and manufacture optical component. We are familiar with market and application. We are devoting in the fiber optics market for over 20 years. As a result of our efforts, TrueLight not only won the Year 2000 Outstanding Optoelectronic Product Award in Taiwan for "surface-emitting laser diode", but was also invited to hold a speech at the internationally renowned exhibition Photonics West, which received a lot of response from the business community. These activities prove and recognize Taiwan's position in the research, development and manufacturing of VCSEL and related laser products.

a. Great market potential:

The optical communication construction has been identified as important national infrastructure by governments of various countries. With the popularity of mobile devices, the demand for bandwidth will continue to increase. TrueLight has developed in this industry for a long time, has a complete product line and strong relationship with customers with good market reputation. Furthermore, compared to well-known manufacturers in the United States and Japan, TrueLight also has the cost advantage, which also increases the chances of OEM/ODM business with foreign manufacturers.

b. Own Production Line:

TrueLight own factory with more than 5,000 pings, which has the flexibility to expand the capacity at any time according to the market and business situation. TrueLight self-owned production line is complete from the wafer process, TO packaging to the Optical sub-module assembly, the production technology can fully meet customer needs. In recent years, in order to strengthen the competitiveness of TO and OSA product lines, we have established stable outsourcing (subcontract) partners in mainland China to provide a strong logistics system with flexible delivery

c. Strong professional talent and R&D capability:

TrueLight main management team are come from early founder and professional managers in the industry, devoting for stable and healthy growth of the company. In respect of professional talent, TrueLight has strong technical team from epitaxy growth, device manufacturing, characteristic measurement, TO packaging, and reliability testing, TrueLight team has strong knowledge for the product and market, that is also the reason why TrueLight can take the good market place in the industry for over 20 years.

d. The diversity of products:

TrueLight not only provides high-quality VCSEL (surface-emitting laser), FP/DFB laser, high-speed PD/APD photodetector chip and array but also provides corresponding assembly platform such as TO-46, TO38, TO-56, OSA and COB package, which demonstrates the technical strength of TrueLight, is also a strong foundation for building customer trust. In addition to selling our own brand products, TrueLight's strength also attract OEM/ODM customers for strategic alliance. In recent years, besides the fiber optics market, TrueLight is also trying to explore the consumer application market of VCSEL (surface-emitting laser) to expand sales opportunities.

B. Disadvantage:

a. Price Pressure:

With the advancement of technology; the increasing of market demand and competition. The price of modules for fiber optical communication continues to decline. TrueLight is not only committed to improving automation but also continuously developing and improving process technologies to further save manpower, operation time, materials cost, etc. These efforts are able to reduce product costs, accelerate output efficiency, and increase output yield. TrueLight commits to customers for on-time delivery with good quality to increase customer satisfaction. On the other hand, TrueLight is also investing new high-tech production line to develop better value-added products and minimize the impact of low-price competition in the market.

b. Lack of high-tech labor

The optical communication industry is already a star industry with great potential in Taiwan. However, the government focuses on supporting the semiconductor industry, which makes the difficult to recruit new talents in optical communication technology. In the long term, it may affect our R&D training plan and increase the overall R&D cost. TrueLight actively participates in the recruit plan of the Ministry of the R&D substitute service, it has been able to obtain quotas every year to enrich our R&D manpower. Besides, TrueLight also encouraged to attend many internal and external education and training course to improve the professional skills of employees. TrueLight also has various welfare measures and employee dividends, so that employees can share the results of profit. These activities are able to gather the centripetal force of company member

c. The risk of Exchange Rate Changes:

TrueLight's quote is mainly in US dollars, and the receipt of payment is also affected by international exchange rate fluctuations, which in turn affects the revenue and gross profit of the product. For domestic company who quote in U.S. dollars, also pay in U.S. dollars to reduce the exchange risk of converting into Taiwan dollars. On the other hand, our financial team will always pay attention to the change in exchange rates, and will use financial instruments to conduct hedging operations if necessary to ensure the operation interests of the group

5.2.2 The important application and product manufacturing process of major products

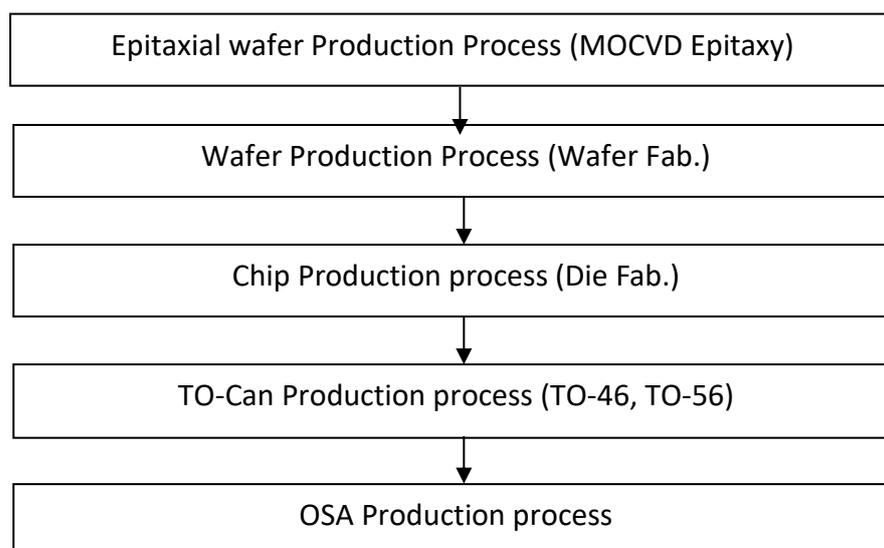
5.2.2.1 Important application

TL, based on core technologies such as vertical cavity surface emitting lasers (VCSELs), edge-emitting lasers (FP/DFBs), and photodetector components (GaAs PIN, InGaAs PIN, InGaAs APD), has developed various optical and photonic components and sub-modules suitable for fiber optic communication applications (Chip, TO, and OSA product lines). In recent years, the company has continued to actively develop products for 4G LTE, 5G base station transmission, the needs of new-generation broadband fixed networks, as well as high-speed products for the cloud and data center (COB, QSFP, AOC), becoming a driving force for the next wave of growth.

In addition, TL has also successfully developed VCSEL components of different power levels, used in security and monitoring, vein recognition systems, smartphone proximity sensors, 3D sensing and eye-tracking applications in consumer electronics, and has completed customer validation and begun production. Furthermore, the company has actively laid out and developed its own VCSEL wafer and successfully applied it to consumer VCSEL products and 25/28G high-speed VCSEL products, with the goal of developing more diverse photonic applications as a long-term development objective for the company.

5.2.2.2 Product manufacturing process

Our production process are as follows. Each product can be sold separately or be put into downstream applications as the final product.



5.2.3 Supply situation for the company's major raw materials.

The company's main raw materials are III-V compound semiconductor epitaxial wafers, TO packaging metal seats, integrated circuits (TIA, etc.), precious metals, resistors, capacitors, and flexible printed circuit boards.

The company chooses suppliers with stable supply and high quality; suppliers are distributed in Taiwan, Germany, the United States, Japan, South Korea, Singapore and China.

The company has cooperated with domestic and foreign suppliers for many years and has maintained a good cooperative relationship. For important raw materials, we adopt a decentralized procurement method to achieve the stability and autonomy of the supply of goods, and the supply status is good. For the quality of incoming materials and supplier management, quality inspection is carried out in accordance with ISO 9001, ISO 14001 and ISO45001 policies, which meet international standards.

5.2.4 A list of any suppliers and clients accounting for 10 percent or more of the company's total procurement (sales) amount in either of the 2 most recent fiscal years, the amounts bought from (sold to) each, the percentage of total procurement (sales) accounted for by each, and an explanation of the reason for increases or decreases in the above figures.

5.2.4.1 Information on Major Suppliers for the Most Recent 2 Years :

Unit: NT\$ thousands

Item	2022				2021			
	Name	Amount	% of annual net purchases	Relationship with the issuer	Name	Amount	% of annual net purchases	Relationship with the issuer
1	Company G	44,618	14	None	Company A	50,039	15	None
2	Company A	36,783	11	None	Company E	33,988	10	None
					Company B	32,444	10	None
	Others	141,964	75		Others	213,882	65	
	Net purchases	223,365	100		Net purchases	330,353	100	

Reasons for increase or decrease: There were no significant changes in the last two years.

5.2.4.2 Information on Major Customers for the Most Recent 2 Fiscal Years

Unit: NT\$ thousands

Item	2022				2021			
	Name	Amount	% of annual net sales	Relationship with the issuer	Name	Amount	% of annual net sales	Relationship with the issuer
1	Company S	178,357	18	None	Company L	177,639	14	None
2					Company S	142,720	11	None
	Others	811,278	82		Others	993,488	75	
	Net sales	989,635	100		Net sales	1,313,847	100	

Reasons for increase or decrease: There were no significant changes in the last two years.

5.2.5 Production Volume and Value in the Most Recent 2 Fiscal Years

Unit: thousands PCE · NT\$ thousands

Year · Output	2022			2021		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Chips and components	510,000	356,432	738,735	624,000	426,354	849,166
Optical transmission and connection modules	12,180	3,668	82,953	12,180	8,743	138,284
Total	522,180	360,100	821,688	636,180	435,097	987,450

5.2.6 Sales Volume and Value in the Most Recent 2 Fiscal Years

Unit: thousands

PCE · NT\$ thousands

Year · Sales	2022				2021			
	Local		Export		Local		Export	
	Volume	Amount	Volume	Amount	Volume	Amount	Volume	Amount
Chips and components	29,164	176,736	269,684	528,669	94,361	205,874	264,780	583,461
Optical transmission and connection modules	2,677	162,400	1,287	92,824	3,797	207,255	6,015	284,254
Others	16	18,154	1,639	10,852	20	28,688	18	4,315
Total	31,857	357,290	272,610	632,345	98,178	441,817	270,813	872,030

5.3 The number of employees employed for the 2 most recent fiscal years, and during the current fiscal year up to the date of publication of the annual report, their average years of service, average age, and education levels (including the percentage of employees at each level)

Date:2023/3/30

Year		2021	2022	2023/3/30
Number of employees	Operators	226	160	148
	Engineering Staff	202	189	186
	Management Staff	78	77	75
	Total	506	426	409
Average age		38.62	40.82	41.52
Average years of service		8.96	10.69	11.2
Education distribution percentage (%)	Ph.D.	1.78%	2.14%	2.22%
	Master's degree	11.26%	16.94%	17.37%
	College	43.28%	51.16%	51.84%
	Senior high school	27.08%	27.66%	26.40%
	Below senior high school	16.60%	2.1%	2.17%

5.4 Disbursements for environmental protection: any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided. : None

5.5 Labor relations

5.5.1 List any employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements and measures for preserving employees' rights and interests.

5.5.1.1 Employee welfare measures and implementation

TrueLight has always attached great importance to employee welfare. In addition to welfare measures stipulated by the government, including Labor Insurance Act, National Health Insurance Act, regular employee health checks and employee group insurance provided in accordance with the law, and free parking space, the Employee Welfare Committee was also established in accordance with the law to implement the operation of employee welfare matters to provide multiple welfare measures including the provision of birthday and Mid-Autumn Festival gift certificates, anti-pandemic supply subsidies, wedding gift money, maternity gift money, funeral and hospitalization condolence money, club activity space, etc.

5.5.1.2 **Employee continuing education, training and implementation status**

Various types of education and training courses such as new employee training, professional knowledge and skills training, supervisor training were offered in accordance with the development needs of employees and the company, providing subsidies to employees for participating in the training courses organized by training institutions, and rewarding employees for participating in the continuing education for

degrees issued by the school.

Category	Number of sessions	Total person-times	Total hours
Supervisory skills training	4	4	22
Health promotion course	2	155	439
Professional skills training	44	229	501
Liberal education on the job training	5	548	944
On-the-job Training For new recruits	8	20	130
Total	63	956	2036

5.5.1.3 Retirement system and its implementation status

A. The company's retirement system is handled in accordance with the provisions of the Labor Standards Act and the Labor Pension Act.

- a. The company's retirement system is all handled in accordance with the provisions of the Labor Standards Act. For those who have seniority under the old system, pensions under the old system have been settled in 2016 through a labor/management agreement, and all the procedures have been completed with the pension dedicated account with the Bank of Taiwan having been settled.
- b. In accordance with the Labor Pension Act, the company formulated the retirement guidelines with the defined contribution scheme in July 1, 2005, which is applicable to employees of Taiwan nationality. For employees who select to adopt the labor pension system stipulated in the Labor Pension Act, the company will contribute 6% of the monthly salary as the labor pension to the employee's personal account with the Bureau of Labor Insurance on a monthly basis.

B. Zhuhai FTZ ProRay Optoelectronics Technology Co., Ltd., allocates the pension insurance funds in accordance with a certain percentage of the total salary of local employees every month in accordance with the pension insurance system stipulated by the government of the People's Republic of China.

5.5.1.4 Labor-management agreement situation

The company's labor and management get along well, and the communication channels are smooth. The opinions of the labor can be valued by the management and quickly resolved. Therefore, the relationship between the labor and management is harmonious, and there are no major labor disputes.

5.5.1.5 Protection measures for the workplace and personal safety of employees:

- A. Occupational safety and health management
 - a. Passed CNS45001:2018 Taiwan Occupational Safety And Health Management System certification.
 - b. Passed ISO 45001:2018 Occupational Safety and Health Management System

- certification.
- c. Established the Occupational Safety Office in accordance with the law, staffed with occupational safety and health management personnel (Level A occupational safety and health managers, Level A occupational safety management technicians, and Level B occupational safety and health management technician).
- B. Training and audit
 - a. Safety and health education and training for new/in-service personnel.
 - b. Regularly convene the Occupational Safety and Health Committee meeting to review the effectiveness of safety and health management.
- C. Control of environmental hazard factors in workplaces
 - a. The environmental monitoring in workplaces is conducted every six months, including physical and chemical factors defined by laws and regulations, such as carbon dioxide concentration, lighting, noise, and hazardous chemical substances stipulated by laws and regulations.
 - b. Carry out hierarchical management of chemicals with health hazards in accordance with different assessment results to ensure a good working environment.
- D. Access control security
 - a. Installed with access control card swiping and image monitoring system.
 - b. Hired full-time security personnel and security guards dispatched by the security company to maintain the safety of the factory 24 hours a day.
- E. Maintenance and inspection of equipment
 - a. Carry out fire equipment maintenance and building public safety inspections every year in accordance with fire protection and building laws and regulations.
 - b. Factory staff conduct daily patrol inspections to ensure equipment safety.
- F. Disaster prevention measures and response
 - a. The emergency response management procedures were formulated for factory-wise emergency response grouping, and to conduct fire protection and emergency response drills every six months.
 - b. The hazardous event management procedures were formulated to implement handling as well as investigation and analysis of occupational disasters.
 - c. The hazard identification and risk assessment management procedures were formulated to conduct annual assessments for operational safety.
 - d. The emergency response equipment is in place to ensure that there would be sufficient emergency response equipment in case of emergency.
 - e. The safety and health protective equipment is in place in accordance with the law to ensure that personnel can be fully protected during operations.
- G. Health management
 - a. The modern nursing rooms, medical rooms and full-time nursing staff are in place to provide health care services, health advocacy and consultation, as well as emergency medical treatment.
 - b. The special occupational medical doctor visits the factory every month to provide health services.
 - c. Provide physical exams for new recruits, regular health checks for current employees, and health checks for special operations.
 - d. Set up first aid personnel in accordance with the law to provide first aid treatment for personnel for each shift and in each region.
 - e. Health in the workplace: We organize health lectures, health promotion activities, monthly health information advocacy, and provide correct health education and follow-up care as well as tracking in accordance with employee physical condition.
 - f. Employee health and care: Maternal risk assessment, abnormal workload assessment and psychological counseling for employees to take care of the physical and mental health of each employee.

H. Insurance and medical condolence money:

- a. Take out labor insurance (including occupational accident insurance) for employees, health insurance, and free group insurance for employees, life insurance, first diagnosis cancer insurance, accident insurance, accident medical insurance, hospitalization medical insurance, and cancer medical insurance.
- b. For group insurance, we also provide additional insurance for employees' family members. Different insurance contents are provided in accordance with the target to enjoy preferential premium rates, including life insurance, first diagnosis cancer insurance, accident insurance, accidental medical insurance, hospitalization medical insurance, and cancer medical insurance.

I. Mental health:

- a. Communication and complaint channels: We hold employee forums from time to time, and convene regular labor-management meetings. Employees may express their opinions through e-mail, general letters, telephone calls, etc.
- b. Advocacy on the prevention of unlawful infringements in the performance of duties: We formulated a prevention plan for unlawful infringements in the performance of duties as well as complaint handling channels, and disclose them publicly.

J. Contractor management

- a. The safety, health and environmental protection management procedures are in place for contractors, which require contractors to apply for approval before entering the site for operations and special hazardous operations, and we implement hazard notification before operations.
- b. The contractors are evaluated every year, and the occupational safety unit has the right to make suggestions on the selection of contractors.

5.5.1.6 Employee Code of Conduct or Ethics:

In order to enable employees to understand and follow the code of conduct, rights, obligations and workplace ethics of employees, the company has formulated employee handbooks and rules. In addition to internal disclosure of relevant rules, employee handbooks will be provided when new employees report for duty. We also organize education and training for new employees to help employees understand the norms.

The main contents of the guidelines and codes are as follows:

- A. Formulated work rules: stipulating the rights and obligations of both employers and employees to promote employees to work together with concerted efforts, improve the company's organization and management, and abide by government regulations.
- B. The recruit of employees is based on the needs of the company's business, combined with personal expertise, knowledge, and skills, so that employees can be placed in the right position as they are talented for, and to develop their potential and contribute their enthusiasm.
- C. Performance appraisal guidelines: The company implements performance appraisal operations based on employee performance as the basis for duty assignments, rank promotions, salary adjustments, and training and development.
- D. Attendance of employees and requests for leaves: In order to establish good discipline and improve work efficiency, employees shall abide by the company's attendance, leave, and vacation rules.
- E. Clear reward and punishment guidelines: In order to allow employees to follow the reward and punishment rules and achieve the effect of motivation or vigilance, the company has formulated reward and punishment guidelines to regulate the ethical and moral conduct of employees.
- F. Sexual harassment prevention and handling measures: In order to maintain gender equality in work and strictly prohibit sexual harassment in the workplace, the company not only clearly stipulates the norms in the work rules, but also announces

relevant laws and regulations as well as the complaint channels on the company's internal website so as to regulate employee conduct in the workplace.

- G. Employees shall abide by the computer use rules, which are clearly stipulated in the employee handbook, strictly prohibiting the use of unauthorized reproduced software and illegal software, and requiring employees to pay attention to and check the legality of software on computer hard disks used on a constant basis.
- H. Confidential document control and business secret agreement: In order to ensure the company's business interests and maintain the company's information security, employees shall have the obligation to strictly keep confidential the company's business secrets, and sign a personnel work contract when new recruits report for duties so as to ensure that they understand the related company rules.
- I. The company has formulated work rules and codes of conduct for employees regarding severance and resignation, retirement, occupational accident compensation and condolence money, as well as welfare measures.
- J. Employees shall take good care of company supplies and not arbitrarily damage or waste them. There are also instructions for the use of public environments. The company regularly advocates and formulates management rules to remind employees to jointly maintain the public environment and use order.
- K. Clearly formulated the ethical corporate management policy and other norms to properly implement the ethical corporate management policy, and the company's employees shall abide by the code of conduct when performing their duties. Unethical conduct shall be prohibited.

5.5.2 List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided. :

5.5.2.1 Since the establishment of the company, the relationship between labor and management has been harmonious, and no loss has been incurred due to labor disputes. It is estimated that the possibility of losses due to labor disputes in the future is extremely low.

5.5.2.2 Current and future possible losses

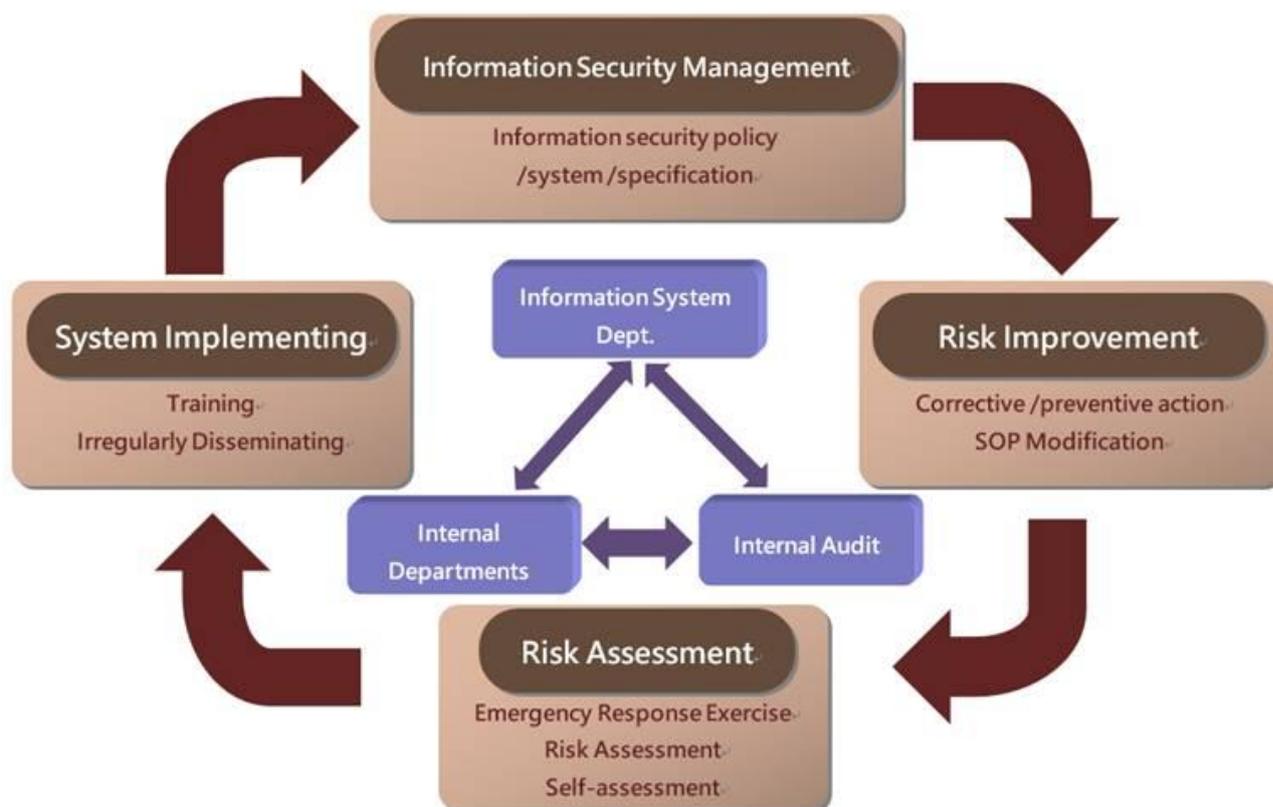
The company attaches great importance to employee opinions, and provides a variety of channels (e.g., employee suggestion boxes, opinion survey forms, employee forums, and labor-management meetings) to promote labor and management relations and in-depth understanding of employees' satisfaction level with management and welfare systems, so as to maintain good labor-management relations. The company's labor-management relationship is good, and labor and management have reached a consensus, and therefore there are no labor disputes and related losses.

5.5.2.3 Response measures: N/A.

5.6 Cyber security management :

5.6.1 Describe the cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management.

5.6.1.1 Framework of Information Security Risk Management



The company's Information System Department is the dedicated unit in charge of information security. The head of the Information System Department serves as the information security supervisor, who appoints 2 persons who are familiar with the field in information security to perform tasks of information security. The Information System Department is in charge of formulating the company's information security policy, planning and implementing information security operations, as well as promoting and implementing the information security policy. In 2022, the company published 13 pieces of messages of information security on the internal webpage from time to time for employees to refer to; we also timely guide users on how to distinguish the authenticity of emails so as to strengthen the importance of employee information security, preventing malicious hackers from inserting computer viruses, destructive software or ransomware into the company's network system to steal confidential information and affect company operations.

The internal auditors regularly audit the implementation status of information security and report them to the Board of Directors. Once any deficiencies are found, they immediately request the inspected unit to propose improvement plans and specific actions, track the improvement results, so as to reduce internal and external information security risks. The internal audit supervisor of the company submitted the audit report to each independent director on 2022/10/31, and submitted the audit results to the Board of Directors on 2022/11/9.

In addition, as information security insurance involves information security level inspection institutions, claims verification institutions, claim settlement conditions, scope, and related supporting measures, before the assessment is completed, the information security protection mechanism will still be strengthened in accordance with the company's Information Security Policy.

5.6.1.2 Cyber security policy

- A. Ensure the confidentiality of the company's business secrets and important customer information.

- B. Ensure the availability and integrity of information applications and support services as well as equipment for core operations.
- C. Ensure the effectiveness and continuity of the information security management mechanism.

In order to ensure the sustainable development of the enterprise and fulfill our commitments to customers, the company has formulated the company information security policies, operating norms and guidelines so as to improve information risk management, strengthen information security management mechanisms, implement information security protection, improve information security standards, and enable all related company personnel of each unit and important cooperative partners to follow the norms.

5.6.1.3 Specific management plan and resources invested in cyber security management

A. Information architecture inspection

Check whether the measures taken in relation to the ongoing operation are appropriate:

Check whether there is a single point of failure risk in the structure and maintenance mechanism of the measures taken; conduct risk analysis on the suitability of the continuous operation of the business, and propose the results and suggestions of the information architecture security assessment.

B. Network activity inspection

Check device access records and account permission settings:

Whether the access records of network equipment, information security equipment and servers, the authorization of account permissions and the monitoring mechanism conform to the internal control operating rules; use the principle of least privilege to check the account permissions and access records of equipment, servers, etc., and identify abnormal records and confirm the warning mechanism.

C. Detection of network equipment, servers and user terminal equipment

Vulnerability scanning and patching operations

Regularly or timely conduct vulnerability scans of network equipment, servers, and user terminal equipment, and improve and patch the discovered vulnerabilities. Assess the scope of the vulnerability scanning operation, the operation mode, the improvement plan and patching status of the vulnerability, and provide evaluation suggestions for the scanning results. Find out possible vulnerabilities and loopholes in the structure, improve and patch them, and focus on reducing overall information security risks.

Continue participating in the Science Park Information Sharing and Analysis Center (SP-ISAC), share information security intelligence and integrate with international information security technology through research and analysis, and information personnel participate in technical training, personnel training, and seminars held by the unit from time to time and assist in information security drills, so that the company can grasp the latest attack methods and propose countermeasures to achieve early warning, improvement and other protection goals, so as to strengthen internal information security management and protection capacity.

The company joined the Taiwan CERT_CSIRT alliance in 2022 to obtain information security consultation and exchange of information from related enterprises on a constant basis. In 2022, we participated in the information security courses offered by SP-ISAC and CERT_CSIRT: 2 people, 12 sessions in total so as to enrich information security knowledge and increase defense and detection skills.

D. Security settings inspection

Server security policy settings

- a. Set a strong password and keep it in a safe place and require frequent changes.

- b. Turn off the server insecure protocol.
 - c. USB control.
 - d. The server audit log is kept for future reference.
 - e. Remote desktop connection control.
 - f. Establish a complete firewall.
 - g. The system is updated in real time
- E. Internet fraud protection
- a. Regularly advocate and continuously remind employees to pay attention to messages on Internet fraud.
 - b. Cooperate in information security software or equipment to intercept as much as possible in advance on the company's edge network.
 - c. Continue to conduct education and training to strengthen employees' understanding of the risks of email fraud, enhance employees' crisis awareness of social engineering fraud, reduce risks and losses caused by social engineering fraud, and achieve the purpose of protecting customer information and important operational information and services.

5.6.2 List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.: None.

5.7 Important contracts :

Important contracts

Nature of Contract	Parties	Beginning and End Dates of Contract	Major Content	Restrictive clauses
Long-term loan	Hua Nan Commercial Bank	2017/12/18~2025/5/23	Unsecured Loan	None
Long-term loan	Taiwan Business Bank	2021/1/4~2026/1/4	Credit guarantee fund loan	None
Long-term loan	First Commercial Bank	2022/12/30~2028/2/24	Credit guarantee fund loan	None
Long-term loan	E.Sun Commercial Bank	2022/9/1 ~ 2025/3/1	Unsecured Loan	None
Land lease	Hsinchu Science Park Bureau, National Science and Technology Council	2020/8/8~2039/12/31	1. Lease a piece of public land in the park to the company. 2. The rent is paid once a month. During the lease period, the land lease fee can be adjusted at any time in case of relevant laws and regulations.	None

6. Financial Information

6.1 Condensed balance sheets and statements of comprehensive income for the past 5 fiscal years

6.1.1 Condensed Balance Sheet–Consolidated

Unit: NT\$ thousands

Item		Financial Information for Most Recent 5 Fiscal Years				
		2018	2019	2020	2021	2022
Current assets		1,351,664	924,492	901,565	815,828	793,433
Property, Plant and Equipment		1,501,626	1,177,138	957,358	730,134	583,713
Intangible assets		15,749	20,346	19,323	17,653	15,164
Other assets		78,014	241,250	229,624	218,368	250,153
Total assets		2,947,053	2,363,226	2,107,870	1,781,983	1,642,463
Current liabilities	Before distribution	1,394,811	1,125,574	1,012,489	792,737	602,950
	After distribution	1,394,811	1,125,574	1,012,489	792,737	Note
Non-current liabilities		404,280	329,672	174,271	196,383	266,214
Total liabilities	Before distribution	1,799,091	1,455,246	1,186,760	989,120	869,164
	After distribution	1,799,091	1,455,246	1,186,760	989,120	Note
Equity attributable to owners of the parent company		1,138,403	893,568	908,716	787,880	769,559
Share capital		751,277	759,887	764,747	764,747	764,747
Capital surplus		447,379	471,197	173,917	173,917	180,243
Retained earnings	Before distribution	11,486	(309,940)	4,325	(128,810)	(166,074)
	After distribution	11,486	(309,940)	4,325	(128,810)	Note
Other equity		(61,342)	(27,576)	(34,273)	(21,974)	(9,357)
Treasury shares		(10,397)	-	-	-	
Non-controlling interests		9,559	14,412	12,394	4,983	3,740
Total equity	Before distribution	1,147,962	907,980	921,110	792,863	773,299
	After distribution	1,147,962	907,980	921,110	792,863	Note

Note: The 2022 loss compensation statement has not yet been approved by the resolution of the shareholders' meeting.

