

Tai Tung Communication Co., Ltd.

Parent Company Only Financial Statements and
Independent Auditor's Report
2022 and 2021

Address: 3F., Ln. 12, Wuquan 3rd Rd., Xinzhuang Dist., New Taipei City

Telephone number: (02)2299-1066

§Table of Contents§

Item	Page	No. of notes to financial statements
1. Cover	1	-
2. Table of Contents	2	-
3. Independent Auditors' Report	3~6	-
4. Parent Company Only Balance Sheet	7	-
5. Parent Company Only Statements of Comprehensive Income	8~10	-
6. Parent Company Only Statements of Changes in Shareholders' Equity	11	-
7. Parent Company Only Statements of Cash Flows	12~14	-
8. Notes to parent company only financial statements		
(1) Company History	15	1
(2) Date and Procedures for Approval of Financial Statements	15	2
(3) Application of New and Revised Standards and Interpretation	15~17	3
(4) Summary of Significant Accounting Policies	17~32	4
(5) Significant Accounting Judgments and Estimations, and Main Sources of Assumption Uncertainties	32	5
(6) Summary of Significant Accounting Items	32~61	6~27
(7) Related Party Transactions	69~75	31
(8) Pledged Assets	75	32
(9) Significant Contingent Liabilities and Unrecognized Contract Commitments	75~76	33
(10) Significant Disaster Loss	-	-
(11) Significant Subsequent Events	-	-
(12) Others	61~69, 76~78	28~30, 34~35
(13) Additional Disclosure		
1. Information on Significant Transactions	78, 80~83	36
2. Information on Investees	78, 84	36
3. Information on investments in the Mainland Area	78~79, 85~86	36
4. Information on major shareholders	79, 87	36
(14) Segment Information	-	-
9. Statement of important accounting items	88~100	-

Independent Auditors' Report

To the Board of Directors and Shareholders of Tai Tung Communication Co., Ltd.:

Auditor's opinion

We have audited the accompanying parent company only balance sheet of Tai Tung Communication Co., Ltd. as of December 31, 2022 and 2021, and the related parent company only statement of comprehensive income, parent company only statement of changes in shareholders' equity, parent company only statements of cash flows, and notes to the parent company only financial statements (including significant accounting policies) for the years ended December 31, 2022 and 2021.

In our opinion, the parent company only financial reports referred to above present fairly, in all material respects, the parent company only financial position of Tai Tung Communication Co., Ltd. as of December 31, 2022 and 2021, and its parent company only financial performance and cash flows for the years ended December 31 2022 and 2021, in conformity with the requirements of regulations governing the preparation of financial statements by securities issuers.

The basis for opinions

We concluded our audits in accordance with the regulations governing auditing and attestation of financial statements by certified public accountants and auditing standards. Our responsibilities under those standards are further described in the responsibilities of auditors for the audit of the parent company only financial statements. We are independent of Tai Tung Communication Co., Ltd. in accordance with the Code of Professional Ethics for Certified Public Accountants, 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 matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 2022 parent company only financial statements of Tai Tung Communication Co., Ltd. These matters were addressed in the content of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide separate opinions on those matters.

Key audit matters of the 2022 parent company only financial statements of Tai Tung Communication Co., Ltd. are as follows:

Investments accounted for using the equity method – property, plant and equipment and impairment assessment of intangible assets

As of December 31, Tai Tung Communication Co., Ltd. has a balance of NT\$1,750,854 thousand in investments accounted for using the equity method, accounted for about 39% of its total assets, of which the balance of the investment in Taiwan Intelligent Fiber Optic Network Co., Ltd., a subsidiary, was NT\$1,429,134 thousand. Taiwan Intelligent Fiber Optic Network Co., Ltd. is a major subsidiary of Tai Tung Communication Co., Ltd.

As of December 31, Taiwan Intelligent Fiber Optic Network Co., Ltd. has balances of NT\$944,397 thousand and NT\$2,032,766 thousand in property, plant and equipment and intangible assets, respectively, accounting for about 82% of its total assets. The property, plant and equipment and intangible assets of Taiwan Intelligent Fiber Optic Network Co., Ltd. are assessed at each balance sheet date whether there is any indication that it may be impaired according to IAS 36 “Impairment of Assets.”

For details about the accounting policies for impairment assessment of property, plant and equipment and intangible assets, please refer to Note 4 (11); for details about the accounting policies and descriptions of investments accounted for using the equity method, please refer to Notes 4 (7) and 11.

If there is objective evidence of an indication that the property, plant and equipment and intangible assets is impaired, the management of Taiwan Intelligent Fiber Optic Network Co., Ltd. should assess the recoverable amount of the property, plant and equipment and intangible assets. Since the impairment test involves accounting estimates and management assumptions or significant judgments, it has been determined as a key audit matter for 2022.

For the specific aspects expressly stated in the above key audit matter, the major response procedures that have been implemented include:

1. Obtain an asset impairment assessment report issued by external expert, understand the qualifications of the expert to judge whether the result is reliable, and have the statement of Independence issued by the expert to judge whether the objectivity of the expert is sufficient.
2. Assess whether the methodology and relevant assumptions adopted in the impairment assessment by external experts are appropriate

Responsibilities of Management and Those in Charge with Governance of the Parent Company Only Financial Statements

The 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 Statements by Securities Issuers, and for such internal control as the management determines is necessary to enable the preparation of the parent company only financial statements to be free from material misstatement whether due to fraud or error.

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

Those in charge of governance (including the Auditing Committee) are responsible for overseeing the reporting process of the financial statements of Tai Tung Communication Co., Ltd.

Auditor's Responsibilities for the Audit of the parent company only financial statements

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

As part of an audit in accordance with the auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also conduct the following tasks:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error; design, and perform countermeasures for assessed risks; and obtain evidence that is sufficient and appropriate to provide a basis of audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control effective in Tai Tung Communication Co., Ltd.
3. Evaluate the appropriateness of accounting policies used and the reasonability of accounting estimates and related disclosures made by the management.
4. Conclude the appropriateness of the use of the going concern basis of accounting by the management, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Tai Tung Communication Co., Ltd. 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 disclosure is inappropriate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause Tai Tung Communication Co., Ltd. to cease as a going concern.

5. Evaluate the overall presentation, structure, and content of the parent company only statements, including related notes, whether the parent company only statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information or the entities or business activities of Tai Tung Communication Co., Ltd. to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision, and performance of the audit of Tai Tung Communication Co., Ltd. We remain solely responsible for our audit opinion.

We communicate with those in charge of 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 in charge of 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 in charge of governance, we determine those matters that were of most significance in the audit of the 2022 parent company only financial statements of Tai Tung Communication Co., Ltd. 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 communications.

Deloitte & Touche

CPA HSIEH TUNG-JU

CPA LI KUAN-HAO

Financial Supervisory Commission Approval
Document No.

Jin-Guan-Zheng-Shen-Zi No. 1090347472

Financial Supervisory Commission Approval
Document No.

Jin-Guan-Zheng-Shen-Zi No. 1100372936

March 24, 2023

Tai Tung Communication Co., Ltd.
Parent Company Only Balance Sheet
December 31, 2022 and 2021

Unit: Thousands of NT\$

Code	Assets	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 4 and 6)	\$ 223,596	5	\$ 255,261	6
1110	Financial assets at fair value through profit or loss – current (Notes 4 and 7)	35,841	1	11,912	-
1140	Contract assets – current (Notes 4 and 24)	59,379	1	49,482	1
1150	Net notes receivable (Notes 4, 9 and 32)	802	-	11,518	-
1170	Net accounts receivable (Notes 4, 9 and 32)	170,319	4	237,121	5
1200	Other receivables (Notes 4, 9 and 32)	96	-	56,600	1
1220	Current tax assets (Notes 4 and 26)	4,874	-	5,297	-
130X	Inventory (Notes 4 and 10)	360,212	8	395,505	9
1410	Prepayments (Note 32)	26,558	1	28,411	1
1470	Other current assets (Notes 6 and 33)	3,022	-	18,440	-
11XX	Total current assets	<u>884,699</u>	<u>20</u>	<u>1,069,547</u>	<u>23</u>
	Non-current assets				
1517	Financial assets at fair value through other comprehensive income – non-current (Notes 4 and 8)	16,582	-	14,115	-
1550	Investments accounted for using the equity method (Note 4 and 11)	1,750,854	39	1,743,178	38
1600	Property, plant and equipment (Notes 4, 12, 16, 32 and 33)	1,273,149	29	1,119,176	24
1755	Right-of-use assets (Notes 4, 13 and 32)	5,873	-	17,848	1
1760	Investment property, net (Notes 4, 14, 16 and 33)	96,159	2	100,468	2
1780	Intangible assets (Notes 4 and 15)	323	-	326	-
1840	Deferred tax assets (Notes 4 and 26)	76,892	2	69,572	2
1915	Prepayments for equipment (Notes 32, 33 and 34)	320,596	7	335,128	7
1920	Refundable deposits (Note 32)	17,681	1	10,011	-
1980	Other financial assets – non-current (Notes 6 and 33)	12,259	-	114,621	3
15XX	Total non-current assets	<u>3,570,368</u>	<u>80</u>	<u>3,524,443</u>	<u>77</u>
1XXX	Total assets	<u>\$ 4,455,067</u>	<u>100</u>	<u>\$ 4,593,990</u>	<u>100</u>
	Liabilities and equity				
	Current liabilities				
2100	Short-term borrowings (Notes 16 and 33)	\$ 200,000	5	\$ 110,000	2
2130	Contract liabilities – current (Notes 4, 24 and 32)	106,960	2	165,924	4
2150	Notes payable (Note 17)	171	-	65	-
2170	Accounts payable (Notes 17 and 32)	152,190	4	223,330	5
2200	Other payables (Notes 18 and 32)	92,740	2	59,101	1
2250	Provisions – current (Notes 4 and 19)	32,528	1	29,655	1
2280	Lease liabilities – current (Notes 4, 13 and 32)	4,385	-	12,155	-
2321	Corporate bonds with reverse repurchase agreements to be mature or executed within one year or one operating cycle (Notes 4, 20, and 33)	-	-	122,340	3
2322	Long-term borrowings due within one year or one operating cycle (Notes 16 and 33)	47,197	1	103,292	2
2399	Other current liabilities	7,314	-	1,787	-
21XX	Total current liabilities	<u>643,485</u>	<u>15</u>	<u>827,649</u>	<u>18</u>
	Non-current liabilities				
2540	Long-term borrowings (Notes 16 and 33)	1,083,853	24	844,748	18
2570	Deferred tax liabilities (Notes 4 and 26)	1,272	-	707	-
2580	Lease liabilities – non-current (Notes 4, 13 and 32)	1,573	-	5,958	-
2640	Net defined benefit liability (Notes 4 and 22)	41	-	657	-
2650	Credit balance of investments accounted for using the equity method (Notes 4 and 11)	32,987	1	-	-
2670	Other non-current liabilities (Notes 4, 14, 21 and 32)	56,563	1	69,442	2
25XX	Total non-current liabilities	<u>1,176,289</u>	<u>26</u>	<u>921,512</u>	<u>20</u>
2XXX	Total liabilities	<u>1,819,774</u>	<u>41</u>	<u>1,749,161</u>	<u>38</u>
	Equity				
	Share capital				
3110	Common stock	1,509,219	34	1,476,424	32
3130	Certificate of entitlement to new shares form convertible bond	-	-	9,130	-
3100	Total capital stock	<u>1,509,219</u>	<u>34</u>	<u>1,485,554</u>	<u>32</u>
3210	Capital surplus	1,314,824	29	1,300,205	28
	Retained earnings (accumulated deficit)				
3310	Legal reserve	125,676	3	125,676	3
3320	Special reserve	10,581	-	10,581	-
3350	Deficit to be offset	(322,014)	(7)	(69,288)	(1)
3300	Total retained earnings (accumulated deficit)	<u>(185,757)</u>	<u>(4)</u>	<u>66,969</u>	<u>2</u>
	Other equity				
3410	Exchange differences on translation of foreign financial statements	(7,008)	-	(9,447)	-
3420	Unrealized valuation gain or loss on financial assets measured at fair value through other comprehensive income	4,015	-	1,548	-
3400	Total other equity	<u>(2,993)</u>	<u>-</u>	<u>(7,899)</u>	<u>-</u>
3XXX	Total equity	<u>2,635,293</u>	<u>59</u>	<u>2,844,829</u>	<u>62</u>
	Total liabilities and equity	<u>\$ 4,455,067</u>	<u>100</u>	<u>\$ 4,593,990</u>	<u>100</u>

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

Chairperson: LEE CHING HUNG

Managerial officer: LEE CHING HUNG

Accounting officer: TING SZU-FANG

Tai Tung Communication Co., Ltd.
Parent Company Only Statements of Comprehensive Income
January 1 to December 31, 2022 and 2021

Unit: Thousands of NT\$, except for earnings per share in NT\$

Code		2022		2021	
		Amount	%	Amount	%
	Operating revenue (Notes 4, 24 and 32)				
4110	Sales revenue	\$ 968,369	85	\$ 1,118,204	87
4170	Less: Sales returns and allowances	<u>1,402</u>	<u>-</u>	<u>2,380</u>	<u>-</u>
4100	Net sales revenue	966,967	85	1,115,824	87
4520	Construction revenue	<u>168,928</u>	<u>15</u>	<u>159,666</u>	<u>13</u>
4000	Total operating revenue	<u>1,135,895</u>	<u>100</u>	<u>1,275,490</u>	<u>100</u>
	Operating costs (Notes 4, 10, 22, 25, 32 and 34)				
5110	Cost of goods sold	962,910	85	1,055,443	82
5520	Construction cost	<u>170,968</u>	<u>15</u>	<u>150,304</u>	<u>12</u>
5000	Total operating costs	<u>1,133,878</u>	<u>100</u>	<u>1,205,747</u>	<u>94</u>
5900	Gross Profit	2,017	-	69,743	6
5910	Unrealized gains on transactions with subsidiaries, associates and joint ventures	(13,118)	(1)	(14,006)	(1)
5920	Realized gains on transactions with subsidiaries, associates and joint ventures	<u>19,084</u>	<u>1</u>	<u>31,029</u>	<u>2</u>
5950	Realized operating gross margins	7,983	-	86,766	7
6000	Operating expenses (Notes 4, 22, 25 and 32)	<u>116,888</u>	<u>10</u>	<u>118,279</u>	<u>9</u>
6900	Net operating loss	(<u>108,905</u>)	(<u>10</u>)	(<u>31,513</u>)	(<u>2</u>)
	Non-operating income and expenses (Notes 4, 11, 12, 25 and 32)				
7100	Interest income	260	-	179	-

(Continued on next page)

(Continued from previous page)

Code		2022		2021	
		Amount	%	Amount	%
7010	Other revenue	\$ 30,914	3	\$ 44,304	3
7020	Other profits and losses	(49,384)	(4)	(39,068)	(3)
7050	Financial costs	(21,160)	(2)	(13,356)	(1)
7070	Share of gains or losses of subsidiaries, associates and joint ventures accounted for using the equity method	(102,842)	(9)	(168,017)	(13)
7000	Total non-operating income and expenses	(142,212)	(12)	(175,958)	(14)
7900	Net loss before taxation	(251,117)	(22)	(207,471)	(16)
7950	Income tax benefits (Notes 4 and 26)	7,357	1	7,681	-
8200	Net losses for the year	(243,760)	(21)	(199,790)	(16)
	Other comprehensive income (Notes 4, 22, 23 and 26)				
	Items not to be reclassified as profit or loss				
8311	Remeasurement of defined benefit plan	582	-	(521)	-
8316	Unrealized gain or loss on investments in equity instruments measured at fair value through other comprehensive income	2,467	-	10,645	1
8310		3,049	-	10,124	1
	Titles that could be reclassified as profit (loss) accounts in the future				
8371	Subsidiaries' exchange differences resulting from translating the financial statements of a foreign operation accounted for using the equity method	3,049	-	(1,602)	-
8399	Income tax related to Items that may be subsequently reclassified into profit or loss	(610)	-	321	-
8360		2,439	-	(1,281)	-
8300	Other comprehensive income for the year (net after tax)	5,488	-	8,843	1
8500	Total amount of comprehensive income for the year	(\$ 238,272)	(21)	(\$ 190,947)	(15)

(Continued on next page)

(Continued from previous page)

<u>Code</u>		<u>2022</u>		<u>2021</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
	Loss per share (Note 27)				
9750	Basic	<u>(\$ 1.62)</u>		<u>(\$ 1.36)</u>	
9850	Diluted	<u>(\$ 1.62)</u>		<u>(\$ 1.36)</u>	

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

Chairperson: LEE CHING HUNG Managerial officer: LEE CHING HUNG Accounting officer: TING, SZU-FANG

Tai Tung Communication Co., Ltd.
Parent Company Only Statements of Changes in Shareholders' Equity
January 1 to December 31, 2022 and 2021

Unit: Thousands of NT\$

Code		Capital stock (Note 23)		Capital surplus (Notes 4 and 23)	Retained earnings (accumulated deficit) (Notes 8 and 23)			Other equity (Notes 4 and 23)		Total equity
		Common stock	Certificate of entitlement to new shares form convertible bond		Legal reserve	Special reserve	Undistributed earnings (or deficit to be offset)	Exchange differences on translation of foreign financial statements	Unrealized valuation gain or loss on financial assets measured at fair value through other comprehensive income	
A1	Balance as of January 1, 2021	\$ 1,375,804	\$ 50,558	\$ 1,265,919	\$ 125,676	\$ 10,581	\$ 127,390	(\$ 8,166)	(\$ 5,309)	\$ 2,942,453
D1	Net loss for 2021	-	-	-	-	-	(199,790)	-	-	(199,790)
D3	Other comprehensive income after tax for 2021	-	-	-	-	-	(521)	(1,281)	10,645	8,843
D5	Total comprehensive income for 2021	-	-	-	-	-	(200,311)	(1,281)	10,645	(190,947)
C7	Changes in equity of associates accounted for using the equity method	-	-	58	-	-	(155)	-	-	(97)
I1	Conversion of convertible bonds	-	59,192	34,228	-	-	-	-	-	93,420
I3	Certificate of entitlement to new shares form convertible bond converted to share capital	100,620	(100,620)	-	-	-	-	-	-	-
Q1	Disposal of equity investment instruments measured at fair value through other comprehensive income	-	-	-	-	-	3,788	-	(3,788)	-
Z1	Balance as of December 31, 2021	1,476,424	9,130	1,300,205	125,676	10,581	(69,288)	(9,447)	1,548	2,844,829
D1	Net loss for 2022	-	-	-	-	-	(243,760)	-	-	(243,760)
D3	Other comprehensive income after tax for 2022	-	-	-	-	-	582	2,439	2,467	5,488
D5	Total comprehensive income in 2022	-	-	-	-	-	(243,178)	2,439	2,467	(238,272)
C7	Changes in equity of associates accounted for using the equity method	-	-	234	-	-	(888)	-	-	(654)
M5	Difference between the acquisition or disposal price and the carrying amount of subsidiary	-	-	-	-	-	(8,660)	-	-	(8,660)
I1	Conversion of convertible bonds	-	23,665	14,385	-	-	-	-	-	38,050
I3	Conversion of certificate of entitlement to new shares form convertible bond	32,795	(32,795)	-	-	-	-	-	-	-
Z1	Balance as of December 31, 2022	\$ 1,509,219	\$ -	\$ 1,314,824	\$ 125,676	\$ 10,581	(\$ 322,014)	(\$ 7,008)	\$ 4,015	\$ 2,635,293

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

Chairperson: LEE CHING HUNG

Managerial officer: LEE CHING HUNG

Accounting officer: TING, SZU-FANG

Tai Tung Communication Co., Ltd.
Parent Company Only Statements of Cash Flows
January 1 to December 31, 2022 and 2021

Unit: Thousands of NT\$

Code		2022	2021
	Cash flows from operating activities		
A10000	Net losses before tax for the year	(\$ 251,117)	(\$ 207,471)
A20010	Income and expense items		
A20100	Depreciation expenses	37,621	43,039
A20200	Amortization expenses	543	527
A20300	Expected credit impairment losses	1,359	8,349
A20400	Net loss of financial assets and liabilities measured at fair value through profit or loss	4,259	2,991
A20900	Financial costs	21,160	13,356
A21200	Interest income	(260)	(179)
A21300	Dividend income	(1,113)	(986)
A22400	Share of gains or losses of subsidiaries, associates and joint ventures accounted for using the equity method	102,842	168,017
A22500	Loss from disposal of property, plant and equipment	7,068	1,817
A23500	Impairment loss of financial assets	34,188	-
A23900	Impairment loss of non-financial assets	7,034	31,840
A23900	Unrealized gains on transactions with subsidiaries, associates and joint ventures	13,118	14,006
A24000	Realized gains on transactions with subsidiaries, associates and joint ventures	(19,084)	(31,029)
A23700	Inventory falling price loss	54,869	17,014
A24100	Foreign exchange losses (gains)	(1,287)	894
A29900	Lease modification gain	-	(59)
A29900	Recognition (reversal) of provisions	3,170	(6,152)
A30000	Net changes in operating assets and liabilities		
A31125	Contract assets	(11,247)	(49,690)
A31130	Notes receivable	10,716	(6,050)
A31150	Accounts receivable	67,257	(105,670)
A31180	Other receivables	1,504	10,741
A31200	Inventory	(19,576)	41,449
A31230	Prepayments	1,853	(14,324)
A31240	Other current assets	15,418	(17,428)
A32125	Contract liabilities	(58,964)	(29,549)

