

Tecom Co., LTD.
Parent Company Only Financial Statements for
the years ended December 31, 2022 and 2021
with Independent Auditors' Report
(Stock Symbol 2321)

Company Address : No. 23, Sec. 2, Yanfa 2nd Rd., Hsinchu City, Taiwan
(R.O.C.)

Telephone Number : (03)577-5141

Tecom Co., LTD

Parent Company Only Financial Statements for the years ended
December 31, 2022 and 2021 with Independent Auditors' Report

Table of contents

Items	Page
1. Cover page	1
2. Table of contents	2 ~ 3
3. Independent auditors' report	4 ~ 7
4. Parent Company Only balance sheets	8 ~ 9
5. Parent Company Only statements of comprehensive income	10
6. Parent Company Only statements of changes in equity	11
7. Parent Company Only statements of cash flows	12 ~ 13
8. Notes to the Parent Company Only financial statements	14 ~ 59
(1) Company history and business scope	14
(2) Approval date and procedures of the parent company only financial statements	14
(3) New standards, amendments and interpretations adopted	14 ~ 15
(4) Summary of significant accounting policies	15 ~ 23
(5) Major sources of uncertainty arising from significant accounting judgments, estimates, and assumptions	23 ~ 24
(6) Explanation of significant accounts	24 ~ 45
(7) Related party transactions	45 ~ 49
(8) Pledged assets	49
(9) Significant Contingencies and Unrecognized Contract Commitments	49
(10) Losses due to major disasters	50
(11) Significant subsequent events	50
(12) Others	50 ~ 58
(13) Other disclosures	58 ~ 59
(14) Segment information	59
9. Statements of significant accounts	
STATEMENT OF CASH AND CASH EQUIVALENTS	List 1
STATEMENT OF ACCOUNTS RECEIVABLE, NET	List 2
Statements of inventories	List 3
STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	List 4
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR UNDER EQUITY METHOD	List 5
Table of Changes in Property, Plant and Equipment	Note6(7)
Short-term borrowing	List 6
Accounts payable	List 7
STATEMENT OF OPERATING REVENUE	List 8
STATEMENT OF OPERATING COSTS	List 9

Items	Page
Manufacturing costs	List 10
STATEMENT OF SELLING EXPENSES	List 11
STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES	List 12
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES	List 13
Summary of employee benefits, depreciation and amortization expenses	List 14

Independent Auditors' Report

The Board of Directors and Shareholders

Tecom Co., LTD.

Opinion

We have audited the accompanying parent company only balance sheets of Tecom Co., LTD. as of December 31, 2022 and 2021, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2022 and 2021, and notes to the parent company only financial statements, including the summary of significant accounting policies (together referred as “the parent company only financial statements”).

In our opinion, making Reference to the Audits of Component Auditors of our audit report the parent company only financial statements referred to above present fairly, in all material respects, the financial position of Tecom Co., LTD. as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years ended December 31, 2022 and 2021, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of parent company only financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters about 2022 Individual financial statements from Tecom Co., LTD. is as below:

Inventory Valuation

Description

Tecom Co., LTD. measure the inventory valuation based on which is low between cost and net present value. Please refer to Notes 5(2) and Notes 6(5) for significant accounting assumptions and judgments, major sources of estimation uncertainty and information for inventory respectively.

Inventory and allowance for inventory valuation loss are NT\$231,225 thousand and NT\$ 59,224 thousand respectively at the year ended. Due to the large inventory amount, Tecom Co., LTD. is at high risk of inventory impairment loss caused by the rapid changes in industry technology resulting in outdated products or lack of market sales value. Therefore, the valuation of inventories has been identified as a key audit matter.

How our audit addressed the matter

Our audit procedures performed for the above matter are as follows:

1. Assessed the policy on allowance for inventory valuation loss.
2. Estimate and verify about the net fair value of the inventory.
3. Check the event of allowance for inventory valuation loss.

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

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

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

Those charged with governance, including audit committee, are responsible for overseeing the

financial reporting process of Tecom 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 that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of Tecom Co., LTD.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of Tecom Co., LTD. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Tecom Co., LTD.. to

cease to continue as a going concern.

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

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

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

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

Accountants: Cheng, Ya-Huei Li, Tien-Yi

For and on behalf of PricewaterhouseCoopers, Taiwan

March 24, 2023

Tecom Co., LTD.
SEPARATE BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

			December 31,2022		December 31,2021			
ASSETS			Notes	AMOUNT	%	AMOUNT	%	
CURRENT ASSETS								
1100	Cash and cash equivalents	6(1)	\$	27,000	2	\$	116,746	6
1120	Financial assets at fair value through other comprehensive income - current	6(2)		31,997	2		47,792	3
1136	Financial assets at amortized cost -current	6(3) and 8		245,890	15		236,440	12
1150	Notes receivable, net	6(4)		26,300	2		48,041	3
1160	Notes receivable from related parties, net	6(4) and 7		221	-		109	-
1170	Accounts receivable, net	6(4)		75,290	4		97,212	5
1180	Accounts receivables from related parties, net	6(4) and 7		25,246	1		23,438	1
1200	Other receivables	7		2,204	-		4,609	-
130X	Inventories	6(5)		172,001	10		157,037	8
1410	Prepayments			2,957	-		11,421	1
1470	Other current assets			1,827	-		601	-
11XX	Total current assets			610,933	36		743,446	39
NONCURRENT ASSETS								
1517	Financial assets at fair value through other comprehensive income - non current	6(2)		467,152	27		523,576	28
1550	Investments accounted for using equity method	6(6)		222,301	13		211,932	11
1600	Property, plant and equipment	6(7) and 8		61,571	4		63,143	4
1755	Right-of-use assets	6(8) and 7		180,857	11		191,084	10
1760	Investment property	6(9) and 8		22,790	1		23,879	1
1780	Intangible assets	6(10)		2,496	-		3,139	-
1840	Deferred income tax assets	6(29)		115,508	7		115,508	6
1900	Other noncurrent assets	8		13,908	1		13,268	1
15XX	Total noncurrent assets			1,086,583	64		1,145,529	61
1XXX	TOTAL		\$	1,697,516	100	\$	1,888,975	100

(continued)