6.1.2 Condensed Balance Sheet - Parent Company Only

Unit: NT\$

thousands

Item		Year	Financial Information for Most Recent 5 Fiscal Years				
			2018	2019	2020	2021	2022
Current assets			1,336,906	884,814	876,027	776,682	754,284
Property, Plant and Equipment			1,149,976	886,890	703,607	512,782	363,706
Intangible assets			4,456	1,554	2,031	1,861	872
Other assets			442,710	576,338	615,134	630,014	603,893
Total assets			2,934,048	2,349,596	2,196,799	1,921,339	1,722,755
Current liabilities	Before distribution		1,391,365	1,146,588	1,113,505	959,608	751,890
	After distribution		1,391,365	1,146,588	1,113,505	959,608	Note
Non-current liabilities			404,280	309,440	174,578	173,851	201,306
Total liabilities	Before distribution		1,795,645	1,456,028	1,288,083	1,133,459	953,196
	After distribution		1,795,645	1,456,028	1,288,083	1,133,459	Note
Share capital			751,277	759,887	764,747	764,747	764,747
Capital surplus			447,379	471,197	173,917	173,917	180,243
Retained earnings	Before distribution		11,486	(309,940)	4,325	(128,810)	(166,074)
	After distribution		11,486	(309,940)	4,325	(128,810)	Note
Other equity			(61,342)	(27,576)	(34,273)	(21,974)	(9,357)
Treasury shares			(10,397)	-	-	-	-
Non-controlling interests			-	-	-	-	-
Total equity	Before distribution		1,138,403	893,568	908,716	787,880	769,559
	After distribution		1,138,403	893,568	908,716	787,880	Note

Note: The 2022 loss compensation statement has not yet been approved by the resolution of the shareholders' meeting.

6.1.3 Condensed Statement of Comprehensive Income - Consolidated

Unit: NT\$ thousands

Item \ Year	Financial Information for Most Recent 5 Fiscal Years				
	2018	2019	2020	2021	2022
Operating Revenue	2,013,367	1,456,876	1,522,134	1,313,847	989,635
Gross Profit	254,765	70,595	345,050	232,201	256,604
Operating Income	(186,187)	(307,388)	42,212	(120,670)	(58,328)
Non-operating income and expenses	2,248	(16,029)	(34,474)	(13,021)	12,028
Profit (loss) before income tax	(183,939)	(323,417)	7,738	(133,691)	(46,300)
Net income for the period from continuing operations	(182,046)	(323,417)	1,651	(140,546)	(46,094)
Net income (loss) for the period	(182,046)	(323,417)	1,651	(140,546)	(46,094)
Other comprehensive income (loss) for the period (net of Income Tax)	(14,160)	(9,671)	4,687	(1,282)	1,540
Total comprehensive income for the period	(196,206)	(333,088)	6,338	(141,828)	(44,554)
Net income (loss) attributable to owners of parent	(180,234)	(321,426)	7,257	(132,770)	(26,187)
Net income (loss) attributable to non-controlling interests	(1,812)	(1,991)	(5,606)	(7,776)	(19,907)
Total comprehensive income attributable to owners of parent	(194,394)	(331,097)	11,944	(134,052)	(24,647)
Total comprehensive income, attributable to non-controlling interests	(1,812)	(1,991)	(5,606)	(7,776)	(19,907)
Earnings per share	(2.50)	(4.39)	0.10	(1.74)	(0.34)

6.1.4 Condensed Statement of Comprehensive Income- Parent Company Only

Unit: NT\$ thousands

Item \ Year	Financial Information for Most Recent 5 Fiscal Years				
	2018	2019	2020	2021	2022
Operating Revenue	2,009,415	1,452,767	1,520,980	1,317,997	987,858
Gross Profit	227,650	46,511	289,551	169,120	271,212
Operating Income	(173,456)	(299,076)	20,128	(138,753)	12,540
Non-operating income and expenses	(8,671)	(22,350)	(12,871)	5,983	(38,830)
Profit (loss) before income tax	(182,127)	(321,426)	7,257	(132,770)	(26,290)
Net income for the period from continuing operations	(180,234)	(321,426)	7,257	(132,770)	(26,187)
Net income (loss) for the period	(180,234)	(321,426)	7,257	(132,770)	(26,187)
Other comprehensive income (loss) for the period (net of Income Tax)	(14,160)	(9,671)	4,687	(1,282)	1,540
Total comprehensive income for the period	(194,394)	(331,097)	11,944	(134,052)	(24,647)
Net income (loss) attributable to owners of parent	(180,234)	(321,426)	7,257	(132,770)	(26,187)
Total comprehensive income attributable to owners of parent	(194,394)	(331,097)	11,944	(134,052)	(24,647)
Earnings per share	(2.50)	(4.39)	0.10	(1.74)	(0.34)

6.1.5 Auditors and Auditors' Opinions for recent five years

Year	CPA	Audit Opinion
2018	Lin Yu Kuan, Wen Fang Yu	Unqualified opinion
2019	Lin Yu Kuan, Chiang Tsai Yen	Unqualified opinion
2020	Lin Yu Kuan, Chiang Tsai Yen	Unqualified opinion
2021	Cheng Ya Huei, Chiang Tsai Yen	Unqualified opinion
2022	Cheng Ya Huei, Chiang Tsai Yen	Unqualified opinion

6.2 Financial analyses for the past 5 fiscal years

6.2.1 Consolidated

Item (Note)		Year	Financial Information for the Most Recent 5 Years				
			2018	2019	2020	2021	2022
Financial structure (%)	Debt to assets ratio		61.05	61.58	56.30	55.51	52.92
	Ratio of long-term capital to property, plant and equipment		103.37	105.14	114.42	135.49	178.09
Solvency (%)	Current ratio		96.91	82.14	89.04	102.91	131.59
	Quick ratio		45.99	45.37	40.70	49.96	63.19
	Times interest earned		(702)	(1,264)	109	(814)	(245)
Operating performance	Accounts receivable turnover (times)		4.44	4.19	5.65	6.21	5.88
	Average collection days		82	87	65	59	62
	Inventory turnover (times)		2.49	1.99	1.91	1.84	1.39
	Accounts payable turnover (times)		7.26	9.34	12.15	13.71	14.76
	Average days in sales		147	183	191	198	263
	Property, plant and equipment turnover (times)		1.25	1.09	1.43	1.56	1.51
	Total asset turnover (times)		0.64	0.55	0.68	0.68	0.58
Profitability	Return on total assets (%)		(5.07)	(11.29)	0.86	(6.47)	(1.91)
	Return on equity (%)		(14.80)	(31.46)	0.18	(16.40)	(5.89)
	Ratio of income before tax to paid-in capital (%)		(24.48)	(42.56)	0.22	(17.48)	(6.05)
	Net profit margin (%)		(9.04)	(22.20)	0.11	(10.70)	(4.66)
	Earnings(loss) per share (NT\$)		(2.50)	(4.39)	0.10	(1.74)	(0.34)
Cash flow	Cash flow ratio (%)		9.42	30.27	34.40	27.47	25.81
	Cash flow adequacy ratio (%)		58.28	65.74	80.17	130.86	209.06
	Cash reinvestment ratio (%)		3.69	9.95	9.61	5.76	3.95
Leverage	Operating leverage		(2.97)	(2.29)	16.33	(5.22)	(9.82)
	Financial leverage		0.89	0.93	1.71	0.89	0.81

Please explain the causes of changes in the financial ratios in the most recent 2 fiscal years. (Analysis is not required if the increase or decrease is less than 20%.)

1. Ratio of long-term capital to property, plant and equipment increase 31% : Mainly due to the decrease in the net amount of real estate, plant and equipment in 2022 compared with the previous period.
2. Current ratio increase 28%、Quick ratio increase 26% : Mainly due to the decrease in current liabilities in 2022 compared to the previous period.
3. Times interest earned decrease 70% : The main reason is that the net loss in the current period in 2022 decreased compared with the previous period.
4. Inventory turnover decrease 24%、Average days in sales increase 33% : Mainly due to the simultaneous decrease in sales revenue and cost of goods sold in 2022, and the relatively slow depletion of inventory.
5. Return on total assets decrease 70%, Return on equity decrease 64%, Ratio of income before tax to paid-in capital decrease 65%, Net profit margin decrease 56%, Loss per share decrease 80% : The main reason is that the after-tax net loss in 2022 decreased compared with the previous period.
6. Cash flow adequacy ratio increase 60% : Mainly due to the decrease in the total capital expenditure +total cash dividends for the past five years starting from 2022 compared with the previous period.
7. Cash reinvestment ratio decrease 31% : Due to the net cash flow from operating activities in 2022 decreased compared with the previous period.
8. Operating leverage increase 88% : Mainly due to the decrease in operating loss in 2022.

Note 1: The following formulas for the calculation of the financial ratios shall be listed below this table in the annual report

Note 2: Calculation formula

A. Financial structure

- a. Debt to assets ratio = total liabilities / total assets.
- b. Ratio of long-term capital to property, plant and equipment = (total equity + non-current liabilities) / net property, plant and equipment.

B. Solvency

- a. Current ratio = current assets / current liabilities.
- b. Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.
- c. Times interest earned = earnings before tax and interest expenses / current interest expenses.

C. Operating performance

- a. Accounts receivable (including accounts receivable and notes receivable arising from business activities) turnover = net sales / average accounts receivable balance (including accounts receivable and notes receivable arising from business activities).
- b. Average collection days = 365 / accounts receivable turnover.
- c. Inventory turnover = cost of goods sold / average inventory.
- d. Accounts payable (including accounts payable and notes payable arising from business activities) turnover = cost of goods sold / average accounts payable balance (including accounts payable and notes payable arising from business activities).
- e. Average days in sales = 365 / inventory turnover.
- f. Property, plant and equipment turnover = net sales / average net property, plant and equipment.
- g. Total asset turnover = net sales / average total assets.

D. Profitability

- a. Return on total assets = (net income + interest expenses * (1 - effective tax rate)) / average total assets.
- b. Return on equity = net income after tax / average total equity.
- c. Net profit margin = net income after tax / net sales.
- d. Earnings per share = (income attributable to owners of parent - preferred stock dividends) / weighted average number of shares outstanding. (Note 4)

E. Cash flow

- a. Cash flow ratio = net cash flows from operating activities / current liabilities.
- b. Net cash flow adequacy ratio = 5-year sum of net cash flow from operating activities / 5-year sum of (capital expenditures + increases in inventory + cash dividends).
- c. Cash reinvestment ratio = (cash from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital). (Note 5)

F. Leverage:

- a. Operating leverage = (net operating revenue - variable operating costs and expenses) / operating income (Note 6).
- b. Financial leverage = operating income / (operating income - interest expenses).

6.2.2 Parent Company Only

Item (Note)	Year	Financial Information for the Most Recent 5 Years				
		2018	2019	2020	2021	2022
Financial structure (%)	Debt to assets ratio	61.20	61.97	58.63	58.99	55.33
	Ratio of long-term capital to property, plant and equipment	134.15	135.64	153.96	187.55	266.94
Solvency (%)	Current ratio	96.09	77.17	78.67	80.94	100.32
	Quick ratio	47.92	43.49	35.45	40.75	52.84
	Times interest earned	(769)	(1,561)	153	(1,033)	(141)
Operating performance	Accounts receivable turnover (times)	4.43	4.19	5.66	6.18	5.82
	Average collection days	82	87	64	59	63
	Inventory turnover (times)	2.62	2.10	2.05	2.02	1.48
	Accounts payable turnover (times)	7.45	9.80	13.29	14.38	12.91
	Average days in sales	139	174	178	181	247
	Property, plant and equipment turnover (times)	1.56	1.43	1.91	2.17	2.25
	Total asset turnover (times)	0.64	0.55	0.67	0.64	0.54
Profitability	Return on total assets (%)	(5.07)	(11.43)	0.92	(5.88)	(0.84)
	Return on equity (%)	(14.78)	(35.97)	0.81	(15.65)	(3.36)
	Ratio of income before tax to paid-in capital (%)	(24.24)	(42.30)	0.95	(17.36)	(3.44)
	Net profit margin (%)	(8.97)	(22.13)	0.48	(10.07)	(2.65)
	Earnings(loss) per share (NT\$)	(2.50)	(4.39)	0.1	(1.74)	(0.34)
Cash flow	Cash flow ratio (%)	4.74	32.45	29.97	22.36	14.42
	Cash flow adequacy ratio (%)	59.31	67.81	87.33	145.30	217.17
	Cash reinvestment ratio (%)	2.06	12.40	10.60	6.61	3.44
Leverage	Operating leverage	(3.16)	(2.34)	34.20	(4.57)	45.54
	Financial leverage	0.89	0.94	3.13	0.92	7.62

Please explain the causes of changes in the financial ratios in the most recent 2 fiscal years. (Analysis is not required if the increase or decrease is less than 20%.)

- Ratio of long-term capital to property, plant and equipment increase 42% : Mainly due to the net amount of real estate, plant and equipment in 2022 decreased compared with the previous period.
- Current ratio increase 24% 、Quick ratio increase 30% : Mainly due to the decrease in current liabilities in 2022 compared to the previous period.
- Times interest earned decrease 86% : Mainly due to the net loss in the current period in 2022 decreased compared with the previous period.
- Inventory turnover decrease 27% 、Average days in sales increase 36% : Mainly due to the simultaneous decrease in sales revenue and cost of goods sold in 2022, and the relatively slow depletion of inventory.
- Return on total assets decrease 86% 、Return on equity decrease 79% 、Ratio of income before tax to paid-in capital decrease 80% 、Net profit margin decrease 74% 、Loss per share decrease 80% : Mainly due to the after-tax net loss in 2022 decreased compared with the previous period.
- Cash flow ratio decrease 36% : Mainly due to the net cash flow from operating activities in 2022 decreased compared with the previous period.
- Cash flow adequacy ratio increase 49% : The main reason is that the total capital expenditure + total cash dividends in the past five years starting from 2022 had decreased compared with the previous period.
- Cash reinvestment ratio decrease 48 % : Mainly due to the net cash flow from operating activities in 2022 decreased compared with the previous period.
- Operating leverage decrease 1,097% 、Financial leverage increase 728% : Mainly due to the generation of business interests in 2022.

Note: Please refer to Note 2 of 6.2.1 Consolidated Financial Analysis for the calculation formula of the analysis items.

6.3 audit committee's report for the most recent year's financial statement :

TrueLight Corporation
Audit Committee's Review Report

The Board of Directors has prepared and submitted to us the Company's 2022 Business Report, Financial Statements, and proposal for Deficit Compensation. Financial Statements were audited by PricewaterhouseCoopers Taiwan and they issued an audited report accordingly. We, as the Audit Committee of the Company, have reviewed the Business Report, Financial Statements, and loss compensation proposal for earnings distribution and do not find any discrepancies. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

To TrueLight Corporation 2023 Annual General Shareholders' Meeting

Chairman of the Audit Committee:



March 8, 2023

6.4 Financial statement for the most recent fiscal year : Please refer to page 118~178

6.5 A parent company only financial statement for the most recent fiscal year, certified by a CPA : Please refer to page 179~233

6.6 If the company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the company's financial situation. : None.

7.Review of Financial Conditions, Operating Results, and Risk Management

7.1 Financial Position

Unit: NT\$ thousands

Item \ Year	2022	2021	Difference	
			Amount	%
Current assets	793,433	815,828	(22,395)	(3)
Property, Plant and Equipment	583,713	730,134	(146,421)	(20)
Other assets	265,317	236,021	29,296	12
Total assets	1,642,463	1,781,983	(139,520)	(8)
Current Liabilities	602,950	792,737	(189,787)	(24)
Long-term Liabilities	151,138	62,292	88,846	143
Other Liabilities	115,076	134,091	(19,015)	(14)
Total Liabilities	869,164	989,120	(119,956)	(12)
Capital	764,747	764,747	0	0
Capital Surplus	180,243	173,917	6,326	4
Retained Earnings	(166,074)	(128,810)	(37,264)	29
Other equity	(9,357)	(21,974)	12,617	(57)
Non-controlling interest	3,740	4,983	(1,243)	(25)
Total Equity	773,299	792,863	(19,564)	(2)

1. Analysis of the difference greater than 20% in the last 2 years :

1.1 Property, Plant and Equipment decrease : Mainly due to the amortization of depreciation in 2022.

1.2 Current Liabilities decrease : Mainly due to the repayment of short-term loans in 2022.

1.3 Long-term Liabilities increase : Mainly due to the long-term borrowings in 2022.

1.4 Retained Earnings decrease : Mainly due to the after-tax loss in 2022.

1.5 Other equity increase : Mainly due to foreign currency exchange differences in 2022.

1.6 Non-controlling interest decrease : Mainly due to the increase in losses of non-100% invested subsidiaries in 2022.

2. Significant influence and the plan for response: None.

7.2 Financial Performance

Unit: NT\$ thousands

Item	Year					Change Analysis Description
	2022	2021	(+ / -)	%		
Operating revenue	989,635	1,313,847	(324,212)	(25)	A	
Operating costs	(733,231)	(1,081,377)	348,146	(32)	A	
Gross profit from operation, net	256,604	232,201	24,403	11		
Operating expenses	(314,932)	(352,871)	37,939	(11)		
Net operating loss	(58,328)	(120,670)	62,342	(52)	B	
Non-operating income and expenses	12,028	(13,021)	25,049	(192)	C	
Profit (loss) before income tax	(46,300)	(133,691)	87,391	(65)	D	
Income tax expenses	206	(6,855)	7,061	(103)	E	
Loss for the year	(46,094)	(140,546)	94,452	(67)	F	

1. Analysis of Deviation over 20% :

- 1.1 Operating revenue and costs decrease : Mainly due to the adjustment of product line strategy to exit from the low-price competition market.
- 1.2 Net operating loss decrease : Mainly due to the increase in gross operating profit and the decrease in operating expenses.
- 1.3 Non-operating income and expenses increase : Mainly due to the increase in foreign currency exchange benefits.
- 1.4 Loss before income tax decrease : In summary, the after-tax net loss of the continuing business department in this period decreased compared with the previous period.
- 1.5 Income tax expenses : The main reason is that the profits of subsidiaries in 2021 are recognized as income tax expenses.
- 1.6 Loss for the year decrease : In summary, the after-tax net loss of the continuing business department in this period decreased compared with the previous period.

(2) The expected sales volume and its basis, the possible impact on the company's future finance and business, and the response plan:

The company does not disclose financial forecasts to the public. The expected sales volume is based on market supply and demand forecasts, competitive environment in the industry, product mass production schedules, and company operating plan, and other conditions as the basis for determining the sales targets. The company also continues to invest in research and development resources so as to maintain technological progress and innovation. At the same time, it will continue to improve product quality and manufacturing process stability so as to achieve competitive advantages in quality and cost, thereby meeting customer needs and expanding the market share.

7.3 Cash Flow

7.3.1 The annual report shall describe and analyze any cash flow changes during the most recent fiscal year,

7.3.1.1 Cash flow for the most recent year:

Cash Flow Review and Analysis

Cash Flow Analysis				Unit: NT\$ thousands	
Cash at beginning of year	Annual net cash flow generated from operating activities	Annual net cash flow from investment/ financing activities and impact of exchange rate changes	Cash surplus (deficit) Amount	Remedy for Liquidity Shortfall	
				Investment Plan	Financing Plan
185,293	155,640	(88,063)	252,870	-	-

7.3.1.2 Analysis of cash flow changes in this year:

A. Operating activities: Net cash inflow of NT\$155,640,000 was due to the operating activities.

B. Investment activities: The net cash outflow was NT\$53,914,000, mainly due to the increase in restricted assets.

C. Financing activities: The net cash outflow was NT\$34,787,000, mainly due to the repayment of bank loans.

7.3.1.3 Improvement plan for insufficient liquidity: Not applicable

7.3.1.4 Analysis of Cash Flow Changes in Recent Years

Year	2022	2021	Increase / Decrease (%)
Ratio of Cash Flow	25.81	27.47%	(6)
Ratio of Cash Flow Allowance	209.06	130.86%	60
Ratio of Cash investment	3.95	5.76%	(31)
Explanation of the increase and decrease ratio changes:			
1. Ratio of cash flow allowance increased: The main reason is that the total capital expenditure + total cash dividends in the past five years in 2022 decreased compared with the previous period.			
2. Ratio of cash investment decreased: The main reason is that the net cash flow from operating activities in 2022 decreased compared with the previous period.			

7.3.2 Cash liquidity analysis for the coming year

Unit: NT\$ thousands					
Opening cash balance	Estimated annual net cash flow from operating activities	Estimated annual net cash flow from investing and financing activities	Estimated cash surplus (deficit) amount	Measures to cash deficit remediation	
				Investment Plan	Financial Plan
252,870	15,882	(90,141)	178,611	-	-

7.3.2.1 Analysis of Cash Flow Changes

A. Operating activities: According to the 2023 operating plan, it is estimated that the net cash inflow from operating activities can be generated.

B. Investment activities: Changes caused by the estimated purchase of production equipment.

C. Financing activities: There are still sufficient financing lines with banks, so it is expected that there will be no risk of cash shortage in the coming year.

7.3.2.2 Remedial measures and liquidity analysis of expected cash insufficiency: Not applicable

7.4 The annual report shall describe the effect upon financial operations of any major capital expenditures during the most recent fiscal year. : The company's capital expenditure in the most recent year was mainly for the replacement of some machinery and equipment and routine maintenance, and there was no major capital expenditure.

7.5 The annual report shall describe the company's investment policy for the most recent fiscal year, the

main reasons for the profits/losses generated thereby, the plan for improving investment profitability, and investment plans for the coming year. :

7.5.1 Investment policy for the most recent year : The company's investment policy is mainly based on long-term strategic investment. For the management and control of invested enterprises, there are investment cycle internal control operating procedures in order to grasp the financial and business conditions of invested enterprises. In order to strengthen the risk control and supervision of subsidiaries and to achieve the overall strategic goals of the company and its subsidiaries, the company has formulated " Subsidiary Management Practices", and establish a subsidiary operation risk management mechanism.

7.5.2 The main reason and improvement plan for the profit or loss of reinvestment in the most recent year:

Invested Business	Cost of Investment	Book Value	Investment Profit/ Loss Recognized in the current period	Main Cause of Loss	Improvement Plan
Zhuhai FTZ ProRay Optoelectronics Technology Co., Ltd.	US\$12,500,000	NT\$350,405,000	(NT\$35,193,000)	Not reach economic scale	Capacity utilization improving
YLTLINK Technology Corporation	NT\$68,330,000	NT\$2,516,000	(NT\$43,646,000)	YLTLINK is still in the stage of product development and business expansion, and has not yet generated significant revenue and profits.	Aggressively expand business and develop new customers

7.5.3 Investment plan for the coming year: will be reassessed based on operational needs.

7.6 The section on risks shall analyze and assess the following matters during the most recent fiscal year and as they stood on the date of publication of the annual report :

7.6.1 The effect upon the company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future.

7.6.1.1 Changes in interest rates: The interest expense of the group's bank loans in 2022 was in the amount of NT\$13,422,000, accounting for 1.35% of the net operating income. Changes in interest rates will so far not have a significant impact on the company's profit or loss. The company has good contacts with financial institutions with a good credit record. It continues to maintain close contact with banks and actively strives for preferential interest rates.

7.6.1.2 Changes in exchange rate: The exchange profit of the group in 2022 was in the amount of NT\$14,663,000, accounting for 1.48% of the net operating income. The company's main sales are quoted in US dollars, and the proportion of export sales is high. The purchase part is denominated in foreign currencies. In addition to continuing the previous financial policy, it will use natural hedging to pay for foreign currency payments from foreign sales, and strictly control liabilities, foreign currencies and inventory levels. When the exchange rate fluctuates greatly, we also hold strong currency deposits and weak foreign currency liabilities to avoid the impact of exchange rate changes. When necessary, we may also select appropriate hedging tools in a timely manner to reduce the negative impact of exchange rate fluctuations on the company's profit and loss.

7.6.1.3 Impact of inflation: Recently, the international inflation has continued to heat up, and the central banks of many countries have started to curb interest rate hikes. The government has effectively controlled the inflation situation in Taiwan. The inflation is still moderate, and the impact on the company's profit and loss is limited. However,

the company continues to improve the production process so to increase production efficiency and reduce production costs, so as to maintain the company's competitiveness under the market price comparison situation.

7.6.2 The company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future.

7.6.2.1 The group has always adhered to the principle of focusing on its own business and pragmatism in operating its business. The financial policy is based on the principle of prudence and conservatism, and it does not engage in high-risk and high-leverage investments. In addition, the company has formulated the Regulations Governing the Acquisition and Disposal of Assets, the Operating Procedures of Endorsement / Guarantees, and the Procedure for Lending Funds to Other Parties and or Guarantee as the basis for the company to follow when engaging in related activities.

7.6.2.2 In order to meet business needs and reduce costs, the company's endorsement and guarantee operations for other companies and subsidiaries are handled in accordance with the company's Operating Procedures of Endorsement / Guarantees. As of February 28, 2023, the company's endorsement and guarantee operations were provided mainly to the subsidiaries of the company. The company's endorsement and guarantee to the following subsidiary Zhuhai FTZ ProRay Optoelectronics Technology Co., Ltd. are explained as follows:

Unit: NT\$ thousands

Endorsement Guarantee	NT\$	
	Guarantee Amount	Amount Used
Zhuhai FTZ ProRay Optoelectronics Technology Co., Ltd.	70,000	10,623

7.6.2.3 The group's investment and financial management is prudent and conservative. It has not engaged in any high-risk, high-leverage investment. It has always adopted a conservative attitude towards derivatives trading and operates the trading for the purpose of avoiding risks rather than profit. Hedging adjustments are made for changes in foreign currency positions, and forward foreign exchange is selected as a hedging tool, and no other derivatives trading has been carried out. However, the aforementioned operations may still cause losses in the transaction itself due to exchange rate fluctuations. The group has promptly and accurately announced all transaction information in accordance with laws and regulations.

7.6.3 Future R&D Plan and Expected R&D Expenditure

Unit: NT\$ thousands

Planning for 2023 and continuing the R&D plan for 2022 (Brief Description)	R&D Expenditure
LW VCSEL and PD Chip/TO-Can/OSA/OSM Project	2,000
Optical communication Product development	1,500
SW VCSEL and PD Chip/TO-Can/OSA/OSM Project	2,000
COB/AOC Product development	1,000
Consumer product development	3,000
Optics Fiber component new manufacturing process	2,000

7.6.4 Effect on the company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response.

The company is an important supplier of key spare parts and components in the optoelectronic and optical communication industry. Its business and financial operations are rather slightly affected by changes in domestic and foreign policies or laws, and there have

been no significant changes in domestic and foreign policies or laws in recent years. If domestic import and export policies or laws change, it may still have a certain impact on the company's finances or business. The company will continue to monitor important policy and regulatory changes at home and abroad, and consult experts in a timely manner to control possible risks.

- 7.6.5 Effect on the company's financial operations of developments in science and technology (including cyber security risks) as well as industrial change, and measures to be taken in response.

In response to changes in industrial development and business environment, the group collects and investigates relevant market information and adjusts the company's business strategy and product structure in a timely manner. By effectively managing accounts receivable, accounts payable and inventory levels, financial risks did not increase; the group will carefully plan the amount and method of fundraising according to demand, in other words, by using long-term funds to meet long-term needs. In addition, in response to the short-term demand for working capital, it will be covered by bank financing.

In addition, about information security risks, please refer to pages 97-100 of the annual report.

- 7.6.6 Effect on the company's crisis management of changes in the company's corporate image, and measures to be taken in response: None.

- 7.6.7 Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken: None.

- 7.6.8 Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken: None.

- 7.6.9 Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken.

Purchase: The company's main raw materials are sourced from suppliers in Taiwan, Germany, the United States, Japan, Korea, Singapore, and China. The company mainly selects suppliers with stable supply and high quality.

Since the company has always maintained a good cooperative relationship with domestic and foreign suppliers for many years, and at the same time adopts the direction of decentralized procurement of important raw materials so as to achieve stability and independence of supply, the supply status is good.

Sales: The company actively expands the application of products to expand new customer sources through the diversification of product applications, and then disperses sales areas in order to reduce the risk of sales concentration.

- 7.6.10 Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken: None.

- 7.6.11 Effect upon and risk to company associated with any change in governance personnel or top management, and mitigation measures being or to be taken: None.

- 7.6.12 Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that: (1) involve the company and/or any company director, any company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report: None.

- 7.6.13 Other important risks, and mitigation measures being or to be taken: None.

- 7.7 Other important matters: None.

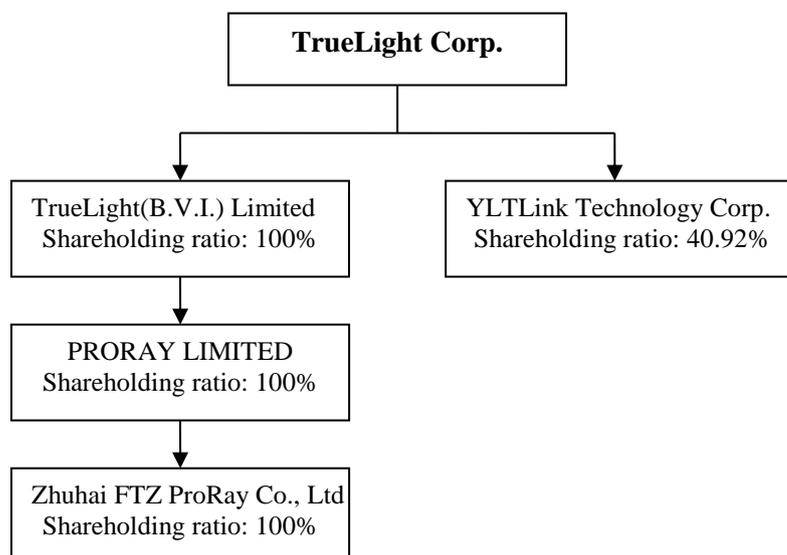
8. Special Notes

8.1 Relevant Information of Subsidiaries :

8.1.1 Consolidated Business Report

8.1.1.1 Organization Chart:

2022/12/31



8.1.1.2 Company Information :

2022/12/31

Paid-in capital: NT\$ thousands; US\$ thousands

Company	Established Date	Place of Incorporation	Paid-in Capital	Main Business
TrueLight (BVI) Limited	2001.9.14	Citco Building, British Virgin Islands	NTD404,471	General investment
ProRay Limited	2009.03.04	HK, China	USD12,500	General investment
Zhuhai FTZ ProRay Co., Ltd.	2009.05.04	ZH, China	USD12,500	Design/ manufacture/ process/ sell for optoelectronic components
YLTLINK Technology Corporation	2018.09.27	HC, Taiwan	NTD180,808	Manufacturing of electronic components

8.1.1.3 Presumed to have control and subordination of the same shareholder information: None

8.1.1.4 The business covered by the overall relationship enterprise:

The business operated by the company and its subsidiaries is the design, research and development, production and sales of the VCSEL, FP/DFB, PIN/PINTIA applications for optical fiber communication, 4G/5G mobile communication base station interconnection, cloud data center, 3D sensing/near field sensing/flood lighting, etc. "Vertical cavity surface emission (VCSEL), edge emission (FP/DFB), photodetector diode (PIN/PINTIA)" is required, including components, sub-modules, optical engines/AOC, etc. products. It also includes the components, sub-modules, light engines/AOC and other

types of products.