(Continued on next page)

(Continued from previous page)

Code		2022	2021
A32130	Notes payable	\$ 106	(\$ 258)
A32150	Accounts payable	(70,999)	72,948
A32180	Other payables	32,898	11,384
A32230	Other current liabilities	5,527	(4,221)
A32240	Net defined benefit liability	(34)	(49)
A32990	Other liabilities	(625)	11,502
A33000	Cash outflow from operating activities	(11,796)	(23,241)
A33500	Income tax paid	-	(4,820)
A33500	Income tax returned	415	-
AAAA	Net cash outflow from operating activities	(11,381)	(28,061)
Cash flows from investing activities			
B00020	Proceeds from disposal of financial assets measured at fair value through other comprehensive income	-	9,911
B00030	Proceeds from capital reduction of financial assets measured at fair value through other comprehensive income	-	464
B00100	Acquisition of financial assets at fair value through profit or loss	(48,475)	(29,261)
B00200	Disposal of financial assets at fair value through profit or loss	20,287	14,284
B01800	Acquisition of investment accounted for using the equity method	(112,050)	(26,100)
B02700	Purchase of property, Plant and Equipment	(160,481)	(33,943)
B02800	Proceeds from disposal of property, plant and equipment	1,009	332
B03700	Increase in refundable deposits	(11,180)	(2,824)
B03800	Decrease in refundable deposits	3,510	4,362
B04300	Increase in other receivables – related parties	(82,000)	(55,000)
B04400	Decrease in other receivables – related parties	137,000	65,000
B04500	Acquisition of intangible assets	(540)	(551)
B06500	Increase in other financial assets	-	(45,095)
B06600	Decrease in other financial assets	102,362	-
B07100	Increase in prepayments for equipment	(15,408)	(155,677)
B07500	Interest received	260	179
B07600	Dividend received	1,113	986
B09900	Cash paid for decommissioning liabilities	-	(1,370)
B09900	Dividends received from subsidiaries	32	88
BBBB	Net cash outflow from investing activities	(164,561)	(254,215)

(Continued on next page)

(Continued from previous page)

Code		2022	2021
	Cash flows from financing activities		
C00100	Increase in short-term borrowings	\$ 480,000	\$ 110,000
C00200	Decrease in short-term borrowings	(390,000)	-
C01300	Repayments of corporate bonds	(85,200)	-
C01600	Proceeds from long-term borrowings	1,893,511	506,000
C01700	Repayments of long-term borrowings	(1,710,501)	(277,884)
C03000	Increase in deposits received	1,915	35,946
C03100	Decrease in deposits received	(14,466)	(2,276)
C04020	Lease principal repayment	(12,136)	(21,140)
C05600	Interests paid	(<u>19,580</u>)	(<u>11,023</u>)
CCCC	Net cash inflow from financing activities	<u>143,543</u>	<u>339,623</u>
DDDD	Impact of changes in exchange rate on cash and cash equivalents	<u>734</u>	(<u>787</u>)
EEEE	Increase (decrease) in cash and cash equivalents for the year	(31,665)	56,560
E00100	Cash and cash equivalents balance – beginning of year	<u>255,261</u>	<u>198,701</u>
E00200	Cash and cash equivalents balance – end of year	<u>\$ 223,596</u>	<u>\$ 255,261</u>

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

Chairperson: LEE CHING HUNG Managerial officer: LEE CHING HUNG Accounting officer: TING, SZU-FANG

Tai Tung Communication Co., Ltd.

Notes to parent company only financial statements

January 1 to December 31, 2022 and 2021

(All amounts in NT\$ thousand unless otherwise specified)

1. Company History

Tai Tung Communication Co., Ltd. (hereinafter referred to as the “Company”), originally known as “Tai Tung Wire & Cable Co., Ltd.,” was established in December 1981, and changed its name to “Tai Tung Communication Co., Ltd.” in May 2000. In January 2010, the Company was approved by Taipei Exchange to OTC trade of emerging stocks. And in July 2011, after the application for listing has been approved by Taiwan Stock Exchange Corporation, its shares were officially listed on the central exchange for public trading in September of the same year.

The Company is mainly engaged in fiber optical cables and Fiber to the Home (FTTH) related accessories business, internal and external communication cables business, power transmission cables business, manufacture and sale of other products, and wholesale and retail sale of ores.

In order to integrate resources and improve operation performance, the short-form merger/consolidation with the subsidiary An Tung Optoelectronic Co., Ltd. was proceeded as approved by the board of directors on March 25, 2009, with the Company as the surviving company and An Tung Optoelectronic Co., Ltd. as the dissolved company. The reference date for the merger/consolidation was April 30, 2009. Since An Tung Optoelectronic Co., Ltd. had been a 100% owned subsidiary of the Company, in this merger/consolidation the Company did not issue new shares or pay cash as the consideration.

The Parent Company Only Financial Report is presented in New Taiwan dollars, which is the Company’s functional currency.

2. Date and Procedures for Approval of Financial Statements

The parent company only financial statements were approved for publication by the board of directors on March 24, 2023.

3. Application of New and Revised Standards and Interpretation

- (1) First-time application of International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations (“IFRICs” and “SICs”) (hereinafter collectively referred to as the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (hereinafter referred to as the “IFRSs”).

The first-time adoption of the International Financial Reporting Standards (IFRSs) endorsed and issued into effect by the Financial Supervisory Commission in 2022 did not result in significant changes in accounting policies.

(2) The IFRSs endorsed by the FSC applicable in 2023

The new/amended/revised standards or interpretations	Effective date of IASB publication
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

Note 1: This amendment will be applicable for annual reporting periods beginning after January 1, 2023.

Note 2: This amendment applies to changes in accounting estimates and changes in accounting policies that occur in annual reporting periods beginning after January 1, 2023.

Note 3: Except for the recognition of deferred income taxes on temporary differences related to leases and decommissioning obligations, these amendments to transaction that occur after January 1, 2022.

The above amendments to the above standards and interpretations were assessed by the Company to have no material impact on the Company’s financial position and financial performance.

(3) The IFRSs released by the IASB but not yet endorsed and issued into effect by the FSC

The new/amended/revised standards or interpretations	Effective date of IASB publication (Note 1)
Amendment to IFRS 10 and IAS 28, “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.”	Undecided
Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendment to IFRS 17	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

Note 1: Unless otherwise stated, the aforementioned new/amended/revised standards or interpretations are effective for annual reporting periods beginning after the respective dates.

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

The amendments to the above standards and interpretations were assessed by the Company to have no material impact on the Company. However, as of the date of approval for publication of the Financial Report, the Company is still assessing the impact of amendments to other standards and interpretations on the Company's financial position and financial performance, which will be disclosed after completing the assessment.

4. Summary of Significant Accounting Policies

(1) Compliance Statement

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

(2) Basis of preparation

The parent company only financial statements were prepared on the historical cost basis, except for financial instruments measured at fair value and net defined benefit liabilities (assets) recognized at the present value of the defined benefit obligation less the fair value of plan assets.

The evaluation of fair value could be classified into Level 1 to Level 3 by the observable intensity and importance of the related input value:

1. Level 1 input value: refers to the quotation of the same asset or liability in an active market as of the evaluation (before adjustment).
2. Level 2 input value: refers to the direct (the price) or indirect (inference of price) observable input value of asset or liability further to the quotation of Level 1.
3. Level 3 input value: the unobservable input value of asset or liability.

The Company applies the equity method to an investment in a subsidiary, a joint venture or an associate when preparing its parent company only financial reports. In order to make the profit or loss for the period, other comprehensive income, and equity in this parent company only financial report the same as the profit or loss for the period, other comprehensive income, and equity attributable to owners of the Company in the Company's consolidated financial report, for certain differences in accounting treatment on an individual entity basis and consolidated basis, adjustments should be made to "Investments Accounted for Using the Equity Method," "Share of the Profit or Loss of Associates and Joint Ventures Accounted for Using the Equity Method," and equity items.

(3) Standards in differentiating current and non-current assets and liabilities

Current assets:

1. Assets held primarily for trading purposes;
2. Assets expected to be realized within 12 months of the balance sheet date; and
3. Cash and cash equivalents (excluding those that are restricted for exchanging or settling liabilities more than 12 months after the balance sheet date).

Current liabilities:

1. Liabilities held primarily for trading purposes.
2. Liabilities due for settlement within 12 months after the balance sheet date (current liabilities even if a long-term refinancing or rescheduling agreement is completed after the balance sheet date and before the financial statements are authorized for issuance), and
3. Liabilities whose settlement deadline cannot be unconditionally deferred until at least 12 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.

Those that are not current assets or liabilities above are classified as non-current assets or liabilities.

The operating cycle of the telecommunications engineering business in which the Company is engaged is normally longer than one year. Therefore, the assets and liabilities related to the telecommunications engineering business are classified as current or non-current in accordance with the operating cycle (about 2 to 3 years).

(4) Foreign currency

In the process of compiling the parent company only financial statements, all transactions conducted in currencies other than the functional currency (foreign currency) of the Company shall be converted into the functional currency for bookkeeping at the exchange rate effective on the transaction date. Foreign currency monetary items are translated using the closing rate on each balance sheet date. Exchange differences arising on settlement or translation of a monetary asset are recognized in profit or loss for the period in which it arises.

The foreign non-currency items measured at fair value are translated in accordance with the exchange rate on the fair value determination date and the exchange difference is booked as profit or loss in the period. However, for the changes in fair value recognized in other comprehensive income, the exchange difference is recorded in other comprehensive income.

The foreign non-currency items measured at historical cost are translated in accordance with the exchange rate on the transaction date without the need for a translation again.

Upon preparation of the parent company only financial statements, the assets and liabilities of foreign operations (including subsidiaries, associates, joint ventures, or branches that operate in a country or currency different from that of the Company) are translated into New Taiwan dollars at the exchange rate prevailing on each balance sheet date. Income and expense items are translated at the average exchange rate for the period and the exchange differences are booked in other comprehensive income.

On the disposal of the entire interest of a foreign operation, or the partial disposal involves the loss of control of a subsidiary that includes a foreign operation, or the retained interest after the disposal of an associate that includes a foreign operation is a financial asset and is measured according to the accounting policies for financial instruments, the cumulative amount of the exchange differences relating to that foreign operation should be reclassified to profit or loss.

If the partial disposal of a subsidiary with foreign operations does not result in a loss of control, the cumulative exchange differences are recognized in equity transactions on a pro rata basis and not profit or loss. In the case of any other partial disposal of foreign operations, the cumulative exchange differences are reclassified to profit or loss in proportion to the disposal.

(5) Cash Equivalents

Cash equivalents refers to commercial papers, bonds or notes with reverse repurchase agreements, or time deposits due or repaid within 3 months from the date it was invested, highly liquid, readily convertible into known amounts of cash, and subject to insignificant risk of changes in value, which are held for the purpose of meeting short-term cash commitments with a carrying amount approximating fair value.

(6) Inventory

Inventories include raw materials, supplies, finished goods, and work-in-process. Inventory should be valued at the lower of cost or net realizable value. The lower of cost and net realizable value can be applied based on an individual-item basis except for group similar item of inventories. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs. The cost of inventory is calculated using the weighted average method.

(7) Investment accounted for using the equity method

The Company applies the equity method to an investment in a subsidiary or an associate.

Investment in subsidiaries

A subsidiary is an entity that is controlled by the Company (including a structured entity).

Under the equity method, investments are initially recognized at cost; and the book value of the investment after the acquisition date increases or decreases with the share of profits or losses of the subsidiary, other comprehensive income, and profits distribution. In addition, for changes in other equity of subsidiaries the Company is entitled to are recognized proportionately to the shareholding.

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

When the Company's share of losses in a subsidiary equals or exceeds its equity interest in the subsidiary (including the carrying amount of the subsidiary under the equity method and other long-term equity interests that are in substance a component

of the Company's net investment in the subsidiary), the Company shall continue to recognize losses in proportion to its equity in the subsidiary.

The excess of the acquisition cost over the Company's share of the net fair value of the identifiable assets and liabilities of the subsidiaries constituting the business at the acquisition date is recorded as goodwill, which is included in the carrying amount of the investment and is not amortized; the excess of the Company's share of the net fair value of the identifiable assets and liabilities of the subsidiaries constituting the business at the acquisition date over the acquisition cost is recorded as income for the period.

The Company assesses impairment based on the cash-generating units as a whole in the financial statements and compares their recoverable amounts with their book values. If the amount of recoverable assets increased in the future, the reversal of impairment shall be recognized as income. The book value of the reversal of impaired assets shall not exceed the book value before recognition for impairment net of amortization. Impairment losses attributable to goodwill must not be reversed in subsequent periods.

When control over a subsidiary is lost, the Company measures its remaining investment in the subsidiary at fair value at the date of loss of control. The difference between the fair value of the remaining investment and the carrying amount of the investment at the date of loss of control, if any, is recognized in profit or loss for the period. In addition, all amounts recognized in other comprehensive income related to the subsidiary are accounted for on the same basis as if the Company had directly disposed of the related assets or liabilities.

Unrealized gains or losses on downstream transactions with subsidiaries are eliminated in the parent company only financial statements. Gains or losses from upstream and side-stream transactions with subsidiaries are recognized in the parent company only financial statements only to the extent that they are not related to the Company's equity interest in the subsidiary.

Investments in associates

An associate is an entity over which the Company has significant influence but is not a subsidiary or a joint venture.

Under the equity method, investments in associates are initially recognized at cost; and the book value of the investment after the acquisition date increases or decreases with the share of profits or losses of the associate, other comprehensive income, and profits distribution. In addition, changes in interest in an associate are recognized in proportion to their shareholding

If the Company does not subscribe for new shares of an associate in proportion to its shareholding, resulting in a change in the Company's shareholding and an increase or decrease in the net equity of the investment, the increase or decrease is adjusted to capital surplus and investments accounted for using the equity method. However, if the ownership interest in an associate is reduced as a result of subscription or acquisition without proportionate shareholding, the amount recognized in other comprehensive income related to the associate is reclassified in proportion to the reduction on the same basis as that required for the direct disposal of the related assets or liabilities of the associate; if the former adjustment is charged to capital surplus and the balance of capital surplus from investments accounted for using the equity method is insufficient, the difference is charged to retained earnings.

When the Company's share of losses in an associate equals or exceeds its equity interest in the associate (including the carrying amount of the associate under the equity method and other long-term equity interests that are in substance a component of the Company's net investment in the associate), the Company shall cease to recognize further losses. The Company recognizes additional losses and liabilities only to the extent that legal obligations, constructive obligations or payments on behalf of associates have been incurred.

The excess of the acquisition cost over the Company's share of the net fair value of the identifiable assets and liabilities of the associates at the acquisition date is recorded as goodwill, which is included in the carrying amount of the investment and is not amortized; the excess of the Company's share of the net fair value of the identifiable assets and liabilities of the associates at the acquisition date over the acquisition cost is recorded as gain or loss for the period.

In assessing the impairment, the Company sees the entire carrying amount of the investment (including goodwill) as a single asset and compares the recoverable amount of the investment to its carrying amount for the purpose of impairment testing. The impairment loss recognized is also part of the carrying amount of the investment. Any reversal of the impairment loss can be recognized within the range of the recoverable amount of the subsequently increased investment.

The Company ceases to adopt the equity method from the date its investment ceases to be an associate, and its retained equity interest in the associate is measured at fair value. The difference between the fair value and the disposal price and the carrying amount of the investment on the date of cessation of the equity method is recognized in profit or loss for the period. In addition, all amounts recognized in other comprehensive income related to the associate are accounted for on the same basis as if the associate had directly disposed of the related assets or liabilities. If an investment in an associate becomes a joint venture or an investment in a joint venture becomes an investment in an associate, the Company continues to use the equity method without remeasuring the retained equity interest.

The profit or loss from the upstream, downstream and side-stream transactions between the Company and associates is recognized in the parent company only financial statements within the range that is irrelevant to the Company's equity interest in the associates.

(8) Property, Plant and Equipment

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for administrative purposes and are expected to be used during more than one period, which are recognized at cost when it is probable that the future economic benefits will flow to the Company and the cost of the asset can be measured reliably. Subsequent measurements are made at cost less any accumulated depreciation and any accumulated impairment losses in value.

Those real estate, plant buildings, equipment & facilities under construction were recognized at the amount of the costs after deducting the loss in the accumulated impairment. Cost includes professional service fees and loan costs that qualify for capitalization. When such assets are completed and reach expected use status, such assets will be classified to proper items under real property, plant and equipment and the provision of depreciation shall begin.

Each component of property, plant and equipment that is significant shall be depreciated separately on a straight-line basis over its useful life. The Company should at least review the expected useful life, salvage value, and depreciation method at the end of each year and defer the effect of the changes in accounting estimates.

In derecognizing property, plant, and equipment, the difference between the net proceeds of disposition and the book value shall be recognized as income.

(9) Investment property

Investment property refers to real estate held for the purpose of earning rent or capital appreciation or both. Investment property also includes land held for future use that is currently undetermined.

Investment property is initially measured at cost including transaction costs and subsequently measured at cost less accumulated depreciation and accumulated impairment losses. The Company calculates depreciation on a straight-line basis.

When investment property is derecognized, the difference between the net disposal price and the carrying amount of the asset is recognized in profit or loss.

(10) Intangible assets

Intangible assets with finite useful lives acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment. Intangible assets are amortized on a straight-line basis over their useful life. The Company should at least review the expected useful life, salvage value, and amortization method at the end of each year and defer the effect of the changes in accounting estimates.

When intangible assets are derecognized, the difference between the net disposal price and the carrying amount of the assets is recognized in profit or loss.

(11) Impairment of property, plant and equipment, right-of-use assets, investment properties, intangible assets (exclusive goodwill), and contract cost assets

The Company assesses on each balance sheet date whether there is any indication that property, plant and equipment, right-of-use assets, investment property and intangible assets (other than goodwill) may have been impaired. If there is any indication of impairment occurring, the recoverable amount of the asset should be estimated. If the recoverable amount of an individual asset cannot be estimated, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. The carry amount of shared assets shall be allocated to each cash generating unit on a reasonable and consistent basis.

Intangible assets with indefinite useful lives and not yet available for use are tested for impairment at least annually and whenever there is an indication of impairment.

The recoverable amount is the fair value net of cost or the value in use, whichever is higher. When the recoverable amount of an individual asset or cash-generating unit is less than its book amount, the book amount of the asset or cash-generating unit should be reduced to its recoverable amount. The impairment loss is recognized in the profit or loss.

For the property, plant and equipment and intangible assets recognized from contracts with customers within the scope of IFRS 15, firstly, the impairment of which is recognized in accordance with the inventory impairment regulations and the above requirements; secondly, the impairment loss of which is recognized in the carrying amount of the contract cost assets exceeding the remaining amount of consideration expecting to receive for providing the relevant goods or services deducting direct costs; thirdly, the carrying amount of the contract cost assets is included in the cash-generating unit to which it belongs for conducting an impairment assessment of the cash-generating unit.

When the impairment loss is subsequently reversed, the carrying amount of the asset and cash-generating unit or contract cost asset shall be increased to its revised recoverable amount. However, the increased carrying amount due to reversal should not be more than what the carrying amount of the asset and cash-generating unit or contract cost asset would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior accounting periods. The reversed impairment loss is recognized in the profit or loss.

(12) Financial instruments

Financial assets and financial liabilities are recognized in the parent company only balance sheets when the Company becomes a party to the contracts of such instruments.

For the initial recognition of the financial assets and financial liabilities, if the financial assets or financial liabilities are not measured at fair value through profit or loss, it is measured at fair value plus transaction cost that is directly attributable to the acquisition or issuance of financial assets or financial liabilities. The transaction cost directly attributable to the acquisition or issuance of financial assets or financial liabilities that are measured at fair value through profit or loss is immediately recognized in the profit or loss.

1. Financial assets

The customary transaction of financial assets is recognized and derecognized in accordance with the trade date accounting.

(1) Type of measurement

The financial assets held by the Company include financial instruments measured at fair value through profit or loss, investments in equity instruments designated at fair value through other comprehensive income, and financial assets measured at amortized cost.

A. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets mandatorily measured at fair value through profit or loss. Financial assets mandatorily measured at fair value through profit or loss include investments in equity instruments not designated at fair value through other comprehensive income and investments in debt instruments that are not qualified for classification as measured at amortized cost or measured at fair value through other comprehensive income.

Financial assets measured at fair value through profit or loss are measured at fair value, and gains or losses arising from the remeasurement thereof are recognized in other gains and losses. Please refer to Note 28 for the determination of fair value.

B. Investment in equity instruments at fair value through other comprehensive income

The Company may make an irrevocable choice at the time of initial recognition for designating investment in equity instruments not available-for-sale and not recognized by the acquirer under corporate merger and acquisition or with consideration at fair value through other comprehensive income for measurement.

The investment of equity instruments at fair value through other comprehensive income is measured at fair value. Subsequent changes in fair value will be recognized as other comprehensive income and accumulated into other equity. In the disposition of assets, accumulated gains or loss shall be directly transferred to retained earnings without classification as income.

The dividend of the investment in equity instruments at fair value through other comprehensive income shall be recognized as income when the right of the Company in the collection of dividends is ascertained, unless the dividend is obviously representing the recovery of the cost of investment in part.