Tecom Co., LTD.
SEPARATE BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Liabilities and Equity		Notes	December31,2022		目	December31,2021	
			AMOUNT	%		AMOUNT	%
CURRENT LIABILITIES							
2100	Short-term loans	6(11) and 8	\$ 740,000	44	!	567,112	30
2130	Contract liabilities - current	6 (22)	4,031	-		2,997	-
2150	Notes payable		2,280	-		3,033	-
2170	Accounts payable	6 (12)	86,567	5		125,060	7
2180	Accounts payable from related parties	6 (12) and 7	2,975	-		8,100	1
2200	Other payables	6 (13) and 7	51,272	3		55,641	3
2230	Current income tax liabilities		-	-		-	-
2250	Provisions for liabilities - current		3,618	-		4,378	-
2280	Lease liabilities - current	7	7,823	1		8,185	-
2320	Long-term liabilities - current portion	6 (16)	-	-		280,000	15
2399	Other current liabilities	6 (14)	6,052	1		6,102	-
21XX	Total current liabilities		904,618	54		1,060,608	56
Non-current liabilities							
2530	Bonds payable	6 (15) and 7	133,000	8		133,000	7
2540	Long-term loans	6 (16) and 8	200,000	12		200,000	11
2550	Provisions for liabilities - non-current		1,360	-		1,506	-
2570	Deferred income tax liabilities	6 (29)	880	-		880	-
2580	Lease liabilities - non-current	6 (8) and 7	183,277	11		191,409	10
2600	Other non-current liabilities	6 (6)(17)	63,310	3		75,109	4
25XX	Total noncurrent liabilities		581,827	34		601,904	32
2XXX	Total liabilities		1,486,445	88		1,662,512	88
Equity							
	Share capital	6 (19)					
3110	Common stock		142,719	8		445,997	24
3120	Preferred stock		160,000	10		500,000	26
	Capital surplus	6 (20)					
3200	Capital surplus		6,237	-		6,227	-
	Retained earnings	6 (21)					
3350	Accumulated deficit		(124,694)	(7)	(	647,113)	(34)
	Other equity						
3400	Other equity	6 (2)	40,604	2	(	64,853)	(3)
3500	Treasury stock	6 (19)	(13,795)	(1)	(	13,795)	(1)
3XXX	Total Equity		211,071	12		226,463	12
SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS		9					
SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL REPORTING PERIOD		11					
3X2X	LIABILITIES AND EQUITY		\$ 1,697,516	100	!	1,888,975	100

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

Chairman: Liu, Chao-Kai

CEO:Tien, Ying-Juei

Accounting Manager: Lee, Mei-Lin

Tecom Co., LTD.

DECEMBER 31, 2022 AND 2021

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE IN NEW TAIWAN DOLLARS)

			2022		2021	
	Notes		AMOUNT	%	AMOUNT	%
4000	Operating revenues	6(22) and 7	\$ 661,904	100	\$ 768,496	100
5000	Operating costs	6(5) and 7	(488,051)	(74)	(592,318)	(77)
5900	Gross profit		173,853	26	176,178	23
5910	Unrealized profit from sales		(6,173)	(1)	(6,212)	(1)
5920	Realized profit from sales		6,212	1	5,840	1
5950	Gross profit, net		173,892	26	175,806	23
	Operating expenses	6(27) And (28)				
6100	Selling expenses		(71,767)	(11)	(68,957)	(9)
6200	Administrative expenses		(48,263)	(7)	(64,724)	(8)
6300	Research and development expenses		(76,306)	(11)	(62,896)	(8)
6450	Expected credit gains	12 (2)	62	-	351	-
6000	Total operating expenses		(196,274)	(29)	(196,226)	(25)
6900	Operating loss		(22,382)	(3)	(20,420)	(2)
	Non-operating income and expense:					
7100	Interest income	6(23)	3,260	1	393	-
7010	Other income	6(24)	21,376	3	40,279	5
7020	Other gains and losses	6(25)	12,126	2	(4,223)	(1)
7050	Financial costs	6(26)	(26,725)	(4)	(24,232)	(3)
7070	Share of profit of associates and joint ventures accounted for using the equity method	6(6)	21,723	3	13,475	2
7000	Total non-operating income and expenses		31,760	5	25,692	3
7900	Income before income tax		9,378	2	5,272	1
7950	Income tax expense	6(29)	-	-	-	-
8200	Net income		<u>\$ 9,378</u>	<u>2</u>	<u>\$ 5,272</u>	<u>1</u>
	Other comprehensive income					
	Not to be reclassified to profit or loss in subsequent periods					
8311	Remeasurements of defined benefit plans	6(18)	\$ 2,933	-	\$ 3,208	-
8316	Unrealized (losses) gains from equity instruments investments measured at fair value through other comprehensive income	6(2)	(27,713)	(4)	(19,538)	(2)
8300	Other comprehensive income, net		<u>(\$ 24,780)</u>	<u>(4)</u>	<u>(\$ 16,330)</u>	<u>(2)</u>
8500	Total comprehensive income		<u>(\$ 15,402)</u>	<u>(2)</u>	<u>(\$ 11,058)</u>	<u>(1)</u>
	Earnings per share	6 (30)				
9750	Total basic earnings per share		<u>\$ 0.66</u>		<u>\$ 0.37</u>	

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

Chairman: Liu, Chao-Kai

CEO: Tien, Ying-Juei

Accounting Manager: Lee, Mei-Lin

Tecom Co., LTD.
SEPARATE STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		<u>Share capital</u>				Unrealized Gain (Loss) on Financial Assets at Fair value through other comprehensive income	Treasury stock	Total equity
	Notes	Common shares	Capital surplus	Legal reserve	Accumulated deficit			
<u>2021</u>								
Balance at January 1, 2021		\$ 445,997	\$ 500,000	\$ 2,679	(\$ 655,593)	(\$ 45,315)	(\$ 13,795)	\$ 233,973
Net income for the year		-	-	-	5,272	-	-	5,272
Other comprehensive income (loss) for the year	6(2)(18)	-	-	-	3,208	(19,538)	-	(16,330)
Total comprehensive income (loss) for the year		-	-	-	8,480	(19,538)	-	(11,058)
Changes in the net value of investment equity of associates accounted for using the equity method not recognized by shareholding percentage	6(6)	-	-	3,548	-	-	-	3,548
Balance at December 31, 2021		\$ 445,997	\$ 500,000	\$ 6,227	(\$ 647,113)	(\$ 64,853)	(\$ 13,795)	\$ 226,463
<u>Year ended December 31, 2022</u>								
Balance at January 1, 2022		\$ 445,997	\$ 500,000	\$ 6,227	(\$ 647,113)	(\$ 64,853)	(\$ 13,795)	\$ 226,463
Net income for the year		-	-	-	9,378	-	-	9,378
Other comprehensive income (loss) for the year	6(2)(18)	-	-	-	2,933	(27,713)	-	(24,780)
Total comprehensive income (loss) for the year		-	-	-	12,311	(27,713)	-	(15,402)
Changes in the net value of investment equity of associates accounted for using the equity method not recognized by shareholding percentage	6(6)	-	-	10	-	-	-	10
Capital reduction to cover accumulated deficit	6(19)	(303,278)	(340,000)	-	643,278	-	-	-
Disposal of financial assets at fair value through other comprehensive income	6(2)	-	-	-	(133,170)	133,170	-	-
Balance at December 31, 2022		\$ 142,719	\$ 160,000	\$ 6,237	(\$ 124,694)	\$ 40,604	(\$ 13,795)	\$ 211,071