8.1.1.5 Information on directors, supervisors and general managers of the subsidiaries:

2023/3/8

Unit: NT\$ thousands

Company Name	Title	Name	Contribution	Ratio of Contributions
TrueLight (BVI)Limited	Director	CHEN, PING-LIN	-	-
PRORAY LIMITED	Director	LIU, SHENG-HSIEN, LIU, HAN-XING, CHEN, PING-LIN	-	-
ZHUHAI FTZ PRORAY CO.,LTD	Legal representative	LIU, SHENG-HSIEN	-	-
	Director	LIU, SHENG-HSIEN, LIU, HAN-XING, WU, CHENG-JU	-	-
	Supervisor	CHEN, PING-LIN	-	-
YLTLINK Technology Corporation (Note)	Chairman	TrueLight Corp. (Representative: WANG, LE-CHUN)	73,985	40.92%
	Director	TrueLight Corp. (Representative: LIU, HAN-XING)	73,985	40.92%
	Director	CHANG, YI	5,863	3.24%
	Supervisor	WU, CHENG-JU	300	1.66%

8.1.1.6 Operating Overview:

Year 2022

Unit: NT\$ thousands; Earnings per share: NT\$

Invested company	Capital amount	Total assets	Total liabilities	Net worth	Income	Profit/Loss	Net profit (loss)	Earnings per share (NT\$) after tax
TrueLight (B.V.I.) Ltd.	NTD404,471	361,378	-	361,378	-	(159)	(43,714)	(3.36)
PRORAY LIMITED	USD12,500,000	351,730	-	351,730	-	-	(44,543)	(3.56)
Zhuhai FTZ PRORAY Co., Ltd	USD12,500,000	401,581	49,852	351,729	93,243	(42,570)	(44,543)	-
YLTLINK Technology Corporation	NTD180,808	166,316	160,817	5,499	69,474	(51,575)	(43,646)	(4.33)

8.1.2 Consolidated Financial Statements: Please refer to the Annual Report 6.4 Financial Statement for the Most Recent Fiscal Year.

TrueLight Corporation
Representation Letter

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

Hereby declare

Company Name : TrueLight Corporation

Chairman : Liu, Sheng Hsien

March.8,2023

8.1.3 Affiliation Report: Not applicable.

8.2 Organization of the Latest Private Placement Securities as of the Date of Printing of the Annual Report:
None

8.3 Holding or disposal of the Company's shares by its subsidiaries of the latest year and up to the date of printing of the Annual Report: None

8.4 Other matters requiring supplementary information: :

When the company applied for listing on the OTC, according to the letter "Zheng Gui Shen Zi No. 0990102370" from the TPEX, the implementation of the commitments issued by the company is as follows:

Commitments:

In the " Regulations Governing the Acquisition and Disposal of Assets", add "The company shall not give up the capital increase of TrueLight (BVI) Limited in each future year; TrueLight (BVI) Limited shall not give up the capital increase of ProRay Limited in the future; ProRay Limited shall not give up the capital increase of Zhuhai FTZ PRORAY Co., Ltd in the future years; In the future, if a company needs to give up the capital increase or dispose of the above-mentioned company's equity due to strategic alliance considerations or other approvals by TPEX, it must be approved by a special resolution of the board of directors of TrueLight Corp. " And if the handling method is revised, it should disclose the material information thru the MOPS and report to TPEX for future reference.

Execution:

This article has been added to the company's " Regulations Governing the Acquisition and Disposal of Assets " and submitted to the Shareholders Meeting on June 30, 2011 for discussion and approval.

8.5 Latest matters with important impact on shareholder rights or security prices indicated in article 36 paragraph 3 subparagraph 2 of the Securities Exchange Act as of the date of printing of Annual Report:
None

Attachments1.

Independent Auditor’s Report and 2022 Consolidated Financial Statements **Independent Auditors’ Report**

To the Board of Directors and Shareholders of TrueLight Corporation

Opinion

We have audited the accompanying consolidated balance sheets of TrueLight Corporation and its subsidiaries (the “Group”) as at December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and Generally Accepted Auditing Standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. 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 Group’s 2022 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group’s 2022 consolidated financial statements are stated as follows:

Evaluation of inventories

Description

For the accounting policy of inventory evaluation, please refer to Note 4 (12) of the consolidated financial report; for the description of inventory items, please refer to Notes 5(2) and 6(4) to the Consolidated Financial Statements. Due to fierce market price competition for the products operated by the TL Group, The risk of inventory price loss is relatively high, and the TL Group measures the lower of the cost and net realizable value of the inventory; For inventories that have passed a specific period of age and for inventories that are individually identified as obsolete or damaged, the net Realized value often involves manual judgment and thus has estimation uncertainty, so the accountant listed this as a key check item.

How our audit addressed the matter

The audit procedures performed by the accountant are based on the understanding of the operation and industry nature of the TL Group, and the evaluation of the inventory. The rationality of policies and

procedures; the correctness of sampling inventory aging calculation; Relevant information, such as sales price, purchase price, and inventory depletion status, to confirm the rationality of the net realizable value, and evaluate the rationality of provisioning for loss of price reduction.

Property, plant and equipment value-in-use measurement

Description

Please refer to Note 4 (17) of the consolidated financial report for the accounting policy on the assessment of impairment of real estate, plant and equipment; For descriptions of real estate, plant and equipment items, please refer to Notes V (2) and VI (6) of the consolidated financial report. TL Group is not the use value of movable property, plant and equipment shall be used to measure its recoverable amount, and the real property, plant and equipment shall be evaluated based on the aforementioned recoverable amount Whether the room and equipment are damaged. Valuation of the value in use of property, plant and equipment involves estimation and discounting of future cash flows. The determination of the present rate, the assumptions used in the forecast of future cash flow and the estimated results have a great impact on the evaluation of real estate, plant and equipment. The value in use has a significant impact, so the accountants listed this as a key audit item.

How our audit addressed the matter

The verification procedure that the accountant has performed is mainly to discuss the operation process of future cash flow estimation with the management and Understand its product strategy and implementation status; evaluate the reasonableness of various assumptions used by the management to estimate future cash flows characteristics, including expected growth rate and gross profit margin. And evaluate the parameters used in the discount rate, including whether to calculate the cost of equity funds Risk-reward ratio, industry risk factor and long-term market rate of return.

Other matter—Parent company only financial reports

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

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so. Those charged with governance, including audit committee, are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- A. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- B. 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 Group's internal control;
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- D. 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- E. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Cheng, Ya-Huei
Chiang Tsai-yen
for and on behalf of PricewaterhouseCoopers, Taiwan
March 08, 2023

TRUELIGHT CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Assets	Notes	December 31, 2022		December 31, 2021		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 252,870	15	\$ 185,293	10
1170	Accounts receivable, net	6(3)	125,076	8	203,254	12
1180	Accounts receivable due from related parties, net	6(3)and 7	2,370	-	5,786	-
1200	Other receivables		690	-	1,719	-
130X	Inventories, net	6(4)	403,078	24	409,660	23
1410	Prepayments		9,349	1	10,116	1
11XX	Total current assets		<u>793,433</u>	<u>48</u>	<u>815,828</u>	<u>46</u>
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(2)	-	-	7,990	1
1535	Non-current financial assets at amortized cost	8	74,619	5	36,856	2
1550	Investments accounted for using equity method	6(5)	23,752	1	21,655	1
1600	Property, plant and equipment	6(6)	583,713	36	730,134	41
1755	Right-of-use assets	6(7)	125,337	8	125,614	7
1780	Intangible assets	6(8)	15,164	1	17,653	1
1840	Deferred tax assets	6(25)	23,485	1	23,382	1
1900	Other non-current assets		2,960	-	2,871	-
15XX	Total non-current assets		<u>849,030</u>	<u>52</u>	<u>966,155</u>	<u>54</u>
1XXX	Total assets		<u>\$ 1,642,463</u>	<u>100</u>	<u>\$ 1,781,983</u>	<u>100</u>

(continued)

TRUELIGHT CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Liabilities and equity	Notes	December 31, 2022		December 31, 2021		
		AMOUNT	%	AMOUNT	%	
Liabilities						
Current liabilities						
2100	Short-term loans	6(9)	\$ 376,414	23	\$ 529,366	30
2150	Notes payable		2,826	-	720	-
2170	Accounts payable		22,644	1	73,196	4
2200	Other payables	6(11)	122,897	8	143,729	8
2280	Current lease liabilities		13,964	1	7,846	1
2320	Long-term loans, current portion	6(12)	61,304	4	35,764	2
2399	Other current liabilities, others		2,901	-	2,116	-
21XX	Total current liabilities		<u>602,950</u>	<u>37</u>	<u>792,737</u>	<u>45</u>
Non-current liabilities						
2500	Non-current financial liabilities at fair value through profit or loss	6(10)	-	-	-	-
2540	Long-term loans	6(12)	151,138	9	62,292	3
2580	Non-current lease liabilities		114,963	7	120,461	7
2600	Other non-current liabilities		113	-	13,630	1
25XX	Total non-current liabilities		<u>266,214</u>	<u>16</u>	<u>196,383</u>	<u>11</u>
2XXX	Total liabilities		<u>869,164</u>	<u>53</u>	<u>989,120</u>	<u>56</u>
Equity						
Equity attributable to owners of parent						
Share capital						
3110	Ordinary shares	6(14)	764,747	47	764,747	43
Capital surplus						
3200	Capital surplus	6(15)	180,243	11	173,917	10
Retained earnings						
3310	Legal reserve	6(16)	433	-	433	-
3320	Special reserve		3,893	-	3,893	-
3350	Accumulated deficit		(170,400)	(10)	(133,136)	(8)
Other equity interest						
3400	Other equity interest	6(17)	(9,357)	(1)	(21,974)	(1)
31XX	Total equity attributable to owners of parent		<u>769,559</u>	<u>47</u>	<u>787,880</u>	<u>44</u>
36XX	Non-controlling interest		<u>3,740</u>	<u>-</u>	<u>4,983</u>	<u>-</u>
3XXX	Total equity		<u>773,299</u>	<u>47</u>	<u>792,863</u>	<u>44</u>
Significant commitments and contingencies						
Significant subsequent events						
3X2X	Total liabilities and equity		<u>\$ 1,642,463</u>	<u>100</u>	<u>\$ 1,781,983</u>	<u>100</u>

The accompanying notes are an integral part of these consolidated financial statements.

TRUELIGHT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT LOSS PER SHARE)

		Year ended December 31					
		2022		2021			
Items	Notes	AMOUNT	%	AMOUNT	%		
4000	Operating revenue	\$ 989,635	100	\$ 1,313,847	100		
5000	Operating costs	(733,231)	(74)	(1,081,377)	(82)		
5900	Gross profit from operation	256,404	26	232,470	18		
5910	Unrealized profit from sales	(300)	-	(500)	-		
5920	Realized profit from sales	500	-	231	-		
5950	Gross profit from operation, net	256,604	26	232,201	18		
	Operating expenses						
6100	Selling expenses	(18,876)	(2)	(21,409)	(2)		
6200	Administrative expenses	(108,753)	(11)	(119,373)	(9)		
6300	Research and development expenses	(187,137)	(19)	(212,107)	(16)		
6450	Impairment loss/gain and reversal of impairment loss determined in accordance with IFRS 9	(166)	-	18	-		
6000	Total operating expenses	(314,932)	(32)	(352,871)	(27)		
6900	Net operating loss	(58,328)	(6)	(120,670)	(9)		
	Non-operating income and expense:						
7100	Interest income	1,272	-	298	-		
7010	Other income	3,619	-	3,993	-		
7020	Other gains and losses, net	18,662	2	(1,726)	-		
7050	Finance costs, net	(13,422)	(1)	(14,627)	(1)		
7060	Share of profit (loss) of associate and joint ventures accounted for using equity method	1,897	-	(959)	-		
7000	Total non-operating income and expenses	12,028	1	(13,021)	(1)		
7900	Loss before income tax	(46,300)	(5)	(133,691)	(10)		
7950	Total tax income (expense)	206	-	(6,855)	(1)		
8200	Loss for the year	(\$ 46,094)	(5)	(\$ 140,546)	(11)		
	Items that will not be reclassified to profit or loss:						
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income:	(\$ 7,180)	(1)	(\$ 340)	-		
	Items that may be reclassified subsequently to profit or loss						
8361	Exchange differences on translation	8,720	1	(942)	-		
8300	Total other comprehensive income, net	\$ 1,540	-	(\$ 1,282)	-		
8500	Total comprehensive income for the year	(\$ 44,554)	(5)	(\$ 141,828)	(11)		
	Profit (loss), attributable to:						
8610	Owners of parent	(\$ 26,187)	(3)	(\$ 132,770)	(10)		
8620	Non-controlling interests	(\$ 19,907)	(2)	(\$ 7,776)	(1)		
	Comprehensive income attributable to:						
8710	Owners of parent	(\$ 24,647)	(3)	(\$ 134,052)	(10)		
8720	Non-controlling interests	(\$ 19,907)	(2)	(\$ 7,776)	(1)		
	Loss per share						
9750	Basic loss per share	(\$ 0.34)		(\$ 1.74)			
9850	Diluted loss per share	(\$ 0.34)		(\$ 1.74)			

The accompanying notes are an integral part of these consolidated financial statements.

TRUELIGHT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLRS)

Notes	Equity attributable to owners of parent						Exchanges differences on translation of foreign financial statements	Other equity interest		Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (accumulated deficit)	Retained earnings		Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	Others			
Year ended December 31, 2021												
Equity at beginning of period	\$ 764,747	\$ 173,917	\$ -	\$ -	\$ 4,325	(\$ 17,135)	(\$ 3,557)	(\$ 13,581)	\$ 908,716	\$ 12,394	\$ 921,110	
Loss for the year	-	-	-	-	(132,770)	-	-	-	(132,770)	(7,776)	(140,546)	
Other comprehensive income for the year	6(2)(17)	-	-	-	-	(942)	(340)	-	(1,282)	-	(1,282)	
Total comprehensive income	-	-	-	-	(132,770)	(942)	(340)	-	(134,052)	(7,776)	(141,828)	
Distribution of retained earnings of 2020:												
Legal reserve appropriated	6(16)	-	-	433	(433)	-	-	-	-	-	-	
Special reserve appropriated	6(16)	-	-	-	3,893	(3,893)	-	-	-	-	-	
Compensation cost of employee restricted shares	6(17)	-	-	-	-	-	-	13,581	13,581	-	13,581	
Changes in ownership interest in subsidiaries	-	-	-	-	(365)	-	-	-	(365)	365	-	
Equity at end of period	\$ 764,747	\$ 173,917	\$ 433	\$ 3,893	(\$ 133,136)	(\$ 18,077)	(\$ 3,897)	\$ -	\$ 787,880	\$ 4,983	\$ 792,863	
Year ended December 31, 2022												
Equity at beginning of period	\$ 764,747	\$ 173,917	\$ 433	\$ 3,893	(\$ 133,136)	(\$ 18,077)	(\$ 3,897)	\$ -	\$ 787,880	\$ 4,983	\$ 792,863	
Loss for the year	-	-	-	-	(26,187)	-	-	-	(26,187)	(19,907)	(46,094)	
Other comprehensive income for the year	6(2)(17)	-	-	-	-	8,720	(7,180)	-	1,540	-	1,540	
Total comprehensive income	-	-	-	-	(26,187)	8,720	(7,180)	-	(24,647)	(19,907)	(44,554)	
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	(11,077)	-	11,077	-	-	-	-	
Conversion of preference share	6(10)(27)	-	6,326	-	-	-	-	-	6,326	18,664	24,990	
Equity at end of period	\$ 764,747	\$ 180,243	\$ 433	\$ 3,893	(\$ 170,400)	(\$ 9,357)	\$ -	\$ -	\$ 769,559	\$ 3,740	\$ 773,299	

The accompanying notes are an integral part of these consolidated financial statements.

TRUELIGHT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Year ended December 31	
		2022	2021
<u>Cash Flows from Operating Activities</u>			
Loss before tax		(\$ 46,300)	(\$ 133,691)
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit loss (gain)	12	166	(18)
Depreciation expense	6(23)	180,585	279,081
Amortization expense	6(23)	3,148	2,649
Net gain on financial assets or liabilities at fair value through profit or loss	6(21)	(5,010)	(498)
Interest income	6(19)	(1,272)	(298)
Dividend income	6(20)	-	(480)
Interest expense	6(22)	13,422	14,627
Compensation cost of employee restricted shares		-	13,581
Loss (gain) on disposal of property, plant and equipment	6(21)	(75)	630
Unrealized profit from sales	6(5)	300	500
Realized profit from sales	6(5)	(500)	(231)
Share of loss (profit) of associates and joint ventures accounted for using equity method	6(5)	(1,897)	959
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		82,880	8,181
Accounts receivable due from related parties		3,416	(3,457)
Other receivables		1,138	7,713
Inventories		7,024	66,556
Prepayments		783	3,139
Changes in operating liabilities			
Financial liabilities held for trading		-	275
Notes payable		2,106	(122)
Accounts payable		(50,682)	(9,806)
Other payables		(21,838)	(7,411)
Other current liabilities		(1,101)	(115)
Cash inflow generated from operations		166,293	241,764
Interest received		1,231	300
Dividend received		-	480
Interest paid		(13,336)	(14,603)
Income taxes received (paid)		1,452	(10,205)
Net cash flows from operating activities		<u>155,640</u>	<u>217,736</u>
<u>Cash Flows from Investing Activities</u>			
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	12	773	-
Proceeds from disposal of financial assets at fair value through other comprehensive income		37	-
Acquisition of property, plant and equipment	6(28)	(16,288)	(48,099)
Proceeds from disposal of property, plant and equipment		75	15
Acquisition of intangible assets	6(8)	(659)	(979)
Decrease in prepayments for business facilities		-	2,112
Increase in refundable deposits		(90)	(594)
Increase in other financial assets		(37,762)	(4,280)
Net cash flows used in investing activities		<u>(53,914)</u>	<u>(51,825)</u>

(continued)

TRUELIGHT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Year ended December 31	
		2022	2021
<u>Cash Flows from Financing Activities</u>			
Decrease in short-term loans	6(29)	(\$ 153,777)	(\$ 61,714)
Proceeds from long-term loans	6(29)	158,326	50,000
Repayments of long-term loans	6(29)	(43,940)	(160,519)
Repayments of lease liabilities	6(29)	(11,879)	(11,612)
Issuance of preference shares by subsidiaries	6(28)	16,483	-
Other financing activities	6(28)		
	(29)	-	13,517
Net cash flows used in financing activities		(34,787)	(170,328)
Effect of exchange rate changes on cash and cash equivalents		638	(33)
Net increase (decrease) in cash and cash equivalents		67,577	(4,450)
Cash and cash equivalents at beginning of period		185,293	189,743
Cash and cash equivalents at end of period		\$ 252,870	\$ 185,293

The accompanying notes are an integral part of these consolidated financial statements.

TrueLight Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

Unit: NT\$ thousand
(Unless otherwise indicated)

1. History and Organization

- (1) TrueLight Corporation (the company) was established in September 1997 in the Republic of China. The main business items of the company and its subsidiaries (the Group) are design, research and development, Production and sales are applied to "optical fiber communication, 4G/5G mobile communication base station interconnection, cloud data center, 3D Sensing/Near-Field Sensing/Flood Illumination" Vertical Cavity Surface Emitting Laser (VCSEL), Edge laser (FP / DFB), photodiode (PIN / PINTIA)", including components, sub-modules, Light engine/AOC and other types of products.
- (2) In order to improve the corporate governance structure and protect the interests of stakeholders, the Company participated in the Corporate Governance Assessment and Certification program organized by the Chinese Corporate Governance Association, and on September 23, 2013, the Company passed the "CG6008 Corporate Governance Universal Version Certification". The Company will continue to strengthen corporate governance and align with international standards to maintain competitiveness in the capital market.

2. The Date of Authorization for Issuance of the Consolidated Financial Statements and Procedures for Authorization

The consolidated financial statements were reported to the Board of Directors on March 08, 2023.

3. Application of New Standards, Amendments and Interpretations

- (1) Effect of the adoption of new issuance of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

<u>New Standards, Amendments and Interpretations</u>	<u>Effective Date by International Accounting Standards Board("IASB")</u>
Amendments to IFRS 3, "Reference to the conceptual framework"	January 1, 2022
Amendments to IAS 16, "Property, plant and equipment: proceeds before intended use"	January 1, 2022
Amendments to IAS 37, "Onerous contracts— cost of fulfilling a Contract"	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment

(2) Effect of New Issuances of or Amendments to IFRSs as Endorsed by the FSC but not yet Adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

<u>New Standards, Amendments and Interpretations</u>	<u>Effective Date by IASB</u>
Amendments to IAS 1, “Disclosure of accounting policies”	January 1, 2023
Amendments to IAS 8, “Definition of accounting estimates”	January 1, 2023
Amendments to IAS 12, “Deferred tax related to assets and liabilities	January 1, 2023

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(3) Effects of IFRSs Issued by IASB but not yet Endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

<u>New Standards, Amendments and Interpretations</u>	<u>Effective Date by IASB</u>
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	To be determined by IASB
Amendments to IFRS 16, “Lease liabilities in sale and leaseback”	January 1, 2024
Amendments to IFRS 17, “Insurance Contracts”	January 1, 2023
IFRS 17, “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17, “Initial application of IFRS 17 and IFRS 9 – comparative information”	January 1, 2023
Amendments to IAS 1, “Classification of liabilities as current or non-current”	January 1, 2024
Amendments to IAS, “Non-current liabilities with contractual terms”	January 1, 2024

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the IFRSs”).

(2) Basis of preparation

- A. Except for Financial assets (including derivatives instruments) at fair value through profit or loss and financial assets measured at fair value Excluding financial liabilities measured at fair value, these consolidated financial statements have been prepared under the historical cost convention.
- B. The preparation of financial statements in conformity with IFRSs, requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements

- (a) All subsidiaries are included in the Group ’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the noncontrolling interests having a deficit balance.
- (d) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with noncontrolling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

B. Subsidiaries included in the consolidated financial statements:

<u>Investor</u>	<u>Investee</u>	<u>Main business items</u>	<u>Shareholding Percentage</u>		<u>Illustrate</u>
			<u>Dec. 31, 2022</u>	<u>Dec. 31, 2021</u>	
TrueLight Corp.	TrueLight (B.V.I) Ltd.	Equity investment	100%	100%	
TrueLight (B.V.I) Ltd.	PorRay Limited	Equity investment	100%	100%	
ProRay Limited	Zhuhai FTZ. ProRay Optoelectronics Technology Co., Ltd.	Excludes continental companies that design, produce, process and sell optoelectronic modules/components	100%	100%	
TrueLight Corp.	YLTLINK Technology Corporation	Electronic components fabricate	41%	72%	Note

Note: The company passed the resolution of the board of directors on August 3, 2022 to convert the Class A special shares of YLTLINK Co., Ltd. held by the company into ordinary shares. The capital increase base date is August 31, 2022. After evaluation, the company is the largest shareholder and still has the rights to direct the individual's financial and operating policies, therefore, YLTLINK is consolidated.

- C. Subsidiaries not included in the consolidated financial statements: None.
- D. Adjustments for subsidiaries with different balance sheet dates: Not applicable.
- E. Significant restrictions: None.
- F. Subsidiaries that have non-controlling interests that are material to the Group: None

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group's presentation currency.

1. Foreign currency transactions and balances

- A. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- B. Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- C. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, nonmonetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- D. All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'

2. Foreign currency translation of foreign operations

- (A) All entities, including subsidiaries, associates, and joint control entities whose functional currency is different from the presentation currency, shall translate their operating results and financial positions using the following methods: A. Assets and liabilities presented in each balance sheet shall be translated using the closing exchange rate on the balance sheet date. B. Revenues and expenses presented in each income statement shall be translated using the average exchange rate for the period. C. All exchange differences arising from the translation shall be recognized in other comprehensive income.
- (B) When a partially disposed or sold foreign operating entity is a subsidiary, the cumulative translation differences shall be re-attributed to the non-controlling interests of the foreign operating entity in proportion. However, if the Group has lost control over the foreign operating entity, even if it retains a portion of the equity interests in the former subsidiary, the entire equity interests in the foreign operating entity shall be disposed of.
- (C) Goodwill arising from the acquisition of a foreign entity and fair value adjustments shall be treated as assets and liabilities of the foreign entity and translated using the period-end exchange rate.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realized, or are intended to be

- sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realized within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.
- (6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.
- (7) Financial assets at fair value through other comprehensive income
 - A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income
 - B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.
 - C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value: The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.
- (8) Accounts and notes receivable
 - A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
 - B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.
- (9) Impairment of financial assets

For financial assets at amortized cost, at each reporting date, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.
- (10) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.
- (11) Lease transactions of lessors - lease receivables/operating leases

The lease income of business leases is deducted from any incentives given to the lessee on a straight-line basis during the lease period. Amortization method recognized as current profit and loss.

(12) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads. It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(13) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equal or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes the Group's share of change in equity of the associate in capital surplus' in proportion to its ownership.
- D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- F. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(14) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will

flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	5~40 years
Machinery and equipment	2~10 years
Other	2~ 5 years

(15) Leasing arrangements (lessee) – right-of-use assets/ lease liabilities

- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
- B. Lease liabilities are recognized at the present value of lease payments not yet paid as of the lease commencement date, using the incremental borrowing rate of the Group. Lease payments include:
 - (a) Fixed payments, excluding any rent incentives that may be receivable;
 - (b) Variable lease payments that depend on an index or a rate;
 - (c) The amount of any residual value guarantees expected to be payable by the Group;
 - (D) The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
 - (e) Penalties for terminating the lease, if the lessee is reasonably certain to terminate the lease before the end of the lease term.

Subsequent to initial recognition, the lease liabilities are measured using the effective interest method and the lease payments are recognized as interest expense over the lease term. When there are no lease modifications or changes in lease payments, the lease liabilities are reassessed and the right-of-use assets are remeasured for any adjustments

- C. At the commencement date, the right-of-use asset is stated at cost. The cost is
 - (a) the amount of the initial measurement of lease liability.
 - (b) Any lease payments made on or before the commencement date
 - (c) any original direct costs incurred
 - (d) estimated costs for demolition, removal of the subject asset and location of the recovery period, or restoration of the subject asset to the condition required in the terms and conditions of the lease.

The right - of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

(16) Intangible assets

A. computer software

computer software acquired is stated at historical cost. amortized on a straight-line basis over their estimated useful lives of 3 years

B. Patent and technical skill,

acquired patent is stated at historical cost. amortized on a straight-line basis over their estimated useful lives of 5 years.

C. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

(17) Impairment of non-financial assets

A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

B. The recoverable amount of goodwill is evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognized in profit or loss shall not be reversed in the following years.

C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(18) Borrowings

Borrowings are short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(19) Financial liabilities measured at fair value through profit or loss

It refers to financial liabilities held for trading purposes that are primarily intended to be repurchased within the near term, and derivative instruments held for trading purposes other than those designated as hedging instruments in accordance with hedge accounting. The Group initially recognizes these financial liabilities at fair value and recognizes any transaction costs in the current period's profit or loss. Subsequently, they are measured at fair value, and any changes in fair value are recognized in the current period's profit or loss.

(20) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. However, for short-term accounts payable without bearing interest, as the effect of discounting is insignificant, they are measured subsequently at original invoice amount.

(21) Convertible special stock liabilities payable

A. The preferred shares liabilities with embedded conversion rights issued by this Group are recognized as financial liabilities at fair value through profit or loss upon initial recognition,

deducting directly attributable transaction costs from the issue price according to the issuance terms. Subsequently, at the end of each reporting period, they are measured at fair value with any difference recognized in "Gain or loss from financial assets (liabilities) at fair value through profit or loss".

B. When the holders exercise the conversion rights, the financial liability measured at fair value through profit or loss is considered as the issue cost of the common shares issued.

(22) Derecognition of financial liabilities

A financial liability is derecognized when the obligation specified in the contract is either discharged or cancelled or expires.

(23) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expense in that period when the employees render service.

B. Pensions - Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expense when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(24) Employee share-based payment

A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

B. New shares issued by the company restricting employee rights:

(a) Remuneration costs are recognized on the vesting date based on the fair value of the given equity and commodities during the vested period.

(b) The right to participate in dividend distribution is not restricted. Employees who resign within the vested period must return the dividends they have received. The company will credit the retained earnings debited on the original dividend announcement date surplus, statutory surplus reserve or capital reserve.