C. Financial assets at amortized cost

The Company's financial assets, if meeting both of the following conditions, are classified as financial assets at amortized cost:

- a. Financial assets held under a particular mode of operation and the purpose of holding is for the collection of contractual cash flows; and
- b. The terms of the contracts give rise to cash flows at specified dates that are solely for the payment of principal and interest on the outstanding principal amount.

Financial assets measured at amortized cost (including cash and cash equivalents, accounts receivable and notes receivable measured at amortized cost) is, after initial recognition, measured at amortized cost of the gross carrying amount calculated using effective interest method less any impairment loss. Any foreign exchange gains or losses are recognized in profit or loss. Interest income is calculated by multiplying the effective interest rate by the gross carrying amount of financial assets.

Credit-impaired financial assets are those for which the issuer or the debtor has experienced significant financial difficulties, defaulted, or where it is probable that the debtor will declare bankruptcy or other financial reorganization, or where an active market for the financial assets has disappeared due to financial difficulties.

(2) Impairment of financial assets

The Company assesses the impairment losses on financial assets measured at amortized cost (including accounts receivable), investments in debt instruments measured at fair value through other comprehensive income, and contract cost assets on each balance sheet date based on the expected credit loss.

An allowance for losses is recognized for accounts receivable based on the expected credit loss over the duration. Other financial assets shall be evaluated for any significant increase in the credit risk from the day of initial recognition. If none is found, recognize for provision for anticipated credit loss over a period of 12 months. If it is, recognize for provision of anticipated credit risk within the lifetime of the assets.

Anticipated credit loss is the weighted average loss of credit on the basis of the weight of the risk of default. Anticipated credit loss in a period of 12 months means the expected loss of credit from the financial instruments within 12 months due to default. Anticipated credit loss with the lifetime of the financial instruments means the expected loss of credit from the financial instruments within the lifetime of these financial instruments.

For internal credit risk management purposes, the Company, without considering the collateral, determines the following circumstances indicating that a default has occurred on the financial instrument:

- A. There is internal or external information indicating that the debtor is no longer able to pay their debts.
- B. Payments are overdue for more than 120 days, unless there is reasonable and supporting information showing that the delayed basis of default is more appropriate.

The carrying amount of all financial assets is reduced through an allowance account, except for the allowance for losses on investments in debt instruments measured at fair value through other comprehensive income, which is recognized in other comprehensive income and does not reduce the carrying amount.

(3) The derecognition of financial assets

The Company's financial assets are derecognized only when the contractual rights to the cash flows from the financial assets become invalid, or when the financial assets are transferred and almost all the risks and rewards of the asset ownership have been transferred to other enterprises.

When a particular entry of financial assets measured at amortized cost is removed, the difference between its book value and consideration shall be recognized as income. When particular equity instruments measured at fair value through comprehensive income are entirely derecognized, the accumulated gains or loss shall be directly transferred to retained earnings without being classified as profit or loss.

2. Equity instruments

The debt and equity instruments issued by the Company are classified as financial liabilities or equity pursuant to the contractual agreements and the definition of financial liabilities and equity instruments.

Equity instruments issued by the Company are recognized for an amount after deducting the direct issuing cost from the proceeds collected.

Share capital – reacquired own equity instruments by the Company are recognized and deducted under equity items, and their book value is calculated based on the weighted average basis by share type. The Company's equity purchased, sold, issued, or cancelled is not recognized in the profit or loss.

3. Financial liabilities

(1) Subsequent measurement

Financial liabilities held by the Company is measured at amortized cost using the effective interest method.

(2) Derecognition of financial liabilities

When derecognizing financial liabilities, the difference between the book amount and the consideration paid (including any transferred non-cash assets or assumed liabilities) is recognized as profit or loss.

4. Convertible corporate bonds

The compound financial instruments (convertible corporate bonds) issued by the Company are classified as financial liabilities and equity respectively in the original recognition according to the substance of the contractual agreement and the definition of financial liabilities and equity instruments.

In the original recognition, the fair value of the liability is estimated according to the prevailing market interest rate of a similar non-convertible instrument; also, it is measured at the amortized cost that is calculated according to the effective interest method before the conversion or maturity date. The liability of an embedded non-equity derivative is measured at fair value.

The conversion right classified as equity is equal to the remaining amount of the fair value of the compound instrument as a whole less the fair value of the separately determined liability component, which is recognized in equity net of the income tax effect and is not subsequently measured. When the conversion right is exercised, the related liability component and the amount in equity will be transferred to equity and capital surplus – issuance premium. If the conversion rights of convertible corporate bonds are not executed on the maturity date, the amount recognized in the equity will be transferred to capital surplus – issuance premium.

The relevant transaction costs of the issuance of convertible corporate bonds are amortized to the liabilities of the instrument (included in the book value of the liability) and the equity (included in the equity) in proportion to the total amortization amount.

(13) Provisions

The amount recognized as a provision should be the best estimate of the expenditure required to settle the present obligation at the balance sheet date under considerations for risks and uncertainties of obligations. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

The warranty obligations under sale contracts are measured at the best estimate of the expenditure required to settle the Company's obligation and are recognized when revenue is recognized for related goods.

The Company measures a sale contract that has been signed but not performed at the balance sheet date and recognizes a provision for the present obligation arising from an onerous contract if the unavoidable costs of meeting the contractual obligations under the contract exceed the economic benefits expected to be received under it.

(14) Recognition of revenue

The Company allocates the transaction price to each performance obligation after the performance obligation is identified in the customer contract and recognizes revenue when each performance obligation is satisfied.

1. Merchandise sales revenue

The revenue from sale of goods derives from sales of optical cables, Fiber to the Home (FTTH) related accessories, internal and external communication transmission cables, power transmission cables, and other products. When the goods arrive at the place specified by the customer, the customer already has the right to set the price and use the goods, takes the primary responsibility for reselling them, and bears the risk of obsolescence; therefore, the Company shall recognize revenue and accounts receivable at that point in time.

When processing materials supplied by clients, the control of the ownership of the processed products has not been transferred; therefore, the Company shall not recognize revenue when materials are supplied by clients.

2. Construction revenue

Since the cost of construction is directly related to the degree of completion of performance obligations, the Company measures progress by the proportion of the actual input cost to the expected total cost. The Company progressively recognizes contract assets during the construction process and transfers them into accounts receivable when billing for contract works. Where the amount received for contract works exceeds the amount of revenue recognized, the difference is recognized as contract liabilities. The purpose for retentions held by customers for contract works in accordance with the contract terms is to ensure that the Company fulfills all its contractual obligations, which is recognized as contract assets before the completion of the company's construction contract.

When the outcome of a construction contract cannot be estimated reliably, the construction revenue is recognized only to the extent that the costs incurred performance of the contract obligations are expected to be recovered.

(15) Lease

The Company assesses whether a contract is (or contains) a lease at the contract inception date.

1. The Company is the lessor

A lease is classified as a capital lease when the terms of the lease transfer substantially all the risks and rewards incidental to the ownership of the asset to the lessee. All other leases are classified as operating leases.

For an operating lease, the net lease payments of the lease incentives are recognized as income on a straight-line basis over the relevant lease periods.

In a lease agreement, the variable lease payments that do not depend on an index or a rate are recognized as income in the period in which they occur.

2. The Company is the lessee

Except for the low-value leased assets entitled to exemption and lease payments for short-term leases recognized as expenses on a straight-line basis over the lease term, the right-of-use assets and lease liabilities of other leases are recognized starting from the lease commencement date.

The right-of-use asset is measured initially at cost, subsequently measured at cost less accumulated depreciation and accumulated impairment, with an adjustment made to the remeasurement of the lease liability. The right-of-use assets are presented separately in the parent company only balance sheets.

The right-of-use assets are depreciated on a straight-line basis over the period starting from the lease commencement date to the end of their useful life or the expiration of the lease term, whichever is sooner.

The lease liability is measured at the present value of the lease payments (including fixed payments and variable lease payments that depend on an index or a rate). If the lease implied interest rate is easy to determine, the lease payment is discounted at the said implied interest rate. If said lease implied interest rate is not easy to determine, the lease payment is discounted at the lessee's incremental borrowing rate of interest.

Subsequently, the lease liability is measured according to the effective interest method and the amortized cost; also, the interest expense is amortized over the lease term. The Company only remeasures the lease liability when there is a change in future lease payments resulting from the lease term or a change in the index or rate that is used to determine those payments, with an adjustment made to the right-of-use asset. However, if the carrying amount of the right-of-use asset has been reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For lease modifications that are not treated as individual leases, the remeasurement of the lease liability due to a reduction in the scope of the lease is a reduction of the right-of-use asset and gains or losses are recognized for partial or full termination of the lease. The remeasurements of lease liability for other modifications are adjustments to right-of-use assets. Lease liabilities are presented separately in the parent company only balance sheets.

(16) Government subsidies

Government subsidies are recognized only when it is reasonably certain that the Company will comply with the conditions attached to the government subsidies and that the subsidies will be received.

Government subsidies related to revenue are recognized in other revenue on a systematic basis over the period in which the related costs for which they are intended to compensate are recognized as expenses by the Company.

Government subsidies are recognized in profit or loss in the period in which they become collectible if they are intended to compensate for expenses or losses already incurred or to provide immediate financial support to the Company and have no future related costs.

(17) Employee benefits

1. Short-term employee benefits

Liabilities relating to short-term employee benefits are measured by the non-discounted amount of the expected payment in exchange for employee services.

2. Post-employment benefits

Underdefined contribution pension plan, the pension amount appropriated during the service years of the employees is recognized as an expense.

The defined benefit cost (including service cost, net interest and rereasurement) of defined benefit pension plan is actuarially determined using the projected unit credit method. Service cost (including current service cost) and net interest on net defined benefit liabilities (assets) are recognized as employee benefit expense as incurred. Remeasurements (including actuarial gains and losses and return on plan assets, net of interest) are recognized in other comprehensive income and included in retained earnings as incurred and are not reclassified to profit or loss in subsequent periods.

The net defined benefit liability (asset) represents the deficit (remaining) of the defined benefit pension plan appropriation. The net defined benefit liability (asset) may not exceed the present value of refunds of appropriations from the plan or reductions in future appropriations.

(18) Share-based payment agreement-Employee stock option

When the Company issues new shares for cash capital increase, part of such shares shall be reserved subscription by employees according to law in a share-based payment arrangement. It shall measure the fair value of the services received by reference to the fair value of the equity instruments at grant date and at the same time recognize it as salary expenses and capital surplus.

(19) Income tax

Income tax expense is the sum of the current income tax and deferred income tax.

1. Income tax expenses in the current period

Additional Income tax on undistributed earnings calculated in accordance with the ROC Income Tax Act is recognized in the year in which resolutions are made at the shareholders' meeting.

The adjustment to previous period income tax payable is booked as current income tax.

2. Deferred tax

Deferred tax is calculated on temporary differences between the carrying amounts of assets and liabilities and the tax bases used to compute taxable income. Deferred tax liabilities are generally recognized for all taxable temporary differences while deferred tax assets are recognized for deductible temporary differences and unused tax losses (tax credits) carried forward, to the extent that it is probable that future taxable profits will be available.

The Company shall recognize a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries and associates, except to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets are recognized for deductible temporary differences associated with such investments only to the extent that it is probable that sufficient taxable income will be available to allow the temporary differences to be realized and to the extent that a reversal is expected in the foreseeable future.

The book amount of deferred tax assets must be reviewed at each balance sheet date. The book amount of those that no longer have any sufficient taxable income to recover all or part of the asset should be adjusted down. Those that are not originally recognized as deferred income tax assets should also be reexamined at each balance sheet date. The book amount of those that are likely to generate taxable income in the future for the recovery of all or part of their assets should be adjusted up.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the liability is settled or the asset is realized, which are based on tax rates and tax laws that have been legislated or substantively legislated on the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences of the manner in which the Company expects to recover or settle the carrying amounts of its assets and liabilities at the balance sheet date.

3. Current and deferred income tax for the year

Current and deferred income taxes are recognized in the profit or loss, except for the current and deferred income taxes related to the items recognized in other comprehensive income or directly included in the equity are recognized in other comprehensive income or directly included in the equity. If the current income tax or deferred income tax arises from a business merger, the income tax effect is included in the accounting for the business merger.

5. Significant Accounting Judgments and Estimations, and Main Sources of Assumption Uncertainties

In adopting accounting policies, management is required to make judgments, estimates and assumptions that are based on historical experience and other relevant factors when relevant information is not readily available from other sources. Actual results may differ from the estimates.

The management will review estimates and underlying assumptions on an ongoing basis. If a revision of an estimate affects only the current period, it is recognized in the period in which it is revised. If a revision of an accounting estimate affects both the current and future periods, it is recognized in the period in which it is revised and in the future periods.

Impairment of investments accounted for using the equity method

When determining whether an investment accounted for using the equity method is impaired, the recoverable amount of the cash-generating units should be estimated. The recoverable amount is the fair value net of cost or the value in use, whichever is higher. To calculate the value in use, the management shall estimate the present amount of the future cash flows that it expects to derive from the cash-generating unit and determine the discount rate used to calculate the present value. As of December 31, 2022 and 2021, the carrying amounts of the investments accounted for using the equity method were NT\$1,750,854 thousand and Nt\$1,743,178 thousand, respectively.

6. Cash and Cash Equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash		
Petty cash and cash on hand	\$ 731	\$ 813
Checking accounts and demand deposits	<u>222,865</u>	<u>254,448</u>
	<u>\$ 223,596</u>	<u>\$ 255,261</u>

The interest rate range at the balance sheet date for the Company's pledged time deposits (recorded as other current assets and other financial assets – non-current):

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Pledged time deposit	0.975%~1.465%	0.84%

7. Financial Instruments Measured at Fair Value Through Profit or Loss

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets – current</u>		
Measured at fair value through income under compulsion		
Non-derivative financial assets		
- Fund beneficial certificates	\$ 24,631	\$ -
- Stocks listed on the TWSE/TPEX	<u>11,210</u>	<u>11,912</u>
	<u>\$ 35,841</u>	<u>\$ 11,912</u>

8. Financial assets measured at fair value through other comprehensive income

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Non-current</u>		
Domestic Investment		
Stocks not listed on the TWSE/TPEX		
Euroc III Venture capital Corp.	\$ 65	\$ 332
KABLETEK CORPORATION	-	-
Glory Technology Service Inc.	<u>16,517</u>	<u>13,783</u>
	<u>\$ 16,582</u>	<u>\$ 14,115</u>

The Company invests in the common stocks of the non-TWSE and non-TPEX listed companies according to its medium and long-term strategic goals and expects to make profits through long-term investments. The Company's management believes that it would be inconsistent with the aforementioned long-term investment plan to include short-term fair value fluctuations of these investments in profit or loss, and has therefore elected to designate these investments as measured at fair value through other comprehensive income.

Euroc III Venture capital Corp. conducted a capital reduction to write off its accumulated losses and a cash capital reduction in July 2021, with a capital reduction ratio of 90.3799%. The Company has collected the proceeds from capital reduction of NT\$464 thousand from capital reduction in August 2021.

The Company sold the shares of Wallace Development Ltd. for NT\$9,911 thousand in May 2021, and the related other equity – unrealized gain on valuation of NT\$3,788 thousand of financial assets measured at fair value through other comprehensive income were transferred to retained earnings.

9. Notes receivable, accounts receivable and other receivables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Notes receivable</u>		
Measured at amortized cost		
Total book value	\$ 802	\$ 11,518
Less: Allowance for losses	<u>-</u>	<u>-</u>
	<u>\$ 802</u>	<u>\$ 11,518</u>
Incurring by operation		
Occurred not due to business	\$ 802	\$ 11,518
	<u>-</u>	<u>-</u>
	<u>\$ 802</u>	<u>\$ 11,518</u>
<u>Accounts receivable</u>		
Measured at amortized cost		
Accounts receivable – related parties	\$ 74,718	\$ 69,117
Accounts receivable – non-related parties	<u>102,204</u>	<u>174,607</u>
	176,922	243,724
Less: Allowance for losses	<u>6,603</u>	<u>6,603</u>
	<u>\$ 170,319</u>	<u>\$ 237,121</u>
<u>Other receivables</u>		
Other receivables – non-related parties	\$ 96	\$ 1,516
Other receivables – related parties	<u>-</u>	<u>55,084</u>
	<u>\$ 96</u>	<u>\$ 56,600</u>

The Company's customer base mainly consists of domestic and foreign telecommunications companies or peer companies. In the balance of accounts receivable on December 31, 2022 and 2021, for details about the credit risk resulting from the concentration in significant customers, please refer to Note 28.

The Company provides an average credit term of 90–120 days on sale of goods in Taiwan and Southeast Asia, and collects money according to the contract or the trading conditions in the Chinese market; therefore, there is no specific number of days for credit terms, and no accrued interest on the accounts receivable.

Before taking orders from new customers, the Company shall evaluate their credit quality and set their credit limits after learning more about the customers through external information or visits by sales personnel.

For accounts receivable that have been overdue at the balance sheet date but on which the Company has not yet recognized the allowance for losses, since the credit quality has not significantly changed, the Company's management believes that the amount can still be recovered. The Company does not hold any collateral or other credit enhancements for these accounts receivable. In addition, the Company does not have the statutory rights to offset account payables with account receivables for the same counterparty either.

The Company shall recognize the allowance for loss on accounts receivable based on the expected credit losses over the duration using the IFRS 9 simplified approach. Expected credit losses over the duration are calculated using a provision matrix, which takes into account the customer's past default records and current financial position, the economic conditions of the industry, as well as GDP forecasts and industry outlook. Since the Company's credit loss history shows that there is no significant difference in the loss patterns of different customer groups, therefore, instead of further differentiating the customer groups, the provision matrix only sets the expected credit loss rate based on the number of days overdue on accounts receivable.

If there is any evidence indicating that the counterparty is facing financial difficulties and the Company cannot reasonably expect the recoverable amount; for example, the counterparty is in the liquidation procedure or the claim has been overdue for more than a certain number of days, the Company will directly write off the related accounts receivable and continue the claims activity, with the amount recovered in claims collection to be recognized in profit or loss.

The allowance for losses on accounts receivable based on the provision matrix is as follows

December 31, 2022

	Not overdue	Overdue 1 to 60 days	Overdue 61 to 120 days	Overdue for more than 120 days	Total
Expected credit loss rate	-	-	-	100%	
Total book value	\$ 169,850	\$ 402	\$ 67	\$ 6,603	\$ 176,922
Allowance for loss (expected credit loss of the given duration)	-	-	-	(6,603)	(6,603)
Measured at amortized cost	<u>\$ 169,850</u>	<u>\$ 402</u>	<u>\$ 67</u>	<u>\$ -</u>	<u>\$ 170,319</u>

December 31, 2021

	Not overdue	Overdue 1 to 60 days	Overdue 61 to 120 days	Overdue for more than 120 days	Total
Expected credit loss rate	-	-	-	100%	
Total book value	\$ 228,494	\$ 8,627	\$ -	\$ 6,603	\$ 243,724
Allowance for loss (expected credit loss of the given duration)	-	-	-	(6,603)	(6,603)
Measured at amortized cost	<u>\$ 228,494</u>	<u>\$ 8,627</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 237,121</u>

The information on the changes in the allowance for losses on accounts receivable and other receivables of the Company were as follows:

	2022	2021
Balance, beginning of year	\$ 6,603	\$ 6,603
Add: Recognition for the year	9	-
Add: Write-off of bad debts	(9)	-
Balance, end of year	<u>\$ 6,603</u>	<u>\$ 6,603</u>

10. Inventory

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Finished goods	\$ 113,769	\$ 83,550
Work in process	4,643	27,434
Raw materials and supplies	240,220	281,519
Inventory in transit	<u>1,580</u>	<u>3,002</u>
	<u>\$ 360,212</u>	<u>\$ 395,505</u>

The nature of the cost of goods sold:

	<u>2022</u>	<u>2021</u>
Cost of inventory sold	\$ 895,468	\$ 1,013,307
Inventory falling price loss	54,869	17,014
Recognition (reversal) of provisions for onerous contracts	8,455	(3,769)
Inventory obsolescence losses	4,118	4,374
Unamortized manufacturing overheads	<u>-</u>	<u>24,517</u>
	<u>\$ 962,910</u>	<u>\$ 1,055,443</u>

The Company did not amortize manufacturing overheads in 2021 since the factory was relocated from Guanyin District to Luzhu District, Taoyuan City at the end of 2020, with idle capacity costs during the factory downtime.

11. Investment accounted for using the equity method

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Investment in subsidiaries	\$ 1,488,368	\$ 1,569,472
Investments in associates	<u>229,499</u>	<u>173,706</u>
	1,717,867	1,743,178
Add: Credit balance of investments accounted for using the equity method	<u>32,987</u>	<u>-</u>
	<u>\$ 1,750,854</u>	<u>\$ 1,743,178</u>

(1) Investment in subsidiaries

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Non-TWSE and non-TPEX listed companies		
AgrandTech Limited (hereinafter referred to as "AgrandTech")	\$ 41,837	\$ 39,349
Qiong Lian Co., Ltd. (hereinafter referred to as "Qiong Lian")	23,825	23,560
King Tung Resources Co., Ltd. (hereinafter referred to as "King Tung Resources")	(32,987)	79,628

(Continued on next page)

(Continued from previous page)

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Sing Tung Technologies Pte. Ltd. (hereinafter referred to as “Sing Tung”)	\$ 22,798	\$ 17,606
Datong Construction Co., Ltd. (hereinafter referred to as “Datong Construction”)	3,761	4,081
Public companies		
Taiwan Intelligent Fiber Optic Network Co., Ltd. (hereinafter referred to as “Taifo”)	<u>1,429,134</u>	<u>1,405,248</u>
	<u>\$ 1,488,368</u>	<u>\$ 1,569,472</u>

<u>Subsidiary name</u>	Percentage of ownership interests and voting rights	
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
AgrandTech	100%	100%
Qiong Lian	100%	100%
Taifo	68.22%	68.22%
King Tung Resources	89.06%	86%
Sing Tung	97%	97%
Datong Construction	51%	51%

Subsidiaries accounted for using the equity method and share of profit or loss to which the company is entitled and other comprehensive income were calculated based on the financial reports that have been audited by CPAs, except for AgrandTech, Qiong Lian, Sing Tung, and Datong Construction, which were calculated based on the financial reports that have not been audited by CPAs. However, the Company’s management believes that if the financial reports of the above subsidiaries have been audited by CPAs, there will be no material effect.