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

Chairman: Liu, Chao-Kai

CEO: Tien, Ying-Juei

Accounting Manager: Lee,
Mei-Lin

Tecom Co., LTD.
Statement of cash flow
For the years ended December 31, 2022 and 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	2022	2021
<u>Cash flows from operating activities:</u>			
Income before income tax		\$ 9,378	\$ 5,272
Adjustments for:			
The profit or loss items:			
Depreciation	6(7)(8)(9)		
	(27)	20,111	19,815
Amortization	6(10)(27)	2,136	1,553
Expected credit gain		(62)	(351)
Interest expense	6(26)	26,725	24,232
Interest income	6(23)	(3,260)	(393)
Dividend income	6(24)	(14,747)	(18,798)
Gains arising from lease modification	6(25)	(32)	-
Share of profit of subsidiaries and joint ventures	6(6)		
accounted for using the equity method		(21,723)	(13,475)
Unrealized (realized) profit from sales		(39)	372
Gain on disposal of investments	6(25)	(80)	-
Changes in operating assets and liabilities :			
Changes in operating liabilities			
Contract liabilities		21,741	(11,214)
Accounts payables		(112)	99
Accounts receivables		21,984	(9,778)
Accounts payable from related parties		(1,808)	(8,350)
Other payables		3,533	7,429
Provisions for liabilities		(14,964)	(45,531)
Other current liabilities		8,464	(98)
Accrued pension liabilities		(1,226)	222
Changes in operating liabilities			
Contract liabilities		1,034	(442)
Accounts payables		(753)	153
Accounts receivables		(38,493)	38,538
Accounts payable from related parties		(5,125)	(8,642)
Other payables		(5,125)	(5,048)
Provisions for liabilities		(906)	1,246
Other current liabilities		(50)	437
Accrued pension liabilities		(8,804)	(8,956)
Cash generated from operating activities		(2,203)	(31,708)
Interest received		2,132	488
Interest paid		(26,396)	(24,053)
Dividends received		25,080	23,965
Income tax paid		-	(387)
Net cash flows from used in operating activities		(1,387)	(31,695)

(continued)

Tecom Co., LTD.
Statement of cash flow
For the years ended December 31, 2022 and 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
<u>Cash flows from investing activities:</u>			
Financial assets at amortised cost (increase) decrease		(\$ 9,450)	(\$ 3,686)
Proceeds from disposal of financial assets at fair value through other comprehensive income		44,506	-
Funds returned from the liquidation of the invested company using the equity method		-	2,842
Proceeds from disposal of investment accounted for using equity method		80	-
Acquisition of property, plant and equipment	6(31)	(3,553)	(2,875)
Acquisition of intangible assets	6(10)	(1,493)	(4,313)
Decrease in refundable deposits		824	460
Increase in prepayments for equipment		(1,464)	(336)
Net cash flows used in investing activities		<u>29,450</u>	<u>(7,908)</u>
<u>Cash flows from financing activities:</u>			
Increase in short term loans	6(32)	1,914,491	1,871,169
Decrease in short term loans	6(32)	(1,741,603)	(1,917,368)
Proceeds from long-term debt	6(32)	-	200,000
Repayments of long-term debt	6(32)	(280,000)	(20,000)
Proceeds from issuing bonds	6(32)	-	133,000
Repayments of bonds	6(32)	-	(138,000)
Guarantee deposit received	6(32)	1,008	(356)
Repayment of principal portion of lease liabilities	6(32)	(11,705)	(11,661)
Net cash (used) generated in financing activities		<u>(117,809)</u>	<u>116,784</u>
Net (decrease) increase in cash and cash equivalents		(89,746)	77,181
Cash and cash equivalents at the beginning of the year		<u>116,746</u>	<u>39,565</u>
Cash and cash equivalents at the end of the year		<u>\$ 27,000</u>	<u>\$ 116,746</u>

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

Chairman: Liu, Chao-Kai

CEO: Tien, Ying-Juei

Accounting Manager: Lee, Mei-Lin

Tecom Co., LTD.
NOTES TO SEPARATE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANISATION

Tecom Co., LTD. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company is primarily engaged in Research, development, manufacture and sales of private branch exchange (PBX) systems and its components and peripherals, as well as agency sales of mobile phone related products. This company is held by Teco Electric & Machinery Co., Ltd. with 63.52% of the shares, which is the ultimate e of the group.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE SEPARATE FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These separate financial statements were authorized for issuance by the Board of Directors on March 24, 2023.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

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

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

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

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments that the came into effrc endorsed by the FSC effective from 2023 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1, ‘Disclosure of accounting policies’	January 1, 2023
Amendments to IAS 8, ‘Definition of accounting estimates’	January 1, 2023
Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’	January 1, 2023

The above standards, interpretations and amendments have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

(3) IFRSs issued by International Accounting Standards Board but not yet endorsed by the FSC

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 –comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the principal accounting policies applied in the preparation of these separate financial statements set out below have been consistently applied to all the periods presented.

(1) Compliance statement

These separate financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Statements by Securities Issuers.

(2) Basis of preparation

- A. Except for the following items, these separate financial statements have been prepared under the historical cost convention :
- (a) Financial assets and financial liabilities at fair value through profit or loss
 - (b) Financial assets at fair value through other comprehensive income.
 - (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the separate financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The separate financial statements are presented in “New Taiwan Dollars (NTD)”, which is the Company’s functional and presentation currency.