(25) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate

taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount is reported in the balance sheets when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheets when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(26) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(27) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(28) Revenue recognition

A. Product sales

- (a) The company produces and sells products, including vertical-cavity surface-emitting lasers (VCSELs), edge-emitting lasers (FP/DFB), and photodiodes (PIN/PINTIA), in the form of components, sub-modules, and optical engines/AOCs, which are used in fiber optic

communication, 4G/5G mobile communication base station interconnection, cloud data center, 3D sensing/near-field sensing/area lighting. Sales revenue is recognized when the company has transferred control of the products to the customer, which occurs upon delivery of the products and the absence of any remaining contractual obligations that may affect the customer's acceptance of the products. Delivery occurs when the products are shipped to the designated location, and the risks of obsolescence, deterioration, and loss have been transferred to the customer. Acceptance by the customer in accordance with the sales contract or objective evidence that all acceptance criteria have been met confirms the occurrence of delivery

- (b) The Group accepts sales orders from customers. Sales revenue is recognized according to the contract price, and the Group transfers the promised goods or services to customers. Since the customer's payment period does not exceed one year, the Group has not adjusted the monetary time value of the transaction price.
- (c) A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Cost of acquiring customer contracts

Although the company expects to recover the incremental costs incurred in acquiring customer contracts, these costs are recognized as expenses when they are incurred since the related contract periods are less than one year

(29) Business combinations

- A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.
- B. The excess of the consideration transferred, the amount of any non - controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date.

(30) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group's chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

A. Impairment assessment of tangible and intangible assets (excluding goodwill)

During the process of assessing asset impairment, the company relies on subjective judgment and determines the independent cash flows, useful lives, and future revenue and expenses of specific asset groups based on asset usage models and industry characteristics. Any estimate changes resulting from changes in economic conditions or group strategies may result in significant impairment in the future.

As of December 31, 2022, the carrying amount of the company's real estate, factory buildings, and equipment was \$583,713

B. Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Group must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2022, the carrying amount of inventories was \$403,078.

Accounting estimate changes and their reasons and impacts

YLTLINK Technology Co., a subsidiary of the Group, passed the resolutions of the board of directors on May 11 and August 31, 2011, respectively, in order to reasonably reflect the true service life and economic benefits of some machinery and equipment, lease improvements, and house ancillary equipment. After entrusting an external evaluation company to investigate the physical analysis of the use of machinery and equipment on the spot, the qualitative analysis of the actual interviews with users and equipment manufacturers, and the economic analysis of industrial information released by government agencies, it is proposed to adjust the aforementioned The service life of machinery and equipment, leasehold improvement and house ancillary equipment is extended from 1 to 2 years to 6 years, and it is retroactive to April 1, 111 or the date of purchase, so the impact of changes in accounting estimates on depreciation expenses in 2011 and future years as follows:

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
Increase (decrease) of depreciation expense	<u>(\$ 15,354)</u>	<u>(\$ 11,882)</u>	<u>\$ 2,386</u>	<u>\$ 3,603</u>	<u>\$ 6,797</u>	<u>\$ 9,944</u>	<u>\$ 4,506</u>

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and revolving funds	\$ 55	\$ 58
Checking accounts and demand deposits	149,776	163,485
Time deposits	103,039	21,750
Total	<u>\$ 252,870</u>	<u>\$ 185,293</u>

A. The Group associates with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. Details of the Group's cash and cash equivalents pledged to others as collateral are provided in Note 8.

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

Item	December 31, 2022	December 31, 2021
Non-Current items:		
Equity instruments		
Unlisted stock	\$ -	\$ 11,887
Valuation adjustment	<u>-</u>	<u>(3,897)</u>
Total	<u>\$ -</u>	<u>\$ 7,990</u>

- A. The Group has elected to classify equity investments that are considered to strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$ 0 and \$7,990 as at December 31, 2022, and 2021, respectively.
- B. The equity instruments invested by the Group in 2022 and 2021 – Fortune Rich Investment Corporation. The capital reduction and return of shares are \$773 and \$0 respectively.
- C. In October 2022, the Group will dispose of all at fair value through other comprehensive income.
- D. Amounts recognized in other comprehensive income in relation to financial assets at fair value through other comprehensive income listed below:

	Years Ended	
	December 31, 2022	December 31, 2022
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognized in other comprehensive income	<u>(\$ 7,180)</u>	<u>(\$ 340)</u>
Dividend income recognized in profit or loss	<u>\$ -</u>	<u>\$ 480</u>
Reclassified from other equity to retained earnings due to disposal	<u>\$ 11,077</u>	<u>\$ -</u>

(3) Accounts receivable

	December 31, 2022	December 31, 2021
Accounts receivable	\$ 125,242	\$ 203,254
Accounts receivable - related parties -	<u>2,370</u>	<u>5,786</u>
	127,612	209,040
Less: Allowance for losses –	<u>(166)</u>	<u>-</u>
	<u>\$ 127,446</u>	<u>\$ 209,040</u>

A. The ageing analysis of accounts receivable is as follows:

December 31, 2022 December 31, 2021

Not past due	\$	113,182	\$	203,161
within 30 days		5,544		5,879
31-90 days		5,044		-
91-180 days		3,842		-
Over 181 days –		-		-
	\$	<u>127,612</u>	\$	<u>209,040</u>

The above aging analysis was based on past due date.

B. The accounts receivable on December 31, 2022 and 2021 were all due to the contract with the customer, and the balance of the account receivable from the customer on January 1, 2020 was \$214,171.

C. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum hedge to credit risk in respect of the amount that best represents the Group's accounts receivable is its book value.

D. Information relating to credit risk is provided in Note 12(2).

(4) Inventories

	<u>December 31, 2022</u>		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 146,635	(\$ 43,011)	\$ 103,624
Work in progress	74,052	(2,582)	71,470
Finished goods & semi-finished product	<u>286,223</u>	<u>(58,239)</u>	<u>227,984</u>
	<u>\$ 506,910</u>	<u>(\$ 103,832)</u>	<u>\$ 403,078</u>

	<u>December 31, 2021</u>		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 137,613	(\$ 49,163)	\$ 88,450
Work in progress	131,478	(7,508)	123,970
Finished goods & semi-finished product	<u>277,738</u>	<u>(80,498)</u>	<u>197,240</u>
	<u>\$ 546,829</u>	<u>(\$ 137,169)</u>	<u>\$ 409,660</u>

The Group recognized as expense or loss:

	<u>Year ended December 31,</u>	
	2022	2021
Cost of goods sold	\$ 734,322	\$ 1,085,877
Reversal of allowance on market value decline and obsolete and slow-moving inventories	(9,002)	(12,651)
Normal capacity difference	8,914	10,365
Sales of scraps and other income	<u>(1,003)</u>	<u>(2,214)</u>

\$ 733,231 \$ 1,081,377

The reversal of allowance was recognized due to sale of certain inventories which were previously provided with allowance for price decline.

(5) Investments accounted for under the equity method

	2022	2021
At January 1	\$ 21,655	\$ 22,883
Share of profit or loss of investments accounted for using equity method	1,897 (	959)
unrealized sales benefit	(300) (	500)
Realized sales benefit	500	231
At December 31	<u>\$ 23,752</u>	<u>\$ 21,655</u>

The carrying amounts of individual insignificant related companies of the Group and their shares in operating results are summarized as follows:

Associates	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
	Number of Accounts	Shareholding ratio	Number of Accounts	Shareholding ratio
Optomedia Technology Inc	<u>\$ 23,752</u>	<u>29.94%</u>	<u>\$ 21,655</u>	<u>29.94%</u>

	2022	2021
Net Profit(loss) for the period	<u>\$ 2,068</u>	<u>\$ 82</u>
Other comprehensive income (loss)	<u>\$ 2,068</u>	<u>\$ 82</u>

(6) Property, plant and equipment

	2022			
	<u>Buildings</u>	<u>Machinery</u>	<u>Others</u>	<u>Total</u>
January 1, 2022				
Cost	\$ 881,428	\$ 2,671,585	\$ 135,132	\$ 3,688,145
Accumulated depreciation and impairment	<u>(580,566)</u>	<u>(2,283,371)</u>	<u>(94,074)</u>	<u>(2,958,011)</u>
	<u>\$ 300,862</u>	<u>\$ 388,214</u>	<u>\$ 41,058</u>	<u>\$ 730,134</u>
January 1, 2022	\$ 300,862	\$ 388,214	\$ 41,058	\$ 730,134
Acquisitions	1,275	11,081	6,235	18,591
Disposals	-	(2,138)	-	(2,138)
Transfers	872	34,132	(35,004)	-
Depreciation	(41,148)	(117,598)	(9,062)	(167,808)
Effect of exchange rate changes	-	4,763	171	4,934
December 31, 2022	<u>\$ 261,861</u>	<u>\$ 318,454</u>	<u>\$ 3,398</u>	<u>\$ 583,713</u>

December 31, 2022				
Cost	\$ 883,575	\$ 2,659,374	\$ 107,894	\$ 3,650,843
Accumulated depreciation and impairment	<u>(621,714)</u>	<u>(2,340,920)</u>	<u>(104,496)</u>	<u>(3,067,130)</u>
	<u>\$ 261,861</u>	<u>\$ 318,454</u>	<u>\$ 3,398</u>	<u>\$ 583,713</u>
2021				
January 1, 2021	<u>Buildings</u>	<u>Machinery</u>	<u>Others</u>	<u>Total</u>
Cost	\$ 882,573	\$ 2,655,313	\$ 137,542	\$ 3,675,428
Accumulated depreciation and impairment	<u>(528,859)</u>	<u>(2,111,108)</u>	<u>(78,103)</u>	<u>(2,718,070)</u>
	<u>\$ 353,714</u>	<u>\$ 544,205</u>	<u>\$ 59,439</u>	<u>\$ 957,358</u>
January 1, 2021	\$ 353,714	\$ 544,205	\$ 59,439	\$ 957,358
Acquisitions	927	9,171	30,898	40,996
Disposals	-	(617)	(28)	(645)
Transfers	2,163	30,318	(32,481)	-
Depreciation	(55,942)	(194,160)	(16,669)	(266,771)
Net exchange differences	<u>-</u>	<u>(703)</u>	<u>(101)</u>	<u>(804)</u>
December 31, 2021	<u>\$ 300,862</u>	<u>\$ 388,214</u>	<u>\$ 41,058</u>	<u>\$ 730,134</u>
December 31, 2021				
Cost	\$ 881,428	\$ 2,671,585	\$ 135,132	\$ 3,688,145
Accumulated depreciation and impairment	<u>(580,566)</u>	<u>(2,283,371)</u>	<u>(94,074)</u>	<u>(2,958,011)</u>
	<u>\$ 300,862</u>	<u>\$ 388,214</u>	<u>\$ 41,058</u>	<u>\$ 730,134</u>

A. There was no capitalization of interest in both 2022 and 2021.

B. The significant components of the group's buildings and constructions include buildings and attached equipment, which are depreciated over 40 years and 5-10 years, respectively.

C. For information on the group's provision of collateral using real estate, buildings, and equipment, please refer to Note 8 for details.

(7) Leasing arrangements-lessee

A. The leased assets of the Group include land and buildings, with lease terms typically ranging from 2 to 22 years, taking into account the priority of renewal options and the duration of contracts. Lease contracts are individually negotiated and include various terms and conditions, with no other restrictions imposed on the use of leased assets other than as collateral for borrowing.

B. Information on the carrying amounts of and depreciation expenses recognized for right-of-use assets is presented as follows:

Carrying amount	
<u>December 31, 2022</u>	<u>December 31, 2021</u>

Land	\$	119,391	\$	125,614
Housing		<u>5,946</u>		<u>-</u>
	\$	<u>125,337</u>	\$	<u>125,614</u>

		Depreciable amount	
		2022	2021
Land	\$	6,790	\$ 6,760
Housing		<u>5,987</u>	<u>5,550</u>
	\$	<u>12,777</u>	<u>\$ 12,310</u>

C. The additions to right-of-use assets for the years ended December 31, 2022 and 2021 were \$12,623 and \$0, respectively.

D. Information on profit or loss items related to lease agreements is as follows:

		2022	2021
Interest expense on lease liabilities	\$	<u>2,161</u>	<u>\$ 1,896</u>

E. The total cash outflows for lease payments of the Group were \$14,040 and \$13,508 for the years ended December 31, 2022 and 2021, respectively.

(8) Intangible assets

		2022			
January 1, 2022		<u>Software</u>	<u>Goodwill</u>	<u>Others</u>	<u>Total</u>
Cost	\$	18,962	\$ 11,292	\$ 7,500	\$ 37,754
Accumulated amortization and Impairment		<u>(17,101)</u>	<u>-</u>	<u>(3,000)</u>	<u>(20,101)</u>
	\$	<u>1,861</u>	<u>\$ 11,292</u>	<u>\$ 4,500</u>	<u>\$ 17,653</u>
January 1, 2022	\$	1,861	\$ 11,292	\$ 4,500	\$ 17,653
Additions		659	-	-	659
Amortization expense		<u>(1,648)</u>	<u>-</u>	<u>(1,500)</u>	<u>(3,148)</u>
December 31, 2022	\$	<u>872</u>	<u>\$ 11,292</u>	<u>\$ 3,000</u>	<u>\$ 15,164</u>
December 31, 2022					
Cost	\$	19,621	\$ 11,292	\$ 7,500	\$ 38,413
Accumulated amortization expense		<u>(18,749)</u>	<u>-</u>	<u>(4,500)</u>	<u>(23,249)</u>
	\$	<u>872</u>	<u>\$ 11,292</u>	<u>\$ 3,000</u>	<u>\$ 15,164</u>
		2021			
January 1, 2021		<u>Software</u>	<u>Goodwill</u>	<u>Others</u>	<u>Total</u>
Cost	\$	17,983	\$ 11,292	\$ 7,500	\$ 36,775
Accumulated amortization		<u>(15,952)</u>	<u>-</u>	<u>(1,500)</u>	<u>(17,452)</u>

and Impairment

	<u>\$ 2,031</u>	<u>\$ 11,292</u>	<u>\$ 6,000</u>	<u>\$ 19,323</u>
January 1, 2021	\$ 2,031	\$ 11,292	\$ 6,000	\$ 19,323
Additions	979	-	-	979
Amortization expense	<u>(1,149)</u>	<u>-</u>	<u>(1,500)</u>	<u>(2,649)</u>
December 31, 2021	<u>\$ 1,861</u>	<u>\$ 11,292</u>	<u>\$ 4,500</u>	<u>\$ 17,653</u>
December 31, 2021				
Cost	\$ 18,962	\$ 11,292	\$ 7,500	\$ 37,754
Amortization expense	<u>(17,101)</u>	<u>-</u>	<u>(3,000)</u>	<u>(20,101)</u>
	<u>\$ 1,861</u>	<u>\$ 11,292</u>	<u>\$ 4,500</u>	<u>\$ 17,653</u>

A. The details of intangible assets are as follows:

	<u>2022</u>	<u>2021</u>
G&A expense	\$ 107	\$ 98
R&D expense	<u>3,041</u>	<u>2,551</u>
	<u>\$ 3,148</u>	<u>\$ 2,649</u>

B. The Group has no incidents of providing collateral with intangible assets.

(9) Short-term borrowings

<u>Type of loans</u>	<u>December 31, 2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank unsecured loans	\$ 48,036	2.225%~5.75%	None
Bank secured loans	<u>328,378</u>	1.725%~6.3209%	Bank deposits, house, building
	<u>\$ 376,414</u>		
<u>Type of loans</u>	<u>December 31, 2021</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank unsecured loans	\$ 228,357	1.15037%~5.95%	None
Bank secured loans	<u>301,009</u>	1.65%~1.70%	Bank deposits, house, building
	<u>\$ 529,366</u>		

A. The interest expenses recognized in the income statement for the years 2022 and 2021 were \$9,221 and \$10,139, respectively.

B. Please refer to Note 8 for details on the collateral provided for borrowings.

(10) Financial liabilities measured at fair value through profit or loss.

A. Financial liabilities measured at fair value through profit or loss are recognized in the income statement as follows:

<u>Item</u>	<u>2022</u>	<u>2021</u>
-------------	-------------	-------------

Fair value gain recognized in the income statement	\$ 5,010	\$ 498
Interest expense recognized in the income statement	\$ -	\$ -

- B. The non-current portion of financial liabilities measured at fair value through profit or loss refers to convertible preferred stock issued by YLTLINK Technology Co., ("YLTLINK") on January 20, 2022, which is classified as a hybrid instrument. Upon initial recognition, YLTLINK designated the entire preferred stock as a financial liability measured at fair value through profit or loss. In the year 2022, the Group recognized a fair value gain of \$5,010 with no credit risk adjustment related to the liability.
- C. Regarding the issuance conditions of the convertible preferred stock issued by YLTLINK, they are as follows:
- a. The issuance period of this preferred stock is three years, and it will be redeemed in cash at the end of the period by adding the accumulated unpaid dividends to the issuance price.
 - b. The annual dividend rate of this preferred stock is 1.5%, calculated based on the issuance price per share. The number of dividends to be distributed for the year of issuance and redemption will be calculated based on the proportion of actual days of issuance in the year to the total number of days in the year.
 - c. The dividends of this preferred stock should be paid once a year in cash, and the ex-dividend date should be set by the Board of Directors after the approval of the financial report at the annual shareholders' meeting. However, if the cash dividend per share of the common stock proposed to be distributed in the current year exceeds the dividend per share of the preferred stock, the preferred shareholders have the right to participate in the distribution up to the amount equal to the dividend per share of the preferred stock and the cash dividend per share of the common stock.
 - d. If the annual net profit of YLTLINK is not sufficient to distribute the preferred stock dividends, the company should still distribute a portion of the preferred stock dividends. The undistributed or insufficient dividends shall be accumulated and made up in the future years with profits.
 - e. When YLTLINK issues new shares in cash, both the preferred shareholders and common shareholders have preemptive rights according to relevant company laws and regulations. Regardless of whether the preferred shareholders are entitled to the preferred stock dividends or not, when the company distributes earnings or capital reserve for capital increase, the preferred shareholders have the right to participate in the distribution of the stock dividends, and the amount of stock dividends per share for each preferred stock should be the same as that for each common stock.
 - f. The voting rights and election rights of the preferred shareholders are the same as those of the common stock regarding the proposal and election of the board of directors.
 - g. Conversion to Common Shares: From the day following the six-month anniversary of the issuance of these preferred shares until ten days before the expiration date, except during periods of transfer suspension in accordance with the law, shareholders of these preferred shares may apply to convert all or part of their holdings of these preferred shares to common shares. The conversion formula is the issuance price of these preferred shares divided by the value per share of the most recent audit by a certified public accountant, with the resulting number (rounded down to the nearest whole number) being the number of common shares that each preferred share may be converted into. After the conversion of these preferred shares to common shares, the rights and obligations thereof shall be the same as those of common shares. The distribution amount of annual dividends for the converted common shares shall be calculated based on the actual number of days of issuance in the current fiscal year divided by

the total number of days in the fiscal year. However, shareholders who convert their preferred shares to common shares before the ex-dividend (interest) date of the annual dividend distribution in each fiscal year shall not be entitled to participate in the distribution of the preferred stock dividends of that fiscal year or subsequent fiscal years, but may participate in the distribution of common stock dividends for that fiscal year.

h. When YLTLink Technology Co., reduces its capital, the existing shareholder rights stipulated in the original issuance terms of the preferred shares should be adjusted proportionally to maintain the existing shareholder rights of the preferred shares, including the total amount of dividends and the total amount of redemption prices that are the same as before the reduction.

D. On August 31, 2022, the board of directors of YLTLink Technology Co. passed a resolution to approve the reduction of capital and increase of capital by converting Class A preferred shares into common shares, with a conversion ratio of 1 share of preferred shares converted into 3 shares of common shares. The base date for the reduction of the preferred shares and the increase of the common shares by conversion was August 31, 2022. As of December 31, 2022, all of the issued preferred shares of W-Land Telecom Co., Ltd. have been fully converted into common shares.

(11) Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Salary and bonus payables	\$ 49,616	\$ 54,725
Payable on employees and director remuneration	347	347
Payable on employees and director remuneration	7,099	6,934
Others	<u>65,835</u>	<u>81,723</u>
	<u>\$ 122,897</u>	<u>\$ 143,729</u>

(12) Long-term borrowings

Institutions	Loan period	Collateral	December 31, 2022	December 31, 2021
Taiwan Business Bank secured loan	2017.01.26~2022.01.26	Plant	\$ -	\$ 9,722
Taiwan Business Bank unsecured loan	2021.01.04~2026.01.04	None	30,833	40,000
Taiwan Business Bank unsecured loan	2022.12.30~2027.12.30	None	10,000	-
Hua Nan Commercial Bank unsecured loan	2017.12.18~2024.12.18	None	12,000	18,000
Hua Nan Commercial Bank unsecured loan	2018.05.23~2025.05.23	None	9,667	13,667
First Commercial Bank unsecured loan	2022.12.30~2027.12.30	None	12,500	-
E.Sun Commercial Bank unsecured loan	2022.09.01~2025.03.01	None	72,157	-
Taiwan Cooperative Bank unsecured loan	2027.04.27~2022.04.27	None	-	6,667
Mega Bank unsecured loan	2021.11.30~2026.11.30	None	25,458	10,000
FCB Leasing Co., Ltd. secured loan	2022.06.20~2026.06.20	Machinery, equipment	39,827	-
			<u>212,442</u>	<u>98,056</u>
Less: current portion of long-term loans payable (stated in other current liabilities)			<u>(61,304)</u>	<u>(35,764)</u>
			<u>\$ 151,138</u>	<u>\$ 62,292</u>
Interest rate range			<u>1.75%~4.595%</u>	<u>1.00%~1.95%</u>

A. The Group did not utilize the borrowing facilities as of December 31, 2022 and December 31, 2021, with the respective amounts of \$37,500 and \$0.

B. Collateral provided for borrowings, please refer to Note 8 for details

(13) Pensions

- A. Since July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution retirement plan in accordance with the “Labor Pension Act” for their employees who are citizens of Taiwan. The plan is applicable to a portion of employees who choose to participate in the “Labor Pension Act” system. The Company and its domestic subsidiaries contribute 6% of the employees’ monthly salaries to the employees’ individual accounts with the Labor Insurance Bureau as retirement benefits, and the retirement benefits are paid to employees in the form of monthly annuities or lump-sum payments based on the accumulated balance and investment income in the employees’ individual retirement accounts.
- B. Zhuhai FTZ. ProRay Optoelectronics Technology Co., Ltd. contributes to the social security fund, including pension insurance, in accordance with the regulations of the People's Republic of China. The company has no further obligation beyond the monthly contributions.
- C. The retirement benefit expenses recognized by the Group in accordance with the above retirement benefit plan for the years 2022 and 2021 were \$19,245 and \$20,668, respectively.

(14) Share Capital

As of December 31, 2022, the authorized capital of the company was \$1,200,000, divided into 120,000 shares (including 6,000 shares that can be subscribed by employees' share option warrants), with a paid-up capital of \$764,747 and a par value of \$10 per share. All the share capital issued by the company has been fully collected.

The number of outstanding shares of common stock at the beginning and end of the period is adjusted as follows:

	Unit: Thousand shares	
	2022	2021
January 01 & December 31	<u>76,475</u>	<u>76,475</u>

(15) Capital Surplus

According to the Company Act, the excess proceeds received from the issuance of stocks beyond their face value and the capital surplus obtained from receiving gifts may be used to offset losses. When the company has no accumulated losses, the excess and surplus may be distributed in the form of new shares or cash in proportion to the original shareholders' equity. Additionally, according to relevant regulations under the Securities and Exchange Act, when the capital surplus is transferred to the capital stock, the total amount transferred each year shall not exceed ten percent of the paid-in capital. The company may not use the capital surplus to make up for any capital deficiency if there is still not enough to fill the shortfall after the profits surplus is utilized.

	2022			
	<u>Capital Surplus</u>	Restricted Shares	<u>Changes in ownership interest</u>	<u>Total</u>
January 1, 2022	\$ 173,917	\$ -	\$ -	\$ 173,917
Transactions with non- controlling interests	-	-	6,326	6,326
December 31, 2022	<u>\$ 173,917</u>	<u>\$ -</u>	<u>\$ 6,326</u>	<u>\$ 180,243</u>

2021		
<u>Capital Surplus</u>	Restricted	<u>Total</u>

	<u>Shares</u>					
January 1, 2021	\$	160,601	\$	13,316	\$	173,917
Vested in restricted shares		<u>13,316</u>	(	<u>13,316</u>)		-
December 31, 2021	<u>\$</u>	<u>173,917</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>173,917</u>

(16) Retained Earnings

- A. If there is any profit in the annual settlement of the company, taxes and donations shall be paid in accordance with the law. After offsetting accumulated losses, 10% of the remaining profit shall be allocated to the legal reserve. However, if the amount in the legal reserve has reached the actual paid-in capital of the company, no further allocation is required. The remaining profit shall be allocated together with the accumulated undistributed profit, and the board of directors shall propose a profit distribution proposal for the approval of the shareholders' meeting.
- B. The dividend policy of the company follows the principle of steady and balanced development. The company will consider the business environment, growth stage, future capital requirements, long-term financial planning, and the cash flow needs of shareholders. The company will allocate not less than 5% of the distributable profit each year to distribute dividends to shareholders. However, if the accumulated distributable profit is less than 10% of the actual paid-in capital, no distribution shall be made. When distributing dividends to shareholders, cash or stock dividends may be used, with the cash dividend not less than 10% of the total dividends.
- C. The legal reserve can only be used to offset losses, issue new shares or distribute cash in proportion to the original shareholding of the shareholders. However, when issuing new shares or distributing cash, the amount in the legal reserve shall not exceed 25% of the actual paid-in capital.
- D. When distributing profit, the company shall only distribute after setting aside the remaining balance of other equity items on the balance sheet as of the end of the current year, and transferring it to special reserve. When the remaining balance of other equity items is reversed in the future, the reversed amount can be included in the distributable profit.
- E. In the shareholder meeting on May 26, 2022, the resolution to offset losses in the fiscal year 2021 was passed. In the shareholder meeting on July 15, 2022, the resolution to distribute profits in the fiscal year 2020 was passed. After setting aside legal reserve of \$433 and special reserve of \$3,893, there was no distributable profit.

(17) Other Equity Items

	<u>2022</u>		
	<u>Unrealized</u> <u>evaluation</u> <u>gain (loss)</u>	<u>Unearned</u> <u>compensation</u>	<u>Foreign currency</u> <u>translation</u>
January 1, 2022	(\$ 3,897)	\$ -	(\$ 18,077)
Adjustments for change in value	(7,180)	-	-
Disposal of financial assets at fair value through other comprehensive income	11,077		

Currency translation difference	-	-	8,720
-the Group			
December 31, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 9,357)</u>

	2021		
	Unrealized evaluation gain (loss)	<u>Unearned compensation</u>	Foreign currency translation
January 1, 2021	(\$ 3,557)	(\$ 13,581)	(\$ 17,135)
Share-based payments	-	13,581	-
Adjustments for change in value (	340)	-	-
Currency translation difference	-	-	(942)
December 31, 2021	<u>(\$ 3,897)</u>	<u>\$ -</u>	<u>(\$ 18,077)</u>

(18) Sales Revenues

	2022	2021
Revenue from contracts with customers	<u>\$ 989,635</u>	<u>\$ 1,313,847</u>

The Company's revenue, which is derived from transfer of goods at a point of time, is subcategorized into the following geographic areas and product categories:

Geographic areas:

	2022	2021
China	\$ 224,164	\$ 429,457
Taiwan	357,290	441,817
Others in Asia	168,717	203,848
Europe and America	<u>239,464</u>	<u>238,725</u>
	<u>\$ 989,635</u>	<u>\$ 1,313,847</u>

Product category :

	2022	2021
Chips and components	\$ 705,406	\$ 789,335
Optical transmission and connection modules	<u>284,229</u>	<u>524,512</u>
	<u>\$ 989,635</u>	<u>\$ 1,313,847</u>

Revenue for the years 2022 and 2021 were categorized by product application, with percentages as follows: Broadband Network 30% and 18%, 4G/5G Base Station Interconnection 28% and 34%, Cloud Data Center 13% and 20%, Smartphone 25% and 24%, and Other 4% and 4%.

(19) Interest income

	2022	2021
Bank deposit interest	\$ 1,272	\$ 298

(20) Other income

	2022	2021
rental income	\$ 1,153	\$ 570
dividend income	-	480
Other income — Other	2,466	2,943
	<u>\$ 3,619</u>	<u>\$ 3,993</u>

(21) Other gains and losses , net

	2022	2021
Disposal of property, plant and equipment gain (loss)	\$ 75	(\$ 630)
foreign currency exchange gain (loss)	14,663	(1,338)
financial assets and liabilities measured at fair value through profit or loss net gain	5,010	498
Other expenses	(1,086)	(256)
	<u>\$ 18,662</u>	<u>(\$ 1,726)</u>

(22) Financial Cost

	2022	2021
Interest expense	\$ 13,422	\$ 14,627

(23) Additional information on the nature of expenses

	2022	2021
Employee benefits expenses	\$ 386,511	\$ 458,893
Depreciation expenses	180,585	279,081
Amortization expenses	3,148	2,649
	<u>\$ 570,244</u>	<u>\$ 740,623</u>

(24) Employee benefits expenses

	2022	2021
Salary	\$ 324,396	\$ 379,135
Share-based payment expenses refer to the costs	-	13,581
Labor and Health Insurance Expenses "	27,879	28,607

Pension Expenses	19,245	20,668
Other Employee Benefits Expenses	<u>14,991</u>	<u>16,902</u>
	<u>\$ 386,511</u>	<u>\$ 458,893</u>

- A. According to the company's articles of association, the company is required to allocate 4% to 10% of any remaining balance after deducting accumulated losses based on the profitability of the current year as employee compensation, with director compensation not exceeding 4%.
- B. Due to net losses in the fiscal years 2022 and 2021, no expenses related to employee and director compensation were estimated.
- C. The difference between the director compensation approved by the board of directors for the fiscal year 2020 and the amount recognized in the financial statements for the same period is \$116. This difference was recognized in the income statement for the fiscal year 2021 mainly due to the variance between the estimated amount and the approved amount.

Information related to employee and director compensation approved by the board of directors is available on the Public Information Observation.