The Company won the bid for the “Taipei City Fiber Optic Network Outsourcing Construction and Operation Project” on December 16, 2011 and set up a new company in accordance with the contract. The new company (Taifo) was established on January 6, 2012. The Company has paid NT\$156,000 thousand for the shares of Taifo before January 1, 2012. In order to build a network computer room and fulfil its working capital requirement, in February 2012, Taifo conducted the first cash capital increase through issuing 40,000 thousand new shares at NT\$10 per share as approved by the board of directors, of which 28,800 thousand shares were subscribed by the Company in proportion to its shareholding, with an investment amount of NT\$280,800 thousand. In order for the development and establishment of the Reconfigurable Optical Add/Drop Multiplexer, DC & POI systems, Synchronization System and Access Network, Taifo conducted the cash capital increase for a total of 2 times in 2013, issuing 32,000 thousand shares and 39,000 thousand shares at NT\$10 and NT\$15 per share, respectively, of which 4,390 thousand shares and 21,194 thousand shares were subscribed by the Company,

respectively. For the purchase of cable materials and cable routing works, in 2014, Taifo conducted the cash capital increases for a total of 2 times, issuing 34,000 thousand shares and 25,200 thousand shares at NT\$18 and NT\$20 per share, of which 21,456 thousand shares and 19,055 thousand shares were subscribed by the Company, respectively. For the purchase of cable materials and cable routing works, in 2016, Taifo conducted a cash capital increase through issuing 20,000 thousand new shares at NT\$15 per share, of which 19,942 thousand shares were subscribed by the Company. In 2019, Taifo conducted a cash capital increase through issuing 30,000 thousand new shares at NT\$10 per share, of which 29,735 thousand shares were subscribed by the Company. Taifo conducted a capital reduction to write off the accumulated losses of NT\$461,073 thousand as approved by the shareholders' meeting on June 24, 2022, resulting in the cancellation of 46,107 thousand shares, with a capital reduction ratio of 16.7663%. The reference date for the capital reduction was August 1, 2022, and the change registration was already completed. As of December 31, 2022 and 2021, the Company's accumulated investment amounts in Taifo were NT\$2,725,235 thousand in the two years.

King Tung Resources, the Company's subsidiary accounted for using the equity method, entered into the "One Track Inspection Vehicle" purchase contract with Taiwan Railways Administration (hereinafter referred to as the "TRA"), MOTC on July 17, 2015, but it did not pass the acceptance tests. TRA had sent a notification in May 2022 that the contract should be terminated and no guarantee bond should be returned according to the purchase contract. TRA also sent a notification in November 2022 to request the payment of the overdue liquidated damages with regard to the purchase contract. King Tung Resources has engaged a lawyer to enter into mediation or litigation to safeguard its interests. The Company recognized the impairment loss of NT\$34,188 thousand for the subsidiary in 2022 in case it needs to pay the liquidated damages, which were recorded under other gains and losses in the parent company only statements of comprehensive income.

(2) Investments in associates

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Individually insignificant associates		
Fiber Logic Communications, Inc. (hereinafter referred to as "Fiber Logic")	\$ 112,225	\$ 91,655
Chien Tung Harbour Service Co., Ltd. (hereinafter referred to as "Chien Tung")	<u>117,274</u>	<u>82,051</u>
	<u>\$ 229,499</u>	<u>\$ 173,706</u>

Company name	Percentage of ownership interests and voting rights	
	December 31, 2022	December 31, 2021
Fiber Logic	28.97%	29.75%
Chien Tung	25.23%	28.03%

As Fiber Logic bought back treasury stock in May 2021, the Company's shareholding ratio increased from 29.54% to 29.75%, and the retained earnings were written down by NT\$155 thousand for the amount of changes in ownership interests. It issued 528 thousand new shares for the distribution of employees' compensation on December 8, 2022, and the Company's shareholding ratio decreased from 29.75% to 28.9%, and the retained earnings were written down by NT\$888 thousand for the amount of changes in ownership interests.

Chien Tung conducted a cash capital increase of NT\$100,000 thousand on November 9, 2021, issuing 10,000 thousand at NT\$10 per share, of which 2,610 thousand shares were subscribed, with an investment amount of NT\$26,100 thousand. The Company's shareholding ratio increased from 29% to 28.03%, and the capital surplus was increased by NT\$58 thousand for the amount of changes in ownership interests. It conducted a cash capital increase of NT\$200,000 thousand on March 28, 2022, issuing 20,000 thousand at NT\$10 per share, of which 4,205 thousand shares were subscribed, with an investment amount of NT\$42,050 thousand. The Company's shareholding ratio increased from 28.03% to 25.23%, and the capital surplus was increased by NT\$234 thousand for the amount of changes in ownership interests.

For Fiber Logic and Chien Tung, the Company calculates the investments accounted for using the equity method and share of profit or loss to which the company is entitled and other comprehensive income based on the financial reports that have not been audited by CPAs. However, the Company's management believes that if their financial reports have been audited by CPAs, there will be no material effect.

Information on individually insignificant associates is summarized as follows:

	2022	2021
Share to which the company is entitled		
Net profits for the year	<u>\$ 14,397</u>	<u>\$ 11,202</u>
Total comprehensive income	<u>\$ 14,397</u>	<u>\$ 11,202</u>

12. Property, Plant and Equipment

	Land	Buildings and structures	Machinery equipment	Transportation equipment	Office equipment	Leasehold improvements	Other equipment	Total
<u>Costs</u>								
Balance as of January 1, 2021	\$ 896,966	\$ 84,398	\$ 426,139	\$ 27,473	\$ 9,395	\$ 51,754	\$ 6,243	\$ 1,502,368
Addition	-	15,750	15,089	6,982	357	-	-	38,178
Disposal	-	-	(104,345)	(595)	(3,169)	(38,027)	(5,233)	(151,369)
Reclassification	(83,784)	211,936	-	-	-	-	-	128,152
Balance as of December 31, 2021	<u>\$ 813,182</u>	<u>\$ 312,084</u>	<u>\$ 336,883</u>	<u>\$ 33,860</u>	<u>\$ 6,583</u>	<u>\$ 13,727</u>	<u>\$ 1,010</u>	<u>\$ 1,517,329</u>
<u>Accumulated depreciation and impairment</u>								
Balance as of January 1, 2021	\$ -	\$ 52,056	\$ 364,317	\$ 21,309	\$ 9,065	\$ 44,292	\$ 5,619	\$ 496,658
Elimination – asset disposal	-	-	(103,631)	(595)	(3,169)	(36,940)	(4,885)	(149,220)
Depreciation expenses	-	10,694	7,128	1,687	281	1,564	276	21,630
Recognition of impairment losses	-	29,085	-	-	-	-	-	29,085
Balance as of December 31, 2021	<u>\$ -</u>	<u>\$ 91,835</u>	<u>\$ 267,814</u>	<u>\$ 22,401</u>	<u>\$ 6,177</u>	<u>\$ 8,916</u>	<u>\$ 1,010</u>	<u>\$ 398,153</u>
Net as of December 31, 2021	<u>\$ 813,182</u>	<u>\$ 220,249</u>	<u>\$ 69,069</u>	<u>\$ 11,459</u>	<u>\$ 406</u>	<u>\$ 4,811</u>	<u>\$ -</u>	<u>\$ 1,119,176</u>
<u>Costs</u>								
Balance as of January 1, 2022	\$ 813,182	\$ 312,084	\$ 336,883	\$ 33,860	\$ 6,583	\$ 13,727	\$ 1,010	\$ 1,517,329
Addition	115,524	8,245	28,951	5,502	939	1,320	-	160,481
Disposal	-	(893)	(18,109)	(1,579)	(144)	(2,730)	-	(23,455)
Reclassification	-	1,440	28,500	-	-	-	-	29,940
Balance as of December 31, 2022	<u>\$ 928,706</u>	<u>\$ 320,876</u>	<u>\$ 376,225</u>	<u>\$ 37,783</u>	<u>\$ 7,378</u>	<u>\$ 12,317</u>	<u>\$ 1,010</u>	<u>\$ 1,684,295</u>
<u>Accumulated depreciation and impairment</u>								
Balance as of January 1, 2022	\$ -	\$ 91,835	\$ 267,814	\$ 22,401	\$ 6,177	\$ 8,916	\$ 1,010	\$ 398,153
Elimination – asset disposal	-	(473)	(10,604)	(1,579)	(144)	(2,578)	-	(15,378)
Depreciation expenses	-	11,493	9,791	2,405	201	1,477	-	25,367
Recognition of impairment losses	-	139	2,837	-	28	-	-	3,004
Balance as of December 31, 2022	<u>\$ -</u>	<u>\$ 102,994</u>	<u>\$ 269,838</u>	<u>\$ 23,227</u>	<u>\$ 6,262</u>	<u>\$ 7,815</u>	<u>\$ 1,010</u>	<u>\$ 411,146</u>
Net as of December 31, 2022	<u>\$ 928,706</u>	<u>\$ 217,882</u>	<u>\$ 106,387</u>	<u>\$ 14,556</u>	<u>\$ 1,116</u>	<u>\$ 4,502</u>	<u>\$ -</u>	<u>\$ 1,273,149</u>

The Company conducted the disposal of Wugu factory (Land No. 47 and 49, 1st Subsection Xingkung Section, Xinzhuang Dist., New Taipei City) as approved by the board of directors on November 11, 2020, and entrusted Cushman & Wakefield Limited Taiwan Branch for public tendering at an entrusted price of NT\$1,280,860 thousand. The opening of tender for the above real estate on January 18, 2021 but cannot be proceeded due to failure to meet transaction terms.

For the purpose of asset activation, the Company reconstructed the building in Wugu as a factory building by joint construction and separate ownership of property with Ching Tong Investment Co., Ltd. and Founding Construction Development Corp. and signed a joint building construction contract in September 2021 (see Note 32 (12) for more information). According to the contract, the Company shall bear the obligation of demolishing, vacating, checking and handing over the existing building on the land. The recoverable amount of the building was assessed to be less than the carrying amount; therefore, the Company has recognized impairment losses of NT\$4,197 thousand and NT\$31,840 thousand for property, plant and equipment and investment property in 2022 and 2021, respectively, which are recorded under other gains and losses. As of December 31, 2022, the accumulated impairment loss already recognized by the Company was NT\$36,037 thousand (in which NT\$29,224 thousand was for buildings and structures, NT\$28 thousand was for office equipment, and NT\$6,785 thousand was for investment property).

The Company ceased to lease the factory building in Toufen in May 2022. The machinery equipment in the factory building was assessed to be unusable and unsaleable due to high maintenance and repair costs. Therefore, the Company recognized an impairment loss of NT\$2,837 thousand in 2022.

The Company signed the agricultural land sale contract in October 2022. Because the purchased agricultural land could not be transferred in the name of the Company, it was temporarily registered in the name of LEE CHING HUNG, the Company's Chairman, with whom a contract of borrowing other's name for real estate registration was signed to clearly define the rights and obligations of both parties. The Company is applying to the relevant authorities for land change and designation successively. As of December 31, 2022, the Company has the land with name-borrowing registration amounting to NT\$71,602 thousand.

For the amount of the Company's pledged property, plant and equipment as a loan guarantee, please refer to Note 33.

The Company's property, plant and equipment are depreciated on a straight-line basis over the following useful lives:

Buildings and structures	
Plant main building	21 to 40 years
Building equipment and renovation engineering	1 to 15 years
Machinery equipment	
Fiber optical cables, wire & cables manufacturing, and experiment equipment	1 to 34 years
Other manufacturing equipment	2 to 10 years
Transportation equipment	1 to 20 years
Office equipment	1 to 15 years
Leasehold improvements	1 to 15 years
Other equipment	10 years

13. Lease agreement

(1) Right-of-use assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amount of right-of-use assets		
Land	\$ 1,057	\$ 2,115
Building	4,025	14,716
Office equipment	791	1,017
	<u>\$ 5,873</u>	<u>\$ 17,848</u>

	<u>2022</u>	<u>2021</u>
Addition of right-of-use assets	\$ <u>-</u>	\$ <u>11,352</u>
Derecognition of right-of-use assets	\$ <u>-</u>	\$ <u>2,309</u>
	<u>2022</u>	<u>2021</u>
Depreciation expenses of right-of-use assets		
Land	\$ 1,058	\$ 9,923
Building	10,691	10,727
Office equipment	<u>226</u>	<u>200</u>
	<u>\$ 11,975</u>	<u>\$ 20,850</u>

Except for the addition, derecognition, and recognition of depreciation expenses as listed above, no significant sublease and impairment occurred on the Company's right-of-use assets in 2022 and 2021.

(2) Lease liability

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amount of lease liability		
Current	\$ <u>4,385</u>	\$ <u>12,155</u>
Non-current	\$ <u>1,573</u>	\$ <u>5,958</u>

The discount rate range of the Company's lease liabilities is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Land	1.46%	1.46%~1.57%
Building	1.44%~1.63%	1.44%~1.63%
Office equipment	1.44%	1.44%

(3) Major lease activities and terms

The rent of land, factory buildings, and office space leased by the Company is calculated based on the actual number of *ping* on lease and is paid once a month. Leases may be renewed upon expiry with a 3- to 5-year lease term. Upon termination of the lease term, there are no preferential rights to purchase according to the Company's lease agreements.

(4) Other lease information

For details about the Company's agreements on leasing investment property under operating leases, please refer to Note 14.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Short-term lease expenses	\$ <u>3,849</u>	\$ <u>2,649</u>
Total cash outflow from lease	(\$ <u>16,160</u>)	(\$ <u>24,168</u>)

All lease commitments for the lease period commencing after the balance sheet date are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Lease commitments	<u>\$ 180</u>	<u>\$ 9,000</u>

14. Investment property, net

	<u>Investment property</u>
<u>Costs</u>	
Balance as of January 1, 2021	\$ 34,469
Reclassification	<u>83,784</u>
Balance as of December 31, 2021	<u>\$ 118,253</u>
<u>Accumulated depreciation and impairment</u>	
Balance as of January 1, 2021	\$ 14,471
Depreciation expenses	559
Recognition of impairment losses	<u>2,755</u>
Balance as of December 31, 2021	<u>\$ 17,785</u>
Net as of December 31, 2021	<u>\$ 100,468</u>
<u>Costs</u>	
Balance as of January 1, 2022 and December 31, 2022	<u>\$ 118,253</u>
<u>Accumulated depreciation and impairment</u>	
Balance as of January 1, 2022	\$ 17,785
Depreciation expenses	279
Recognition of impairment losses	<u>4,030</u>
Balance as of December 31, 2022	<u>\$ 22,094</u>
Net as of December 31, 2022	<u>\$ 96,159</u>

The Company's investment property is depreciated on a straight-line basis over the following useful lives:

Buildings and structures	
Plant main building	40 years
Building equipment and renovation engineering	10 to 30 years

Since the Covid-19 pandemic caused a severe impact on the market economy in 2020, the Company agreed to unconditionally reduce the rent by NT\$100 thousand per month from May 1, 2020 to April 30, 2021. Because there was no rent adjustment mechanism in the original lease agreement, the above-mentioned rent reduction meant an adjustment made to the rental income during the remaining lease term.

The fair values of the Company's investment property on December 31, 2022 and 2021 were NT\$721,094 thousand and NT\$604,894 thousand, respectively. The valuation of such fair value had not been made by an independent appraiser, and it was actually the result of an assessment conducted with reference to the market evidence similar to the latest real estate transaction prices in the real estate brokerage industry and was classified as Level 3 in the fair value hierarchy.

All investment property of the Company were self-owned equity. For the amount with respect to the Company's pledged investment property as a loan guarantee, please refer to Note 33.

In terms of operating leases, the Company has leased out the investment property owned by itself, with a 1- to 3-year lease term, and the lessee has no preferential rights to purchase the property at the end of the lease term.

As of December 31, 2022 and 2021, the lease premiums received by the Company under operating leases were NT\$780 thousand and NT\$4,530 thousand (recorded as other non-current liabilities).

The total lease payments that the Company will receive in the future for leasing out investment property under operating leases as of December 31, 2022 and 2021 are listed as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
First year	\$ 800	\$ 8,310
Second year	70	770
Third year	<u>-</u>	<u>70</u>
	<u>\$ 870</u>	<u>\$ 9,150</u>

15. Intangible assets

	<u>Computer software</u>
<u>Costs</u>	
Balance as of January 1, 2021	\$ 5,939
Acquired separately	<u>551</u>
Balance as of December 31, 2021	<u>\$ 6,490</u>
<u>Accumulated amortization and impairment</u>	
Balance as of January 1, 2021	\$ 5,637
Amortization expenses	<u>527</u>
Balance as of December 31, 2021	<u>\$ 6,164</u>
Net as of December 31, 2021	<u>\$ 326</u>

(Continued on next page)

(Continued from previous page)

	<u>Computer software</u>
<u>Costs</u>	
Balance as of January 1, 2022	\$ 6,490
Acquired separately	<u>540</u>
Balance as of December 31, 2022	<u>\$ 7,030</u>
 <u>Accumulated amortization and impairment</u>	
Balance as of January 1, 2022	\$ 6,164
Amortization expenses	<u>543</u>
Balance as of December 31, 2022	<u>\$ 6,707</u>
 Net as of December 31, 2022	 <u>\$ 323</u>

The above intangible assets are amortized on a straight-line basis over 3 to 5 years.

16. Bank loans

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Short-term borrowings</u>		
Bank secured loan (Note 33)	\$ 150,000	\$ 80,000
Bank credit facility	<u>50,000</u>	<u>30,000</u>
	<u>\$ 200,000</u>	<u>\$ 110,000</u>
 <u>Long-term borrowings</u>		
Bank secured loan (Note 33)	\$ 1,032,461	\$ 797,316
Bank credit facility	<u>98,589</u>	<u>150,724</u>
	1,131,050	948,040
Less: Portion classified as due within one year	<u>47,197</u>	<u>103,292</u>
	<u>\$ 1,083,853</u>	<u>\$ 844,748</u>

- (1) As of December 31, 2022 and 2021, the effective interest rates on short-term bank secured loans were 1.99% and 1.49%, respectively.
- (2) As of December 31, 2022 and 2021, the effective interest rates on short-term bank credit facilities were 2.05% and 1.50%, respectively.
- (3) Long-term bank secured loans are backed by the Company's real estate (recorded as property, plant and equipment and net investment property), successively maturing in March 2027. As of December 31, 2022 and 2021, the effective annual interest rates were 1.79%–2.32% and 1.30%–1.75%, respectively. Interest should be paid on a monthly basis while the principal should be repaid averagely on a monthly or quarterly basis or in full at maturity during the period specified in the loan agreement.

- (4) Long-term bank credit facilities will be successively maturing in December 2025. As of December 31, 2022 and 2021, the effective annual interest rates were 1.85%–2.475% and 1.32%–1.85%, respectively. Interest should be paid on a monthly basis while the principal should be repaid averagely on a monthly or quarterly basis or in full at maturity during the period specified in the credit facility agreement.

17. Notes payable and accounts payable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes payable	<u>\$ 171</u>	<u>\$ 65</u>
Accounts payable	<u>\$ 152,190</u>	<u>\$ 223,330</u>

The average credit period for the Company's purchases is generally 3 months. The Company has a financial risk management policy to ensure that all payables are repaid within the pre-agreed credit period.

18. Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Salary and bonus payables	\$ 23,099	\$ 21,802
Service expenses payable	3,860	4,170
Accrued taxes payable	2,141	1,196
Payable on land and building purchased	842	842
Cleaning expenses payable	24,156	-
Others	<u>38,642</u>	<u>31,091</u>
	<u>\$ 92,740</u>	<u>\$ 59,101</u>

19. Provisions – current

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Current</u>		
Onerous contracts	\$ 29,727	\$ 23,113
Employee benefits	<u>2,801</u>	<u>6,542</u>
	<u>\$ 32,528</u>	<u>\$ 29,655</u>

- (1) The provision for an onerous contract refers to, when the Company measures a non-cancelable sale contract that has been signed but not performed at the balance sheet date, the amount of unavoidable costs of meeting the obligations under the contract exceeding the economic benefits expected to be received under the contract. The Company expects to perform the contract within one year, and this estimate may change with changes in performance of the contract and raw material costs.
- (2) Provisions for employee benefits are estimates for the service leave entitlements for employees

20. Corporate bonds payable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
The fourth domestic secured convertible corporate bonds	\$ -	\$ 123,300
Less: Discount on corporate bonds payable	<u>-</u>	<u>960</u>
	-	122,340
Less: Sell-back right to be exercised within one year	<u>-</u>	<u>122,340</u>
	<u>\$ -</u>	<u>\$ -</u>

The Company issued the fourth domestic secured convertible corporate bonds on July 24, 2019, 3-year NT\$300,000 thousand domestic secured convertible corporate bonds with a coupon rate of zero. The terms and conditions of issuance are described as follows:

- (1) Bondholders may request the Company to repay the principal in cash in one lump sum according to the face value of the corporate bond when the corporate bond matures.
- (2) Bondholders can sell back corporate bonds at 101.5056% of the face value of the bonds 2 years after the issuance of the corporate bonds (June 24, 2021).
- (3) If the closing price of the Company's share is above 30% of the conversion price for 30 consecutive trading days of the Taiwan Stock Exchange, or the total value of outstanding convertible bonds becomes less than 10% of the total face value at issue, the Company has the option to request redemption of the bonds from bondholders by cash at face value from the next day of 3 months after bond issuance (September 25, 2019) to 40 days before maturity (May 15, 2022).
- (4) Starting from the next day of 3 months after the issuance date (September 25, 2019) to the maturity date (June 24, 2022), unless during the period for suspension of transfer according to law, the bondholders may anytime ask for bond conversion into common stocks at the conversion price at that time. According to the regulations for the Issuance and conversion of corporate bonds, the reference date for determining the conversion price was set for June 14, 2019, with a conversion premium rate of 102% at a conversion price of NT\$16.3 per share which, however, is subject to adjustment based on the formula for calculating the conversion price if the ratio of bonus shares and cash dividends on common stock to the market price per share exceeds 1.5%. Starting from November 12, 2020, the conversion price of the convertible corporate bond was adjusted to NT\$16.1 per share in accordance with the terms and conditions of issuance.

The above convertible corporate bonds consist of two components: liabilities and equity, and the equity component is expressed as capital surplus – stock options under the equity item. The effective interest rate originally recognized for the liability component was 1.5633%.

The amount of debt instruments under the master contract originally recognized was NT\$286,264 thousand on the issuance date, which was the balance of the fair value of straight bonds of NT\$290,250 thousand upon initial issuance minus the

transaction cost apportioned to the primary liability of NT\$4,983 thousand plus the related income tax effect of NT\$997 thousand. The amount of redemption and sell-back rights originally recognized was NT\$1,548 thousand. The equity component was NT\$8,062 thousand, which was the original issue price minus the fair value of the liability component of NT\$8,175 thousand, minus the transaction cost apportioned to the equity of NT\$140 thousand plus the related income tax effect of NT\$27 thousand.

The above convertible corporate bonds consist of liability and equity components. The liability and equity components upon initial issuance are listed as follows:

Issue price (minus the transaction costs of NT\$5,150 thousand)	\$ 294,850
Component of financial liabilities at fair value through profit or loss on the issuance date	(1,548)
Equity component on the issuance date (minus the transaction costs apportioned to the equity of NT\$140 thousand and the related income tax effect of NT\$27 thousand)	(8,062)
Deferred tax assets on the issuance date	<u>1,024</u>
Liability component on the issuance date (minus the transaction costs apportioned to the liability of NT\$4,983 thousand and the related income tax effect of NT\$997 thousand)	<u>\$ 286,264</u>

The changes in the Company's debt instruments under the master contract and derivatives with redemption and sell-back rights in 2022 and 2021 are described as follows:

2022

	Debt instruments under the master contract	derivatives with redemption and sell-back rights
Balance as of January 1, 2022	(\$ 122,340)	\$ -
Interest expenses	(910)	-
Conversion into common stocks	38,050	-
Repayments of corporate bonds	<u>85,200</u>	<u>-</u>
Balance as of December 31, 2022	<u>\$ -</u>	<u>\$ -</u>

2021

	Debt instruments under the master contract	derivatives with redemption and sell-back rights
Balance as of January 1, 2021	(\$ 213,537)	(\$ 74)
Interest expenses	(2,223)	-
Conversion into common stocks	93,420	-
The profit on the changes in fair value	<u>-</u>	<u>74</u>
Balance as of December 31, 2021	<u>(\$ 122,340)</u>	<u>\$ -</u>

21. Other non-current liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Provisions – decommissioning liabilities	\$ 1,046	\$ 1,046
Deposits received	41,209	53,760
Others	<u>14,308</u>	<u>14,636</u>
	<u>\$ 56,563</u>	<u>\$ 69,442</u>

Provisions for decommissioning liabilities refer to the obligations to dismantle, remove and restore estimated for the cost of property, plant and equipment, and are recognized as the cost of property, plant and equipment and decommissioning liabilities. If there is any change in the estimated amount or the discount rate to settle such obligations resulting in a change in the estimate of the above obligations, the relevant costs and liabilities should be adjusted in the current period. The increase in the amount of liabilities due to the passage of time should be recognized as interest expenses.

22. Post-employment benefit plans

(1) Defined contribution pension plan

The labor pension system prescribed in the “Labor Pension Act” applicable to the Company is a defined allocation pension plan regulated by the government, which requires that the company shall on a monthly basis contribute labor pension funds, i.e. six percent of the worker’s monthly wage to individual labor pension accounts at the Bureau of Labor Insurance.

The amounts that should be appropriated by the Company according to the percentage specified in the defined contribution plan in 2022 and 2021 have been recognized as expenses in the parent company only statement of comprehensive income totaling NT\$7,252 thousand and NT\$6,627 thousand, respectively.

(2) Defined benefit plan

The labor pension system prescribed in the “Labor Standards Act” applicable to the Company is a defined allocation pension plan. The payment of employee pensions is calculated based on years of service and six months’ average wage of the worker at the time when the retirement is approved. The Company shall appropriate labor pension reserve funds 2% of the total monthly wages of their employees, and such amount shall be deposited in a designated account at Bank of Taiwan by the Labor Pension Fund Supervisory Committee in the name of the Committee. Before the end of each year, after the balance in the designated account is assessed, if the amount is inadequate to pay pensions calculated for workers meeting the conditions and retiring in the following year, the Company is required to make up the difference in one appropriation before the end of March the following year. The management of the special account is entrusted to the Bureau of Labor Funds, the Ministry of Labor. The Company has no right to influence the investment management strategy.

The amount of the Company's defined benefit plan included in the parent company only balance sheet is presented as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligations	\$ 13,384	\$ 13,269
The fair value of plan assets	(<u>13,343</u>)	(<u>12,612</u>)
Shortage of provisions (recorded as net defined benefit liability)	<u>\$ 41</u>	<u>\$ 657</u>

The changes in the Company's net defined benefit liability (asset) are described as follows:

	<u>Present value of defined benefit obligations</u>	<u>The fair value of plan assets</u>	<u>Net defined benefit liability</u>
Balance as of January 1, 2021	<u>\$ 12,411</u>	(<u>\$ 12,226</u>)	<u>\$ 185</u>
Service costs			
Current service cost	118	-	118
Interest expenses (incomes)	<u>120</u>	(<u>118</u>)	<u>2</u>
Recognized in profit or loss	<u>238</u>	(<u>118</u>)	<u>120</u>
Remeasurement			
Return on plan asset (other than amount included in net interest)	-	(99)	(99)
Actuarial loss – change in financial assumptions	550	-	550
Actuarial loss – adjustment through experience	<u>70</u>	<u>-</u>	<u>70</u>
Recognized in other comprehensive income	<u>620</u>	(<u>99</u>)	<u>521</u>
Employer appropriation	<u>-</u>	(<u>169</u>)	(<u>169</u>)
December 31, 2021	<u>\$ 13,269</u>	(<u>\$ 12,612</u>)	<u>\$ 657</u>
Balance as of January 1, 2022	<u>\$ 13,269</u>	(<u>\$ 12,612</u>)	<u>\$ 657</u>
Service costs			
Current service cost	124	-	124
Interest expenses (incomes)	<u>91</u>	(<u>87</u>)	<u>4</u>
Recognized in profit or loss	<u>215</u>	(<u>87</u>)	<u>128</u>
Remeasurement			
Return on plan asset (other than amount included in net interest)	-	(972)	(972)
Actuarial loss – change in financial assumptions	484	-	484
Actuarial loss – adjustment through experience	(<u>94</u>)	<u>-</u>	(<u>94</u>)
Recognized in other comprehensive income	<u>390</u>	(<u>972</u>)	(<u>582</u>)
Employer appropriation	<u>-</u>	(<u>162</u>)	(<u>162</u>)
Payments of plan assets	(<u>490</u>)	<u>490</u>	<u>-</u>
December 31, 2022	<u>\$ 13,384</u>	(<u>\$ 13,343</u>)	<u>\$ 41</u>

The Company is exposed to the following risks as a result of the pension system under the “Labor Standards Act”:

1. Investment risk: The Bureau of Labor Funds, Ministry of Labor invests the labor pension fund in domestic and foreign equity securities, debt securities, and bank deposits through its own management or entrusted third parties, but the amount allocated to the Company’s plan assets is based on the income at a rate no less than the local bank’s 2-year time deposit rate.
2. Interest rate risk: A fall in interest rates on government bonds causes the present value of the defined benefit obligation to increase; however, the return from debt investments on plan assets will also increase accordingly. The two provide a partially offsetting effect on the net defined benefit liability (asset).
3. Salary Risk: The present value of the defined benefit obligation is calculated by reference to the future salary of the plan member. Therefore, increases in plan member’s salary will result in an increase in the present value of the defined benefit obligation.

The present value of the Consolidated Company’s defined benefit obligation was actuarially determined by a qualified actuary and the significant assumptions at the measurement date were as follows.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discounted rate	1.250%	0.700%
Expected rate of salary increase	2.500%	2.000%

The amount by which the present value of the defined benefit obligation would increase (decrease) if there are reasonable possible changes in significant actuarial assumptions, with all other assumptions held constant, is as follows

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discounted rate		
Increase by 0.25%	(\$ <u>404</u>)	(\$ <u>453</u>)
Decrease by 0.25%	<u>\$ 420</u>	<u>\$ 472</u>
Expected rate of salary increase		
Increase by 0.25%	<u>\$ 416</u>	<u>\$ 473</u>
Decrease by 0.25%	(<u>\$ 401</u>)	(<u>\$ 456</u>)

The sensitivity analysis above may not reflect actual changes in the present value of the defined benefit obligation because the actuarial assumptions may be correlated and changes in only one assumption are not feasible.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Amount expected to be appropriated within 1 year	<u>\$ 152</u>	<u>\$ 165</u>
Average duration to maturity of defined benefit obligation	12.0 years	14.0 years

23. Equity

(1) Common stock

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Authorized number of shares (in thousands of shares)	<u>200,000</u>	<u>200,000</u>
Authorized capital stock	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
Number of shares issued and fully paid (in thousands of shares)	<u>150,922</u>	<u>147,642</u>
Capital stock issued	<u>\$ 1,509,219</u>	<u>\$ 1,476,424</u>

The bondholders of the Company's fourth domestic secured convertible corporate bonds asked for conversion of bonds with a face value of NT\$81,400 thousand into 5,056 thousand shares of common stock in December 2020. The reference date for capital increase was January 8, 2021, and the change registration was completed on February 4, 2021.

The bondholders of the Company's fourth domestic secured convertible corporate bonds asked for conversion of bonds with a face value of NT\$80,600 thousand into 5,006 thousand shares of common stock from January 1, 2021 to June 30, 2021. The reference date for capital increase was April 8, 2021, and the change registration was completed on May 3, 2021.

The bondholders of the Company's fourth domestic secured convertible corporate bonds asked for conversion of bonds with a face value of NT\$38,100 thousand into 2,367 thousand shares of common stock from January 2022 to June 30, 2022. As of December 31, 2022, the change registration was already completed.

(2) Certificate of entitlement to new shares form convertible bond

The bondholders of the Company's fourth domestic secured convertible corporate bonds asked for conversion of bonds with a face value of NT\$14,700 thousand into 913 thousand shares of common stock in November 2021. As of December 31, 2021, the change registration of 913 thousand shares has not been completed, which are recorded as certificate of entitlement to new shares form convertible bond in an amount of NT\$9,130 thousand. The reference date for capital increase was January 14, 2022 as approved by the Company's board of directors, and the change registration was already completed on February 7, 2022.

(3) Capital surplus

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>For loss make-up, payment in cash or capitalization as equity (Note)</u>		
Stock issuance premium	\$ 889,308	\$ 889,308
Conversion premium of the convertible bond	404,780	389,370

(Continued on next page)

(Continued from previous page)

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cancellation of treasury stock premium	\$ 4,965	\$ 4,965
Cancelled options	15,479	13,190
<u>Only for loss make-up</u>		
Changes in equity of associates accounted for using the equity method	292	58
<u>May not be used for any purpose</u>		
Equity component recognized on the issuance of convertible corporate bonds – stock options	-	3,314
	<u>\$ 1,314,824</u>	<u>\$ 1,300,205</u>

Note: Such capital surplus may be used to make up for losses or, when the Company has no losses, to distribute cash or to capitalize equity, provided that the capitalization is limited to a certain percentage of the paid-in capital each year.

(4) Retained Earnings and Dividend Policy

According to the profit distribution policy of the Company's Articles of Incorporation, after closing of accounts, if there is surplus earning, the Company shall first make up the losses for the preceding years and then set aside a legal reserve of 10% of the net profit. Where such legal reserve amounts to the total paid-in capital of the Company, this provision shall not apply. The Company may set aside or reverse another sum as special reserve from the rest according to the laws and regulations. The remaining profit, if any, together with the accumulated undistributed earnings, shall be distributed as shareholders' dividends subject to the proposal for distribution of profits adopted by the board of directors and the approval of the shareholders' meeting.

For details about the distribution policy for employees' compensation and remuneration to directors and supervisors stipulated in the Company's Article of Incorporation, please refer to Note 25 (4) employee benefit expenses

The legal reserve should not be appropriated from surplus profits further when it amounts to the total paid-up capital. Legal reserve could be allocated for covering loss carried forward. If there is no loss, the amount of legal reserve in excess of the paid-in capital by 25% could be allocated as capital stock and paid out as cash dividend.

The Company held a general shareholders' meeting on July 2, 2021, and passed a resolution to cover the losses in 2020 by the beginning undistributed earnings and not to distribute shareholders' bonuses.

The Company held a general shareholders' meeting on May 31, 2022, and passed a resolution to cover the losses in 2021 by the beginning undistributed earnings and not to distribute shareholders' bonuses.

The 2022 deficit compensation as proposed by the Company's board of directors on March 24, 2023.

The proposal for 2022 deficit compensation was expected to be resolved by the general shareholders' meeting on June 26, 2023.

(5) Other equity

1. Exchange differences on translation of foreign financial statements

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	(\$ 9,447)	(\$ 8,166)
Accrued in current year		
Share of translation differences of subsidiaries accounted for using the equity method	3,049	(1,602)
Related income tax	(610)	321
Balance, end of year	<u>(\$ 7,008)</u>	<u>(\$ 9,447)</u>

2. Unrealized valuation gain or loss on financial assets measured at fair value through other comprehensive income

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 1,548	(\$ 5,309)
Accrued in current year		
Unrealized gain or loss		
Equity instruments	2,467	10,645
The accumulated gain/loss from the disposition of equity instruments will be transferred to retained earnings	-	(3,788)
Balance, end of year	<u>\$ 4,015</u>	<u>\$ 1,548</u>

24. Revenue

	<u>2022</u>	<u>2021</u>
Customer contract revenue		
Sales revenue	\$ 966,967	\$ 1,115,824
Construction revenue	<u>168,928</u>	<u>159,666</u>
	<u>\$ 1,135,895</u>	<u>\$ 1,275,490</u>

(1) Contract balance

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Contract assets – current		
Engineering services	\$ 69,078	\$ 57,831
Less: Allowance for losses	<u>9,699</u>	<u>8,349</u>
	<u>\$ 59,379</u>	<u>\$ 49,482</u>

(Continued on next page)

(Continued from previous page)

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Contract liabilities – current		
Sale of goods	\$ 3,852	\$ 2,586
Engineering services	<u>103,108</u>	<u>163,338</u>
	<u>\$ 106,960</u>	<u>\$ 165,924</u>

Changes in contract assets and contract liabilities are mainly due to the difference between the timing of satisfaction of performance obligations and the timing of payment by customers, and there is no major change.

The amount of contract liabilities from the beginning of the year recognized as income in the year was as follows:

	<u>2022</u>	<u>2021</u>
Sale of goods	\$ 197	\$ -
Engineering services	<u>711</u>	<u>17,030</u>
	<u>\$ 908</u>	<u>\$ 17,030</u>

For details about notes receivable and accounts receivable, please refer to Note 9.

The Company recognizes an allowance for losses on contract assets on the basis of expected credit loss over the duration of the receivables. Contract assets will be transferred to accounts receivable upon billing, and their credit risk characteristics are the same as those of accounts receivable arising from similar contracts. Therefore, the Company considers that the expected credit loss rate of accounts receivable can also be applied to contract assets.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Expected credit loss rate	-%~100%	-%~100%
Total book value	\$ 69,078	\$ 57,831
Allowance for loss (expected credit loss of the given duration)	(<u>9,699</u>)	(<u>8,349</u>)
	<u>\$ 59,379</u>	<u>\$ 49,482</u>

Changes in the allowance for losses on contract assets are described as follows:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 8,349	\$ -
Add: Allowance for losses for the year	<u>1,350</u>	<u>8,349</u>
Balance, end of year	<u>\$ 9,699</u>	<u>\$ 8,349</u>

(2) Breakdown of revenue from contracts with customers

2022

	<u>Taiwan</u>	<u>Southeast Asia</u>	<u>Total</u>
<u>Type of goods or services</u>			
Sales revenue	\$ 929,510	\$ 37,457	\$ 966,967
Construction revenue	<u>168,928</u>	<u>-</u>	<u>168,928</u>
	<u>\$ 1,098,438</u>	<u>\$ 37,457</u>	<u>\$ 1,135,895</u>

2021

	<u>Taiwan</u>	<u>Southeast Asia</u>	<u>Total</u>
<u>Type of goods or services</u>			
Sales revenue	\$ 1,070,179	\$ 45,645	\$ 1,115,824
Construction revenue	<u>159,666</u>	<u>-</u>	<u>159,666</u>
	<u>\$ 1,229,845</u>	<u>\$ 45,645</u>	<u>\$ 1,275,490</u>

25. Net loss before taxation

Net loss before tax includes the following items:

(1) Other revenue

	<u>2022</u>	<u>2021</u>
Lease income from operating leases	\$ 15,583	\$ 23,125
Dividend income	1,113	986
Other revenue		
Gain on reversal of decommissioning liabilities	-	3,880
Gain on write-off of accounts payable	-	75
Fee income from loans and endorsements & guarantees	11,356	14,337
Other revenue	<u>2,862</u>	<u>1,901</u>
	<u>\$ 30,914</u>	<u>\$ 44,304</u>

(2) Other profits and losses

	<u>2022</u>	<u>2021</u>
Net loss of financial assets and liabilities measured at fair value through profit or loss	(\$ 4,259)	(\$ 2,991)
Loss from disposal of property, plant and equipment	(7,068)	(1,817)
Foreign exchange gains (losses) – net	3,444	(1,920)
Impairment loss (Note 11 and 12)	(41,222)	(31,840)
Lease modification gain	-	59
Other expenses	<u>(279)</u>	<u>(559)</u>
	<u>(\$ 49,384)</u>	<u>(\$ 39,068)</u>

(3) Financial costs

	<u>2022</u>	<u>2021</u>
Interest from bank borrowings	(\$ 17,874)	(\$ 8,302)
Interest on lease liabilities	(175)	(379)
Interest on the convertible bonds	(910)	(2,223)
Service fee expense	(<u>2,201</u>)	(<u>2,452</u>)
	(<u>\$ 21,160</u>)	(<u>\$ 13,356</u>)

(4) Employee benefits expenses

	<u>2022</u>			<u>2021</u>		
	Attributable to operating costs	Attributable to operating expenses	Total	Attributable to operating costs	Attributable to operating expenses	Total
Employee benefits expenses						
Salaries and wages	\$ 123,483	\$ 36,129	\$ 159,612	\$ 122,095	\$ 33,154	\$ 155,249
Labor insurance and national health insurance	12,370	3,666	16,036	11,218	3,621	14,839
Pension expenses	5,639	1,741	7,380	5,118	1,629	6,747
Remuneration to directors	-	870	870	-	612	612
Others	<u>4,876</u>	<u>1,111</u>	<u>5,987</u>	<u>5,543</u>	<u>1,114</u>	<u>6,657</u>
	<u>\$ 146,368</u>	<u>\$ 43,517</u>	<u>\$ 189,885</u>	<u>\$ 143,974</u>	<u>\$ 40,130</u>	<u>\$ 184,104</u>

The Company's average numbers of employees in 2022 and 2021 were 267 and 247, respectively, and the number of directors who did not serve concurrently as employees were 5 in both years.

The Company shall appropriate at least 1% and not more than 2% of the pre-tax income for the year before deducting for the distribution of employees' compensation and remuneration to directors and supervisors for employees' compensation and remuneration to directors and supervisors.

The Company posted net loss after tax in 2022 and 2021; therefore, it did not record the amount payable for employees' compensation and remuneration to directors and supervisors.

For information on employees' compensation and remuneration to directors and supervisors of the Company, please visit the "Market Observation Post System (MOPS)" of the Taiwan Stock Exchange for any inquiry.