Foreign currency transactions and balances

1. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
2. Monetary assets and liabilities denominated in foreign currencies are re-translated at the exchange rates prevailing at the end of the financial reporting period. Exchange differences arising upon re-translation are recognized in profit or loss.
3. Non-monetary assets and liabilities denominated in foreign currencies at fair value through profit or loss are re-translated at the exchange rates prevailing at the end of the financial reporting period. The translation differences are recognized in profit or loss as part of the fair value gain or loss. Non-monetary assets and liabilities at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the end of the financial reporting period. The translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
4. All foreign exchange gains and losses are presented in the statement of comprehensive income within “other gains (losses)”.

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realized within twelve months from the balance sheet date;
 - (d) Except cash or equivalents that are restricted for exchange or payment of liabilities within the next twelve months in the balance sheet.

The Company classifies all assets not meeting the above criteria as non-current assets.

- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading purposes;
- (c) The liabilities due within the next twelve months of the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Company classifies all liabilities not meeting the above criteria as non-current liabilities.

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

1. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive.

2. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.
3. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value. The cumulative gain or loss recognized in other comprehensive income when equity instruments are measured at fair value with changes recognized in other comprehensive income shall not be reclassified to profit or loss upon derecognition, but instead shall be transferred to the “retained earnings” item. The right to receive dividends is established and the related economic benefits are likely to flow into the Group and the amount of dividends can be reliably measured, the Group will recognize dividend income in the profit and loss.

(6) Financial assets at amortized cost

1. Financial assets at amortized cost is those that meet all of the following criteria:
 - (1) The objective of the Company’s business model is achieved by collecting contractual cash flows.
 - (2) The assets’ contractual cash flows represent solely payments of principal and interest.
2. On a regular way purchase or sale basis, financial assets at amortized cost are recognized and derecognized using trade date accounting.
3. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognized in profit or loss when the asset is derecognized or impaired.
4. The Company’s time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.
5. The bank deposit which is subject to restriction on use does not meet the definition of cash and cash equivalents, and is classified as financial assets measured at amortized cost.

(7) Accounts and notes receivable

1. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
2. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(8) Impairment of financial assets

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

(9) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to receive cash flows from the financial asset has expired.

(10)Leasing arrangements (lessor) – operating leases

Lease income from an operating lease net of any incentives given to the lessee is recognized in profit or loss on a straight-line basis over the lease term.

(11)Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item-by-item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs of related variable selling expenses.

(12)Investments accounted for under equity method/subsidiaries and associates

1. Subsidiaries are all entities (including structured entity) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
2. Unrealized gains on transactions between the Company and its subsidiaries are eliminated to the extent of the Company's interest in the subsidiaries. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
3. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company should continue to recognize losses in proportion to its ownership.
4. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transaction with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
5. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
6. The related enterprises refer to all individuals over which the Company has significant influence but no control. Generally, they are directly or indirectly holding more than 20% of the voting rights of the Company. The Company adopts the equity method for investment in related enterprises, and the acquisition is recorded in cost.
7. The profits and losses from the acquisition of associated enterprises are recognized in the current period, and other comprehensive income from the subsequent acquisition is recognized as other comprehensive income. If the loss of the Company for any associated enterprise is equal to or exceeds its equity in the associated enterprise (including any other unsecured receivables), the Company does not recognize further losses unless the Company has legal obligations, presumed obligations or has paid for it.
8. When the equity changes of non-operating income and other comprehensive income of the affiliated companies occur without affecting the ratio of shareholding in the affiliated companies, the Company shall record such equity changes in "Capital Reserves" in proportion to the ratio of shareholding.
9. The unrealized gains and losses arising from transactions between the Company and related enterprises have been offset according to their respective proportion of rights and interests in the related enterprises; Unless there is evidence that the assets transferred in the exchange have been impaired, unrealized losses shall also be written off. The accounting policies adopted by related enterprises have been adjusted as necessary to be consistent with those adopted by the Company.

10. When the Company disposes of an associated enterprise, if it loses its significant influence over the associated enterprise, all amounts previously recognized in other comprehensive income related to the associated enterprise shall be accounted for in the same manner as if the Company directly disposes of assets or liabilities, that is, any benefit or loss previously recognized in other comprehensive income shall be reclassified from equity to income upon disposal of related assets or liabilities. If it still has significant influence over the associated enterprise, the amount previously recognized in other comprehensive income shall be reclassified from equity to income in proportion as mentioned above.
11. According to the Accounting Standards for the Preparation of Financial Reports of Securities Issuers, the income and other comprehensive income of the individual financial report in the current period should be the same as the apportionment of the income and other comprehensive income belonging to the parent company in the consolidated financial report based on the basis of consolidation. The equity of the individual financial report should be the same as the equity belonging to the parent company in the consolidated financial report based on the basis of consolidation.

(13)Property, plant and equipment

- 1.Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- 2.Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- 3.Plant and equipment that apply cost model are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each component of property, plant and equipment that is significant in relation to the total cost of the item is depreciated separately.
- 4.The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings	25 ~ 55years
Machinery and equipment	3 ~ 5years
Test equipment	3 ~ 5years
Other equipment	2 ~ 5years

(14)Lessee's lease transactions — Right-of-use Assets / Lease liability

- 1.The Company recognizes right-of-use assets and lease liabilities for all leases at the inception of the lease. When a lease contract is a short-term lease or a lease of a low-value underlying asset, the lease payments are recognized as an expense on a straight-line basis over the lease term.
- 2.Lease liabilities are recognized at the present value of the lease payments outstanding at the inception of the lease, discounted at the Company's incremental borrowing rate of interest. Lease payments are fixed payment rental payments.
- 3.Right-of-use assets are recognized at cost at the inception of the lease, which is the original measurement of lease liabilities and any original direct costs incurred.

When measuring subsequent costs, depreciation expenses shall be recorded at the earlier date of the end of the useful life of the right-of-use asset or the end of the lease term. When re-evaluating lease liabilities, any re-measurement amounts of lease liabilities shall be adjusted accordingly with the right-of-use asset.

(15)Investment real estate

Investment real estate is recognized as cost and is subsequently measured under the cost model. Depreciation is recorded by the straight-line method on assets other than land, with a useful life ranging from 10 to 55 years.

(16)Intangible assets

Intangible assets including computer software and technology are amortized on a straight-line basis over its estimated useful life of 1 to 3 years.

(17)Impairment of non-financial asset

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

(18)Borrowings

1. Borrowings comprise long-term and short-term bank borrowings and other long-term and short-term loans. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.
2. When it is likely that some or all of the credit limit will be drawn down, the cost incurred at the establishment of the limit is recognized as transaction costs of the loan and deferred to be recognized as an adjustment to the effective interest rate when advances are made; when it is unlikely that some or all of the credit limit will be drawn down, the cost is recognized as a prepayment and amortized over the period related to the limit.