(25) Income tax

A. Income tax (income) expense

a. Components of income tax (income) expense :

	<u>2022</u>	<u>2021</u>
Current tax :		
Income tax arising from current income	\$ -	\$ 6,766
Income tax over/understatement for previous years	<u>(103)</u>	<u>89</u>
Total current tax	<u>(103)</u>	<u>6,855</u>
Deferred tax :		
Effect on changes of realizable deferred tax assets or liabilities	<u>(103)</u>	<u>-</u>
Total deferred tax	<u>(103)</u>	<u>-</u>
Income tax (income) expense	<u><u>(\$ 206)</u></u>	<u><u>\$ 6,855</u></u>

b. No income tax (income) expense is related to components of other comprehensive income.

c. Income tax amount directly debited or credited to equity: None

B. The amounts of each deferred income tax asset or liability arising from tax losses are as follows:

	<u>2022</u>	<u>2021</u>
Tax calculated based on profit before tax and statutory tax rate	(\$ 25,140)	(\$ 20,013)
Income tax impact of items excluded according to tax law	-	225
Tax exempt income by tax regulation	-	(96)
Origination and reversal of temporary differences	(207)	(5,185)

Effect from loss based on tax regulation unrecognized as deferred tax assets		25,368	31,835
Effect on changes of realizable deferred tax assets or liabilities	(	124)	-
Over/ understatement of previous year's income tax	(	<u>103)</u>	<u>89</u>
Income tax (income) expense		<u><u>(\$ 206)</u></u>	<u><u>\$ 6,855</u></u>

C. The expiration dates of unused tax losses and the amounts of unrecognized deferred tax assets related to them are as follows for the group

2022					
	January 1	Recognized in Profit or loss	Recognized in other Comprehensive income	Recognized in equity	December 31
Tax loss	<u>\$ 23,382</u>	<u>\$ 103</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$23,485</u>
Total	<u><u>\$ 23,382</u></u>	<u><u>\$ 103</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$23,485</u></u>

2021					
	January 1	Recognized in Profit or loss	Recognized in other Comprehensive income	Recognized in equity	December 31
Tax loss	<u>\$ 23,382</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$23,382</u>
Total	<u><u>\$ 23,382</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$23,382</u></u>

D.As of December 31, 2022 and 2021, the expiry date of the tax losses
December 31, 2022

<u>Year of loss</u>	<u>Declared/ approved</u>	<u>Unused losses</u>	<u>Loss unrecognized as deferred assets</u>	<u>Expiry date</u>
2017	\$ 513,747	\$ 513,747	\$ 396,837	2027
2018	169,416	169,416	169,416	2028
2019	216,682	216,682	216,682	2029
2020	100,908	100,908	100,908	2030
2021	156,461	156,461	156,461	2031
2022	44,646	44,646	44,646	2027
2022	<u>71,032</u>	<u>71,032</u>	<u>71,032</u>	2032
	<u>\$ 1,272,892</u>	<u>\$ 1,272,892</u>	<u>\$ 1,155,982</u>	

December 31, 2021

<u>Year of loss</u>	<u>Declared/ approved</u>	<u>Unused losses</u>	<u>Loss unrecognized as deferred assets</u>	<u>Expiry date</u>
2017	\$ 513,747	\$ 513,747	\$ 396,837	2027
2018	169,416	169,416	169,416	2028
2019	216,682	216,682	216,682	2029
2020	100,908	100,908	100,908	2030
2021	<u>156,461</u>	<u>156,461</u>	<u>156,461</u>	2031
	<u>\$ 1,157,214</u>	<u>\$ 1,157,214</u>	<u>\$ 1,040,304</u>	

E. Unrecognized temporary differences that are not recognized as deferred income tax assets:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Temporary differences that are deductible	<u>\$ 237,142</u>	<u>\$ 239,042</u>

F. Our company's profit-seeking enterprise income tax has been verified and assessed by the tax collection agency up until the fiscal year of 2020

(26) loss per share

	<u>2022</u>	
	<u>Amount after tax</u>	<u>Weighted average number of common shares outstanding (shares in thousands)</u>
		<u>Loss per share (in dollars)</u>
<u>Basic loss per share</u>		
The period net loss attributed to ordinary shareholders of the parent company	<u>(\$ 26,187)</u>	<u>76,475</u>
		<u>(\$ 0.34)</u>

	2021		
	Amount after tax	Weighted average number of common shares outstanding (shares in thousands)	Loss per share (in dollars)
<u>Basic loss per share</u>			
The period net loss attributed to ordinary shareholders of the parent company	<u>(\$ 132,770)</u>	<u>76,112</u>	<u>(\$ 1.74)</u>

For the fiscal year 2021, restricted employee stock options have an anti-dilutive effect and are not considered in the calculation of diluted loss per share. Therefore, diluted loss per share is the same as basic loss per share.

(27) Transactions with non-controlling interests

On August 31, 2022, the Class A preferred shares issued by our subsidiary, YLTLink Technology Co., were converted into common shares, resulting in a 31% reduction in our equity ownership as we did not exercise our right to purchase additional shares based on our percentage of ownership. This transaction increased non-controlling interests by \$18,664, and increased the equity attributable to the parent company's owners by \$6,326.

(28) Cash flow supplemental information

Investing activities with partial cash collection and payments :

	2022	2021
Purchase of property, plant and equipment	\$ 18,591	\$ 40,996
Add: Opening balance of payable on equipment	6,934	14,037
Less: Ending balance of payable on equipment	(7,099)	(6,934)
RXCH	<u>(2,138)</u>	<u>-</u>
Cash paid during the year	<u>\$ 16,288</u>	<u>\$ 48,099</u>
Issuance of convertible special shares	\$ 30,000	\$ -
Less: Advance receipts at the beginning of the period	(13,517)	-
Add: advance receipt at the end of the period	<u>-</u>	<u>13,517</u>
Amount of cash received in the current period	<u>\$ 16,483</u>	<u>\$ 13,517</u>

All of the convertible preferred shares for the fiscal year 2022 have been converted into

common shares. Please refer to Note 6(10) for further details

(29) Changes in liabilities from financing activities

	Short-term loans	Prefer Stock Liability	Long-term loans (including current portion)	Lease Liabilities	Total liabilities from financing activities
January 1, 2022	\$529,366	\$ -	\$ 98,056	\$128,307	\$ 755,729
Changes in cash flow	(153,777)	16,483	114,386	(11,879)	(34,787)
Interest paid	-	-	-	(2,161)	(2,161)
RXCH	825	-	-	32	857
Other non-cash changes	-	(16,483)	-	14,628	(1,855)
December 31, 2022	<u>\$376,414</u>	<u>\$ -</u>	<u>\$ 212,442</u>	<u>\$128,927</u>	<u>\$ 717,783</u>

	Short-term loans	Long-term loans (including current portion)	Lease Liabilities	Total liabilities from financing activities
January 1, 2021	\$ 591,207	\$ 208,753	\$ 139,946	\$ 939,906
Changes in cash flow	(61,714)	(110,519)	(11,612)	(183,845)
Interest paid	-	-	(1,896)	(1,896)
RXCH	(127)	(178)	(27)	(332)
Other non-cash changes	-	-	1,896	1,896
December 31, 2021	<u>\$ 529,366</u>	<u>\$ 98,056</u>	<u>\$ 128,307</u>	<u>\$ 755,729</u>

7. Related party transactions

(1) The names and relationships of related parties

Related Party Name	Relationship with the Group
Optomedia Technology Inc.	affiliated enterprise
Mr. Le-Chun Wang	other related party

(2) Significant transactions with related parties

A. Revenues

	2022	2021
Revenues		
Affiliated enterprises	<u>\$ 24,332</u>	<u>\$ 25,336</u>

There were no significant differences in the prices and payment terms of the goods sold

B. Accounts receivable from related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable		
Affiliated enterprises	<u>\$ 2,370</u>	<u>\$ 5,786</u>

Accounts receivable from related parties mainly result from product sales, with a payment term of 60 days from the end of the month. The receivables are unsecured and interest-free, and no allowance for doubtful accounts has been recorded.

In October, 2022, the Group disposed of all financial assets measured at fair value through other comprehensive income to Mr. Lequn Wang at their fair value for a total consideration of \$37. As of December 31, 2022, the consideration has been fully collected.

(3) Information on the compensation of the key management personnel.

	<u>2022</u>	<u>2021</u>
Salary and other short-term employee benefits	\$ 32,524	\$ 31,985
Post-employment benefits	648	621
The cost of share-based payments for employee compensation.	-	1,210
Total	<u>\$ 33,172</u>	<u>\$ 33,816</u>

8. Collateral (Pledged) asset

The details of assets provided as collateral by our group are as follows

Pledged assets	<u>Carrying amount</u>		Pledged Purposes
	<u>December 31, 2022</u>	<u>December 31, 2021</u>	
Demand deposits (listed in non-current financial assets at amortized cost)	\$ 35,038	\$ 28,010	Pledged for short-term loans
Time deposits (listed in non-current financial assets at amortized cost)	39,581	8,846	Pledged for short-term loans, customs duties guarantee and lease guarantee
Buildings	186,896	196,928	Pledged for long/short-term loans
Machinery, Equipment	29,588	-	Pledged for long-term loans
	<u>\$ 291,103</u>	<u>\$ 233,784</u>	

9. Significant contingencies and unrecorded contractual commitments

Capital expenditures incurred but not yet recognized due to signed contracts

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Real estate, plants, and equipment	\$ 5,456	\$ 11,383

10. Loss from a significant disaster:

None

11. Significant events after the reporting period:

None

12. Other

(1) Capital management

The objective of capital management in our group is to ensure that each enterprise within the group can continue to operate and grow, while optimizing debt and equity balances to provide sufficient returns to shareholders. The capital structure management strategy of our group is based on the industry scale, future growth prospects and product development plans of our business, taking into account the cyclical fluctuations of the industry and product life cycles, in order to plan the necessary production capacity and corresponding capital expenditures and determine an appropriate capital structure for the group. The management team of our group regularly reviews the capital structure and considers the costs and risks associated with different capital structures. Generally, our group adopts a prudent risk management strategy.

As of December 31, 2022, and December 31, 2021, the debt-to-equity ratios of the Group were as follows:

	<u>December 31 2022</u>	<u>December 31 2021</u>
Total liabilities	\$ 869,164	\$ 989,120
Total assets	<u>1,642,463</u>	<u>1,781,983</u>
Debt-to-asset ratio	<u>53%</u>	<u>56%</u>

(2) Financial instruments

A. Types of financial instruments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at fair value through other comprehensive income	\$ -	\$ 7,990
Designation of equity instrument -non-current		
Financial assets at amortized cost		
Cash and cash equivalents	\$ 252,870	\$ 185,293
Accounts receivable (including related person)	127,446	209,040
Other receivables	690	1,719
Refundable deposits	2,960	2,871
Other financial assets	<u>74,619</u>	<u>36,856</u>
	<u>\$ 458,585</u>	<u>\$ 435,779</u>

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost		
Short-term loans	376,414	529,366
Notes payable	2,826	720
Accounts payable	22,644	73,196
Other payables	122,897	143,729
Long-term loans (including current)	212,442	98,056
Deposits received	113	113
Other financial liabilities	<u>-</u>	<u>13,517</u>
	<u>\$ 737,336</u>	<u>\$ 858,697</u>
Lease liabilities	<u>\$ 128,927</u>	<u>\$ 128,307</u>

B. Risk Management Policy

The daily operations of this group are subject to various financial risks, including market risks (including currency, interest rate, and price risks), credit risks, and liquidity risks. The overall risk management policy of this group focuses on unpredictable events in the financial market and seeks to reduce the potential adverse impact on the financial condition and performance of this group.

C. Nature and Degree of Significant Financial Risks

The risk management work is carried out by the financial units of this group in accordance with the policies approved by the board of directors. The financial units of this group work closely with the operational units of the group and are responsible for identifying, evaluating, and avoiding financial risks. The financial risk management policy is regularly reviewed to reflect changes in market conditions and the operation of this group.

a. Market Risk

Currency Risk

- I. As this group operates globally, it is exposed to currency risks from various currencies, mainly including the US dollar, Japanese yen, and Chinese yuan. The related currency risks come from future business transactions, recognized assets and liabilities, and net investment in foreign operations.
- II. This group follows the principle of natural hedging and conducts hedging based on the market forex conditions according to the funding needs and net positions (the difference between foreign currency assets and liabilities positions) of each currency. When a short-term imbalance occurs, the group will buy or sell foreign currency at the spot rate to ensure that the net exposure is maintained at an acceptable level.
- III. The business of this group involves several non-functional currencies (the functional currencies of the parent company and some subsidiaries are New Taiwan dollars, and the functional currency of some subsidiaries is Chinese yuan), therefore, it is affected by exchange rate fluctuations. The significant foreign currency assets and liabilities impacted by significant fluctuations are as follows:

	December 31, 2022		
	Foreign current amount (in thousands)	Exchange rate	Carrying amount (NT\$ thousand)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 10,557	30.70	\$ 324,100
RMB:NTD	4,554	4.409	20,079
Yen:NTD	1,994	0.2326	464
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 1,628	30.70	\$ 49,980
USD: RMB	438	6.9646	13,447
RMB:NTD	41,426	4.409	182,647

				December 31, 2021		
				Foreign current amount (in thousands)	Exchange rate	Carrying amount (NT\$ thousand)
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$	11,364		27.67	\$	314,442
RMB:NTD		4,456		4.345		19,361
Yen:NTD		6,881		0.2406		1,656
GPB:NTD		19		37.30		709
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	\$	4,341		27.67	\$	120,115
USD: RMB		440		6.3757		12,175
RMB:NTD		50,560		4.345		219,683

IV. The significant fluctuations in exchange rates have had a significant impact on the monetary items of this group, and the total amount of all recognized exchange gains (losses) (including realized and unrealized) in 2022 and 2021 were \$14,663 and (\$1,338), respectively

V. The analysis of foreign currency market risk for this group due to significant exchange rate fluctuations is as follows:

				2022		
				Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other Comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	1%	\$	3,241	\$		-
RMB:NTD	1%		201			-
Yen:NTD	1%		5			-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	1%	(\$	500)	\$		-
USD:RMB	1%	(	134)			-
RMB:NTD	1%	(	1,826)			-

		2021		
		Sensitivity analysis		
		Degree of variation	_Effect on profit or loss	Effect on other Comprehensive income
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	3,144	\$ -
RMB:NTD	1%		194	-
Yen:NTD	1%		17	-
GPB:NTD	1%		7	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	(\$	1,201)	\$ -
USD:RMB	1%	(	122)	-
RMB:NTD	1%	(	2,197)	-

Price risk

- I. The equity instruments held by the Group that are measured at fair value through other comprehensive income expose the Group to price risk. To manage the price risk of equity investments, the Group diversifies its investment portfolio, which is done based on the limits set by the Group.
- II. The Group mainly invests in equity instruments issued by domestic companies, and the prices of these equity instruments are affected by the uncertainty of the future value of the investment targets. If the prices of these equity instruments rise or fall by 1% while all other factors remain unchanged, the increase or decrease in the gains or losses of equity investments classified as fair value through other comprehensive income for the years 2022 and 2021 would be \$0 and \$119, respectively.

Cash Flow and Fair Value Interest Rate Risks

- I. The Group's interest rate risk mainly arises from floating-rate borrowings issued, exposing the Group to cash flow interest rate risk. In 111 and 110, the Group issued floating-rate borrowings denominated in New Taiwan dollars, US dollars, and Renminbi.
- II. The Group's borrowings are measured at amortized cost and are repriced annually according to the contract's agreed-upon interest rate. Therefore, the Group is exposed to the risk of future market interest rate changes.
- III. When borrowing rates rise or fall by 1%, while all other factors remain constant, the Group's net profit after tax for the years 111 and 110 will decrease or increase by \$4,376 and \$8,072, respectively, mainly due to the fluctuation of interest expense resulting from floating-rate borrowings.

b.Credit Risk

- I.The credit risk of the Group is the risk of financial loss due to the counterparty's inability to fulfill contractual obligations in transactions with customers or financial instruments, mainly from accounts receivable payable according to payment terms and financial assets measured at amortized cost based on contractual cash flows.
- II.The Group establishes credit risk management from the perspective of the Group. For banks and financial institutions with whom the Group has transactions, only those with good credit ratings are accepted as counterparties. According to the internally established credit policy, each operating entity within the Group and each new customer must be managed and analyzed for credit risk before setting payment and delivery terms and conditions. Internal risk control evaluates customer credit quality by considering their financial condition, past experience, and other factors. Individual risk limits are established based on internal or external ratings and the use of credit limits is monitored regularly.
- III.This group adopts the assumption of provisioning before the adoption of IFRS 9, whereby when contract payments are overdue for more than 30 days according to the agreed payment terms, it is considered that the credit risk of financial assets has significantly increased since initial recognition.
- IV. When contract payments are overdue for more than 1 year according to the agreed payment terms, it is considered a default.
- V. This group will classify the accounts receivable from customers into groups and adopt a simplified approach to estimate the expected credit losses based on a matrix. For accounts receivable with objective evidence of impairment, an individual assessment of the recoverable amount of the accounts will be conducted to determine the amount of impairment loss.
- VI. The indicators used by this group to determine credit impairment for debt instrument investments are as follows:
 - i. The issuer experiences significant financial difficulties, or the likelihood of bankruptcy or other financial restructuring increases;
 - ii. The issuer's financial difficulties result in the disappearance of an active market for the financial asset;
 - iii. The issuer delays or defaults on interest or principal payments;
 - iv. Adverse changes in the national or regional economic conditions leading to the issuer's default.
- VII. After the collection process, this group writes off the amount of financial assets that have been confirmed as no longer reasonably expected to be recoverable.
- VIII. This group has incorporated forward-looking considerations into the estimated allowance for doubtful accounts, adjusting the loss rates established based on historical and current information for specific periods. The reserve matrices as of December 31, 2021, and December 31, 2020, are as follows:

	Not past due	Less than 30 days past due	Between 31 and 90 days past due	Between 91 and 180 days past due	Between 181 and 360 days past due	More than 360 days past due	Total carrying amount for individuals
<u>December 31,2022</u>							
Expected loss rate	0.03%	0.03%	1%	3%	10%	100%	
Carrying amount	\$ 113,182	\$ 5,544	\$ 5,044	\$ 3,842	\$ -	\$ -	\$ 127,612
Loss allowance	\$ -	\$ -	\$ 51	\$ 115	\$ -	\$ -	\$ 166

	<u>Individuals</u>	<u>Others</u>	<u>Total</u>
<u>December 31, 2022</u>			
Expected loss rate	100%	0.03%-100%	
Carrying amount	\$ -	\$ 127,612	\$ 127,612
Loss allowance	\$ -	\$ 166	\$ 166

	<u>Not past due</u>	<u>Less than 30 days past due</u>	<u>Between 31 and 90 days past due</u>	<u>Between 91 and 180 days past due</u>	<u>Between 181 and 360 days past due</u>	<u>More than 360 days past due</u>	<u>Total carrying amount for individuals</u>
<u>December 31, 2021</u>							
Expected loss rate	0.03%	0.03%	1%	3%	10%	100%	
Carrying amount	\$ 203,161	\$ 5,879	\$ -	\$ -	\$ -	\$ -	\$ 209,040
Loss allowance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

	<u>Individuals</u>	<u>Others</u>	<u>Total</u>
<u>December 31, 2021</u>			
Expected loss rate	100%	0.03%-100%	
Carrying amount	\$ -	\$ 209,040	\$ 209,040
Loss allowance	\$ -	\$ -	\$ -

IX. Movements in relation to the allowance for accounts receivable are as follows:

	<u>2022</u>	<u>2021</u>
	<u>Accounts receivable</u>	<u>Accounts receivable</u>
January 1	\$ -	\$ 18
Loss provision (rever.)	166	(18)
December 31	\$ 166	\$ -

c. Liquidity risk

- I. Cash flow forecasts are executed by each operating entity within the Group and consolidated by the Group's financial unit. The Group's financial unit monitors the forecasted liquidity requirements of the Group to ensure that it has sufficient funds to support its operational needs and maintains sufficient unused borrowing commitments at all times to prevent the Group from violating relevant borrowing limits or terms. These forecasts take into account the Group's debt financing plan, compliance with debt terms, compliance with financial ratio targets on the internal balance sheet, and external regulatory requirements such as foreign exchange controls.
- II. The table below shows the Group's non-derivative financial liabilities and derivative financial liabilities settled on a net or gross basis, grouped by their respective maturity dates. Non-derivative financial liabilities are analyzed based on the remaining periods from the balance sheet date to the contract maturity date, and derivative financial liabilities are analyzed based on the remaining periods from the balance sheet date to the expected maturity date. The contractual cash flow amounts disclosed in the table are undiscounted.

December 31, 2022

<u>Non-derivative financial liabilities :</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 year</u>	<u>More than 5 years</u>
Short-term loans	\$ 381,256	\$ -	\$ -	\$ -
Notes payable	2,826	-	-	-
Accounts payable	22,644	-	-	-
Other payables	122,897	-	-	-
Lease liabilities	14,046	9,422	23,641	99,161
Long-term loans (including current portion)	66,261	81,018	75,640	-

Derivative financial liabilities: none

December 31, 2021

<u>Non-derivative financial liabilities:</u>	<u>Less than 1 Year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>More than 5 years</u>
Short-term loans	\$ 533,012	\$ -	\$ -	\$ -
Notes payable	720	-	-	-
Accounts payable	73,196	-	-	-
Other payables	143,729	-	-	-
Lease liabilities	7,846	7,846	23,537	106,569
Long-term loans (including current portion)	36,897	23,361	40,513	-

Derivative financial liabilities: none

III. The Group does not anticipate significant early occurrence of cash flows from the maturity analysis, or significant differences in actual amounts.

(3) Fair value information

A. The definitions of the various levels of valuation techniques used to measure the fair value of financial and non-financial instruments are as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. An active market is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs for the asset or liability that are observable, either directly or indirectly, but exclude quoted prices included in Level 1.

Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value.

The carrying amounts of cash and cash equivalents, accounts receivable, other receivables, short-term borrowings, bills payable, accounts payable, other payables, lease liabilities, and long-term borrowings (including those due within one year) approximate their fair values.

C. The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

a. The related information about the nature of the assets and liabilities is as follows:

December 31, 2022	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
— Equity securities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
December 31, 2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
— Equity securities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,990</u>	<u>\$ 7,990</u>

b. The methods and assumptions the Group used to measure fair value are as follows:

I. The instruments the Company used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics :

	Listed and OTC Stocks	Close-end Fund	Open-end Fund	Government Bond	Corporate Bonds	Convertible Bonds
Market quoted price	Closing price	Closing price	Net asset value	Transaction price	Weighted-average market price per hundred	Closing market price

II. For financial instruments other than those actively traded in markets, their fair values are obtained through valuation techniques. The fair value obtained through valuation techniques can be based on the current fair value of other financial instruments with substantially similar characteristics and conditions, discounted cash flow analysis, or other valuation techniques, including model-based calculations using market information that is available on or near the balance sheet date.

III. For financial instruments with higher complexity, their valuation is based on widely accepted valuation models used by market participants, such as market-based valuation techniques, where the fair value is calculated using the revenue multiple based on the price of the most recent same or similar transactions in the market as an observable input, or the asset-based approach, where the total value of individual assets and liabilities included in the valuation subject is evaluated to reflect the overall value of the subject.

IV. The valuation of derivative financial instruments is based on widely accepted valuation models used by market participants, such as discounted cash flow analysis and option pricing models. Forward foreign exchange contracts are typically valued based on the current forward exchange rate.

V. The output of the valuation model is an estimated value, and the valuation techniques may not reflect all the relevant factors of the financial instruments and non-financial instruments held by the Group. Therefore, the estimated value of the valuation model will be appropriately adjusted according to additional parameters, such as model risk or liquidity risk. In accordance with the Group's fair value valuation model management policy and related control procedures, management believes that evaluation adjustments are appropriate and necessary to fairly express the fair value of financial instruments and non-financial instruments in the consolidated balance sheet. The price information and parameters used in

the valuation process are carefully evaluated and appropriately adjusted according to current market conditions.

D. For the years ended December 31, 2022 and 2021, there was no transfer between Level 1 and Level 2.

E. The movements of Level 3 are as follows:

	2022		2021
	Equity instruments	Special stock liabilities	Equity instruments
January 1	\$ 7,990	\$ -	\$ 8,330
Issued	-	30,000	-
Proceeds from capital reduction of financial assets at fair value	(773)	-	-
Gain on financial assets or liabilities measured at fair value through profit or loss	-	(5,010)	-
Equity instruments valuation profit or loss measured at fair value through other comprehensive income	(7,180)	-	(340)
Conversion of preferred stock to common stock	-	(24,990)	-
Current sale	(37)	-	-
December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,990</u>

F. In 2022 and 2021, there were no transfers in or out of the third level.

G. The Group's evaluation process for financial instruments classified as Level 3 fair value is carried out by the financial unit responsible for conducting independent fair value verification of financial instruments. The evaluation results are made closer to the market conditions by using independent source data and confirming that the data source is independent, reliable, consistent with other resources, and represents executable prices. The evaluation model is regularly calibrated, and the input values and data required for updating the evaluation model and any necessary fair value adjustments are updated to ensure that the evaluation results are reasonable.

H. There is no quantitative information on significant unobservable input values used in the valuation models for Level 3 fair value measurements and no sensitivity analysis of significant unobservable input value changes as of December 31, 2022.:None.

	Fair value at December 31,2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument: Non-listed stocks	\$ 7,990	Net asset value	NA	NA	NA

(4) The company's plan for future financial wellness

The company's debt ratio on December 31, 2022 was 53%. The future plan for financial wellness includes:

- A. The product manufacturing process continues to advance towards epitaxy with high technical threshold: the Group's epitaxy factory has been built and mass-produced. In addition to supplying the chip demand for short-wave products, it also supplies some chips required for long-wave products, which are self-imported. After the production of epi-wafers, the benefits of cost reduction have gradually been produced.
- B. Uninterrupted product research and development: High-end high-speed products have been developed and shipped one after another, and are actively cooperating with well-known foreign manufacturers for development to create more business opportunities.
- C. Diversification of product applications: In the existing optical products, keep up with and surpass the pace of the market, in addition to high-speed products for 5G base station applications, and for the Covid-19 epidemic, new economy models such as WFH, highlight and accelerate the importance and demand of FTTH bandwidth, grasp the power of XGPON/XGSPON product explosion. In addition, in terms of short-wave consumer products, consumer products such as mobile phone sensing components (PS) and true wireless Bluetooth headsets (TWS) have successively launched new products in line with market trends. The above-mentioned products are expected to increase revenue and create profits.
- D. Expansion of sales markets/regions: Increase the proportion of sales in Taiwan, Europe, America, and other Asian regions through diversification of product applications, avoiding the risk of selling in a single market and expanding revenue.
- E. Fund raising plan: The company has always maintained a good credit relationship with the bank, and will continue the past experience to actively apply for credit lines from financial institutions and renew existing financing lines. If necessary, it is also considered to obtain financing from non-financial institutions or obtain funds from the capital market to increase the space for capital deployment and improve the financial structure.
- F. Reduce costs and improve operating efficiency: optimize the process to reduce production costs, re-examine the effectiveness of the organization, and strictly control various expenses to improve profitability and operating performance.

(5) Information on the effect to the Group's operations arising from COVID-19 epidemic in 2022

After assessment, COVID-19 affected the purchase and sales strategy, the increase in transportation costs and the shipment status of some customers in 2022, but the aforementioned situation did not have a significant impact on impact in the current period, and the Group will continue to track the development of the epidemic to immediately adjust the strategy to respond. °

13. DISCLOSURES IN NOTES

(1) Information on significant transactions

- A. Lending funds to others: None.
- B. Providing endorsements or guarantees to others: Please refer to Table 1.
- C. Holding of marketable securities at the end of the period (excluding the portion held due to investment in a subsidiary or an associate, and the portion held due to an interest in a joint venture): None.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in-capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of the Company's paid-in-capital or

more: None.

F. Disposal of real estate reaching \$300 million or 20% of Company's paid-in-capital or more: None.

G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in-capital or more: None.

H. Receivables from related parties reaching \$100 million or 20% of Paid-in-capital or more: Please refer to Table 2.

I. Trading in derivative instruments undertaken during the reporting period: None.

J. The business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and amounts of any significant transactions between them: Please refer to Table 3.

(2) Information on investees

Names, locations, and related information of investees over which the company exercises significant influence (excluding information on investment in mainland China): Please refer to Table 4.

(3) Information on investments in Mainland China

A. Basic information: Please refer to Table 5.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in China: Please refer to Table 6.

(4) Information on major shareholders: None.

14. Operational Department Information

(1) General Information

The company's management would identify reporting departments based on the reported information used by operational decision makers when making decisions.

The Company's operational decision-makers operate the business from a regional perspective. Currently, the company focuses on the key components of optical communication in various regions. In addition to the parent company, to respond to the main customer's future market strategy, we continue to develop the operations of Zhuhai FTZ. ProRay Optoelectronics Technology Co., Ltd. and YLTLink Technology Corporation in the non-optical communication product field. Although their operating scales do not meet the quantitative threshold for reporting departments as stipulated in IFRS No. 8, they are considered potential growth areas by our company, which can enhance the breadth of our group's operations and overall competitiveness. Moreover, we expect that they will make significant contributions to the Company's revenue in the future, so we have decided to report these three departments.

TrueLight (B.V.I.) Limited and ProRay Limited are only equity investment companies and their businesses are not included in the reports submitted to the operating decision-makers. Therefore, they are not included in the departments that should be reported. The operating results of these companies are consolidated and expressed in the "Other Operating Departments" column.

(2) Measurement of Departmental Information

The accounting policies of the operating segments are summarized in the same manner as described in Note 4, and the company's operating decision-makers evaluate the performance of each operating segment based on the financial reports prepared by each segment. The operating segment profit or loss is measured based on the pre-tax profit or loss of the continuing operations.

(3) Information on the Income, Assets, and Liabilities of Operating Segments.