(5) Depreciation and amortization expenses

	<u>2022</u>	<u>2021</u>
Property, Plant and Equipment	\$ 25,367	\$ 21,630
Right-of-use assets	11,975	20,850
Investment property	279	559
Intangible assets	<u>543</u>	<u>527</u>
Total	<u>\$ 38,164</u>	<u>\$ 43,566</u>

(Continued on next page)

(Continued from previous page)

	<u>2022</u>	<u>2021</u>
Summary of depreciation expenses by function		
Operating costs	\$ 32,790	\$ 27,493
Operating expenses	4,552	14,987
Other profits and losses	<u>279</u>	<u>559</u>
	<u>\$ 37,621</u>	<u>\$ 43,039</u>
Summary of depreciation expenses by function		
Operating costs	\$ -	\$ -
Operating expenses	<u>543</u>	<u>527</u>
	<u>\$ 543</u>	<u>\$ 527</u>

(6) Expected credit impairment loss (recorded as operating expenses)

	<u>2022</u>	<u>2021</u>
Expected credit impairment losses	<u>\$ 1,359</u>	<u>\$ 8,349</u>

(7) Operating expenses

	<u>2022</u>	<u>2021</u>
Employee benefits expenses	\$ 43,517	\$ 40,130
Travel expenses	7,757	5,409
Import and export expenses		
Service expenses	5,920	12,225
Depreciation expenses	4,552	14,987
Others	<u>55,142</u>	<u>45,528</u>
	<u>\$ 116,888</u>	<u>\$ 118,279</u>

26. Income tax

(1) Income tax recognized in profit or loss

The major components of income tax benefit are as follows:

	<u>2022</u>	<u>2021</u>
Income tax expenses in the current period		
Accrued in current year	\$ -	\$ 20
Prior year adjustment	<u>8</u>	<u>2</u>
	<u>8</u>	<u>22</u>
Deferred tax		
Accrued in current year	(7,365)	(7,827)
Prior year adjustment	<u>-</u>	<u>124</u>
	<u>(7,365)</u>	<u>(7,703)</u>
Income tax benefit recognized in profit or loss	<u>(\$ 7,357)</u>	<u>(\$ 7,681)</u>

The reconciliation of accounting income to income tax benefit is as follows.

	<u>2022</u>	<u>2021</u>
Net loss before taxation	(<u>\$ 251,117</u>)	(<u>\$ 207,471</u>)
Tax income from net loss before tax calculated at statutory tax rate (20%)	(\$ 50,223)	(\$ 41,494)
Non-deductible expenses for tax purposes	28,910	35,447
Tax-exempt income	(91,978)	(197)
The difference between basic tax and general income tax	-	20
Tax losses to offset the investment income	828	-
Unrecognized deductible temporary differences and loss carry-forward	105,098	(1,583)
Adjustments to prior years' income tax expense recorded in the current period	<u>8</u>	<u>126</u>
Income tax benefit recognized in profit or loss	(<u>\$ 7,357</u>)	(<u>\$ 7,681</u>)
(2) Tax expense (benefit) recognized in other comprehensive income		
	<u>2022</u>	<u>2021</u>
<u>Deferred tax</u>		
Accrued in current year		
– Exchange of foreign operating institutions	<u>\$ 610</u>	(<u>\$ 321</u>)
(3) Current income tax asset and liability		
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current tax assets		
Tax refund receivable	<u>\$ 4,874</u>	<u>\$ 5,297</u>
(4) Deferred tax assets and liabilities		

Changes in the deferred income tax assets and liabilities are as follows:

2022

	<u>Balance, beginning of year</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>Balance, end of year</u>
<u>Deferred tax assets</u>				
Temporary difference				
Leave payables	\$ 1,309	(\$ 748)	\$ -	\$ 561
Allowance for bad debts	2,463	423	-	2,886
Inventory falling price loss	18,674	7,766	-	26,440
Unrealized gains or losses among affiliate companies	34,170	(1,202)	-	32,968
Deferred revenue	84	(51)	-	33

(Continued on next page)

(Continued from previous page)

	Balance, beginning of year	Recognized in profit or loss	Recognized in other comprehensive income	Balance, end of year
Onerous contract	\$ 5,256	\$ 1,322	\$ -	\$ 6,578
Unrealized foreign exchange losses	154	(154)	-	-
Impairment loss of assets	6,368	146	-	6,514
Provision for warranty	627	59	-	686
Loss from equity method investments	40	(23)	-	17
Decommissioning liabilities	209	-	-	209
Convertible corporate bonds	70	(70)	-	-
Exchange differences of a foreign operation	148	-	(148)	-
	<u>\$ 69,572</u>	<u>\$ 7,468</u>	<u>(\$ 148)</u>	<u>\$ 76,892</u>
<u>Deferred tax liabilities</u>				
Temporary difference				
Exchange differences of a foreign operation	\$ -	\$ -	\$ 462	\$ 462
Pension payments	707	-	-	707
Unrealized foreign exchange gains	-	103	-	103
	<u>\$ 707</u>	<u>\$ 103</u>	<u>\$ 462</u>	<u>\$ 1,272</u>

2021

	Balance, beginning of year	Recognized in profit or loss	Recognized in other comprehensive income	Balance, end of year
<u>Deferred tax assets</u>				
Temporary difference				
Leave payables	\$ 1,106	\$ 203	\$ -	\$ 1,309
Allowance for bad debts	1,107	1,356	-	2,463
Inventory falling price loss	13,693	4,981	-	18,674
Unrealized gains or losses among affiliate companies	37,585	(3,415)	-	34,170
Deferred revenue	1	83	-	84
Onerous contract	5,867	(611)	-	5,256
Unrealized foreign exchange losses	-	154	-	154
Impairment loss of assets	-	6,368	-	6,368
Provision for warranty	673	(46)	-	627
Loss from equity method investments	154	(114)	-	40
Decommissioning liabilities	1,269	(1,060)	-	209
Convertible corporate bonds	373	(303)	-	70
Exchange differences of a foreign operation	-	-	148	148
	<u>\$ 61,828</u>	<u>\$ 7,596</u>	<u>\$ 148</u>	<u>\$ 69,572</u>
<u>Deferred tax liabilities</u>				
Temporary difference				
Exchange differences of a foreign operation	\$ 173	\$ -	(\$ 173)	\$ -
Pension payments	707	-	-	707
Unrealized foreign exchange gains	25	(25)	-	-
Income from equity method investments	82	(82)	-	-
	<u>\$ 987</u>	<u>(\$ 107)</u>	<u>(\$ 173)</u>	<u>\$ 707</u>

- (5) Deductible temporary differences and unused loss carry-forward not recognized as deferred tax assets in the parent company only balance sheet

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Loss carryforwards		
Due in 2032	\$ <u>509,258</u>	\$ <u>-</u>
Deductible temporary differences		
Inventory obsolescence loss	\$ 124,011	\$ 107,971
Unrealized loss on investments	<u>90,956</u>	<u>92,812</u>
	<u>\$ 214,967</u>	<u>\$ 200,783</u>

- (6) The Company's profit-seeking enterprise income tax return has been assessed by the tax collection agency till 2020.

27. Loss per share

The numerator and denominator in the calculation of a loss per share are disclosed as follows:

	Amount (numerator)	Number of shares (denominator) (thousands of shares)	Loss per share (NT\$)
<u>2022</u>			
Basic and diluted loss per share	(\$ <u>243,760</u>)	<u>150,054</u>	(\$ <u>1.62</u>)
<u>2021</u>			
Basic and diluted loss per share	(\$ <u>199,790</u>)	<u>147,444</u>	(\$ <u>1.36</u>)

The Company may have the profit distributable as employees' compensation distributed in the form of shares or in cash; however, diluted earnings per share should be calculated on the assumption that the employees' compensation will be distributed in the form of shares, and when the potential ordinary shares are considered to be dilutive, the weighted average number of outstanding shares should be added in the calculation of diluted earnings per share. When calculating diluted earnings per share, the closing price of such potential ordinary shares at the balance sheet date is used as the basis for judging the number of issued shares. The diluting effect of these potential ordinary shares also continues to be considered in the calculation of diluted earnings per share before the number of shares awarded to employees in the following year's resolution.

28. Financial instruments

- (1) Fair value information – Financial instruments that are not measured at fair value

The Company's management believes that the carrying amounts of financial assets and financial liabilities not measured at fair value as of December 31, 2022 and 2021 approximate their fair value.

(2) Fair value information – financial instruments measured at fair value on a recurring basis

1. Fair value hierarchy

December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at fair value through profit or loss</u>				
Fund beneficial certificates	\$ 24,631	\$ -	\$ -	\$ 24,631
Stocks listed on the TWSE/TPEX	11,210	-	-	11,210
<u>Financial assets measured at fair value through other comprehensive income</u>				
Domestic and foreign stocks not listed on stock exchanges	-	-	16,582	16,582

December 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at fair value through profit or loss</u>				
Stocks listed on the TWSE/TPEX	\$ 11,912	\$ -	\$ -	\$ 11,912
<u>Financial assets measured at fair value through other comprehensive income</u>				
Domestic and foreign stocks not listed on stock exchanges	-	-	14,115	14,115

The Company had no transfers between Levels 1 and 2 for fair value measurements in 2022 and 2021.

2. Reconciliation of financial instruments measured at fair value in Level 3

2022

<u>Financial assets</u>	<u>Through other comprehensive income Investments in equity instruments designated at fair value</u>
Balance, beginning of year	\$ 14,115
Recognized in other comprehensive income (unrealized valuation gains or losses on financial assets measured at fair value through other comprehensive income)	<u>2,467</u>
Balance, end of year	<u>\$ 16,582</u>

2021

<u>Financial assets</u>	<u>Through other comprehensive income Investments in equity instruments designated at fair value</u>
Balance, beginning of year	\$ 13,845
Recognized in other comprehensive income (unrealized valuation gains or losses on financial assets measured at fair value through other comprehensive income)	10,645
Disposal of domestic and foreign stocks not listed on stock exchanges	(9,911)
Proceeds from capital reduction	(464)
Balance, end of year	<u>\$ 14,115</u>

3. Methods for measuring the fair value of financial instruments

The fair value of financial assets and financial liabilities is determined as follows:

- (1) The fair values of financial assets and financial liabilities with standard terms and conditions and are traded in an active market is determined by reference to quoted market prices.
- (2) The financial assets financial measured at fair value in Level 3 held by the Company are stocks not listed on the TWSE/TPEX, of which fair value is mainly measured by the market approach and the asset approach, based on the estimates and assumption with reference to relevant information of comparable transactions in the market and estimated future cash flows. The key unobservable inputs include discounts for lack of control and lack of marketability.

(3) Types of financial instruments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss	\$ 35,841	\$ 11,912
Financial assets at amortized cost (Note 1)	481,836	747,060
Financial assets at fair value through other comprehensive income – non-current	16,582	14,115
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 2)	1,591,340	1,489,108

Note 1: The balance covers cash and cash equivalents, contract assets – current, notes receivable, accounts receivable, part of other receivables, other financial assets – non-current, part of refundable deposits, and other financial assets measured at amortized cost.

Note 2: The balance covers notes payable, accounts payable, part of other payables, short-term borrowings, long-term borrowings due within one year or one operating cycle, corporate bonds with reverse repurchase agreements to be mature or executed within one year or one operating cycle, long-term borrowings, part of other non-current liabilities, and other financial liabilities measured at amortized cost.

(4) Purpose and policy of financial risk management

The Company's financial instruments mainly include equity investment, receivables, payables, borrowings, etc. The Company's department of finance manages the financial risks associated with the Company's operations according to operating and market conditions. These risks include market risk (including exchange rate risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Company uses derivative financial instruments to avoid the risk of exposure and reduce the impact of such risks. The use of derivative financial instruments is regulated by the policies approved by the Company's board of directors. The Company does not engage in financial instruments (including derivative financial instruments) transactions for speculative purposes.

1. Market Risk

The financial risks borne by the Company in its operating activities include the risk of exchange rate fluctuations, the interest rate risk, and other price risks.

(1) Exchange rate risk

The Company is engaged in purchases and sales in foreign currency, which makes the Company exposed to the risk of exchange rate fluctuations. The Company utilizes foreign exchange forward contracts to manage the exposure to exchange rate risks to the extent permitted by the policy

For details about the Company's carrying amounts of foreign currency monetary assets and liabilities at the balance sheet date, please refer to Note 35.

Sensitivity analysis

The Company is mainly affected by fluctuations in US dollar and Singapore dollar exchange rates.

In the Company's assessment, the profits and losses arising from foreign currency assets and liabilities due to changes in market exchange rates will be offset, and the market risk is expected to bring a limited impact to financial assets and financial liabilities.

The following table details the sensitivity analysis of the Company when the exchange rate of New Taiwan dollars (functional currency) increases and decreases by 1% against each relevant foreign currency. The positive numbers in the table below represent the amount of increase (decrease) in net profit after tax when the associated foreign currency appreciates by 1%. When the associated foreign currency depreciates by

1%, the effect thereof on net profit after tax will be a negative number of the same amount.

	Effect of the US dollar		Effect of Singapore dollar	
	2022	2021	2022	2021
Gain or loss	\$ 53	\$ 90	\$ 70	\$ 271

(2) Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate, or the cash flows from a financial instrument will fluctuate, due to changes in market conditions. The Company's financial assets exposed to interest rate risk are mainly time deposits with floating rates. However, the change in the interest rate was assessed by the Company to have no material impact on the Company's net profit after tax.

In addition, the carrying amounts of the Company's financial liabilities exposed to interest rate risk at the balance sheet date were listed as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Financial liabilities with the fair value interest rate risk		
- Short-term borrowings	<u>\$ 150,000</u>	<u>\$ -</u>
- Long-term borrowings	<u>\$ 50,000</u>	<u>\$ -</u>
Financial liabilities with the cash flows interest rate risk		
- Short-term borrowings	<u>\$ 50,000</u>	<u>\$ 110,000</u>
- Long-term borrowings	<u>\$ 1,081,050</u>	<u>\$ 948,040</u>

Sensitivity analysis

The Company's floating rate liabilities were analyzed on the assumption that the outstanding liabilities at the balance sheet date were outstanding during the reporting period.

If the interest rate increases/decreases by 0.5%, and all other variables remain unchanged, the Company's net profit after tax in 2022 and 2021 will decrease/increase by NT\$4,098 thousand and NT\$2,302 thousand, respectively.

(3) Other price risks

The Company has other price risks arising from stocks and other investments in equity instruments and fund beneficiary certificates. If the prices of equity and funds increase/decrease by 1%, the profit and loss

after tax in 2022 and 2021 will increase/decrease by NT\$358 thousand and NT\$119 thousand due to the increase/decrease in the fair value of financial asset measured at fair value through profit or loss. The Other comprehensive income after tax in 2022 and 2021 will increase/decrease by NT\$166 thousand and NT\$141 thousand, respectively due to the increase/decrease in the fair value of financial assets measured at fair value through other comprehensive income.

2. Credit Risk

Credit risk refers to the risk of financial loss resulting from the default on contractual obligations by the counterparties. As of the balance sheet date, the Company's maximum credit risk exposure possibly due to the counterparty's failure to perform its obligations mainly comes from the carrying amount of the financial assets recognized in the parent company only balance sheet.

The policy adopted by the Company is to only conduct transactions with a counterparty who have a good reputation and to review and check accounts with the counterparty every month, so that the counterparty can perform its obligations within the given or agreed period. The Company gives a line of credit to counterparties depending on their operating scale and past historical experience and adjusts the line of credit by reviewing the status of their performance of the transaction obligations on a regular basis to continuously monitor the credit risk and the credit rating of the counterparty and control the credit risk. The information on the aforementioned operating scale is obtained from external information.

In order to reduce the credit risk, the Company has designated the Sales Department to be responsible for the determination of the line of credit, approval of credit, and other monitoring procedures to ensure that appropriate actions have been taken for the recovery of overdue receivables. In addition, the Company reviews the recoverable amounts of receivables on a case-by-case basis on the balance sheet date to ensure that appropriate impairment losses have been recorded for uncollectible receivables. In view of the above, the Company's management believes that the Company's supervisory procedures can still control the Company's credit risk, which will not cause a risk of financial losses to the Company.

The Company's credit risk is mainly concentrated in the top ten customers by the Company's operating revenue, mainly domestic and foreign telecommunications companies or peer companies and government-related entities. As of December 31, 2022 and 2021, the percentages of accounts receivable coming from the aforementioned customers were 88% and 83%, respectively.

3. Liquidity Risk

The Company manages and maintains sufficient cash and cash equivalents to support its operations and mitigate the impact of cash flow fluctuations. The Company's management monitors the use of bank financing facilities and ensures compliance with the terms of the borrowing agreements.

The Company has sufficient working capital and thus has no liquidity risk due to inability to raise funds to meet contractual obligations. Raising funds externally and bank loans are important sources of liquidity for the Company.

The balances of the Company's unutilized banking facilities were listed as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Unutilized short-term facilities and issuance of commercial papers	\$ 643,107	\$ 389,870
Unutilized long-term facilities	<u>395,489</u>	<u>269,010</u>
	<u>\$ 1,038,596</u>	<u>\$ 658,880</u>

Table for Liquidity and Interest Rate Risk

The following table details the Company's maturity analysis for non-derivative financial liabilities that shows the remaining contractual maturities during the agreed repayment period, which has been drawn up based on the undiscounted cash flows of financial liabilities, including cash flows of the interest and principal payments, based on the earliest date on which the Company can be required to pay.

The long-term borrowings due within one year that the Company can be required to pay immediately are listed in the earliest period in the table below, regardless of the probability that the bank will exercise the right immediately. The maturity analysis of other non-derivative financial liabilities is prepared according to the agreed repayment date.

December 31, 2022

	Demand for immediate payment or less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
<u>Non-derivative financial assets</u>						
Short-term borrowings	\$ -	\$ 150,000	\$ 50,000	\$ -	\$ -	\$ 200,000
Notes payable	169	2	-	-	-	171
Accounts payable	89,316	52,043	10,831	-	-	152,190
Other payables	63,531	19,486	9,723	-	-	92,740
Long-term borrowings due within one year or one operating cycle	3,256	6,524	37,417	-	-	47,197
Long-term borrowings	-	-	-	1,083,853	-	1,083,853
Lease liability	1,027	619	2,786	1,586	-	6,018
	<u>\$ 157,299</u>	<u>\$ 228,674</u>	<u>\$ 110,757</u>	<u>\$ 1,085,439</u>	<u>\$ -</u>	<u>\$ 1,582,169</u>

December 31, 2021

	Demand for immediate payment or less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
<u>Non-derivative financial assets</u>						
Short-term borrowings	\$ 80,000	\$ 30,000	\$ -	\$ -	\$ -	\$ 110,000
Notes payable	27	38	-	-	-	65
Accounts payable	153,099	57,701	12,530	-	-	223,330
Other payables	37,512	12,535	9,054	-	-	59,101
Corporate bonds with reverse repurchase agreements to be mature or executed within one year or one operating cycle	-	-	122,340	-	-	122,340
Long-term borrowings due within one year or one operating cycle	3,221	15,064	85,007	-	-	103,292
Long-term borrowings	-	-	-	844,748	-	844,748
Lease liability	1,027	2,055	9,248	6,018	-	18,348
	<u>\$ 274,886</u>	<u>\$ 117,393</u>	<u>\$ 238,179</u>	<u>\$ 850,766</u>	<u>\$ -</u>	<u>\$ 1,481,224</u>

29. Partial acquisitions of investments in subsidiaries

King Tung Resources conducted a cash capital increase of NT\$50,000 thousand on May 18, 2022, which was fully subscribed by the Company, resulting in an increase in the Company's shareholding ratio from 86% to 88.33%.

King Tung Resources conducted a cash capital increase of NT\$20,000 thousand on August 17, 2022, which was fully subscribed by the Company, resulting in an increase in the Company's shareholding ratio from 88.33% to 89.06%.

Since the above transactions not based on the shareholding ratio did not change the Company's control of King Tung Resources, the Company regarded it as an equity transaction. For details about partial acquisition King Tung Resources, please refer to Note 31 to the Company's 2022 Consolidated Financial Report.

30. Cash flow information

(1) Non-cash transactions

The Company conducted the following non-cash transaction financing activities in 2022 and 2021:

As stated in Notes 20 and 23, the Company converted the convertible corporate bonds with a face value of NT\$38,100 thousand and NT\$95,300 thousand into share capital of NT\$23,665 thousand and NT\$100,620 thousand in 2022 and 2021 at the request of bondholders, and the capital surplus increased by NT\$14,385 thousand and NT\$34,228 thousand.

(2) Changes in the Company's liabilities from financing activities

2022

	Balance, beginning of year	Cash provided by (used in)	Changes in other non-cash items	Balance, end of year
Short-term borrowings	\$ 110,000	\$ 90,000	\$ -	\$ 200,000
Long-term borrowings	948,040	183,010	-	1,131,050
Deposits received	53,760	(12,551)	-	41,209
Lease liability	18,113	(12,311)	156	5,958
	<u>\$1,129,913</u>	<u>\$ 248,148</u>	<u>\$ 156</u>	<u>\$1,378,217</u>

2021

	Balance, beginning of year	Cash provided by (used in)	Changes in other non-cash items	Balance, end of year
Short-term borrowings	\$ -	\$ 110,000	\$ -	\$ 110,000
Long-term borrowings	719,924	228,116	-	948,040
Deposits received	20,090	33,670	-	53,760
Lease liability	30,282	(21,519)	9,350	18,113
	<u>\$ 770,296</u>	<u>\$ 350,267</u>	<u>\$ 9,350</u>	<u>\$1,129,913</u>

31. Capital Risk Management

The main purpose of the Company's capital management is, on the premise of ensuring that the Company can continue to operate, to maintain optimal debt and equity balances to support business operations and maximize shareholders' equity. The company manages and adjusts its capital structure according to economic conditions, and achieves the goal of capital structure maintenance and adjustments possibly by means of dividend payments and issuance of new shares.