(19)Notes and accounts payable

1. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
2. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20)Derecognition of financial liabilities

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

(21)Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(22)Bonds payable

Ordinary corporate bonds issued by the Group are initially recognized at fair value less transaction costs. Any difference between the proceeds (net of transaction costs) and the redemption value is presented as an addition to or deduction from bonds payable, which is amortized to profit or loss over the period of bond circulation using the effective interest method as an adjustment to 'finance costs'.

(23)Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses.

(24)Employee benefit

1.Short-term employee benefits

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

2.Pensions

(1) Defined contribution plans

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

(2) Defined benefit plans

A. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Company uses interest rates of government bonds (at the balance sheet date) instead.

B. Remeasurements arising on defined benefit plan are recognized in other comprehensive income in the period in which they arise and are recorded as retaining earning.

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

Employees' compensation and directors' and supervisors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(25)Income tax

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

2. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

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

(26) Share capital

1. Equity is classified in ordinary shares. The classification of special shares is based on the evaluation of the specific rights attached to the special shares in relation to the substance and definition of the contractual agreement and financial liabilities and equity instruments. When the basic characteristics of financial liabilities are displayed, they are classified as liabilities, otherwise they are classified as equity. The net amount after deducting income tax from the increase in costs directly related to the issuance of new shares is listed in equity as a price deduction.
2. When the Company repurchases the issued shares, the consideration paid shall be recognized as a reduction of shareholders' equity after netting off any directly attributable incremental costs. When the repurchased shares are reissued, the difference between the sales proceeds received and the carrying amount, net of any directly attributable incremental costs and any related income taxes, shall be recognized as an adjustment to equity.

(27) Revenue recognition

1. Sales of goods

- (1) The Company is engaged in manufacture and sales of communication systems, smart electromechanical and optical fiber related products. Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

- (2) Revenue from the sale is recognized based on the price specified in the contract, net of the estimated volume discounts and sales discounts. Historical experience is usually used to estimate the discounts and returns. A refund liability is recognized at expected sales discounts payable to customers in relation to sales made until the end of the reporting period. The sales are made mainly with a credit term of open account 30 to 120 days. As the time interval between the transfer of committed goods or services and the payment of customer does not exceed one year, the Company does not adjust the transaction price to reflect the time value of money.
 - (3) The Company's obligation to provide a repair for faulty products under the standard warranty terms is recognized as a provision.
 - (4) A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.
 - (5) If the customer pays the contract price according to the payment terms agreed upon, if the customer pays in advance before the transfer of goods control, it shall be recognized as a contract liability and recognized as income after the transfer of goods control.
2. Costs of obtaining contracts with customers

Although the incremental costs incurred in obtaining customer contracts are expected to be recoverable, as the related contract period is less than one year, such costs are expensed upon occurrence.

(28) Government subsidy

When the government subsidy is reasonably certain that the Company will comply with the additional conditions of the subsidy and will be recognized according to fair value when receiving the subsidy, if the nature of the government subsidy is to compensate for the expenses incurred by the group, the government subsidy will be recognized as the current period income or loss on the basis of a systematic basis in the period of related expenses.

5. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS ON UNCERTAINTY

The preparation of these separate financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions at the end of the financial reporting period and estimates concerning future events. The resulting accounting estimates and assumptions might be different from the actual results, and will be continually evaluated and dusted based on historical experience and other factors; and the related information is addressed below:

(1) Critical judgments in applying the Company's accounting policies

None.

(2) Critical accounting estimates and assumptions

1. Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Group must determine the net realizable value of inventories on balance sheet date based on judgments and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable value.

As of December 31, 2022 the book value of the Company's inventories were \$172,001.

2. Availability of deferred tax assets

When assessing the recoverability of deferred tax assets, significant accounting judgments and estimates must be made by management, including assumptions about expected future sales growth and profit margins. Any changes in the global economic and industry environment may lead to a significant adjustment to deferred tax assets.

On December 31, 2022, the deferred tax asset recognized by the Group was \$115,508.

6. Cash and cash equivalents

(1) Cash

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand	\$ 103	\$ 103
Checking accounts and demand deposits	<u>26,897</u>	<u>116,643</u>
	<u>\$ 27,000</u>	<u>\$ 116,746</u>

1. The Group transacts with a variety of financial institutions with high credit quality for the purpose of dispersing credit risk, so it expects that the probability of counterparty default is low.

2. The information of cash classified as "Financial assets at amortized cost" due to restrictions on use is stated in Note 8.

(2) Financial assets at fair value through profit or loss

<u>Items</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items:		
Equity instruments		
Listed stocks	\$ 35,722	\$ 56,538
Fair value adjustments	(3,725)	(8,746)
subtotal	<u>31,997</u>	<u>47,792</u>
Non-current items:		
Equity instruments		
Listed and OTC stocks	\$ 400,000	\$ 506,859
Unlisted and non-OTC stocks	<u>22,823</u>	<u>72,823</u>
	422,823	579,682
Fair value adjustments	<u>44,329</u>	(56,106)
subtotal	<u>467,152</u>	<u>523,576</u>
Total	<u>\$ 499,149</u>	<u>\$ 571,368</u>

1. The Group has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. As of December 31, 2022 and 2021 the fair value above is respectively \$499,149 and \$571,368.

2. Amounts recognized in profit or loss in relation to the financial assets at fair value through other

comprehensive income are listed below :

	<u>2022</u>	<u>2021</u>
<u>Fair value through other comprehensive income Equity Instruments for Value Measurement</u>		
Recognized in other comprehensive income changes in fair value	(\$ 27,713)	(\$ 19,538)
The accumulated loss is transferred to the accumulated loss when the difference in the carrying amount of an asset and its disposal proceeds is recognized	(\$ 133,170)	\$ -
Dividend income recognized in profit or loss		
Hold at the end of the current period	\$ 12,452	\$ 18,798
Exclude during the period	2,295	-
	<u>\$ 14,747</u>	<u>\$ 18,798</u>

3. Details of the Company's financial assets at fair value through other comprehensive income pledged to others are provided in Note 8

(3) Financial assets at amortized cost

<u>Items</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items:		
Demand deposit	\$ 22,556	\$ 35,760
Time deposits	223,334	200,680
Total	<u>\$ 245,890</u>	<u>\$ 236,440</u>

1. Amounts recognized in profit or loss in relation to financial assets at amortized cost are listed below :

	<u>2022</u>	<u>2021</u>
Interest income	<u>\$ 3,158</u>	<u>\$ 378</u>

2. Under the assumption that no other credit enhancements are in place, the maximum credit risk of financial assets measured at amortized cost, as of December 31, 2022 and 2021, is \$245,890 and \$236,440, respectively
3. The Company provide Financial assets measured at amortized cost with others for pledge guarantee. Refer to notes 8.
4. The credit risk information of financial assets after booth adjustment cost measurement is described in notes 12 (2).