The segment information provided to the chief operating decision maker for the reportable segments is as follows:

2022	TrueLight Corporation	ZHUHAI FTZ PRORAY CO., LITD.	YLTLink Technology Corporation	Others	Adjustments and Eliminations	Consolidation
Segment revenue	\$ 985,314	\$ -	\$ 4,321	\$ -	\$ -	\$ 989,635
Internal revenue	\$ 2,544	\$ 93,243	\$ 65,154	\$ -	(\$ 160,941)	\$ -
Segment profit or loss	\$ 32,662	(\$ 35,297)	(\$ 42,961)	\$ 829	(\$ 1,533)	(\$ 46,300)
Segment assets (note)	\$ 1,262,006	\$ 399,356	\$ 164,879	\$ 9,649	(\$ 294,491)	\$ 1,541,399
Segment liabilities	\$ 953,196	\$ 49,852	\$ 160,817	\$ -	(\$ 294,701)	\$ 869,164

2021	TrueLight Corporation	ZHUHAI FTZ PRORAY CO., LTD.	YLLink Technology Corporation	Others	Adjustments and eliminations	Consolidation
Segment revenue	\$ 1,312,050	\$ -	\$ 1,797	\$ -	\$ -	\$ 1,313,847
Internal revenue	\$ 5,948	\$ 228,621	\$ 13,159	\$ -	(\$ 247,728)	\$ -
Segment profit and loss	(\$ 137,850)	\$ 32,537	(\$ 28,101)	(\$ 412)	\$ 135	(\$ 133,691)
Segment assets (note)	\$ 1,446,585	\$ 468,844	\$ 93,159	\$ 8,820	(\$ 298,534)	\$ 1,718,874
Segment liabilities	\$ 1,133,458	\$ 83,488	\$ 78,711	\$ -	(\$ 306,537)	\$ 989,120

Note : Deferred tax assets and financial instruments listed in non-current assets are not included.

(4) Reconciliation for segment income

Not applicable.

(5) Information on product types

External customers revenues mainly come from design, research and development, Production and sales are applied to "optical fiber communication, 4G/5G mobile communication base station interconnection, cloud data center, 3D Sensing/Near-Field Sensing/Flood Illumination" Vertical Cavity Surface Emitting Laser (VCSEL), Edge laser (FP / DFB), photodiode (PIN / PINTIA)", including components, sub-modules, Light engine/AOC and other types of products.

Information on revenues from external customers by products types for the years ended December 31, 2022 and 2021 are as follows:

	Years ended December 31	
	2022	2021
Sales of goods	\$ 989,635	\$ 1,313,847

(6) Geographical information

Geographical information for the years ended December 31, 2022 and 2021 is as follows :

	Year ended December 31, 2022		Year ended December 31, 2021	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 357,290	\$ 531,762	\$ 441,817	\$ 646,246
China	224,164	181,160	429,457	215,862
Austria	178,357	-	142,720	-
Singapore	38,399	-	68,251	-
South Korea	89,694	-	98,417	-
Others	101,731	-	133,185	-
	\$ 989,635	\$ 712,922	\$ 1,313,847	\$ 862,108

(7) Major customer information

Major customer information for the years ended December 31, 2022 and 2021 is as follows :

	Year ended December 31, 2022	
	Revenue	Segment
E0113	\$ 178,357	Whole company
A0101.1	\$ 36,430	Whole company
Year ended December 31, 2021		
	Revenue	Segment
E0113	\$ 142,720	Whole company
A0101.1	\$ 177,639	Whole company

TrueLight Corporation and Subsidiaries
Provision of endorsements and guarantees to others
Year ended December 31,2022

Table 1 Expressed in thousands of New Taiwan dollars,except as otherwise indicated

Number	Party being endorsed/guaranteed		Relationship with the endorser/guarantor or	Limit on endorsements/guarantees provided for a single party	outstanding endorsement /guarantee amount as at December 31,2022	Outstanding endorsement /guarantee amount as at December 31,2022	Actual amount drawn down	Amount of endorsements /guarantees secured with collateral	Ratio of accumulated endorsement /guarantee amount to net asset value of the endorser/guarantor company	Ceiling on total amount of endorsements /guarantees provided	Provision of endorsements/guarantees by parent company to subsidiary	Provision of endorsements/guarantees by subsidiary to parent company	Provision of endorsements /guarantees to the party in Mainland china	Footnote
	Endorser/guarantor	Company name												
(Note1) 0	TrueLight Corporation	ZHUHAI FTZ PRORAY CO.,LTD	(2)	\$ 764,747	\$ 140,000	\$ 70,000	\$ 9,763	-	8.75	\$ 764,747	Y	N	Y	-

Note1 : The numbers filled in for the endorsements /guarantees provided by the Company or subsidiaries are as follows :

(1).The Company is '0' .

(2).The subsidiaries are numbered in order starting from '1' .

Note2 : Relationship between the endorser/ guarantor and the party being endorsed /guaranteed is classified into the following seven categories:

- (1).Having business relationship.
- (2).The endorser /guarantor parent company owns directly and indirectly more than 50% voting shares of the of the endorsed /guaranteed subsidiary.
- (3).The endorsed /guaranteed company owns directly and indirectly more than 50% voting shares of the endorser /guarantor parent company.
- (4).The endorser /guarantor parent company owns directly and indirectly more than 90% voting shares of the of the endorsed /guaranteed company.
- (5).Mutual guarantee of the trade made by the endorsed/guaranteed company of joint contractor as required under the construction contract.
- (6).Due to joint venture, all shareholders provide endorsements/ guarantees to the endorsed /guaranteed company in proportion to its ownership.
- (7).Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note3 : According to the company's endorsement/guarantee method, the quota of endorsement/guarantee for a enterprise is limited to be up to 10% of the company's latest financial statement paid-in capital.For a company, which is held by 100% shareholdings by the company,the quota of endorsement/guarantee is limited to be up to the financial statement paid-in capital.

Note4 : The maximum balance of endorsement/guarantee for others in the current year.

Note5 : Y must be filled in only if the parent company of the listed company endorses the subsidiary company, if the subsidiary company endorses the parent company of the listed company, and if it belongs to the mainland China area.

TrueLight Corporation and Subsidiaries

Receivables from related parties reaching NT\$100 million or 20% of the paid-in capital or more

December 31,2022

Table 2

Expressed in thousands of New Taiwan dollars,except as otherwise indicated

creditor	counterparty	Relationship with the counterparty	Nature	Balance as at December 31,2022	Turnover rate	Overdue receivables		Amount recovered after the due date	allowance for doubtful accounts
						Amount	Actiontaken		
ZHUHAI FTZ PRORAY CO.,LTD	TrueLight Corporation	parent company	Accounts receivable	\$ 182,622	0.47	\$ 145,335	Note	\$ 11,883	\$ -

Note: The Group's funds are planned and used as a whole. After considering the net amount of accounts receivable and accounts payable among the groups, the relevant funds will be remitted according to the capital needs of each company.

TrueLight Corporation and Subsidiaries
Significant inter-company transactions during the reporting period
For the Year Ended December 31,2022

Table3 Expressed in thousands of New Taiwan dollars,except as otherwise indicated

Number (Note1)	Company name	Counterparty	Relationship (Note2)	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note3)
0	TrueLight Corporation	ZHUHAI FTZ PRORAY CO.,LTD	1	Other accounts payable	\$ 182,575	Note4	11%
0	TrueLight Corporation	ZHUHAI FTZ PRORAY CO.,LTD	1	Processing fee	93,243	Note4	9%
0	TrueLight Corporation	ZHUHAI FTZ PRORAY CO.,LTD	1	OtherAccounts receivable	23,973	Note5	1%
0	TrueLight Corporation	ZHUHAI FTZ PRORAY CO.,LTD	1	Sales	2,421	Note5	-
0	TrueLight Corporation	ZHUHAI FTZ PRORAY CO.,LTD	1	Accounts receivable	2,381	Note5	-
0	TrueLight Corporation	YLTLink Technology Corporation	1	Rental income	32,943	Note5	3%
0	TrueLight Corporation	YLTLink Technology Corporation	1	Dispose of property	59,741	Note5	6%
0	TrueLight Corporation	YLTLink Technology Corporation	1	OtherAccounts receivable	64,896	Note5	4%
0	TrueLight Corporation	YLTLink Technology Corporation	1	purchase	56,832	Note4	6%
0	TrueLight Corporation	YLTLink Technology Corporation	1	Accounts payable	6,509	Note4	-
0	TrueLight Corporation	YLTLink Technology Corporation	1	Other accounts payable	1,934	Note5	-
0	TrueLight Corporation	YLTLink Technology Corporation	1	R & D costs	7,935	Note5	-

Note1 : The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1).Parent company is '0'.

(2).The subsidiaries are numbered in order starting from '1'.

Note2 : Relationship between transaction company and counterparty is classified into the following three categories:

(1).Parent company to subsidiary.

(2).Subsidiary to parent company.

(3).Subsidiary to subsidiary.

Note3 : Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note4 : The purchase and processing fees are handled according to the general purchase price and conditions, and the payment terms are monthly payment within 60 days.

Note5 : It is handled in accordance with the contract between the two parties.

Note6 : Transactions involving significant amounts are disclosed, and transactions with related parties are not disclosed separately.

TrueLight Corporation and Subsidiaries
INFORMATION ON INVESTEEES(Excluding Chinese mainland companies)
For the Year Ended December 31,2022

Table 4

Expressed in thousands of New Taiwan dollars,except as otherwise indicated

Investor	Investee	Location	Main Businesses Activities	Initial investment amount		Shares Held as at December31,2022			Net profit(loss) of the investee of the year ended December31,2022	Investment income (loss) recognized by the company for the year ended December31,2022	Footnote
				Balance as at December31,2022	Balance as at December31,2021	number of shares	Ownership (%)	Book value			
TrueLight Corporation	TrueLight (B.V.I.) Ltd.	british virgin islands	Equity investment	\$ 404,471	\$ 404,471	13,000,000	100	\$ 360,055	(\$ 43,714)	(\$ 34,365)	Note1
TrueLight Corporation	OPTOMEDIA TECHNOLOGY INC	Taiwan	Manufacture and trading of wired and wireless communication machinery and equipment	103,642	103,642	2,435,913	30	23,752	6,907	1,897	Note2
TrueLight (B.V.I.)Ltd.	PRORAY LIMITED	Hongkong	Equity	387,176	387,176	12,500,000	100	350,406	(44,543)	(35,193)	Note1
TrueLight Corporation	YLTLINK Technology Corporation	Taiwan	Electronic components fabricate	68,330	60,000	7,398,456	41	2,516	(43,646)	(24,587)	Note1

Note1 : The line includes adjustments for countercurrent transactions.

Note2 : It includes the amortization amount of identifiable intangible assets arising from the acquisition.

TrueLight Corporation and Subsidiaries
 INFORMATION ON INVESTMENTS IN MAINLAND CHINA

For the Year Ended December 31,2022

Table 5

Expressed in thousands of New Taiwan dollars ,except as otherwise indicated

Investee Company in china	Main Businesses Activities	Paid-in Capital	Method of Investment (Note1)	Accumulated Outward Remittance Investment from Taiwan as of January 1, 2022	Remittance of Funds		Accumulated Outward Remittance Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31,2022	Accumulated Repatriation of Investment Income as of	Footnote
					Outward	Inward							
ZHUHAI FTZ PRORAY CO.,LTD	Excludes continental companies that design, produce, process and sell optoelectronic modules/components	\$ 387,176	1	\$ 387,176	\$ -	\$ -	\$ 387,176	(\$ 44,543)	100%	(\$ 35,193)	\$ 350,405	\$ -	
<u>Company name</u>	<u>Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2022</u>	<u>Investment Amounts Authorized by Investment</u>	<u>Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA</u>										
TrueLight Corporation	\$ 387,176	\$ 387,844	\$ 463,979										
	USD 12,500 thousand	> 12,633 thousand											

Note1 : (1)Establish companies through investment in the third region and reinvest in china companies.

(2)Reinvest in mainland companies by reinvesting in existing companies in china regions.

Note2 : Investment gains and losses are recognized in accordance with the financial reports verified by the certified accountants of the parent company in Taiwan, including countercurrent trading adjustments, etc.

Note3 : At the end of the current period, the accumulated original investment amount was remitted from Taiwan to Zhuhai Free ZHUHAI FTZ PRORAY CO.,LTD. for US\$12,500.Expressed in thousands

Note4 : A total of USD12,640,000 was approved by the INVESTMENT COMMISSION, MOEA of the Ministry of Economic Affairs, and USD6,647.90 was the remaining funds after the liquidation of branch companies in 2005.

TrueLight Corporation and Subsidiaries

Main Transactions of Mainland Investment Information - Significant transactions occurred directly or indirectly through third-party enterprises and reinvestment in Mainland China by invested companies.

For the Year Ended December 31,2022

Table6

Expressed in thousands of New Taiwan dollars,except as otherwise indicated

Investee Company	<u>Sell (purchase) goods</u>		<u>Disposal of property</u>		<u>Other accounts payable</u>		<u>OtherAccounts receivable</u>		Instrument endorsement, guarantee or provision of collateral Balance at ended December 31,2022	<u>Purpose</u>
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Balance</u>	<u>%</u>	<u>Balance</u>	<u>%</u>		
ZHUHAI FTZ PRORAY CO.,LTD	(\$ 93,243)	(42%)	\$ -	-	(\$ 182,575)	(149%)	\$ 23,973	3474%	\$ 70,000	financing

Attachments 2

Independent Auditor's report and 2022 parent company only financial statements

Independent Auditors' Report

To the Board of Directors and Shareholders of TRUELIGHT COPPORATION

Opinion

We have audited the accompanying balance sheets of TRUELIGHT CORPORATION (the "Company") as at December 31, 2022 and 2021, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its 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 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 Code of Professional Ethics for Certified Public Accountants of the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

The key audit matters in relation to the parent company only financial statements for the year ended December 31, 2022 are outlined as follows:

Evaluation of inventories

Description

Refer to Note 4(12) for the accounting policy of inventory evaluation, and Notes 5(2) and 6(4) for the description of inventory items. Due to fierce market price competition for the products operated by the Company, the risk of inventory price loss is relatively high, and the Company's inventories are measured at the lower of cost and net realizable value. For inventories that have passed a specific period of age and for inventories that are individually identified as obsolete or damaged, the net Realized value often involves manual judgment and thus has estimation uncertainty, so the accountant listed this as a key audit matter.

How our audit addressed the matter

The audit procedures performed by the accountant are based on the understanding of the operation and industry nature of the Company, and the evaluation of the inventory. The rationality of policies and procedures; the correctness of sampling inventory aging calculation; Relevant information, such as sales price, purchase price, and inventory depletion status, to

confirm the rationality of the net realizable value, and evaluate the rationality of provisioning for loss of price reduction.

Property, plant and equipment value-in-use measurement

Description

Refer to Note 4 (17) for the accounting policy on the assessment of impairment of property, plant and equipment, and Notes 5(2) and 6(6) for descriptions of property, plant and equipment items. The value-in-use of property, plant and equipment shall be used to measure its recoverable amount, and the property, plant and equipment shall be evaluated based on the aforementioned recoverable amount whether the property, plant and equipment are damaged. Valuation of the value-in-use of property, plant and equipment involves estimation and discounting of future cash flows, the determination of the present rate, the assumptions used in the forecast of future cash flow and the estimated results have a significant impact on the evaluation of value-in-use of property, plant and equipment, so the accountants listed this as a key audit matter.

How our audit addressed the matter

The verification procedure that the accountant has performed is mainly to discuss the operation process of future cash flow estimation with the management and understand its product strategy and implementation status; evaluate the reasonableness of various assumptions used by the management to estimate future cash flows characteristics, including expected growth rate and gross profit margin, and evaluate the parameters used in the discount rate which including equity funds Risk-reward ratio, industry risk factor and long-term market rate of return.

Responsibilities of management and those charged with governance for the 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 audit committee, are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS 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 ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- A. 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;
- B. 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;
 - C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
 - D. 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 auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
 - E. 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; and
 - F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the 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, 2022 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Cheng, Ya-Huei

Chiang Tsai-yen

for and on behalf of PricewaterhouseCoopers, Taiwan
March 08, 2023

TRUELIGHT CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 AND 2021

EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS

Assets	Notes	December 31,2022		December 31,2021		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 180,416	11	\$ 140,685	7
1170	Accounts receivable, net	6(3)	122,807	7	201,997	10
1180	Accounts receivable due from related parties, net	6(3) and 7	4,751	-	9,767	1
1200	Other receivables		486	-	14	-
1210	Other receivables due from related parties	7	88,869	5	38,534	2
130X	Inventories	6(4)	352,097	21	379,527	20
1410	Prepayments		4,858	-	6,158	-
11XX	Total current assets		<u>754,284</u>	<u>44</u>	<u>776,682</u>	<u>40</u>
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(2)	-	-	7,990	-
1535	Non-current financial assets at amortized cost	8	74,619	4	36,856	2
1550	Investments accounted for using equity method	6(5)	386,323	23	426,097	22
1600	Property, plant and equipment	6(6)	363,706	21	512,782	27
1755	Right-of-use assets	6(7)	119,391	7	125,614	7
1780	Intangible assets	6(9)	872	-	1,861	-
1840	Deferred tax assets	6(25)	23,485	1	23,382	1
1900	Other non-current assets		75	-	10,075	1
15XX	Total non-current assets		<u>968,471</u>	<u>56</u>	<u>1,144,657</u>	<u>60</u>
1XXX	Total assets		<u>\$ 1,722,755</u>	<u>100</u>	<u>\$ 1,921,339</u>	<u>100</u>

(continued)

TRUELIGHT CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 AND 2021

EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS

Liabilities and equity	Notes	December 31,2022		December 31,2021		
		AMOUNT	%	AMOUNT	%	
Current liabilities						
2100	Short-term loans	6(10)	\$ 366,651	21	\$ 485,750	25
2150	Notes payable		2,826	-	720	-
2170	Accounts payable		21,342	1	69,414	4
2180	Accounts payable to related parties	7	6,556	-	10,154	1
2200	Other payables	6(11)	107,658	6	125,761	7
2220	Other payables to related parties	6(11) and 7	184,509	11	220,499	11
2280	Current lease liabilities		7,846	1	7,846	-
2320	Long-term loans, current portion	6(12)	51,704	3	35,556	2
2399	Other current liabilities, others		2,798	-	3,908	-
21XX	Total current liabilities		<u>751,890</u>	<u>43</u>	<u>959,608</u>	<u>50</u>
Non-current liabilities						
2540	Long-term loans	6(12)	85,453	5	52,500	3
2580	Non-current lease liabilities		114,963	7	120,461	6
2600	Other non-current liabilities		890	-	890	-
25XX	Total non-current liabilities		<u>201,306</u>	<u>12</u>	<u>173,851</u>	<u>9</u>
2XXX	Total liabilities		<u>953,196</u>	<u>55</u>	<u>1,133,459</u>	<u>59</u>
Equity						
Share capital						
3110	Ordinary shares	6(14)	764,747	45	764,747	40
Capital surplus						
3200	Capital surplus	6(15)	180,243	10	173,917	9
Retained earnings						
3310	Legal reserve	6(16)	433	-	433	-
3320	Special reserve		3,893	-	3,893	-
3350	Accumulated deficit		(170,400)	(10)	(133,136)	(7)
Other equity interest						
3400	Other equity interest	6(17)	(9,357)	-	(21,974)	(1)
3XXX	Total equity		<u>769,559</u>	<u>45</u>	<u>787,880</u>	<u>41</u>
Significant commitments and contingencies						
Significant subsequent events						
3X2X	Total liabilities and equity		<u>\$ 1,722,755</u>	<u>100</u>	<u>\$ 1,921,339</u>	<u>100</u>

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

TRUELIGHT CORPORATION
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT LOSS PER SHARE)

Year ended December 31

Items	Notes	2022		2021	
		Amount	%	Amount	%
4000 Operating revenue	6(18)	\$ 987,858	100	\$ 1,317,997	100
5000 Operating costs	6(4) (23)				
	(24)	(716,846)	(72)	(1,148,608)	(87)
5900 Gross profit from operation		271,012	28	169,389	13
5910 Unrealized profit from sales		(300)	-	(500)	-
5920 Realized profit from sales		500	-	231	-
5950 Gross profit from operation, net		271,212	28	169,120	13
Operating expenses	6(23)				
	(24)				
6100 Selling expenses		(18,494)	(2)	(21,321)	(2)
6200 Administrative expenses		(76,653)	(8)	(84,558)	(6)
6300 Research and development expenses		(163,359)	(16)	(202,012)	(15)
6450 Impairment loss/gain and reversal of impairment loss determined in accordance with IFRS 9	12	(166)	-	18	-
6000 Total operating expenses		(258,672)	(26)	(307,873)	(23)
6900 Net operating profit (loss)		12,540	2	(138,753)	(10)
Non-operating income and expenses					
7100 Interest income	6(19)	1,048	-	211	-
7010 Other income	6(20)	37,301	4	18,916	1
7020 Other gains and losses, net	6(21)	(9,230)	(1)	(5,547)	-
7050 Finance costs, net	6(22)	(10,894)	(1)	(11,718)	(1)
7070 Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method	6(5)	(57,055)	(6)	4,121	-
7000 Total non-operating income and expenses		(38,830)	(4)	5,983	-
7900 Profit (loss) before income tax		(26,290)	(2)	(132,770)	(10)
7950 Income tax expense		103	-	-	-
8200 Profit (loss) for the year		(\$ 26,187)	(2)	(\$ 132,770)	(10)
Other comprehensive income, net					
Items that will not be reclassified to profit or loss					
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(2) (17)	(\$ 7,180)	(1)	(\$ 340)	-
Items that may be subsequently reclassified to profit or loss					
8380 Exchange differences on translation	6(17)	8,720	1	(942)	-
8300 Total other comprehensive income, net		\$ 1,540	-	(\$ 1,282)	-
8500 Total comprehensive income for the year		(\$ 24,647)	(2)	(\$ 134,052)	(10)
Loss per share	6(26)				
9750 Basic loss per share		(\$ 0.34)		(\$ 1.74)	
9850 Diluted loss per share		(\$ 0.34)		(\$ 1.74)	

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

TRUELIGHT CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Notes	Ordinary share	Capital surplus	Retained earnings			Other equity interest			Total equity
			Legal reserve	Special reserve	Unappropriated retained earnings (accumulated deficit)	Exchanges differences on translation of foreign financial statements	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	Others	
<u>Year ended December 31, 2021</u>									
Equity at beginning of period	\$ 764,747	\$ 173,917	\$ -	\$ -	\$ 4,325	(\$ 17,135)	(\$ 3,557)	(\$ 13,581)	\$ 908,716
Loss for the year	-	-	-	-	(132,770)	-	-	-	(132,770)
Other comprehensive income for the year 6(2) (17)	-	-	-	-	-	(942)	(340)	-	(1,282)
Total comprehensive income	-	-	-	-	(132,770)	(942)	(340)	-	(134,052)
Distribution of retained earnings of 2020:									
Legal reserve appropriated 6(16)	-	-	433	-	(433)	-	-	-	-
Special reserve appropriated 6(16)	-	-	-	3,893	(3,893)	-	-	-	-
Compensation cost of employee restricted shares 6(17)	-	-	-	-	-	-	-	13,581	13,581
Changes in ownership interest in subsidiaries	-	-	-	-	(365)	-	-	-	(365)
Equity at end of period	\$ 764,747	\$ 173,917	\$ 433	\$ 3,893	(\$ 133,136)	(\$ 18,077)	(\$ 3,897)	\$ -	\$ 787,880
<u>Year ended December 31, 2022</u>									
Equity at beginning of period	\$ 764,747	\$ 173,917	\$ 433	\$ 3,893	(\$ 133,136)	(\$ 18,077)	(\$ 3,897)	\$ -	\$ 787,880
Loss for the year	-	-	-	-	(26,187)	-	-	-	(26,187)
Other comprehensive income for the year 6(2) (17)	-	-	-	-	-	8,720	(7,180)	-	1,540
Total comprehensive income	-	-	-	-	(26,187)	8,720	(7,180)	-	(24,647)
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	(11,077)	-	11,077	-	-
Changes in ownership interest in subsidiaries 6(15)	-	6,326	-	-	-	-	-	-	6,326
Equity at end of period	\$ 764,747	\$ 180,243	\$ 433	\$ 3,893	(\$ 170,400)	(\$ 9,357)	\$ -	\$ -	\$ 769,559

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

TRUELIGHT CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
DECEMBER 31, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Year ended December 31	
		2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
loss before tax		(\$ 26,290)	(\$ 132,770)
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit loss (gain)	12	166	(18)
Depreciation expense	6(6)(7)		
	(23)	123,161	223,159
Amortization expense	6(9)(23)	1,648	1,149
Net gain on financial assets or liabilities at fair value through profit or loss	6(21)	1,670	(498)
Interest income	6(19)	(1,048)	(211)
Dividend income	6(20)	-	(480)
Interest expense	6(22)	10,894	11,718
Compensation cost of employee restricted shares		-	12,263
Gain on disposal of property, plant and equipment	6(21)	(4,224)	(4,393)
Gain on disposal of other assets		(1,678)	(1,659)
Unrealized profit from sales		300	500
Realized profit from sales		(500)	(231)
Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method		57,055	(4,121)
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		79,024	10,654
Accounts receivable due from related parties		5,016	(7,438)
Other receivables		(394)	(5)
Other receivables due from related parties		(50,335)	(2,080)
Inventories		27,430	91,805
Prepayments		1,300	3,803
Changes in operating liabilities			
Financial liabilities held for trading		-	275
Notes payable		2,106	(122)
Accounts payable		(48,072)	(9,233)
Accounts payable to related parties		(3,598)	10,154
Other payables		(18,286)	(10,114)
Other payables to related parties		(35,990)	31,626
Other current liabilities		(1,110)	1,729
Cash inflow generated from operations		118,245	225,462
Interest received		1,006	214
Dividend received		-	480
Interest paid		(10,809)	(11,674)
Income taxes received (paid)		(35)	45
Net cash flows from operating activities		108,407	214,527

(continued)

TrueLight Corporation
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
DECEMBER 31, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Year ended December 31	
		2022	2021
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	12	\$ 773	\$ -
Proceeds from disposal of financial assets at fair value through other comprehensive income		37	-
Prepayment of investment	7	-	(10,000)
Acquisition of property, plant and equipment	6(27)	(14,742)	(46,186)
Proceeds from disposal of property, plant and equipment	7	59,741	13,615
Acquisition of intangible assets	6(9)	(659)	(979)
Decrease in prepayments for business facilities		-	2,112
Increase in refundable deposits		-	(1)
Increase in other financial assets	8	(37,763)	(4,280)
Net cash flows from (used in) investing activities		<u>7,387</u>	<u>(45,719)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Decrease in short-term loans	6(28)	(119,099)	(59,545)
Proceeds from long-term loans	6(28)	92,500	40,000
Repayments of long-term loans	6(28)	(43,399)	(146,666)
Other financing activities		-	777
Repayments of lease liabilities	6(7)(28)	(6,065)	(5,949)
Net cash flows used in financing activities		<u>(76,063)</u>	<u>(171,383)</u>
Net increase (decrease) in cash and cash equivalents		39,731	(2,575)
Cash and cash equivalents at beginning of period		<u>140,685</u>	<u>143,260</u>
Cash and cash equivalents at end of period		<u>\$ 180,416</u>	<u>\$ 140,685</u>

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

TrueLight Corporation
Notes to parent company only financial statements
For the years ended December 31, 2022 and 2021

Unit: NT\$ thousand
(Unless otherwise indicated)

1. HISTORY AND ORGANISATION

- (1) TrueLight Corporation (the company) was established in September 1997 in the Republic of China. The main business items of the company are design, research and development, Production and sales are applied to "optical fiber communication, 4G/5G mobile communication base station interconnection, cloud data center, 3D Sensing/Near-Field Sensing/Flood Illumination" Vertical Cavity Surface Emitting Laser (VCSEL), Edge laser (FP / DFB), photodiode (PIN / PINTIA)", including components, sub-modules, Light engine/AOC and other types of products.
- (2) In order to improve the corporate governance structure and protect the interests of stakeholders, the Company participated in the Corporate Governance Assessment and Certification program organized by the Chinese Corporate Governance Association, and on September 23, 2013, the Company passed the "CG6008 Corporate Governance Universal Version Certification". The Company will continue to strengthen corporate governance and align with international standards to maintain competitiveness in the capital market.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

The parent company only financial statements were reported to the Board of Directors on March 08, 2023.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

- (1) Effect of the adoption of new issuance of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments that came into effect as endorsed by the FSC and became effective from 2022 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: Proceeds before intended used'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts-cost of Fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018-2020	January 1, 2022

The above standards and interpretations have no significant impacts on the Company's financial condition and financial performance based on the Company's assessment

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

	Effective date by International Accounting Standards Board
<u>New Standards, Interpretations and Amendments</u>	
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

	Effective date by International Accounting Standards Board
<u>New standards, Interpretations and Amendments</u>	
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between and investor and its associate or joint venture'	To be determined by IASB
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9-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

The above standards and interpretations have no significant impacts to the Company's financial condition and financial performance based on the Company's assessment

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated

(1) Statement of compliance

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

(2) Basis of preparation

A. Except for the financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss, the parent company only financial statements have been prepared under the historical cost convention.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

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

Foreign currency transactions and balances

A. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

B. Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

C. Exchange differences arising from the translation of the balance of non-monetary assets and liabilities denominated in foreign currencies are a part of fair value gains and losses. Nonmonetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and ~16~ liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

D. All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within “other gains and losses”.

(4) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to realize within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding those restricted cash and cash equivalents that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current

liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are to be settled within the normal operating cycle;
- (b) Liabilities held mainly for trading purposes;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitment in operations are classified as cash equivalents.

(6) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using settlement date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.
- D. The Company recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

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

- A. Financial assets at fair value through other comprehensive income comprise equity instruments which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using transaction date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value: The changes in fair value of equity instruments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(8) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for rendered services.
- B. The short-term accounts and notes receivable without bearing interest are

subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Impairment of financial assets

For financial assets at amortized cost, at each reporting date, the Company, after taking into consideration all reasonable and verifiable information that includes forecasts, recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition, or recognizes the impairment provision for the lifetime expected credit losses (the “ECLs”) if such credit risk has increased since initial recognition. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognizes the impairment provision for lifetime ECL.

(10) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset are expired.

(11) Leasing arrangements (lessor)-operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(12) Inventories

Inventories are stated at the lower of cost and net realizable value. The cost is determined using the weighted-average method. The Cost of finished goods and work in process comprises raw materials, direct labors, other direct costs and factory overhead amortized at normal production capacity. It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price, less the estimated cost at completion and the estimated costs necessary to make the sale.