32. Related Party Transactions

Except as disclosed in other notes, the material transactions between the Company and related parties are described as follows:

(1) Name of related parties and the relationships

<u>Name of related parties</u>	<u>Relationship with the Company</u>
Taifo	Subsidiary
King Tung Resources	Subsidiary
Qiong Lian	Subsidiary
Sing Tung	Subsidiary
Datong Construction	Subsidiary
Anhui Tonghua Optoelectronics Co., Ltd. (hereinafter referred to as "Tonghua Optoelectronics")	Indirectly owned subsidiary
Lai An County Tai Wan Trading Limited (hereinafter referred to as "Tai Wan")	Indirectly owned subsidiary
Fiber Logic Communications, Inc.	Associate
Chien Tung	Associate
Glory Technology Service Inc.	Associate
XIN DI INVESTMENT CO., LED.	Entity that has significant influence on the Company
Hon Hai Precision Industry Co., Ltd.	Other related parties
Ching Tong Investment Co., Ltd.	Other related parties
Pei Lu Engineering Co., Ltd.	Other related parties
Ta Tung Resources Co., Ltd.	Substantive related party
Glory Technology Service Inc.	Substantive related party
GLORY International Engineering Inc.	Substantive related party
Others	The Company's chairman, director, president, and other key management personnel and their spouses and close relatives

- (2) Operating revenue (recorded as sales revenue and engineering & construction revenue)

Account in the book	Type and name of related party	2022	2021
Sales revenue	Associate		
	Others	\$ 14	\$ 18
	Substantive related party		
	Others	340	106
	Subsidiary		
	Qiong Lian	2,921	219
	Taifo	109,824	87,290
	Sing Tung	<u>18,233</u>	<u>26,915</u>
		<u>\$ 131,332</u>	<u>\$ 114,548</u>
Construction revenue	Subsidiary		
	Taifo	<u>\$ 76,667</u>	<u>\$ 66,215</u>

The transaction price and payment terms of the transactions between the Company and the above related parties are commensurate with a general non-related party.

- (3) Purchase

Type and name of related party	2022	2021
Subsidiary		
Tonghua Optoelectronics	\$ 597	\$ 280
Tai Wan	168	1,350
Qiong Lian	50	-
Taifo	<u>-</u>	<u>14</u>
	<u>\$ 815</u>	<u>\$ 1,644</u>

The transaction price and payment terms of the transactions between the Company and the above related parties are commensurate with a general non-related party.

- (4) Contract liabilities

Type and name of related party	December 31, 2022	December 31, 2021
Subsidiary		
Taifo	\$ 65,246	\$ 163,338
Associate		
Others	<u>1,230</u>	<u>-</u>
	<u>\$ 66,476</u>	<u>\$ 163,338</u>

(5) Accounts receivable from related parties

<u>Account in the book</u>	<u>Type and name of related party</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable	Substantive related party		
	Others	<u>\$ 35</u>	<u>\$ -</u>
Accounts receivable	Subsidiary		
	Taifo	\$ 65,800	\$ 52,967
	SING TUNG	<u>8,918</u>	<u>16,150</u>
		<u>\$ 74,718</u>	<u>\$ 69,117</u>
Other receivables	Subsidiary		
	SING TUNG	<u>\$ -</u>	<u>\$ 84</u>

(6) Payables to related parties

<u>Account in the book</u>	<u>Type and name of related party</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts payable	Subsidiary		
	Tonghua	\$ -	\$ 223
	Optoelectronics		
	SING TUNG	-	350
	Other related parties		
	Others	<u>1,859</u>	<u>1,859</u>
		<u>\$ 1,859</u>	<u>\$ 2,432</u>
Other payables	Subsidiary		
	SING TUNG	\$ 126	\$ 2,594
	Others	<u>-</u>	<u>206</u>
		<u>\$ 126</u>	<u>\$ 2,800</u>

(7) Prepayments

<u>Type and name of related party</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiary		
Taifo	\$ 23	\$ -
SING TUNG	-	59
Substantive related party		
Others	-	9,404
Other related parties		
Others	<u>1,050</u>	<u>-</u>
	<u>\$ 1,073</u>	<u>\$ 9,463</u>

(8) Lease agreement

1. Right-of-use assets

<u>Type and name of related party</u>	<u>2022</u>	<u>2021</u>
Other related parties		
Others	<u>\$ -</u>	<u>\$ 7,050</u>

2. Lease liability

<u>Type and name of related party</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other related parties		
Others	<u>\$ 3,368</u>	<u>\$ 5,704</u>

3. Rent expenses (recorded as operating expenses)

<u>Type and name of related party</u>	<u>2022</u>	<u>2021</u>
Entity that has significant influence on the Company		
	<u>\$ 2,850</u>	<u>\$ -</u>

4. Interest expenses (recorded as finance costs)

<u>Type and name of related party</u>	<u>2022</u>	<u>2021</u>
Entity that has significant influence on the Company		
	\$ -	\$ 65
Other related parties		
Others	<u>64</u>	<u>55</u>
	<u>\$ 64</u>	<u>\$ 120</u>

In the lease contract between the Company and related parties, the rent is calculated based on the number of *ping* leased and paid monthly with reference to the regional market conditions.

(9) Acquired property, plant and equipment (recorded as prepayments for equipment)

<u>Type and name of related party</u>	<u>Acquisition price</u>	
	<u>111年度</u>	<u>110年度</u>
Subsidiary – Sing Tung	\$ 824	\$ 352
Subsidiary – Tai Wan	<u>-</u>	<u>412</u>
	<u>\$ 824</u>	<u>\$ 764</u>

(10) Others

1. Refundable deposits

<u>Type and name of related party</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiary		
SING TUNG	<u>\$ 11,998</u>	<u>\$ 3,394</u>

2. Deposits received (recorded as other non-current liabilities)

Type and name of related party	December 31, 2022	December 31, 2021
Subsidiary		
Others	\$ <u>580</u>	\$ <u>580</u>

3. Finance costs (recorded as non-operating income and expenses)

Type and name of related party	December 31, 2022	December 31, 2021
Subsidiary		
Others	\$ <u>6</u>	\$ <u>6</u>

4. Rental income (recorded as non-operating income and expenses)

Type and name of related party	2022	2021
Subsidiary		
Taifo	\$ 4,806	\$ 4,806
Others	<u>240</u>	<u>240</u>
	\$ <u>5,046</u>	\$ <u>5,046</u>

In the lease contract between the Company and related parties, the rent is calculated based on the number of *ping* leased and received or paid monthly with reference to the regional market conditions.

5. Miscellaneous income (recorded as non-operating income and expenses)

Type and name of related party	2022	2021
Other related parties		
Others	\$ -	\$ 29
Subsidiary		
Taifo	10,553	12,096
Others	<u>803</u>	<u>2,481</u>
	\$ <u>11,356</u>	\$ <u>14,606</u>

6. Other expenses (recorded as operating expenses)

Type and name of related party	2022	2021
Subsidiary		
Others	\$ <u>-</u>	\$ <u>28</u>

7. Construction contract

Details of important construction contracted by the Company from related parties are as follows:

Type and name of related party	Name of construction contract	Contract price	The year when the contract is signed
Subsidiary			
Taifo	OSP Cables Construction Work	\$2,344,552	2012
	Sale and Purchase of OSP Optical Cable Materials	1,449,000	2012
	Access Network (GPON) System Construction Work	1,588,000	2013
	FTTP Installation	527,439	2013

The payment terms of the above works are based on the payment terms stated in the construction contract. For the collection terms, the collection period is determined based on the Company's construction contract, which is not significantly different from general transactions.

8. Loans to related parties (recorded as other receivables – related parties)

Type of related party	December 31, 2022	December 31, 2021
Subsidiary		
King Tung Resources	\$ -	\$ 55,000

Please refer to the information in the attached Table 1 “Lending Funds to Others”

9. Guarantee

For details about the Company's endorsements and guarantees for its subsidiaries, please refer to the information in the attached Table 2 “Providing Endorsements or Guarantees for Others.”

10. The budget for “Tai Tung Communication Corporate Headquarters New Construction” was approved by the Company's board of directors on November 9, 2018, with a total of NT\$314,888 thousand (tax inclusive). Datong Construction was designated as the construction management unit, and the project management fee was calculated based on 7% of the total civil engineering and mechanical & electrical budget of the project. As of December 31, 2022, NT\$283,631 thousand was already paid.

(11) Remuneration for key management

	2022	2021
Short-term employee benefits	\$ 14,540	\$ 13,691
Post-employment benefits	567	558
	<u>\$ 15,107</u>	<u>\$ 14,249</u>

- (12) The Company signed a joint building construction contract with the related party of Ching Tong Investment Co., Ltd. (hereinafter referred to as “Ching Tong”) and Founding Construction Development Corp. (hereinafter referred to as “Founding”) to build the factory building by joint construction and separate ownership of property on September 28, 2021. The Company provided 1,395.27 *ping* of land and Ching Tong provided 1,025.65 *ping* of land, a total of 2,420.92 *ping*, and Founding invested in the joint development and construction. The distribution of value of rights on the joint construction in the tripartite agreement were 55% for the landowner (31.07% for the Company, 23.93% for Ching Tong) and 45% for the construction investor Founding. The above joint construction ratio is determined based on the appraised value provided by a professional appraiser. As of December 31, 2022, the above joint building construction has not yet started.

33. Pledged Assets

The Company has provided the following assets as collateral for the issuance of corporate bonds, bank loans, and performance of the construction contract:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Reserve account demand deposit (recorded as other current assets)	\$ -	\$ 16,000
Reserve account demand deposit (recorded as other financial assets – non-current)	5,000	112,680
Pledged CDs (recorded as other non-current assets)	718	-
Pledged CDs (recorded as other financial assets – non-current)	7,259	1,941
Real estate (recorded as property, plant and equipment, investment property, and prepayments for equipment)	1,440,225	1,133,261

34. Significant Contingent Liabilities and Unrecognized Contract Commitments

Except as stated in other notes, the Company has the following significant commitments and contingencies at the balance sheet date as follows:

- (1) The amount of the notes used for refundable deposits issued for performance guarantees and loans were NT\$163,273 thousand.
- (2) The amount of the performance guarantees provided by the bank was NT\$207,198 thousand.
- (3) The amount of the notes used for deposits received for contracting the construction and providing endorsements or guarantees for others was NT\$2,562,296 thousand.

- (4) The amount of letters of credit that have been issued but not used was NT\$13,695 thousand
- (5) The amount of notes payable issued to the lessor as prepayment for leasing plants or equipment was NT\$11,962 thousand (including related party transactions).
- (6) As of December 31, 2022, the details of the significant sale contracts signed with other companies for the construction contract, internal and external communication transmission cables, optical cables, and Fiber to the Home (FTTH) related accessories business were listed as follows (including related party transactions):

<u>Name of customer</u>	<u>Contract amount</u>	<u>The amount of the goods that have not been delivered</u>
Customer A	\$ 5,908,991	\$ 3,030,551
Customer B	768,864	270,507
Customer C	469,070	411,229
Customer D	183,040	168,868
Others (Note)	392,363	277,488

Note: For those with an individual amount not reaching more than 5% of the total amount of the goods that have not been delivered.

- (7) The Company acquired the “Taipei City Fiber Optic Network Outsourcing Construction and Operation Project” in December 2011 and signed the Taipei City Fiber Optic Network Outsourcing Construction and Operation Project Contract with the Taipei City Government in January 2012, with a total contract period of 25 years from the date on which the contract was signed, and the installation of the hardware equipment for Taipei City Fiber Optic Network and the operation of fiber optic networking services are conducted accordingly. According to the provisions of the above-mentioned contract, the Company has established the subsidiary Taiwan Intelligent Fiber Optic Network Co., Ltd. (Taifo) and signed the Taipei City Fiber Optic Network Outsourcing Construction and Operation Tripartite Agreement in January 2012. Based on the provisions of the said agreement, the Company transfers the rights and obligations of the above-mentioned contract to Taifo and also bears the responsibilities for performance guarantee with regard to the obligations set forth in the above-mentioned contract and agreement (including but not limited to performance bonds, punitive damages, and liabilities for damages to the Taipei City Government).
- (8) The budget for “Tai Tung Communication Corporate Headquarters New Construction” was approved by the Company’s board of directors on November 9, 2018, with a total of NT\$314,888 thousand (tax inclusive). Datong Construction was designated as the construction management unit, and the project management fee was calculated based on 7% of the total civil engineering and mechanical & electrical budget of the project. As of December 31, 2022, NT\$283,631 thousand was already paid.

35. Information on foreign currency assets and liabilities with significant effect

The following information is expressed in aggregate in foreign currencies other than the Company's functional currency, and the exchange rates disclosed represent the rates at which such foreign currencies were converted to the functional currency. Information on the Company's foreign currency assets and liabilities that have significant influence was described as follows:

December 31, 2022

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
SGD	\$ 390	22.88	\$ 8,918
<u>Non-monetary items</u>			
RMB	9,624	4.392	42,270
SGD	1,067	22.88	24,414
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	215	30.71	6,615
SGD	5	22.88	126

December 31, 2021

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 508	27.68	\$ 14,056
SGD	1,796	20.46	36,743
<u>Non-monetary items</u>			
RMB	9,203	4.328	39,831
SGD	937	20.46	19,171
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	\$ 103	27.68	\$ 2,862
SGD	139	20.46	2,944
JPY	1,541	0.2405	371
EUR	306	31.32	9,595
RMB	1,086	4.328	4,700

For details about the Company's (realized and unrealized) foreign exchange gains or losses in 2022 and 2021, please refer to Note 25. Since there were many foreign currency transactions, it is not possible to disclose foreign exchange gains and losses by currencies that have significant influence.

36. Additional Disclosure

- (1) Information on significant transactions and (2) investees:
 1. Lending funds to others: Please refer to the attached Table 1.
 2. Providing endorsements or guarantees for others: Please refer to the attached Table 2.
 3. Holding of 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): Please refer to the attached Table 3.
 4. Aggregate purchases or sales of the same securities reaching NT\$300 million or 20 percent of paid-in capital or more: None.
 5. Acquisition of real estate reaching NT\$300 million or 20 percent of paid-in capital or more: Please refer to the attached Table 4.
 6. Disposal of real estate amounting to at least NT\$300 million or 20% of the paid-in capital: None.
 7. Purchase or sale of goods with related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
 8. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
 9. Information on investee companies: Please refer to the attached Table 5.
 10. Trading in derivative instruments: None.
- (3) Information on investment in the Mainland Area:
 1. The name of the investee company in the Mainland Area, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, investment gain or loss, carrying amount of the investment at the end of the period, repatriated investment gains, and limit on the amount of investment in the Mainland Area: Please refer to the attached Table 6.
 2. Any of the following significant transactions with investee companies in the Mainland Area, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses:
 - (1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: Please refer to the attached Table 7.
 - (2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Please refer to the attached Table 7.

- (3) The amount of property transactions and the amount of the resultant gains or losses: None.
 - (4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None.
 - (5) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: None.
 - (6) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: None.
- (4) Information on major shareholders: The names, numbers of shares held, and shareholding percentages of shareholders who hold 5 percent or more of the issuer's equity: Please refer to the attached Table 8

Tai Tung Communication Co., Ltd.
The Loaning of Funds
2022

Table 1

Unit: In NT\$ thousand unless otherwise specified

No.	The lender of funds	The borrower of funds	Transactions	Related parties or not	The highest balance for the year	Balance, end of year	Actual amounts drawn	Interest rate range	Nature of funds loaning	Amount of business transactions	Reasons for the necessity of short-term financing	Amount of allowance for bad debts	Collateral		The limit for individual funds loaning	The limit for total funds loading	Remarks
													Name	Value			
0	Tai Tung Communication	King Tung Resources	Other receivables – related parties	Yes	\$ 100,000	\$ -	\$ -	-	Short-term financing	\$ -	Operating turnover	\$ -	-	-	\$ 1,054,117	\$ 1,054,117	Note 1
1	Qiong Lian	King Tung Resources	Other receivables – related parties	Yes	8,000	8,000	-	2.92	Short-term financing	-	Operating turnover	-	-	-	9,530	9,530	Note 2

Note 1: The aggregate amount of loans and the maximum amount permitted to a single borrower by the Company are both 40 percent of the Company's net worth.

Note 2: The aggregate amount of loans and the maximum amount permitted to a single borrower by Qiong Lian are both 40 percent of Qiong Lian's net worth as stated in its latest financial statement: NT\$23,825 thousand of Qiong Lian's net worth as of December 31, 2022 * 40% = NT\$9,530 thousand.

Tai Tung Communication Co., Ltd.
Endorsements and guarantees for others
2022

Table 2

Unit: In NT\$ thousand unless otherwise specified

No.	Name of the company providing endorsements and guarantees	Endorsement/ Guarantee counterparty		Limit on the amount of endorsements/ guarantees for a single entity (Note 1)	The highest balance of endorsements and guarantees for the year	The balance of endorsements and guarantees at the end of the year	Actual amounts drawn	Endorsement/ guarantee amount with property placed as collateral	The ratio of the accumulated endorsement/ guarantee amount to the net value of the latest financial statement (%)	Maximum endorsement/ guarantee limit (Note 1)	Endorsements/ guarantees provided by the Company for subsidiaries	Endorsements/ guarantees provided by subsidiaries for the Company	Endorsements/ guarantees for others in the Mainland Area	Remarks
		Company name	Relationship											
0	Tai Tung Communication	Taifo	Subsidiary	\$ 10,541,172	\$ 3,023,000	\$ 2,380,000	\$ 1,248,663	\$ 270	90.31%	\$ 10,541,172	Y	N	N	Note 1
0	Tai Tung Communication	King Tung Resources	Subsidiary	10,541,172	123,876	-	-	-	-	10,541,172	Y	N	N	Note 1

Note 1: The company's endorsement/guarantee amount and the total endorsement/guarantee for a single enterprise shall not exceed 400% of the net worth on the parent-only financial statement: The company's net worth was NT\$2,635,293 thousand on December 31, 2022 x 400% = NT\$10,541,172 thousand.

Tai Tung Communication Co., Ltd.
 Marketable securities held at the end of the period
 December 31, 2022

Table 3

Expressed in thousands of NTD unless otherwise specified

Companies held	Securities and names	Relationship with the securities issuer	Account in the book	Year's end				Remarks
				Shares (thousands of shares)	Carrying amount	Shareholding ratio (%)	Fair value	
Tai Tung Communication	<u>Stock</u>							
	Euroc III Venture capital Corp.	None	Financial assets at fair value through other comprehensive income – non-current	5	\$ 65	1.67	\$ 65	-
	KABLETEK CORPORATION	None	Financial assets at fair value through other comprehensive income – non-current	540	-	18.00	-	-
	Glory Technology Service Inc.	Substantive related party	Financial assets at fair value through other comprehensive income – non-current	1,380	16,517	6.50	16,517	-
	Chien Shing Harbour Service Co., Ltd.	None	Financial assets that are measured at fair value through profit or loss – current	295	11,210	0.34	11,210	Note 1
	<u>Beneficial certificates</u> KGI LOHAS Multi-Asset Fund	None	Financial assets that are measured at fair value through profit or loss – current	1,500 thousand units	14,631	-	14,631	Note 1
	Jih Sun Taiwan Multi-Asset Fund	None	Financial assets that are measured at fair value through profit or loss – current	1,000 thousand units	10,000	-	10,000	Note 1
Taifo	<u>Beneficial certificates</u> JPMorgan Funds – Europe Small Cap Fund	None	Financial assets that are measured at fair value through profit or loss – current	0.128 thousand units	725	-	725	Note 1
	Mega Singapore Real Estate Income Fund	None	Financial assets that are measured at fair value through profit or loss – current	200 thousand units	1,960	-	1,960	Note 1
	FSITC Taiwan Core Strategic Infrastructure Fund	None	Financial assets that are measured at fair value through profit or loss – current	200 thousand units	1,788	-	1,788	Note 1

Note 1: The fair value was calculated based on the closing price at the end of December 2022 or the net value of the fund.

Note 2: For information on investments in subsidiaries and associates, please refer to the attached Tables 5 and 6.

Tai Tung Communication Co., Ltd.

Acquisition of real estate amounting to at least NT\$300 million or 20% of the paid-in capital

2022

Table 4

Unit: In NT\$ thousand unless otherwise specified

Company that acquires real estate	Name of property	Date of occurrence	Transaction amount	Amount paid	Counterparties	Relationship	Information on the previous transfer if a counterparty is a related party				Reference basis for price determination	Purpose of acquisition and usage	Other agreements
							Owner	Relationship with the issuer	Date of transfer	Amount			
Tai Tung Communication	Corporate Headquarters New Construction Management Contract	November 9, 2018 December 3, 2018	\$ 314,888 (tax inclusive)	NT\$283,631 thousand (tax inclusive) had been paid as of December 31, 2022.	Note	Note	None	None	None	None	N/A	Corporate headquarters new construction	Please refer to Note 34
Tai Tung Communication	Six plots of land and buildings including Houbi Cuo Subsection, Keng Zi Kou Section, Luzhu Dist., Taoyuan City	August 2, 2019	554,028 (tax inclusive)	NT\$553,186 thousand (tax inclusive) had been paid as of December 31, 2022.	Natural person	None	None	None	None	None	With reference to the market price and was negotiated by both parties	Plant	None

Note: The party to whom the construction management will be conducted is Datong Construction. Other than that, the parent company will purchase raw materials by itself or outsource depending on the actual situation.