(4) Notes and Accounts Receivable (including from related party)

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable	\$ 26,300	\$ 48,041
Notes receivable from related party	221	109
Less: Loss allowance	<u>-</u>	<u>-</u>
	<u>\$ 26,521</u>	<u>\$ 48,150</u>
Accounts receivable	\$ 75,850	\$ 97,834
Accounts receivable from related party	25,246	23,438
Less: Loss allowance	<u>(560)</u>	<u>(622)</u>
	<u>\$ 100,536</u>	<u>\$ 120,650</u>

1. The ageing analysis of notes and accounts receivable is as follows :

	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>
Not past due	\$ 82,352	\$ 26,521	\$ 113,485	\$ 48,150
Less than 30 days past due	6,332	-	1,194	-
Between 31 and 90 days past due	7,111	-	2,235	-
Between 91 and 180 days past due	4,187	-	237	-
More than 181 days past due	<u>1,114</u>	<u>-</u>	<u>4,121</u>	<u>-</u>
	<u>\$ 101,096</u>	<u>\$ 26,521</u>	<u>\$ 121,272</u>	<u>\$ 48,150</u>

The aging analysis is based on the number of days overdue.

2. The accounts receivable and notes receivable on December 31, 2022 and 2021 were due to the customer contract. As of January 1, 2021, the account receivable was \$140,225 from customer contract.
3. Without considering other credit enhancements, the exposure amount that best represents the maximum credit risk of the group's bills receivable on December 31, 2022 and 2021 was \$26,521 and \$48,150 ; The exposure amount that best represents the maximum credit risk of the group's accounts receivable on December 31, 2022 and 2021 was \$100,536 and \$120,650.
4. Information about credit risk of notes and accounts receivable is provided in Note 12(2).

(5) Inventories

	<u>December 31, 2022</u>		
	<u>Cost</u>	<u>Cost</u>	<u>Cost</u>
Merchandise	\$ 8,736	(\$ 8,507)	\$ 229
Finished goods	116,438	(19,702)	96,736
Work in process	6,384	(24)	6,360
Raw materials	<u>99,667</u>	<u>(30,991)</u>	<u>68,676</u>
	<u>\$ 231,225</u>	<u>(\$ 59,224)</u>	<u>\$ 172,001</u>

	December 31, 2021		
	Cost	Loss allowance	Book Value
Merchandise	\$ 8,713	(\$ 8,201)	\$ 512
Finished goods	97,525	(20,111)	77,414
Work in process	4,218	(7)	4,211
Raw materials	<u>103,746</u>	<u>(28,846)</u>	<u>74,900</u>
	<u>\$ 214,202</u>	<u>(\$ 57,165)</u>	<u>\$ 157,037</u>

Expenses and losses incurred from inventories for the years ended are as follows :

	2022	2021
Cost of inventories sold	\$ 471,984	\$ 576,272
Maintenance costs	1,154	1,660
Allowance for inventory valuation (turnover profit)	2,058	1,263
Others	<u>12,855</u>	<u>13,123</u>
	<u>\$ 488,051</u>	<u>\$ 592,318</u>

(6) Investments accounted for using equity method/Other non-current liabilities

	2022	2021
At January 1	\$ 203,729	\$ 194,869
Share of profit or loss of investments accounted for using equity method	-	(2,841)
Earnings distribution of investments accounted for using equity method	21,723	13,475
Adjustment not recognized according to shareholding ratio	(10,333)	(4,950)
At December 31	39	(372)
At January 1	<u>10</u>	<u>3,548</u>
Share of profit or loss of investments accounted for using equity method	<u>\$ 215,168</u>	<u>\$ 203,729</u>

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiary :		
Baycom Opto-Electronic Technology Co.,LTD.	\$ 205,405	\$ 196,161
Tecom Global Tech Investment (B.V.I) Limited	(7,133)	(8,203)
Associate :		
A-Tel Inc.	-	-
Taian Technology Sdn. Bhd.	3	3
E-JOY Electronic Internationa Co., LTD.	5,812	4,838
Tecnos International Consulution Co., LTD	9,412	9,097
Teco Tour Travel Service Co., LTD.	<u>1,669</u>	<u>1,833</u>
	<u>\$ 215,168</u>	<u>\$ 203,729</u>

1.The information about the Company's subsidiaries, please refer to Note 4 (3) of the Company's 2022 consolidated financial statements

2.Associate

(1) The Group has no individual major related companies.

(2)Aggregate information of the group's individual insignificant related companies was as follows:

As of Demcember 31, 2022 and 2021, the book value of the Company's individual insignificant related companies are \$16,896 and \$15,771, respectively.

	<u>2022</u>	<u>2021</u>
Loss from continuing operations	(\$ 3,922)	(\$ 1,715)
Other comprehensive income (net after tax)	<u>-</u>	<u>-</u>
Total comprehensive loss for the year	<u>(\$ 3,922)</u>	<u>(\$ 1,715)</u>