(13) Investments accounted for using equity method/Subsidiaries and associates

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Unrealized gains or losses arising from transactions between the Company and subsidiaries are eliminated. Accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company’s share of its subsidiaries’ post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company’s share of losses in subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognize losses proportionate to its ownership.
- D. Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
- E. When the Company loses control of a subsidiary, the Company remeasures any investment retained in the former subsidiary at its fair value. That fair value is

regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Company loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

- F. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost. ~20~
- G. The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- H. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognizes the Company's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- I. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless evidence show an impairment of the asset transferred from the transaction. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- J. In the case that an associate issues new shares or buys treasury stocks (including the Company does not acquire or dispose shares proportionately), which results in a change in the Company's ownership percentage of the associate but maintains significant influence on the associate, then "capital surplus" and "investments accounted for under equity method" shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Company's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of. Upon loss of significant influence over an associate, the Company remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss.
- K. Upon loss of significant influence over an associate, the amounts previously

recognized in other comprehensive income and as capital surplus in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognized in other comprehensive income and as capital surplus in relation to the associate are reclassified to profit or loss proportionately.

- L. According to Regulations Governing the Preparation of Financial Reports by Securities Issuers, profit and other comprehensive income in the separate financial statements should be the same as profit and other comprehensive income attributable to shareholders of the parent in the consolidated financial statements, and the equity in the separate financial statements should be the same as the equity attributable to shareholders of the parent in the consolidated financial statements.

(14)Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Except for land which is not depreciated, other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If each component of property, plant and equipment is significant, it should be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each end of the financial reporting period. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", from the date of the change. The estimated useful lives of the buildings are 5~40 years, machinery and equipment are 2~10 years and miscellaneous equipment are 2~5 years.

(15)Leasing arrangements (lessee)-right-of-use assets/lease liabilities

- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:
- (a) Fixed payments, less any lease incentives receivable;
 - (b) Variable lease payments that depend on an index or rate;
 - (c) expected amount paid by the Company under the residual value guarantee;
 - (d) the exercise price of purchasing the option if the lessee can be reasonably certain that such option will be exercised; and
 - (e) penalties to be paid for lease termination if lessor intends to exercise the lease

termination option during the leasing period.

The leasing liabilities are measured subsequently using the cost amortized by the interest bill, which provides for interest expense over the term of the lease. When a change in noncontractual results in a change in the leasing period or lease payment, the leasing liability is reassessed and the right-of-use asset is remeasured.

C. Right-of-use assets are recognized at cost at the commencement date of the lease, which includes:

- (a) The amount of the initial measurement of lease liabilities;
- (b) Any lease payments made at or before the commencement date;
- (c) Any initial direct costs incurred;
- (d) estimated costs for demolition, removal of the subject asset and location of the recovery period, or restoration of the subject asset to the condition required in the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

(16) Intangible assets

Computer software is amortized on a straight-line basis over its estimated useful life of 3 years.

(17) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(18) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(19) Accounts and Notes payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) Derecognition of financial liabilities

A financial liability is derecognized when the obligation specified in the contract is either discharged or cancelled or expires.

(21) Financial liabilities at fair value through profit or loss

Financial liabilities are classified in this category of held for trading if acquired

principally for the purpose of repurchasing in the short-term. Derivatives are also categorized as financial liabilities held for trading unless they are designated as hedges. At initial recognition, the Company measures the financial liabilities at fair value. All related transaction costs are recognized in profit or loss. The Company subsequently measures these financial liabilities at fair value with any gain or loss recognized in profit or loss.

(22) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

B. Pensions

For defined contribution plan, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(23) Employee share-based payment

A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

B. The fair value of the equity instruments is recognized as compensation expenses over vesting period.

(24) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the financial reporting period in the countries where the Company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect

to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the shareholders resolve to retain the earnings.

- C. Deferred income tax is recognized, using the balance sheets liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the separate financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the end of the financial reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At the end of the financial reporting period, unrecognized and recognized deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount is reported in the balance sheets when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheets when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from purchase of equipment, research and development expenditures, and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(25) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. The Company's own equity instruments repurchased (treasury stock) are recognized at repurchase cost and deducted from equity. Any difference between the carrying amount and consideration is recognized in equity.

(26) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new

shares issuance.

(27) Revenue recognition

- A. The main business items of the company are design, research and development, Production and sales are applied to "optical fiber communication, 4G/5G mobile communication base station interconnection, cloud data center, 3D Sensing/Near-Field Sensing/Flood Illumination" Vertical Cavity Surface Emitting Laser (VCSEL), Edge laser (FP / DFB), photodiode (PIN / PINTIA)", including components, sub-modules, Light engine/AOC and other types of products. Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.
- B. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Company does not adjust the transaction price to reflect the time value of money.
- C. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these separate financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions at the end of the financial reporting period and estimates concerning future events. The resulting accounting estimates and assumptions might be different from the actual results, and will be continually evaluated and adjusted based on historical experience and other factors; and the related information is addressed below:

(1) Critical judgments in applying the Company's accounting policies

None.

(2) Critical accounting estimates and assumptions

A. Impairment assessment of property, plant and equipment

The impairment assessment of property, plant and equipment relies on the Company's subjective judgement, including using mode of assets, characteristics of industry, identifying cash-generating units, useful lives of assets, and revenue and expenses in the future. Any changes of assumptions and estimates will cause a material adjustment to the carrying amount of property, plant and equipment within the next financial year.

As of December 31, 2022, the carrying amount of property, plant and equipment was \$363,706.

B. Evaluation of inventories

The Company's inventories are stated at the lower of cost and realizable value. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value at the end of the financial reporting period, and writes

down the cost of inventories to the net realizable value. Such an evaluation of inventories is principally based on the management's subjective judgements. Therefore, there might be a difference against actual result.

As of December 31, 2022, the carrying amount of inventories was \$352,097.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and petty cash	\$ 30	\$ 30
Checking accounts and demand deposits	89,347	118,905
Time deposits	<u>91,039</u>	<u>21,750</u>
	<u>\$ 180,416</u>	<u>\$ 140,685</u>

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. For the restrictions on the Company's use of cash and cash equivalents as pledge guarantees, please refer to Note 8.

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Non-current items:		
Equity instruments		
Unlisted stocks	\$ -	\$ 11,887
Valuation adjustment	<u>-</u>	<u>(3,897)</u>
Total	<u>\$ -</u>	<u>\$ 7,990</u>

A. The Company has elected to classify investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$0 and \$7,990 as of December 31, 2022 and 2021, respectively.

B. The Company have taken back the proceeds of investment which deducted capital and paid back to investors amounted to \$773 and \$0 for the years ended at December 31, 2022 and 2021, respectively.

C. The Company sold the financial assets at fair value through other comprehensive income above in October 2022.

D. Amounts recognized in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	<u>Years Ended</u>	
	<u>December 31, 2022</u>	<u>December 31, 2022</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognized in other comprehensive income	<u>(\$ 7,180)</u>	<u>(\$ 340)</u>

Dividend income recognized in profit or loss	\$ -	\$ 480
Reclassified from other equity to retained earnings due to disposal	\$ 11,077	\$ -

(3) Accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable	\$ 122,973	\$ 201,997
Accounts receivable from related parties	4,751	9,767
	127,724	211,764
Less: Loss allowance	(166)	-
	<u>\$ 127,558</u>	<u>\$ 211,764</u>

A. The ageing analysis of accounts receivable is as follows :

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Not past due	\$ 112,065	\$ 205,885
Less than 30 days past due	6,772	5,879
Between 31 and 90 days past due	5,044	-
Between 91 and 180 days past due	3,843	-
More than 181 days past due	-	-
	<u>\$ 127,724</u>	<u>\$ 211,764</u>

The ageing analysis above was based on past due date.

- B. As of December 31, 2022 and 2021, accounts receivable were all from contracts with customers. And as of January 1, 2021, the balance of receivables from contracts with customers amounted to \$214,962.
- C. As of December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's accounts receivable were carrying amounts of accounts receivable.
- D. Information about credit risk of accounts receivable is provided in Note 12(2).

(4) Inventories

	<u>December 31, 2022</u>		
	<u>Cost</u>	<u>Allowance</u>	<u>Carrying amount</u>
Raw materials	\$ 139,688	(\$ 42,959)	\$ 96,729
Work in process	62,426	(2,490)	59,936
Finished goods	<u>252,032</u>	<u>(56,600)</u>	<u>195,432</u>

	<u>\$ 454,146</u>	<u>(\$ 102,049)</u>	<u>\$ 352,097</u>
<u>December 31, 2021</u>			
	<u>Cost</u>	<u>Allowance</u>	<u>Carrying amount</u>
Raw materials	\$ 131,490	(\$ 49,163)	\$ 82,327
Work in process	122,301	(7,507)	114,794
Finished goods	262,003	(79,597)	182,406
	<u>\$ 515,794</u>	<u>(\$ 136,267)</u>	<u>\$ 379,527</u>

Inventory costs recognized as an expense for the current period are as follows :

	<u>2022</u>	<u>2021</u>
Cost of inventories sold	\$ 718,798	\$ 1,154,008
Evaluation gains	(9,863)	(13,551)
Capacity difference	8,914	10,365
Income from sales of scraps	(1,003)	(2,214)
	<u>\$ 716,846</u>	<u>\$ 1,148,608</u>

Owing to the Company's sales of some inventories of which the net realizable value is lower than its cost in 2022 and 2021, the net realizable value of inventories is recovered.

(5) Investments accounted for using equity method

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiaries :		
TrueLight(B.V.I)Ltd.	\$ 360,055	\$ 379,988
YLTLINK Technology Corporation	2,516	24,454
Associate :		
Optomedia Technology Inc.	23,752	21,655
	<u>\$ 386,323</u>	<u>\$ 426,097</u>

- A. The meeting of Board of Directors have passed a resolution to convert Class A preferred shares of YLTLINK Technology Corporation to Ordinary shares on August 3, 2022, and new shares were issued on August 31, 2022.
- B. Details of the Company's subsidiaries are provided in Notes 4(3) and 6(5) of the Company's consolidated financial statements as of and for the year ended December 31, 2022.
- C. The carrying amount of the Company's interests in all individually immaterial associates and the Company's share of the operating results are summarized below:

<u>Associate</u>	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
	<u>Carrying amount</u>	<u>Ownership %</u>	<u>Carrying amount</u>	<u>Ownership %</u>
Optomedia Technology Inc.	<u>\$ 23,752</u>	<u>29.94%</u>	<u>\$ 21,655</u>	<u>29.94%</u>

	2022	2021
Profit for the period	\$ 2,068	\$ 82
Total comprehensive income	\$ 2,068	\$ 82

(6) Property, plant and equipment

	2022			
	Buildings	Machinery	Others	Total
January 1, 2022				
Cost	\$ 881,428	\$ 2,008,127	\$ 57,666	\$ 2,947,221
Accumulated depreciation and impairment	(580,566)	(1,826,991)	(26,882)	(2,434,439)
	<u>\$ 300,862</u>	<u>\$ 181,136</u>	<u>\$ 30,784</u>	<u>\$ 512,782</u>
January 1, 2022	\$ 300,862	\$ 181,136	\$ 30,784	\$ 512,782
Acquisitions	1,275	7,331	6,235	14,841
Disposals	(7,062)	(40,484)	-	(47,546)
Transfers	872	33,342	(34,214)	-
Depreciation	(40,265)	(75,637)	(469)	(116,371)
December 31, 2022	<u>\$ 255,682</u>	<u>\$ 105,688</u>	<u>\$ 2,336</u>	<u>\$ 363,706</u>
December 31, 2022				
Cost	\$ 844,074	\$ 1,811,660	\$ 29,458	\$ 2,685,192
Accumulated depreciation and impairment	(588,392)	(1,705,972)	(27,122)	(2,321,486)
	<u>\$ 255,682</u>	<u>\$ 105,688</u>	<u>\$ 2,336</u>	<u>\$ 363,706</u>
	2021			
	Buildings	Machinery	Others	Total
January 1, 2021				
Cost	\$ 882,573	\$ 1,992,072	\$ 60,186	\$ 2,934,831
Accumulated depreciation and impairment	(528,859)	(1,675,922)	(26,443)	(2,231,224)
	<u>\$ 353,714</u>	<u>\$ 316,150</u>	<u>\$ 33,743</u>	<u>\$ 703,607</u>
January 1, 2021	\$ 353,714	\$ 316,150	\$ 33,743	\$ 703,607
Acquisitions	927	8,558	29,598	39,083
Disposals	-	-	(13,509)	(13,509)
Transfers	2,163	16,383	(18,546)	-
Depreciation	(55,942)	(159,955)	(502)	(216,399)
December 31, 2021	<u>\$ 300,862</u>	<u>\$ 181,136</u>	<u>\$ 30,784</u>	<u>\$ 512,782</u>

December 31, 2021

Cost	\$ 881,428	\$ 2,008,127	\$ 57,666	\$ 2,947,221
Accumulated depreciation and impairment	(580,566)	(1,826,991)	(26,882)	(2,434,439)
	<u>\$ 300,862</u>	<u>\$ 181,136</u>	<u>\$ 30,784</u>	<u>\$ 512,782</u>

- A. No interest expense was capitalized on property, plant and equipment.
 B. Refer to Note 8 for the Company's property, plant and equipment pledged to others.

(7) Leasing arrangements-lessee

- A. The Company leases land and rental contracts are typically made for periods of 22 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
 B. The carrying amount of right-of-use assets and the depreciation expense are as follows :

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	<u>\$ 119,391</u>	<u>\$ 125,614</u>
	<u>2022</u>	<u>2021</u>
	<u>Depreciation expense</u>	<u>Depreciation expense</u>
Land	<u>\$ 6,790</u>	<u>\$ 6,760</u>

- C. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets were \$567 and \$0.

D. The information on profit or loss relating to lease contract as follows :

	<u>2022</u>	<u>2021</u>
Interest expense on lease liabilities	<u>\$ 1,815</u>	<u>\$ 1,896</u>

E. For the years ended December 31, 2022 and 2021, the Company's total cash outflow for leases were \$7,880 and \$7,845, respectively.

(8) Leasing arrangements-lessor

A. The Company rent the part of plant and rental contract are made for period of 3 years.

B. For the years ended December 31, 2022 and 2021, the Company recognized rental income of \$9,324 and \$6,993, respectively.

C. At December 31, 2022 and 2021, the Company's lease payments receivable based on maturity date were listed as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
2022	-	\$ 9,324
2023	9,324	9,324
2024	<u>2,331</u>	<u>2,331</u>
Total	<u>\$ 11,655</u>	<u>\$ 20,979</u>

(9) Intangible assets

	<u>2022</u>	<u>2021</u>
Beginning of period	<u>Software</u>	<u>Software</u>
Cost	\$ 18,962	\$ 17,983
Accumulated amortization and Impairment	(17,101)	(15,952)
	<u>\$ 1,861</u>	<u>\$ 2,031</u>
Beginning of period	\$ 1,861	\$ 2,031
Additions	659	979
Amortization expense	(1,648)	(1,149)
End of period	<u>\$ 872</u>	<u>\$ 1,861</u>
End of period		
Cost	\$ 19,621	\$ 18,962
Accumulated amortization and impairment	(18,749)	(17,101)
	<u>\$ 872</u>	<u>\$ 1,861</u>

A. Details of amortization of intangible are as follows:

	<u>2022</u>	<u>2021</u>
Administrative expenses	\$ 107	\$ 98
Research and development expenses	<u>1,541</u>	<u>1,051</u>
	<u>\$ 1,648</u>	<u>\$ 1,149</u>

B. The Company has no intangible assets pledged to others.

(10) Short-term loans

<u>Type of loans</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Bank unsecured loans	\$ 38,273	\$ 184,741
Bank secured loans	<u>328,378</u>	<u>301,009</u>
	<u>\$ 366,651</u>	<u>\$ 485,750</u>
Interest rate range	<u>1.725%~6.3209%</u>	<u>1.15037%~1.51%</u>

A. Refer to Note 8 for collaterals for secured loans.

B. The Company recognized interest expense in profit or loss amounted to \$7,842 and \$7,816 for the years ended December 31, 2022 and 2021, respectively.

(11) Other payables (including related parties)

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Salaries and bonus payable	\$ 49,616	\$ 54,725
Compensation due to employee	347	347
Payable on machinery and equipment	7,099	6,934
Others	<u>65,835</u>	<u>81,723</u>
	<u>\$ 122,897</u>	<u>\$ 143,729</u>

(12) Long-term loans

<u>Institutions</u>	<u>Loan period</u>	<u>Collateral</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Taiwan Business Bank secured loan	2017.01.26~2022.01.26	Plant	\$ -	\$ 9,722
Taiwan Business Bank unsecured loan	2021.01.04~2026.01.04	None	30,833	40,000
Hua Nan Commercial Bank unsecured loan	2017.12.18~2024.12.18	None	12,000	18,000
Hua Nan Commercial Bank unsecured loan	2018.05.23~2025.05.23	None	9,667	13,667
First Commercial Bank unsecured loan	2022.12.30~2027.12.30	None	12,500	-
E.Sun Commercial Bank unsecured loan	2022.09.01~2025.03.01	None	72,157	-
Taiwan Cooperative Bank unsecured loan	2017.04.27~2022.04.27	None	-	6,667
			<u>137,157</u>	<u>88,056</u>
Less: Long-term loans, current portion (stated in other current liabilities)			<u>(51,704)</u>	<u>(35,556)</u>
			<u>\$ 85,453</u>	<u>\$ 52,500</u>
Interest rate range			<u>1.75%~2.47%</u>	<u>1.00%~1.845%</u>

A. The Company's unused credit line for long-term loans were \$37,500 and \$0 at December 31, 2022 and 2021, respectively.

B. Refer to Note 8 for collateral for long-term loans.

(13) Pensions

- A. Effective from July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum in line with the amounts in employees’ individual accounts and the amounts of accumulated gains.
- B. The Company recognized pension costs under the defined contribution plan aforementioned amounted to \$13,496 and \$14,336 for the years ended December 31, 2022 and 2021, respectively.

(14) Capital share

As of December 31, 2022, the Company’s authorized capital was \$1,200,000, consisting of 120,000,000 shares of common stock (including 6,000,000 shares which were reserved for employee stock options), and the paid-in capital was \$767,747 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

The number of the Company’s ordinary shares outstanding at the beginning and ending for the years ended December 31, 2022 and 2021 is 76,474,692 shares for both years.

(15) Capital surplus

Pursuant to the R.O.C. Company Law, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

The Company converted Class A preferred shares of YLTLINK Technology Corporation to ordinary shares on August 31, 2022. The above transaction causes a decrease in the Company’s ownership percentage of the subsidiary for 31% and an increase in ownerships’ equity of \$6,326.

	<u>Year ended December 31, 2022</u>			
		Restricted	Changes in ownership interest	
	<u>Share premium</u>	<u>Shares</u>	<u>in subsidiaries</u>	<u>Total</u>
Beginning of period	\$ 173,917	\$ -	\$ -	\$ 173,917
Conversion of preferred shares of subsidiaries	-	-	6,326	6,326
End of period	<u>\$ 173,917</u>	<u>\$ -</u>	<u>\$ 6,326</u>	<u>\$ 180,243</u>

	<u>Year ended December 31, 2021</u>			
		Restricted	Ownership interest	
	<u>Share premium</u>	<u>Shares</u>	<u>In subsidiaries</u>	<u>Total</u>
Beginning of period	\$ 160,601	\$ 13,316	\$ -	\$ 173,917

Vested in restricted shares	13,316	(13,316)	-	-
End of period	<u>\$ 173,917</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 173,917</u>

(16) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's profit after income tax, shall first be offset against prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. When such legal reserve amounts to the total authorized capital, the Company shall not be subject to this requirement. The Company may then appropriate or reverse a certain amount as special reserve according to the demand for the business or relevant regulations. After the distribution of earnings, the remaining earnings and prior year's undistributed earnings may be appropriated according to a resolution of the Board of Directors adopted in the shareholders' meeting.
- B. The Company adopts the balance and stability principles of dividends policy and takes into account future cash flow needs, financial plans and other factors, and satisfies the shareholders' demand for cash; therefore, the percentage of distribution of dividends shall be more than 5%, and the percentage of cash dividends shall be more than 10%. The distribution of dividends shall not be made as the accumulated retained earnings available for distribution is less than 10% of the Company's paid-in capital.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- E. Based on the resolution approved in the stockholders' meeting held on May 26, 2022, the Company would not distribute earnings because of the loss for the year ended December 31, 2021. The appropriations of 2020 earnings as resolved by the shareholders at their meeting on July 15, 2021 included \$433 of legal reserve and \$3,893 of special reserve, and no distributable earnings.

(17) Other equity

	<u>Year ended December 31, 2022</u>			
	<u>Unrealized</u> <u>evaluation</u> <u>gain (loss)</u>	<u>Unearned</u> <u>compensation</u>	<u>Foreign currency</u> <u>translation</u>	
Beginning of period	(\$ 3,897)	\$ -	(\$ 18,077)	
Revaluation adjustment of financial assets at fair value through other comprehensive income	(7,180)		-	-
Disposal of financial assets at fair value through other comprehensive income	11,077		-	-

Currency translation difference-subidiaries	-	-	8,720
End of period	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 9,357)</u>

	<u>Year ended December 31, 2021</u>		
	<u>Unrealized evaluation gain (loss)</u>	<u>Unearned compensation</u>	<u>Foreign currency translation</u>
Beginning of period	(\$ 3,557)	(\$ 13,581)	(\$ 17,135)
Revaluation adjustment of financial assets at fair value through other comprehensive income	(340)	-	-
Share-based payments	-	13,581	-
Currency translation difference-subidiaries	-	-	(942)
End of period	<u>(\$ 3,897)</u>	<u>\$ -</u>	<u>(\$ 18,077)</u>

(18) Operating revenue

	<u>2022</u>	<u>2021</u>
Revenue from contracts with customers	<u>\$ 987,858</u>	<u>\$ 1,317,997</u>

The Company's revenue, which is derived from transfer of goods at a point of time, is subcategorized into the following geographic areas and product categories:
Geographic areas:

	<u>2022</u>	<u>2021</u>
China	\$ 226,585	\$ 435,156
Taiwan	353,093	440,268
Others in Asia	168,717	203,848
Europe and America	<u>239,463</u>	<u>238,725</u>
	<u>\$ 987,858</u>	<u>\$ 1,317,997</u>

Product category:

	<u>2022</u>	<u>2021</u>
Chips and components	\$ 705,405	\$ 792,628
Optical transmission and connection modules	<u>282,453</u>	<u>525,369</u>
	<u>\$ 987,858</u>	<u>\$ 1,317,997</u>

(19) Interest income

	<u>2022</u>	<u>2021</u>
Interest income from bank deposits	<u>\$ 1,048</u>	<u>\$ 211</u>

(20) Other income

	<u>2022</u>	<u>2021</u>
Rent income	\$ 34,096	\$ 16,169
Dividend income	-	480
Others	3,205	2,267
	<u>\$ 37,301</u>	<u>\$ 18,916</u>

(21) Other gains and losses

	<u>2022</u>	<u>2021</u>
Net currency exchange gains(losses)	\$ 12,921	(\$ 1,577)
Gain on disposal of property, plant and equipment	4,224	4,393
Other net losses	(26,375)	(8,363)
	<u>(\$ 9,230)</u>	<u>(\$ 5,547)</u>

(22) Finance cost

	<u>2022</u>	<u>2021</u>
Interest expenses :		
Bank loans	\$ 9,079	\$ 9,822
Lease liabilities	1,815	1,896
	<u>\$ 10,894</u>	<u>\$ 11,718</u>

(23) Additional disclosures on expenses of nature

	<u>2022</u>	<u>2021</u>
Employee benefit expenses	\$ 310,491	\$ 358,126
Depreciation	123,161	223,159
Amortization	1,648	1,149
	<u>\$ 435,300</u>	<u>\$ 582,434</u>

The above depreciations of both years included depreciation recognized in other net losses of other gains and losses.

(24) Employee benefit expenses

	<u>2022</u>	<u>2021</u>
Wages and salaries	\$ 259,427	\$ 290,270
Share-based payments	-	12,263
Labor and health insurance	25,531	27,337
Pension	13,496	14,336
Other personnel expenses	12,037	13,920
	<u>\$ 310,491</u>	<u>\$ 358,126</u>

- A. In accordance with the Articles of Incorporation of the Company, ratios of distributable profit of the current year, after covering accumulated deficit, shall be distributed as employees' compensation and directors' remuneration. The ratios shall be between 4% and 10% for employees' compensation and no less than 4% for directors' remuneration.
- B. The Company would not recognize employees' compensation and directors' remuneration as expenses because of the losses for the years ended December 31, 2022 and 2021.
- C. The difference between the directors' remunerations of 2020 resolved by the Board of Directors and listed as expense in financial statements is \$116 and was recognized in profit or loss of 2021. The director's remuneration of 2020 estimated was different from which resolved by the Board of Directors resulted to the difference aforementioned.

Information related to employees' compensation and directors' remuneration shall be inquired at the Market Observation Post System website.

(25) Income tax

A. Income tax (income) expense

(a) Components of income tax (income) expense:

	<u>2022</u>	<u>2021</u>
Current tax :		
Total current tax	\$ -	\$ -
Deferred tax :		
Total deferred tax	(103)	-
Income tax (income) expense	<u>(\$ 103)</u>	<u>\$ -</u>

(b) No income tax (income) expense is related to components of other comprehensive income.

B. Reconciliation between income tax (income) expense and accounting loss

	<u>2022</u>	<u>2021</u>
Tax calculated based on profit before tax and statutory tax rate	(\$ 5,258)	(\$ 26,554)
Tax exempt income by tax regulation	-	(96)
Origination and reversal of temporary differences	(401)	(5,185)
Effect from loss based on tax regulation unrecognized as deferred tax assets	5,659	31,835
Effect on changes of realizable deferred tax assets or liabilities	(103)	-
Income tax (income) expense	<u>(\$ 103)</u>	<u>\$ -</u>

C. Deferred tax or liabilities resulted from loss based on tax regulation is listed below:

2022					
	<u>January 1</u>	<u>Recognized in Profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>Recognized in equity</u>	<u>December 31</u>
Taxable loss	\$ 23,382	\$ 103	\$ -	\$ -	\$ 23,485
	<u>\$ 23,382</u>	<u>\$ 103</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,485</u>

2021					
	<u>January 1</u>	<u>Recognized in Profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>Recognized in equity</u>	<u>December 31</u>
Taxable loss	\$ 23,382	\$ -	\$ -	\$ -	\$ 23,382
	<u>\$ 23,382</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,382</u>

D. As of December 31, 2022 and 2021, the expiry date of the tax losses

December 31, 2022				
<u>Year of loss</u>	<u>Loss based on tax regulation</u>	<u>Unused losses</u>	<u>Loss unrecognized as deferred assets</u>	<u>Expiry date</u>
2017	\$ 510,212	\$ 510,212	\$ 393,302	2027
2018	164,906	164,906	164,906	2028
2019	216,152	216,152	216,152	2029
2020	92,551	92,551	92,551	2030
2021	159,176	159,176	159,176	2031
2022	<u>28,293</u>	<u>28,293</u>	<u>28,293</u>	2032
	<u>\$ 1,171,290</u>	<u>\$ 1,171,290</u>	<u>\$ 1,054,380</u>	

December 31, 2021				
<u>Year of loss</u>	<u>Loss based on tax regulation</u>	<u>Unused losses</u>	<u>Loss unrecognized as deferred assets</u>	<u>Expiry date</u>
2017	\$ 510,212	\$ 510,212	\$ 393,302	2027
2018	164,906	164,906	164,906	2028
2019	216,152	216,152	216,152	2029
2020	92,551	92,551	92,551	2030
2021	<u>159,176</u>	<u>159,176</u>	<u>159,176</u>	2031
	<u>\$ 1,142,997</u>	<u>\$ 1,142,997</u>	<u>\$ 1,026,087</u>	

E. Deductible temporary difference unrecognized as deferred assets:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Deductible temporary differences	<u>\$ 237,142</u>	<u>\$ 239,042</u>

F. The Company's income tax returns have been examined by the tax authority through the years up to 2020.

(26) Loss per share

	<u>2022</u>	
	Weighted average number of common shares outstanding	Loss per share
	<u>Amount after tax (shares in thousands)</u>	<u>(in dollars)</u>
<u>Basic loss per share</u>		
Loss for the year	(\$ 26,187) <u>76,475</u>	(\$ 0.34) <u></u>

	<u>2021</u>	
	Weighted average number of common shares outstanding	Loss per share
	<u>Amount after tax (shares in thousands)</u>	<u>(in dollars)</u>
<u>Basic loss per share</u>		
Loss for the year	(\$ 132,770) <u>76,112</u>	(\$ 1.74) <u></u>

Since the potential common shares have no dilutive effect, the Company need to disclose only the calculation on basic loss per share for the year ended December 31, 2021.

(27) Supplemental cash flow information

Investing activities with partial cash collection and payments:

	<u>2022</u>		<u>2021</u>	
Purchase of property, plant and equipment	\$	14,841	\$	39,083
Add: Opening balance of payable on equipment		6,934		14,037
Less: Ending balance of payable on equipment	(	7,033)	(	6,934)
Cash paid during the year	\$	<u>14,742</u>	\$	<u>46,186</u>

(28) Changes in liabilities from financing activities

	<u>Short-term loans</u>	<u>Long-term loans (including current portion)</u>	<u>Lease Liabilities</u>	<u>Total liabilities from financing activities</u>
January 1, 2022	\$ 485,750	\$ 88,056	\$ 128,307	\$ 702,113
Changes in cash flow	(119,099)	49,101	(6,065)	(76,063)
Interest paid	-	-	(1,815)	(1,815)
Other non-cash changes	-	-	2,382	2,382
December 31, 2022	<u>\$ 366,651</u>	<u>\$ 137,157</u>	<u>\$ 122,809</u>	<u>\$ 626,617</u>

	<u>Long-term loans (including</u>	<u>Lease</u>	<u>Total liabilities from financing</u>
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	<u>Short-term loans</u>	<u>Current portion)</u>	<u>Liabilities</u>	<u>activities</u>
January 1, 2021	\$ 545,295	\$ 194,722	\$ 134,256	\$ 874,273
Changes in cash flow	(59,545)	(106,666)	(5,949)	(172,160)
Interest paid	-	-	(1,896)	(1,896)
Other non-cash changes	-	-	1,896	1,896
December 31, 2021	<u>\$ 485,750</u>	<u>\$ 88,056</u>	<u>\$ 128,307</u>	<u>\$ 702,113</u>

7. RELATED PARTIES TRANSACTIONS

(1) Names and relationship of related parties

<u>Name</u>	<u>Relationship with the Company</u>
Optomedia Technology Inc.	Associate
ZHUHAI FTZ PRORAY CO., LTD.(ZFP)	Subsidiary
YLTLing Technology Corporation (YLT)	Subsidiary
Le Chun Wang	Other related party

(2) Significant transactions and balances with related parties

A. Operating revenue

	<u>2022</u>	<u>2021</u>
Subsidiaries	\$ 2,544	\$ 5,947
Associate	24,332	25,336
	<u>\$ 26,876</u>	<u>\$ 31,283</u>

There is no significant difference in the terms and conditions for transactions between the Company and related parties or non-related parties.