Tai Tung Communication Co., Ltd.

The name, location, and other information on the invested company

2022

Table 5

Expressed in thousands of NTD unless otherwise specified

Investor name	Investee	Location	Principal business	Original investment amount		Held at the end of the year			Profit and loss for the year of the invested company	Investment gain or loss recognized for the year	Remarks
				At the end of this year	At the end of the previous year	Shares (thousands of shares)	Percentage (%)	Carrying amount			
Tai Tung Communication	Qiong Lian	Taiwan	Sale of communication equipment and wire rods	\$ 33,050	\$ 33,050	2,000	100	\$ 23,825	\$ 182	\$ 297	Note 2
	AgrandTech	Samoa	International investment business	168,153	168,153	4,978	100	41,837	RMB 421 thousand	1,905	Note 2
	Taifo	Taiwan	Telecommunications business	2,725,235	2,725,235	156,141	68.22	1,429,134	21,940	17,834	Note 1
	King Tung Resources	Taiwan	International trade	285,000	215,000	28,500	89.06	(32,987)	(161,240)	(139,767)	Note 1
	Sing Tung	Singapore	Communication network related equipment and communication engineering	14,946	14,946	631	97	22,798	SGD 134 thousand	2,812	Note 2
	Datong Construction	Taiwan	Construction industry	5,100	5,100	510	51	3,761	(629)	(320)	Note 2
	Fiber Logic	Taiwan	Engaged in the production of communication equipment and wire rods	54,591	54,591	5,762	28.97	112,225	78,709	21,458	Note 2
AgrandTech	Chien Tung	Taiwan	Warehousing industry	126,150	84,100	12,615	25.23	117,274	(27,853)	(7,061)	Note 2
	Tonghua Optoelectronics	China	Engaged in the production of communication equipment and wire rods	US\$5,675 thousand	US\$5,675 thousand	-	97	RMB 9,624 thousand	RMB 434 thousand	RMB 421 thousand	Note 2
Taifo	Glory Technology	Taiwan	Telecommunications business	35,000	-	1,500	20.16	34,704	4,426	(46)	Note 2
Tonghua Optoelectronics	Tai Wan	China	International trade	-	RMB 500 thousand	-	-	-	RMB 51 thousand	RMB 51 thousand	Note 3

Note 1: The calculation is made based on the invested company's 2022 financial statements that have been audited by CPAs.

Note 2: The calculation is made based on the invested company's 2022 financial statements that have not been audited by CPAs.

Note 3: Tai Wan completed the deregistration and liquidation procedures in June 2022.

Tai Tung Communication Co., Ltd.
Information on investments in the Mainland Area
2022

Table 6

Expressed in thousands of NTD unless otherwise specified

Names of investees in mainland China	Principal business	Paid-in capital	Type of investment method	Accumulated investment amount remitted from Taiwan at the beginning of the year	Investment amount remitted out or recovered during the current year		Accumulated investment amount remitted from Taiwan at the end of the year	The shareholding ratio of the Company's direct or indirect investment	Investment gain (loss) recognized for the current year	Carrying amount of the investment at the end of the period	Repatriated investment gains up to the current year
					Outward remittance	Recover					
Tonghua Optoelectronics	Engaged in the production of communication equipment and wire rods	\$ US\$6,000 thousand	Note 1	\$ US\$5,675 thousand	\$ -	\$ -	\$ US\$5,675 thousand	97%	\$ 421 RMB thousand	\$ 9,624 RMB thousand	\$ -
Tai Wan	International trade	-	Note 2	-	-	-	-	-	51 RMB thousand	- RMB thousand	-

Accumulated investment amount remitted from Taiwan to the Mainland Area at the end of the year	Amount of investment approved by the Investment Commission, MOEA	Investment quota for mainland China as stipulated by the Investment Commission, MOEA
US\$7,077 thousand (Note 3)	US\$7,077 thousand (Note 3)	\$2,027,275 (Note 4)

Note 1: Investing a company in the Mainland Area through investing in an existing company in a third area.

Note 2: It is the investee company of the existing investee company in the Mainland Area and has completed the dissolution and liquidation procedures in June 2022.

Note 3: Including US\$1,402 thousand to Shanghai Qiantong Photoelectric Equipment Co., Ltd., which was deregistered on December 10, 2009.

Note 4: The limit is 60% of the net value or the consolidated net value, whichever is higher according to the "Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area" released by the Ministry of Economic Affairs.

Tai Tung Communication Co., Ltd.

Any of the following significant transactions with investee companies in the Mainland Area, either directly or indirectly through a third area, and their prices, payment terms, unrealized gains or losses, and other relevant information

2022

Table 7

Expressed in thousands of NTD unless otherwise specified

Names of investees in mainland China	Transaction type	Amount	Transaction terms			Notes and accounts receivable (payable)		Unrealized gain or loss
			Price	Payment terms	Comparison with general transactions	Amount	Percentage	
Anhui Tonghua Optoelectronics Co., Ltd.	Purchase	\$US\$19 thousand	No significant difference from general customers	No significant difference from general customers	No significant difference from general customers	\$ -	-	\$ -
Lai An County Tai Wan Trading Limited	Purchase	US\$6 thousand	No significant difference from general customers	No significant difference from general customers	No significant difference from general customers	-	-	-

Tai Tung Communication Co., Ltd.

Information on major shareholders

December 31, 2022

Table 8

Names of major shareholders	Shares	
	Shareholding	Shareholding ratio
XIN DI INVESTMENT CO., LED.	20,183,166	13.37%
LEE CHING HUNG	8,907,116	5.90%

Note: The major shareholders in the Table refer to those who hold 5% of the Company's ordinary shares that have been registered and delivered in non-physical form (including treasury stock) calculated by Taiwan Depository & Clearing Corporation on the last business day at the end of the quarter. The number of shares recorded in the Company's parent company only financial statements and the actual number of shares registered and delivered in non-physical form may differ depending on the basis of preparation of the calculations.

Tai Tung Communication Co., Ltd.
Statement of notes receivables
December 31, 2022

Statement 1

Unit: Thousands of NT\$

Name of customer	Amount
Top-Plus Co., Ltd.	\$ 229
Navitrend Technology & Engineering Corp.	187
Hua Song Electric Wire Co., Ltd.	159
Wei Po Enterprise Limited	114
Others (Note)	113
Total	\$ 802

Note: The balance of each customer does not exceed 5% of the balance of the account item.

Tai Tung Communication Co., Ltd.

Statement of accounts receivable

December 31, 2022

Statement 2

Unit: Thousands of NT\$

<u>Name of customer</u>	<u>Amount</u>
Accounts receivable – non-related parties	
New Century Infocomm Tech Co., Ltd.	\$ 23,160
Chunghwa Telecom Co., Ltd.	21,819
Asia Pacific Telecom Co., Ltd.	17,725
Tatung Company	14,670
Others (Note 1 and Note 2)	<u>24,830</u>
	102,204
Less: Allowance for losses	<u>6,603</u>
	95,601
Accounts receivable – related parties	<u>74,718</u>
	<u>\$ 170,319</u>

Note 1: The balance of each customer does not exceed 5% of the balance of the account item.

Note 2: Among them, the amount of accounts receivable overdue for more than one year is NT\$6,603 thousand, and the allowance for losses thereon has been recognized.

Tai Tung Communication Co., Ltd.
Statement of changes in investment accounted for using the equity method
2022

Statement 3

Unit: In NT\$ thousand unless otherwise specified

	Balance, beginning of year		Increase for the year		Decrease for the year		for the period	Cumulative translation adjustments	Balance, end of year (Note 8)			Net equity	Remarks
	Shares (thousands of shares)	Amount	Shares (thousands of shares)	Amount	Shares (thousands of shares)	Amount			Shares (thousands of shares)	Shareholding %	Amount		
Qiong Lian	2,000	\$ 23,560	-	\$ -	-	\$ 32	\$ 297	\$ -	2,000	100	\$ 23,825	\$ 23,825	Note 2 and Note 3
Taifo	187,594	1,405,248	-	17,839	31,453	11,821	17,834	34	156,141	68.22	1,429,134	1,576,508	Note 1 and Note 4
AgrandTech	4,978	39,349	-	-	-	-	1,905	583	4,978	100	41,837	42,270	Note 2
King Tung Resources	21,500	79,628	7,000	70,000	-	42,848	(139,767)	-	28,500	89.06	(32,987)	1,201	Note 1 and Note 5
SING TUNG	631	17,606	-	1,245	-	1,297	2,812	2,432	631	97	22,798	25,170	Note 2 and Note 4
Datong Construction	510	4,081	-	-	-	-	(320)	-	510	51	3,761	3,760	Note 2
Fiber Logic	5,459	91,655	303	-	-	888	21,458	-	5,762	28.97	112,225	112,225	Note 2 and Note 6
Chien Tung	8,410	<u>82,051</u>	4,205	<u>42,284</u>	-	<u>-</u>	(<u>7,061</u>)	<u>-</u>	12,615	25.23	<u>117,274</u>	<u>117,274</u>	Note 2 and Note 7
Total		<u>\$ 1,743,178</u>		<u>\$ 131,368</u>		<u>\$ 56,886</u>	(<u>\$ 102,842</u>)	<u>\$ 3,049</u>			<u>\$ 1,717,867</u>	<u>\$ 1,902,233</u>	

Note 1: Net equity is calculated based on the invested company's 2022 financial statements that have been audited by CPAs.

Note 2: Net equity is calculated based on the invested company's 2022 financial statements that have not been audited by CPAs.

Note 3: The decrease for the year is due to the receipt of cash dividends.

Note 4: The increase for the year refers to the adjustments for the transactions among affiliates that have been realized; the decrease for the year refers to the adjustments for transactions among affiliates that have been realized.

Note 5: The increase for the year refers to the increase in the investment amount of NT\$70,000 thousand; the decrease for the year refers to the difference between the equity value and the carrying amount of the acquired subsidiary and changes in the impairment loss in the investment value of the subsidiary.

Note 6: The increase for the year refers to the changes in ownership interest which was adjusted according to the shareholding ratio after the associate distributed employees' compensation by issuing new shares.

Note 7: The increase for the year refers to the increase in the investment amount of NT\$42,050 thousand and the amount of changes in ownership interest of NT\$234 thousand which was adjusted for not subscribing according to the shareholding ratio.

Note 8: None of the above-mentioned investments accounted for using the equity method had been provided as guarantee or pledge.

Tai Tung Communication Co., Ltd.
Statement of changes in right-of-use assets
2022

Statement 4

Unit: Thousands of NT\$

Item	Balance, beginning of year	Increase for the year	Decrease for the year	Balance, end of year	Remarks
Land	\$ 20,904	\$ -	\$ 17,732	\$ 3,172	
Building	45,840	-	-	45,840	
Office equipment	<u>1,479</u>	<u>-</u>	<u>-</u>	<u>1,479</u>	
	<u>\$ 68,223</u>	<u>\$ -</u>	<u>\$ 17,732</u>	<u>\$ 50,491</u>	

Tai Tung Communication Co., Ltd.
Statement of changes in the accumulated depreciation of right-of-use assets
2022

Statement 5

Unit: Thousands of NT\$

Item	Balance, beginning of year	Increase for the year	Decrease for the year	Balance, end of year	Remarks
Land	\$ 18,789	\$ 1,058	\$ 17,732	\$ 2,115	
Building	31,124	10,691	-	41,815	
Office equipment	<u>462</u>	<u>226</u>	<u>-</u>	<u>688</u>	
	<u>\$ 50,375</u>	<u>\$ 11,975</u>	<u>\$ 17,732</u>	<u>\$ 44,618</u>	

Tai Tung Communication Co., Ltd.
Statement of short-term borrowings
December 31, 2022

Statement 6

Unit: Thousands of NT\$

<u>Creditor bank</u>	<u>Period and repayment method</u>	<u>Annual interest rate (%)</u>	<u>Balance, end of year</u>	<u>Financing facilities</u>	<u>Remarks</u>
Secured loans					
Shin Kong Bank	December 21, 2022 – March 21, 2023, principal repayable upon maturity	1.99	\$ 150,000	\$ 400,000	Property
Credit loans					
Taichung Commercial Bank	October 12, 2022 – April 12, 2023, principal repayable upon maturity	2.05	<u>50,000</u>	50,000	—
			<u>\$ 200,000</u>		

Tai Tung Communication Co., Ltd.
Statement of long-term borrowings
December 31, 2022

Statement 7

Unit: Thousands of NT\$

Creditor bank	Period and repayment method	Annual interest rate (%)	Amount			Mortgage or guarantee	Remarks
			Due within one year	Due after one year	Total		
Secured loans							
Chang Hwa Bank	July 8, 2022 – July 8, 2026, principal repayable upon maturity	1.79	\$ -	\$ 505,000	\$ 505,000	See Note 33	Real estate No. 3 and No. 4 / Taishan
Chang Hwa Bank	July 8, 2022 – July 8, 2026, principal repayable upon maturity	1.79	-	80,510	80,510	See Note 33	Real estate No. 3 and No. 4 / Taishan
Chang Hwa Bank	November 7, 2022 – July 8, 2026, principal repayable upon maturity	1.85	-	100,000	100,000	See Note 33	Real estate No. 3 and No. 4 / Taishan
SUNNY BANK	March 18, 2022 – March 18, 2027, principal repayable upon maturity	1.87	-	330,000	330,000	See Note 33	Real estate / Luchu
SUNNY BANK	December 21, 2020 – December 21, 2023, principal repaid on a monthly basis starting from January 21, 2021.	2.32	3,397	-	3,397	See Note 33	10% amount reserved for repayment
SUNNY BANK	December 21, 2020 – December 21, 2023, principal repaid on a monthly basis starting from January 21, 2021.	2.07	13,554	-	13,554	See Note 33	10% amount reserved for repayment
Subtotal			16,951	1,015,510	1,032,461		
Credit loans							
Shanghai Bank	September 10, 2020 – September 10, 2023, principal repaid on a monthly basis starting from October 10, 2020.	2.475	1,249	-	1,249	-	-
Shanghai Bank	September 10, 2020 – September 10, 2023, principal repaid on a monthly basis starting from October 10, 2020.	2.475	5,000	-	5,000	-	-
SUNNY BANK	December 6, 2020 – December 16, 2025, principal repaid on a monthly basis starting from January 16, 2021.	2.12	9,997	20,509	30,506	-	-
Hua Nan Bank	October 14, 2022 – October 14, 2024, principal repayable upon maturity	1.85	-	40,000	40,000	-	-
Hua Nan Bank	May 10, 2021 – May 10, 2023, principal repayable upon maturity	1.85	10,000	-	10,000	-	-
Hua Nan Bank	November 6, 2020 – November 6, 2025, principal repaid on a monthly basis starting from December 6, 2020.	2.025	400	767	1,167	-	-
Hua Nan Bank	November 6, 2020 – November 6, 2025, principal repaid on a monthly basis starting from December 6, 2020.	2.025	1,600	3,067	4,667	-	-
Hua Nan Bank	December 7, 2020 – December 7, 2025, principal repaid on a monthly basis starting from January 7, 2021.	2.025	1,600	3,200	4,800	-	-
Hua Nan Bank	December 7, 2020 – December 7, 2025, principal repaid on a monthly basis starting from January 7, 2021.	2.025	<u>400</u>	<u>800</u>	<u>1,200</u>	-	-
Subtotal			<u>30,246</u>	<u>68,343</u>	<u>98,589</u>		
			<u>\$ 47,197</u>	<u>\$ 1,083,853</u>	<u>\$ 1,131,050</u>		

Tai Tung Communication Co., Ltd.
Statement of notes receivables
December 31, 2022

Statement 8

Unit: Thousands of NT\$

<u>Name of supplier</u>	<u>Amount</u>
Hsinchu Automation Factory	\$ 104
Tung Yu Co., Ltd.	65
Others (Note)	<u>2</u>
Total	<u>\$ 171</u>

Tai Tung Communication Co., Ltd.
Statement of accounts payable
December 31, 2022

Statement 9

Unit: Thousands of NT\$

Name of supplier	Amount
Accounts payable – non-related parties	
Yuan Li Wire Rope Co., Ltd.	\$ 18,269
Hua Eng Wire & Cable Co., Ltd.	15,013
United Fiber Optic Communication Inc.	7,792
Others (Note)	<u>109,257</u>
	150,331
Accounts payable – related parties	
Others (Note)	<u>1,859</u>
	<u>\$ 152,190</u>

Note: The balance of each supplier does not exceed 5% of the balance of the account item.

Tai Tung Communication Co., Ltd.

Statement of lease liabilities

December 31, 2022

Statement 10

Unit: Thousands of NT\$

<u>Item</u>	<u>Summary</u>	<u>Lease period</u>	<u>Discounted rate</u>	<u>Balance, end of year</u>	<u>Remarks</u>
Land	Business location	January 1, 2021 – December 31, 2023	1.46%	\$ 1,073	
Building		January 1, 2019 – May 31, 2024	1.44%~1.63%	4,086	
Office equipment		July 1, 2021 – June 30, 2026	1.44%	799	
Less: Due within one year				(4,385)	
				<u>\$ 1,573</u>	

Tai Tung Communication Co., Ltd.

Cost of Goods Sold Statement

January 1 to December 31, 2022

Statement 11

Unit: Thousands of NT\$

Name	Amount
Cost of goods sold for self-owned products	
Raw materials, beginning of the year	\$ 389,610
Add: Purchase for the year	313,590
Processing for the year	2,845
Less: Raw materials, end of the year	(375,674)
Raw materials sold	(15,597)
Others	(<u>7,877</u>)
Raw materials consumed	306,897
Direct labor	41,073
Manufacturing overheads	<u>127,804</u>
Manufacturing costs	475,774
Add: Work in process, beginning of the year	31,054
Less: Work in process, end of the year	(28,791)
Others	(<u>506</u>)
Cost of finished goods	477,531
Add: Finished products, beginning of the year	173,180
Purchase for the year	384,803
Inventory in transit, beginning of the year	3,002
Less: Finished products, end of the year	(210,378)
Inventory in transit, end of the year	(1,579)
Others	(<u>5,650</u>)
	820,909
Cost of raw materials sold	15,597
Inventory obsolescence losses	4,118
Inventory falling price loss	54,869
Recognition of provisions for onerous contracts	8,455
Sale of scraps and other revenue	(2,793)
Others	<u>61,755</u>
Total cost of goods sold	<u>\$ 962,910</u>

Tai Tung Communication Co., Ltd.

Statement of Employee Benefits, Depreciation and Amortization Expenses

January 1 to December 31, 2022 and 2021

Statement 12

Unit: In NT\$ thousand unless otherwise specified

	2022			2021		
	Attributable to operating costs	Attributable to operating expenses	Total	Attributable to operating costs	Attributable to operating expenses	Total
Employee benefits expenses						
Salaries and wages	\$ 123,483	\$ 36,129	\$ 159,612	\$ 122,095	\$ 33,154	\$ 155,249
Labor insurance and national health insurance	12,370	3,666	16,036	11,218	3,621	14,839
Pension expenses	5,639	1,741	7,380	5,118	1,629	6,747
Remuneration to directors	-	870	870	-	612	612
Others	4,876	1,111	5,987	5,543	1,114	6,657
	<u>\$ 146,368</u>	<u>\$ 43,517</u>	<u>\$ 189,885</u>	<u>\$ 143,974</u>	<u>\$ 40,130</u>	<u>\$ 184,104</u>
Depreciation expenses	<u>\$ 32,790</u>	<u>\$ 4,552</u>	<u>\$ 37,342</u>	<u>\$ 27,493</u>	<u>\$ 14,987</u>	<u>\$ 42,480</u>
Amortization expenses	<u>\$ -</u>	<u>\$ 543</u>	<u>\$ 543</u>	<u>\$ -</u>	<u>\$ 527</u>	<u>\$ 527</u>

1. The Company's average numbers of employees in 2022 and 2021 were 267 and 247, respectively, and the number of directors who did not serve concurrently as employees was 5 in both years.
2. In 2022 and 2021, the average employee benefits expenses were NT\$721 thousand and NT\$758 thousand, respectively, and the average employee payroll expenses were NT\$609 thousand and NT\$642 thousand, respectively. In 2022, the change in the average employee payroll expense adjustments was -5.14%.
3. In 2022 and 2021, the remuneration to supervisors was NT\$0 thousand and NT\$60 thousand, respectively.
4. The Company's remuneration policy: The board of directors is authorized to determine the remuneration to directors and supervisors according to their participation in the Company's operation and the value of their contribution with reference to the pay level generally adopted by the enterprises of the same industry. Remuneration to managerial officers should be paid in accordance with the provisions of Article 5, Subparagraph 1 of the Company's Organizational Structure and Regulations for Managerial Officers, and the remuneration assessment of managerial officers should be conducted by the board of directors. Employees' compensation should be negotiated and agreed upon by the Company and the employees in accordance with the provisions of Article 16 of the Company's Code of Practice; however, it should not be lower than the basic wage; depending on the company's profit situation at the end of each fiscal year, if there is profit, at least 1% of profit of the current year should be distributed as employees' compensation.