(7) Property, plant and equipment

	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Test equipment</u>	<u>Other equipment</u>	<u>Total</u>
At January 1, 2022					
Cost	\$ 125,952	\$ 1,268	\$ 1,251	\$ 8,134	\$ 136,605
Accumulated depreciation and impairment	(69,216)	(399)	(1,105)	(2,742)	(73,462)
	<u>\$ 56,736</u>	<u>\$ 869</u>	<u>\$ 146</u>	<u>\$ 5,392</u>	<u>\$ 63,143</u>
At January 1					
Additions	\$ 56,736	\$ 869	\$ 146	\$ 5,392	\$ 63,143
Disposals	-	-	-	3,980	3,980
Depreciation expense	140	-	-	-	140
At December 31	(2,272)	(241)	(146)	(3,033)	(5,692)
At January 1	<u>\$ 54,604</u>	<u>\$ 628</u>	<u>\$ -</u>	<u>\$ 6,339</u>	<u>\$ 61,571</u>
At December 31					
Cost	\$ 126,265	\$ 1,183	\$ -	\$ 9,683	\$ 137,131
Accumulated depreciation and impairment	(71,661)	(555)	-	(3,344)	(75,560)
	<u>\$ 54,604</u>	<u>\$ 628</u>	<u>\$ -</u>	<u>\$ 6,339</u>	<u>\$ 61,571</u>
	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Test equipment</u>	<u>Other equipment</u>	<u>Total</u>
At January 1					
Cost	\$ 125,853	\$ 9,855	\$ 9,426	\$ 9,842	\$ 154,976
Accumulated depreciation and impairment	(66,897)	(9,273)	(8,900)	(4,614)	(89,684)
	<u>\$ 58,956</u>	<u>\$ 582</u>	<u>\$ 526</u>	<u>\$ 5,228</u>	<u>\$ 65,292</u>
At January 1	\$ 58,956	\$ 582	\$ 526	\$ 5,228	\$ 65,292
Additions	-	788	-	2,382	3,170
Disposals	45	-	-	-	45
Depreciation expense	(2,265)	(501)	(380)	(2,218)	(5,364)
At December 31	<u>\$ 56,736</u>	<u>\$ 869</u>	<u>\$ 146</u>	<u>\$ 5,392</u>	<u>\$ 63,143</u>
At December 31					
Cost	\$ 125,952	\$ 1,268	\$ 1,251	\$ 8,134	\$ 136,605
Accumulated depreciation and impairment	(69,216)	(399)	(1,105)	(2,742)	(73,462)
	<u>\$ 56,736</u>	<u>\$ 869</u>	<u>\$ 146</u>	<u>\$ 5,392</u>	<u>\$ 63,143</u>

1. The major components of the building and construction of the Group are buildings, which are depreciated according to the 55-year list, and the rest are decoration projects, which are depreciated according to the 25-year list.
2. In reference to the information provided by the real estate and factory as collateral, please refer to the explanation in Note 8.

(8) Leasing arrangements - lessee

1. The Company leases various assets including land, buildings and official car. Consider the priority renewal right, contracts are typically made for periods of 1 to 23 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
2. The book value of right-of-use assets and depreciation expense of recognized are shown as below: :

	<u>Book value</u>	
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Land	\$ 178,030	\$ 186,270
Building	1,970	3,468
Transportation equipment (official car)	<u>857</u>	<u>1,346</u>
	<u>\$ 180,857</u>	<u>\$ 191,084</u>

	<u>Depreciation expense</u>	
	<u>2022</u>	<u>2021</u>
Land	\$ 8,094	\$ 8,099
Building	4,886	4,842
Transportation equipment (official car)	<u>490</u>	<u>553</u>
	<u>\$ 13,470</u>	<u>\$ 13,494</u>

3. The amount of company increasing the right-of-used assets were \$3,573 and \$6,049.
4. The profit and loss information of lease contract is shown as below :

	<u>2022</u>	<u>2021</u>
<u>Items affecting current profit and loss</u>		
Interest expense on the lease liability	<u>\$ 4,899</u>	<u>\$ 5,067</u>
Expenses for short-term rental contracts	<u>\$ 1,145</u>	<u>\$ 1,517</u>
Expenses for the lease of low-value assets	<u>\$ 84</u>	<u>\$ 63</u>
Benefits of Lease Modification	<u>\$ 32</u>	<u>\$ -</u>

5. The Group leased out cash flows in the fiscal year 2022 and 2021, respectively, for a total of \$17,833 and \$18,308.
6. When determining the lease term, all facts and circumstances that would give rise to economic incentives for the exercise of any extension options were taken into consideration. If a significant event occurs that affects the evaluation of exercising any extension options, the lease term will be re-estimated.

(9) Investment property

	<u>Housing and Building</u>
January 1, 2022	
Cost	\$ 53,012
Accumulated depreciation and impairment	(29,133)
	<u>\$ 23,879</u>
<u>2022</u>	
January 1	\$ 23,879
Depreciation expense	(949)
Reclassifications	(140)
December 31	<u>\$ 22,790</u>
December 31, 2022	
Cost	\$ 52,701
Accumulated depreciation and impairment	(29,911)
	<u>\$ 22,790</u>
	<u>Housing and Building</u>
January 1, 2021	
Cost	\$ 53,112
Accumulated depreciation and impairment	(28,231)
	<u>\$ 24,881</u>
<u>2021</u>	
January 1	\$ 24,881
Depreciation expense	(957)
Reclassifications	(45)
December 31	<u>\$ 23,879</u>
December 31, 2021	
Cost	\$ 53,012
Accumulated depreciation and impairment	(29,133)
	<u>\$ 23,879</u>

1. Rental income and direct operating expenses of investment real estate :

	<u>2022</u>	<u>2021</u>
Rental income from investment real estate	<u>\$ 5,248</u>	<u>\$ 5,250</u>
operating expenses incurred by investment real estate that generates rental income in the current period	<u>\$ 949</u>	<u>\$ 957</u>

2. The fair value of the investment real estate held by the Company on December 31, 2022 and 2021 was both \$48,174, which was the result of self-evaluation. The evaluation adopted the income method, which belongs to the third level of fair value. The discount rate is 1.595%.

(10) Intangible assets

	<u>Computer software</u>	<u>Technology</u>	<u>Total</u>
At January 1			
Cost	\$ 3,170	\$ 2,073	\$ 5,243
Accumulated amortization	(1,701)	(403)	(2,104)
	<u>\$ 1,469</u>	<u>\$ 1,670</u>	<u>\$ 3,139</u>
<u>2022</u>			
At January 1	\$ 1,469	\$ 1,670	\$ 3,139
Additions	1,493	-	1,493
Amortization	(1,445)	(691)	(2,136)
At December 31	<u>\$ 1,517</u>	<u>\$ 979</u>	<u>\$ 2,496</u>
December 31, 2022			
Cost	\$ 3,348	\$ 2,073	\$ 5,421
Accumulated amortization	(1,831)	(1,094)	(2,925)
	<u>\$ 1,517</u>	<u>\$ 979</u>	<u>\$ 2,496</u>
	<u>Computer software</u>	<u>Technology</u>	<u>Total</u>
January 1, 2021			
Cost	\$ 3,161	\$ -	\$ 3,161
Accumulated amortization	(2,782)	-	(2,782)
	<u>\$ 379</u>	<u>\$ -</u>	<u>\$ 379</u>
<u>2021</u>			
At January 1	\$ 379	\$ -	\$ 379
Additions	2,240	2,073	4,313
Amortization	(1,150)	(403)	(1,553)
At December 31	<u>\$ 1,469</u>	<u>\$ 1,670</u>	<u>\$ 3,139</u>
December 31, 2021			
Cost	\$ 3,170	\$ 2,073	\$ 5,243
Accumulated amortization	(1,701)	(403)	(2,104)
	<u>\$ 1,469</u>	<u>\$ 1,670</u>	<u>\$ 3,139</u>