B. Purchases, processing fee and others

	<u>2022</u>	<u>2021</u>
Purchases:		
Subsidiary-YLT	\$ 56,832	\$ 10,714
Subsidiary-ZFP	47	-
Processing fee:		
Subsidiary-ZFP	93,243	228,621
Others:		
Subsidiaries	8,322	2,445
	<u>\$ 158,444</u>	<u>\$ 241,780</u>

C. Accounts receivable due from related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable:		
Associate	\$ 2,370	\$ 5,786

Subsidiary-ZFP	2,381	3,939
Subsidiary-YLT	<u>-</u>	<u>42</u>
Subtotal	<u>4,751</u>	<u>9,767</u>
Other receivables		
Subsidiary-ZFP	23,973	22,494
Subsidiary-YLT	<u>64,896</u>	<u>16,040</u>
Subtotal	<u>88,869</u>	<u>38,534</u>
Total	<u>\$ 93,620</u>	<u>\$ 48,301</u>

The accounts receivable due from related parties mainly arise from sales of goods, disposals and rentals of property, plant and equipment and support service. The transaction term of sales of goods is about 60 days, and terms of disposals and rentals of property, plant and equipment and support service are handled in accordance with mutual contracts. The above accounts receivable are unsecured in nature and bear no interest and for which no allowance loss.

D. Payables to related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts payable:		
Subsidiary-YLT	\$ 6,509	\$ 10,154
Subsidiary-ZFP	<u>47</u>	<u>-</u>
Subtotal	<u>6,556</u>	<u>10,154</u>
Other payables-processing fee:		
Subsidiary-ZFP	182,575	219,685
Other payables-Others:		
Subsidiary	<u>1,934</u>	<u>814</u>
Total	<u>\$ 191,065</u>	<u>\$ 230,653</u>

The payables to related parties mainly arise from transactions of purchases and processing, are bear no interest. The transaction terms of purchases and processing are about 60 days, which were similar to those for third parties.

E. Property transactions

Disposals of property, plant and equipment:

	<u>Year ended December 31, 2022</u>	
	<u>Disposal proceeds</u>	<u>Gain on disposal</u>
Subsidiary-YLT	<u>\$ 59,741</u>	<u>\$ 12,120</u>
	<u>Year ended December 31, 2021</u>	
	<u>Disposal proceeds</u>	<u>Gain on disposal</u>
Subsidiary-ZFP	<u>\$ 13,600</u>	<u>\$ 90</u>

The gains on disposal of property, plant and equipment and other assets to subsidiaries, are unrealized and transferred to realized gains and other income monthly based on the useful lives of related property, plant and equipment and other assets. The Company recognized realized gains on disposal of property, plant and equipment \$4,149 and \$4,378, and realized other income \$1,678 and \$1,659 for the years ended December 31 2022 and 2021, respectively. As of December 31, 2022 and 2021, the above unrealized gains on disposal and other income are \$15,699 and \$9,406, which have been recognized in the investments accounted for using equity method.

- F. The Company rented part of plant and equipment based on hours of use, and recognized rent incomes \$32,943 and \$15,599 for the years ended December 31, 2022 and 2021, respectively.
- G. The Company prepaid \$10,000 for Class A preferred shares of YLT in 2021, and new shares were issued on January 20, 2022. The Company's meeting of Board of Directors has passed a resolution to convert all Class A preferred shares of YLT to Ordinary shares on August 3, 2022, and new shares were issued on August 31, 2022.
- H. In October 2022, the Company sold all investment at fair value through other comprehensive income to Le Chun Wang for \$37. As of December 31, 2022, the proceed of above transaction of investment sold have been received.

(3) Information about remunerations to the major management

	<u>2022</u>	<u>2021</u>
Salaries and other short-term employee benefits	\$ 25,882	\$ 26,331
Post-employment benefits	540	539
Share-based payments	-	1,210
	<u>\$ 26,422</u>	<u>\$ 28,080</u>

8. PLEDGED ASSETS

The Company's assets pledged as collateral were as follows:

<u>Pledged assets</u>	<u>Carrying amount</u>		<u>Purposes</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>	
Demand deposits (listed in non-current financial assets at amortized cost)	\$ 35,038	\$ 28,010	Pledged for short-term loans
Time deposits (listed in non-current financial assets at amortized cost)	39,581	8,846	Pledged for short-term loans, customs duties guarantee and lease guarantee
Buildings	186,896	196,928	Pledged for short-term and long-term loans
	<u>\$ 261,515</u>	<u>\$ 233,784</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

Capital expenditure contracted for at the balance sheet date but not yet incurred is as

follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Property, plant and equipment	\$ 5,456	\$ 11,383

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Company monitors capital on the basis of the liability ratio on a regular time schedule.

At December 31, 2022 and 2021, the Company's liability ratio are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Total liabilities	\$ 953,196	\$ 1,133,459
Total assets	<u>1,722,755</u>	<u>1,921,339</u>
	<u>55%</u>	<u>59%</u>

(2) Financial instruments

A. Financial instruments by category

<u>Financial assets</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Financial assets at fair value		
through other comprehensive income		
Designation of equity instrument		
-non-current	<u>\$ -</u>	<u>\$ 7,990</u>
Financial assets at amortized cost		
Cash and cash equivalents	180,416	140,685
Accounts receivable	127,558	211,764
Other receivables	486	38,548
Refundable deposits	75	75
Other financial assets	<u>74,619</u>	<u>36,856</u>
	<u>\$ 383,154</u>	<u>\$ 427,928</u>
<u>Financial liabilities</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Financial liabilities at amortized cost		
Short-term loans	\$ 366,651	\$ 485,750
Notes payable	2,826	720
Accounts payable	27,898	79,568
Other payables	292,167	346,260
Long-term loans (including current		

portion)	137,157	88,056
Deposits received	<u>890</u>	<u>890</u>
	<u>\$ 827,589</u>	<u>\$ 1,001,244</u>
Lease liabilities	<u>\$ 122,809</u>	<u>\$ 128,307</u>

B. Financial risk management policies

The Company's operating activities expose the Company to a variety of financial risks, including market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The financial risk management policies of the Company focus on minimizing any adverse effects on the financial performance.

C. Nature and degree of significant financial risks

The Company's key financial plans are all reviewed by the Board of Directors under the related principles and internal control system. When executing the financial plans, the Company's treasury departments will follow the financial operating procedures in accordance with the overall financial risk management and proper segregation of duties.

(a) Market risk

Foreign exchange risk

- (i) The Company operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company used in various functional currency, primarily with respect to the USD, Japanese yen and RMB. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities, and net investments in foreign operations.
- (ii) The Company's businesses involve some non-functional currency operations (the Company's functional currency is NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	<u>December 31, 2022</u>		
	<u>Foreign current amount</u>		<u>Carrying amount</u>
	<u>(in thousands)</u>	<u>Exchange rate</u>	<u>(NT\$ thousand)</u>
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 9,085	30.70	\$ 278,910
RMB:NTD	4,554	4.409	20,079
Yen:NTD	1,994	0.2326	464
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 1,512	30.70	\$ 46,418
RMB:NTD	41,426	4.409	182,647
	<u>December 31, 2021</u>		

(Foreign currency: functional currency)	Foreign current amount		Carrying amount (NT\$ thousand)
	<u>(in thousands)</u>	<u>Exchange rate</u>	
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 10,625	27.67	\$ 293,994
RMB:NTD	4,456	4.345	19,361
Yen:NTD	6,881	0.2406	1,655
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 4,204	27.67	\$ 116,325
RMB:NTD	50,560	4.345	219,683

(iii) Net currency exchange (losses) gains arising from foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2022 and 2021 amounted to \$12,921 and (\$1,577), respectively.

(iv) Analysis of foreign currency market risk arising from significant foreign exchange variation:

(Foreign currency: functional currency)	Year ended December 31, 2022		
	Sensitivity analysis		
	<u>Degree of variation</u>	<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1.00%	\$ 2,789	\$ -
RMB:NTD	1.00%	201	-
Yen:NTD	1.00%	5	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1.00%	(\$ 464)	\$ -
RMB:NTD	1.00%	(1,826)	-

(Foreign currency: functional currency)	Year ended December 31, 2021		
	Sensitivity analysis		
	<u>Degree of variation</u>	<u>Effect on Profit or loss</u>	<u>Effect on other comprehensive Income</u>

<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	1.00%	\$	2,940	\$	-
RMB:NTD	1.00%		194		-
Yen:NTD	1.00%		17		-
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	1.00%	(\$	1,163)	\$	-
RMB:NTD	1.00%	(	2,197)		-

Price risk

- (i) The Company's equity instruments, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity instruments, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- (ii) The Company mainly invests in equity instruments comprised of shares issued by the domestic companies. The value of equity instruments is susceptible to market price risk arising from uncertainties about future performance of equity markets. Assuming a hypothetical increase of 1% in the price of the aforementioned financial assets at fair value through other comprehensive income could increase the Company's other comprehensive income for the years ended December 31, 2022 and 2021 by \$0 and \$119, respectively.

Cash flow and fair value interest rate risk

- (i) The Company's main interest rate risk arises from short-term loans and long-term loans with variable rates which expose the Company to cash flow interest rate risk but is partially offset by cash and cash equivalents held at variable rates. During the year ended December 31, 2022, the Company's borrowings at variable rates were denominated in NTD and USD.
- (ii) At December 31, 2022, if interest rates on loans had been 1% higher with all other variables held constant, non-operating expenses for the years ended December 31, 2022 and 2021 would have been \$3,865 and \$7,738 higher, mainly as a result of higher interest expenses on floating rate loans.
- (b) Credit risk
- (i) Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of financial assets at amortized cost which were settled in accordance with contractual agreements.
- (ii) The Company manages its credit risk taking into consideration the entire group's concern. For banks and financial institutions, only well rated parties are accepted. According to the Company's credit policy, each operating entity in the Company is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the

credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors, and the utilization of credit limits is regularly monitored.

- (iii) If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- (iv) The Company adopts the assumption under IFRS 9, that is, for most operating entities, the default occurs when the contract payments are past due over one year.
- (v) The Company classifies customer's accounts receivable in accordance with customer types. The Company applies the simplified approach using the provision matrix and loss rate method to estimate expected credit loss.
- (vi) The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - i. It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - ii. The disappearance of an active market for that financial asset because of financial difficulties;
 - iii. Default or delinquency in interest or principal repayments;
 - iv. Adverse changes in national or regional economic conditions that are expected to cause a default.
- (vii) The Company writes off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures.
- (viii) The Company refers to the forecast ability of global economic indicators to adjust the loss rate which is based on historical and current information when assessing the future default possibility of accounts receivable. The provision matrix as of December 31, 2022 and 2021 is as follows:

	Not past due	Less than 30 days past due	Between 31 and 90 days past due	Between 91 and 180 days past due	Between 181 and 360 days past due	More than 360 days past due	Total carrying amount for individuals
<u>December 31, 2022</u>							
Expected loss rate	0.03%	0.03%	1%	3%	10%	100%	
Carrying amount	\$ 112,065	\$ 6,772	\$ 5,044	\$ 3,843	\$ -	\$ -	\$ 127,724
Loss allowance	\$ -	\$ -	\$ 51	\$ 115	\$ -	\$ -	\$ 166

	Individuals	Others	Total
<u>December 31, 2022</u>			
Expected loss rate	100%	0.03%~100%	
Carrying amount	\$ -	\$ 127,724	\$ 127,724
Loss allowance	\$ -	\$ 166	\$ 166

	Not past due	Less than 30 days past due	Between 31 and 90 days past due	Between 91 and 180 days past due	Between 181 and 360 days past due	More than 360 days past due	Total carrying amount for individuals
<u>December 31, 2021</u>							
Expected loss rate	0.03%	0.03%	1%	3%	10%	100%	
Carrying amount	\$ 205,885	\$ 5,879	\$ -	\$ -	\$ -	\$ -	\$ 211,764

Loss allowance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>December 31, 2021</u>							
		<u>Individuals</u>	<u>Others</u>	<u>Total</u>			
Expected loss rate		100%	0.03-100%				
Carrying amount	<u>\$ -</u>	<u>\$ 211,764</u>		<u>\$ 211,764</u>			
Loss allowance	<u>\$ -</u>	<u>\$ -</u>		<u>\$ -</u>			

(ix) Movements in relation to the allowance for accounts receivable are as follows:

	<u>2022</u>
	<u>Accounts receivable</u>
January 1	\$ -
Recognition	166
December 31	<u>\$ 166</u>
	<u>2021</u>
	<u>Accounts receivable</u>
January	\$ 18
Reversal	(18)
December 31	<u>\$ -</u>

(c) Liquidity risk

(i) Cash flow forecasting is performed in the various departments of the Company and aggregated by the Company treasury. The Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Company's cash flow plans and compliance with internal balance sheets ratio targets.

(ii) The table below analyses the Company's non-derivative financial liabilities and derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the financial reporting period to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

	December 31, 2022			
<u>Non-derivative financial liabilities :</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 year</u>	<u>More than 5 years</u>
Short-term loans	\$ 371,289	\$ -	\$ -	\$ -
Notes payable	2,826	-	-	-
Accounts payable	27,898	-	-	-
Other payables	292,167	-	-	-
Lease liabilities	7,880	7,880	23,641	99,161

Long-term loans (including current portion)	53,965	56,639	30,527	-
Derivative financial liabilities: none				
December 31, 2021				
<u>Non-derivative financial liabilities:</u>	<u>Less than 1 Year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>More than 5 years</u>
Short-term loans	\$ 488,621	\$ -	\$ -	\$ -
Notes payable	720	-	-	-
Accounts payable	79,568	-	-	-
Other payables	346,260	-	-	-
Lease liabilities	7,846	7,846	25,537	106,569
Long-term loans (including current portion)	36,582	20,693	33,008	-
Derivative financial liabilities: none				

(iii) The Company does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis to be significantly earlier, nor expect the actual cash flow amount to be significantly different.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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

Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, accounts receivable, other receivables, short-term loans, notes payable, accounts payable, other payables, lease liabilities and long-term loans (including current portion) are reasonably approximate to the fair values.

C. The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

(a) The related information about the nature of the assets and liabilities is as follows:

December 31, 2022: none.

December 31, 2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				

— Equity securities \$ - \$ - \$ 7,990 \$ 7,990

(b) The methods and assumptions the Company used to measure fair value are as follows:

(i) The instruments the Company used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Listed and OTC Stocks</u>	<u>Close-end Fund</u>	<u>Open-end Fund</u>	<u>Government Bond</u>	<u>Corporate Bonds</u>	<u>Convertible Bonds</u>
Market quoted price	Closing price	Closing price	Net asset value	Transaction price	Weighted-average market price per hundred	Closing market price

(ii) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the financial reporting date.

(iii) When assessing high-complexity financial instruments, the Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

(iv) The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as discount method and option pricing model. Forward foreign exchange contracts are usually evaluated based on the current forward exchange rate.

(v) The output of the evaluation model is an estimated value, and the evaluation technology may not reflect all the relevant factors of the financial and non-financial instruments held by the Company. Therefore, the estimated value of the evaluation model will be appropriately adjusted based on additional parameters, such as model risk or liquidity risk, etc. In accordance with the Company's fair value evaluation model management policies and relevant control procedures, the management believes that in order to properly express the fair value of financial instruments and non-financial instruments in parent company only balance sheets, the evaluation adjustment is appropriate and necessary. The pricing information and inputs used during valuation are carefully assessed and adjusted based on current market conditions.

D. For the years ended December 31, 2022 and 2021, there was no transfer between Level 1 and Level 2.

E. The movements of Level 3 are as follows:

	<u>2022</u>	<u>2021</u>
	<u>Equity instruments</u>	<u>Equity instruments</u>
January 1	\$ 7,990	\$ 8,330
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	(773)	-
Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	(7,180)	(340)
Proceeds from disposal of financial assets at fair value through other comprehensive income	(37)	-
December 31	<u>\$ -</u>	<u>\$ 7,990</u>

F. For the years ended December 31, 2022 and 2021, there was no transfer into or out from Level 3.

G. Investment segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming that the resource of information is independent, reliable and in line with other resources and representative of the exercisable price, frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model, and making any other necessary adjustments to the fair value.

H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

December 31, 2022: none.

	<u>Fair value at December 31, 2021</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity					

instrument:

Non-listed stocks	\$	7,990	Net asset value	NA	NA	NA
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(4) The Company's plan for future financial wellness

The Company's debt ratio on December 31, 2022 was 55%. The future plan for financial wellness includes:

- A. The product manufacturing process continues to advance towards epitaxy with high technical threshold: The Group's epitaxy factory has been built and mass-produced. In addition to supplying the chip demand for short-wave products, it also supplies some chips required for long-wave products, which are self-imported. After the production of epiwafers, the benefits of cost reduction have gradually been produced.
- B. Uninterrupted product research and development: High-end high-speed products have been developed and shipped one after another, and are actively cooperating with well-known foreign manufacturers for development to create more business opportunities.
- C. Diversification of product applications: in the original optical products, keep up with and surpass the pace of the market, in addition to high-speed products for 5G base station applications, and because of the new coronavirus pneumonia epidemic, new social models such as home office/stay at home economy state, highlight and accelerate the importance and demand of FTTH fiber-to-the-home bandwidth, grasp the power of SGPON/XGSPON product explosion. In addition to, in terms of short-wave consumer products, consumer products such as mobile phone sensing components (PS) and true wireless Bluetooth headsets (TWS) have successively launched new products in line with market trends. The above-mentioned products are expected to increase revenue and create profits.
- D. Expansion of sales markets/regions: increase the proportion of sales in Taiwan, Europe, America, and other Asian regions through diversification of product applications, avoiding the risk of selling in a single market and expanding revenue.
- E. Fund raising plan: The Company has always maintained a good credit relationship with the bank, and will continue the past experience to activity apply for credit lines from financial institutions and renew existing financing lines. If necessary, it is also considered to obtain financing from non-financial institutions or obtain funds from the capital market to increase the space for capital deployment and improve the financial structure.
- F. Reduce costs and improve operating efficiency: optimize the process to reduce production costs, re-examine the effectiveness of the organization, and strictly control various expenses to improve profitability and operating performance.

(5) Information on the effect to the Company's operations arising from COVID-19 epidemic in 2022

After assessment, COVID-19 affected the purchase and sales strategy, the increase in transportation costs and the shipment status of some customers in 2022, but the aforementioned situation did not have a significant impact on impact in the current period, and the Company will continue to track the development of the epidemic to immediately adjust the strategy to respond.

13. DISCLOSURES IN NOTES

(1) Information on significant transactions

- A. Lending funds to others: None.

- B. Providing endorsements or guarantees to others: Please refer to Table 1.
- C. Holding of marketable securities at the end of the period (excluding the portion held due to investment in a subsidiary or an associate, and the portion held due to an interest in a joint venture): None.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in-capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of the Company's paid-in-capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of Company's paid-in-capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in-capital or more: None.
- H. Receivables from related parties reaching \$100 million or 20% of Paid-in-capital or more: Please refer to Table 2.
- I. Trading in derivative instruments undertaken during the reporting period: None.
- J. The business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and amounts of any significant transactions between them: Please refer to Table 3.

(2) Information on investees

Names, locations, and related information of investees over which the company exercises significant influence (excluding information on investment in mainland China): Please refer to Table 4.

(3) Information on investments in Mainland China

A. Basic information: Please refer to Table 5.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in China: Please refer to Table 6.

(4) Information on major shareholders: None.

14. OPERATING SEGMENT INFORMATION

Not applicable.

TrueLight Corporation
Provision of endorsements and guarantees to others
Year ended December 31,2022

Table1 Expressed in thousands of New Taiwan dollars,except as otherwise indicated

Number	Party being endorsed/guaranteed		Relationship with the endorser/guarantor	Limit on endorsements/guarantees provided for a single party	outstanding endorsement /guarantee amount as at December 31,2022	Outstanding endorsement /guarantee amount as at December 31,2022	Actual amount drawn down	Amount of endorsement s /guarantees secured with collateral	Ratio of accumulated endorsement /guarantee amount to net asset value of the endorser/guarantor	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/gu arantees by parent company to subsidiay	Provision of endorsements/gu arantees by subsidiary to parent company	Provision of endorsements /guarantees to the party in Mainland china	Footnote
	Endorser/guarantor	Company name												
(Note1) 0	TrueLight Corporation	ZHUHAI FTZ PRORAY CO.,LTD.	(Note2) (2)	(Note3) \$ 764,747	(Note4) \$ 140,000	70,000	\$ 9,763	-	8.75	\$ 764,747	(Note5) Y	(Note5) N	(Note5) Y	-

Note1 : The numbers filled in for the endorsements /guarantees provided by the Company or subsidiaries are as follows :

(1).The Company is '0'.

(2).The subsidiaries are numbered in order starting from '1'.

Note2 : Relationship between the endorser/ guarantor and the party being endorsed /guaranteed is classified into the following seven categories:

- (1).Having business relationship.
- (2).The endorser /guarantor parent company owns directly and indirectly more than 50% voting shares of the of the endorsed /guaranteed subsidiary.
- (3).The endorsed /guaranteed company owns directly and indirectly more than 50% voting shares of the endorser /guarantor parent company.
- (4).The endorser /guarantor parent company owns directly and indirectly more than 90% voting shares of the of the endorsed /guaranteed company.
- (5).Mutual guarantee of the trade made by the endorsed/guaranteed company of joint contractor as required under the construction contract.
- (6).Due to joint venture, all shareholders provide endorsements/ guarantees to the endorsed /guaranteed company in proportion to its ownership.
- (7)Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note3 : According to the company's endorsement/guarantee method, the quota of endorsement/guarantee for a enterprise is limited to be up to 10% of the company's latest financial statement paid-in capital.For a company, which is held by 100% shareholdings by the company,the quota of endorsement/guarantee is limited to be up to the financial statement paid-in capital.

Note4 : The maximum balance of endorsement/guarantee for others in the current year.

Note5 : Y must be filled in only if the parent company of the listed company endorses the subsidiary company, if the subsidiary company endorses the parent company of the listed company, and if it belongs to the mainland China area.

TrueLight Corporation
 Receivables from related parties reaching NT\$100 million or 20% of the paid-in capital or more
 December 31,2022
 Expressed in thousands of New Taiwan dollars,except as otherwise indicated

Table 2

creditor	counterparty	Relationship with the counterparty	nature	Balance as at December 31,2022	Turnover rate	Overdue receivables		Amount recovered after the due date	allowance for doubtful accounts
						Amount	Actiontaken		
ZHUHAI FTZ PRORAY CO.,LTD.	TrueLight Corporation	parent company	Accounts receivable	\$ 182,622	0.47	\$ 145,335	Note	\$ 11,883	\$ -

Note: The Group's funds are planned and used as a whole. After considering the net amount of accounts receivable and accounts payable among the groups, the relevant funds will be remitted according to the capital needs of each company.

TrueLight Corporation
Significant inter-company transactions during the reporting period
Year ended December 31,2022

Table3 Expressed in thousands of New Taiwan dollars,except as otherwise indicate

Number (Note1)	Company name	Counterparty	Relationship (Note2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note3)
				General ledger account	Amount	Transaction terms	
0	TrueLight Corporation	ZHUHAI FTZ PRORAY CO.,LTD.	1	Other accounts payable	\$ 182,575	Note4	11%
0	TrueLight Corporation	ZHUHAI FTZ PRORAY CO.,LTD.	1	Processing fee	93,243	Note4	9%
0	TrueLight Corporation	ZHUHAI FTZ PRORAY CO.,LTD.	1	OtherAccounts receivable	23,973	Note5	1%
0	TrueLight Corporation	ZHUHAI FTZ PRORAY CO.,LTD.	1	Sales	2,421	Note5	-
0	TrueLight Corporation	ZHUHAI FTZ PRORAY CO.,LTD.	1	Accounts receivable	2,381	Note5	-
0	TrueLight Corporation	YLTLink Technology Corporation	1	Rental income	32,943	Note5	0.03
0	TrueLight Corporation	YLTLink Technology Corporation	1	Dispose of property	59,741	Note5	6%
0	TrueLight Corporation	YLTLink Technology Corporation	1	OtherAccounts receivable	64,896	Note5	4%
0	TrueLight Corporation	YLTLink Technology Corporation	1	purchase	56,832	Note4	6%
0	TrueLight Corporation	YLTLink Technology Corporation	1	Accounts payable	6,509	Note4	-
0	TrueLight Corporation	YLTLink Technology Corporation	1	Other accounts payable	1,934	Note5	-
0	TrueLight Corporation	YLTLink Technology Corporation	1	R & D costs	7,935	Note5	-

Note1 : The numbers filled in for the transaction company in respect of inter-cpmpany transactions are as follows:

(1).Parent company is '0'.

(2).The subsidiaries are numbered in order starting from ' 1 ' .

Note2 : Relationship between transaction company and counterparty is classified into the following three categories:

(1).Parent company to subsidiary.

(2).Subsidiary to parent company.

(3).Subsidiary to subsidiary.

Note3 : Regarding percentage of transaction amount to consolidated total operating sevenues or total assets, it is computed based on period-end balance of transtation to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note4 : The purchase and processing fees are handled according to the general purchase price and conditions, and the payment terms are monthly payment within 60 days.

Note5 : It is handled in accordance with the contract between the two parties.

Note6 : Transactions involving significant amounts are disclosed, and transactions with related parties are not disclosed separately.

TrueLight Corporation
 INFORMATION ON INVESTEES(Excluding Chinese mainland companies)
 Year ended December 31,2022

Table4

Expressed in thousands of New Taiwan dollars,except as otherwise indicated

Investor	Investee	Location	Main Businesses Activities	Initial investment amount		Shares Held as at December31,2022			Net profit(loss) of the investee of the year ended December31,2022	Investment income (loss) recognised by the company for the year ended December31,2022	Footnote
				Balance as at December31,2022	Balance as at December31,2021	number of shares	Ownership (%)	Book value			
TrueLight Corporation	TrueLight (B.V.I.) Ltd.	british virgin islands	Equity investment	\$ 404,471	\$ 404,471	13,000,000	100	\$ 360,055	(\$ 43,714)	(\$ 34,365)	Note1
TrueLight Corporation	OPTOMEDIA TECHNOLOGY INC	Taiwan	Manufacture and trading of wired and wireless communication machinery and equipment	103,642	103,642	2,435,913	30	23,752	6,907	1,897	Note2
TrueLight (B.V.I.)Ltd.	PRORAY LIMITED	Hongkong	Equity	387,176	387,176	12,500,000	100	350,406	(44,543)	(35,193)	Note1
TrueLight Corporation	YLTLINK Technology Corporation	Taiwan	Electronic components fabricate	68,330	60,000	7,398,456	41	2,516	(43,646)	(24,587)	Note1

Note1 : The line includes adjustments for countercurrent transactions.

Note2 : It includes the amortization amount of identifiable intangible assets arising from the acquisition.

TrueLight Corporation
INFORMATION ON INVESTMENTS IN MAINLAND CHINA

Year ended December 31,2022

Table5

Expressed in thousands of New Taiwan dollars,except as otherwise indicated

Investee Company	IN CHINA	Main Businesses	Paid-in Capital	Method of Investment (Note1)	Remittance of Funds		Accumulated Outward Remittance Investment from Taiwan as of January 1, 2022	Accumulated Outward Remittance Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2021	Footnote
					Outward	Inward								
ZHUHAI FTZ PRORAY CO.,LTD.		Excludes continental companies that design, produce, process and sell optoelectronic modules/components	\$ 387,176	1	\$ 387,176	\$ -	\$ -	\$ 387,176	(\$ 44,543)	100%	(\$ 35,193)	\$ 350,405	\$ -	
<u>Company name</u>		<u>Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2022</u>	<u>Investment Amounts Authorized by Investment Commission, MOEA</u>	<u>Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA</u>										
TrueLight Corporation		\$ 387,176	\$ 387,844	\$ 463,979										
		USD 12,500 thousand	USD 12,633 thousand											

Note1 : (1)Establish companies through investment in the third region and reinvest in china companies.

(2)Reinvest in mainland companies by reinvesting in existing companies in china regions.

Note2 : Investment gains and losses are recognized in accordance with the financial reports verified by the certified accountants of the parent company in Taiwan, including countercurrent trading adjustments, etc.

Note3 : At the end of the current period, the accumulated original investment amount was remitted from Taiwan to Zhuhai Free ZHUHAI FTZ PRORAY CO.,LTD. for US\$12,500. Expressed in thousands

Note4 : A total of USD12,640,000 was approved by the INVESTMENT COMMISSION, MOEA of the Ministry of Economic Affairs, and USD6,647.90 was the remaining funds after the liquidation of branch companies in 2005.

TrueLight Corporation

Main Transactions of Mainland Investment Information - Significant transactions occurred directly or indirectly through third-party enterprises and reinvestment in Mainland China by invested companies.

Year ended December 31,2022

Table6 Expressed in thousands of New Taiwan dollars,except as otherwise indicated

Investee Company	<u>Sell (purchase) goods</u>		<u>Disposal of property</u>		<u>Other accounts payable</u>		<u>OtherAccounts receivable</u>		Instrument endorsement, guarantee or provision of collateral	Purpose
	Amount	%	Amount	%	Balance	%	Balance	%	Balance at ended December 31,2022	
ZHUHAI FTZ PRORAY CO.,LTD.	\$ 93,243	(42%)	\$ -	-	(\$ 182,575)	(149%)	\$ 23,973	3474%	\$ 70,000	financing

TrueLight Corporation

Chairman : Liu, Sheng Hsien