The details of amortization are as follows :

	<u>2022</u>	<u>2021</u>
Operating costs	\$ 168	\$ 162
Selling expenses	199	111
Administrative expenses	396	438
Research and development expenses	<u>1,373</u>	<u>842</u>
	<u>\$ 2,136</u>	<u>\$ 1,553</u>

(11) Short-term loans

<u>Type of borrowings</u>	<u>December 31, 2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Secured borrowings	\$ 460,000	1.40%~1.97%	Note 8
Credit borrowings	<u>280,000</u>	2.12%~2.892%	none
	<u>\$ 740,000</u>		

<u>Type of borrowings</u>	<u>December 31, 2021</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Secured borrowings	\$ 180,000	0.85%	Note 8
Credit borrowings (Including US loan USD 1,919 thousand)	343,112	0.94%~2.20%	none
Short-term loans from related parties	<u>44,000</u>	1.70%	none
	<u>\$ 567,112</u>		

The interest expenses recorded in the income statement for the Group's long-term and short-term loans for the years 2022 and 2021 were respectively \$19,161 and \$16,774.

(12) Accounts payable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts payable	\$ 87,567	\$ 128,008
Accrued of accounts payable	<u>1,975</u>	<u>5,152</u>
	<u>\$ 89,542</u>	<u>\$ 133,160</u>

(13) Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Payables for Salaries	\$ 24,455	\$ 27,320
Estimate of expense payable	7,155	11,731
Others	<u>19,662</u>	<u>16,590</u>
	<u>\$ 51,272</u>	<u>\$ 55,641</u>

(14) Other current liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Refund liability	\$ 5,527	\$ 5,493
Others	<u>525</u>	<u>609</u>
	<u>\$ 6,052</u>	<u>\$ 6,102</u>

(15) Bonds payable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Private placement bonds payable	\$ 133,000	\$ 133,000
Less: including expiry within one year	-	-
	<u>\$ 133,000</u>	<u>\$ 133,000</u>

The Company issued the first domestic unsecured payable company bonds in Taiwan in 2021 with a total amount of NT\$133,000, each with a face value of NT\$1,000, fully issued according to the face value of the ticket, with a coupon rate of 2%, and a circulation period of 5 years from November 17, 2021 to November 17, 2026. The unsecured ordinary company bond will be repaid in cash at the maturity date, and the interest will be paid annually.

The Company issued the first domestic private unsecured payable corporate bond in 2018, with a total issuance of \$138,000 and a face value of \$1,000 per bond. The face interest rate was 2.13%, the issuance period was 3 years, and the circulation period was from September 20th of 2018 to September 20th of 2021. On the maturity date of this unsecured ordinary corporate bond, it will be repaid in cash at the face value of the bond and the interest will be paid annually.

(16) Long-term borrowing

<u>Type of borrowing</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2022</u>
Bank Secured Borrowings	December 29, 2021~ December 29, 2024. Interests shall be paid monthly, and the principal shall be repaid at maturity.	2.17%	Note 8	<u>200,000</u>
Subtotal				200,000
Less: Current portion				<u>-</u>
				<u>\$ 200,000</u>

<u>Type of borrowing</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2021</u>
Bank Secured Borrowings	June 25, 2019~ June 25, 2022. Interests shall be paid monthly, and the principal shall be repaid 10,000 thousand in 5 installment payments, with each installment period being every 6 months starting from June 25th, 2019, and the remainder repaid at maturity.	1.75%	Note 8	\$ 280,000
Bank Secured Borrowings	December 29, 2021~ December 29, 2024. Interests shall be paid monthly, and the principal shall be repaid at maturity.	1.80%	Note 8	<u>200,000</u>
Subtotal				480,000
Less: Current portion				<u>(280,000)</u>
				<u>\$ 200,000</u>

(17) Other non-current liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accrued pension liabilities	\$ 54,499	\$ 66,236
Investments accounted for using equity method	7,133	8,203
Deposits received	<u>1,678</u>	<u>670</u>
	<u>\$ 63,310</u>	<u>\$ 75,109</u>

(18) Pensions

1.(1) The Company has a defined benefit pension plan in accordance with the Labor Standards Law of Taiwan, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee.

(2) The amounts recognized in the balance sheets are as follows :

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of allocated defined benefit obligations	(\$ 80,836)	(\$ 83,138)
Fair value of plan assets	<u>25,524</u>	<u>16,109</u>
Net defined benefit liability	(55,312)	(67,029)
Cumulative Unadjusted Amount	<u>813</u>	<u>793</u>
Net liabilities recognized on the balance sheet	<u>(\$ 54,499)</u>	<u>(\$ 66,236)</u>

(3) Movements in net defined benefit liabilities are as follows :

	<u>Present value of Defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit Liability</u>
<u>2022</u>			
At January 1	(\$ 83,138)	\$ 16,109	(\$ 67,029)
Current period service costs	(347)	113	(234)
Interest expense (income)	<u>(582)</u>	<u>-</u>	<u>(582)</u>
	<u>(84,067)</u>	<u>16,222</u>	<u>(67,845)</u>
Remeasurements			
Actuarial gains and losses arising from changes in financial assumptions	2,899	-	2,899
Experience adjustments	<u>(766)</u>	<u>800</u>	<u>34</u>
	<u>2,133</u>	<u>800</u>	<u>2,933</u>
Pension fund contributions	-	9,600	9,600
Paid pension	<u>1,098</u>	<u>(1,098)</u>	<u>-</u>
At December 31	<u>(\$ 80,836)</u>	<u>\$ 25,524</u>	<u>(\$ 55,312)</u>

	Present value of Defined benefit obligations	Fair value of plan assets	Net defined benefit Liability
<u>2021</u>			
At January 1	(\$ 85,702)	\$ 6,458	(\$ 79,244)
Current period service costs	(355)	-	(355)
Net interest expense (income)	(258)	20	(238)
	(86,315)	6,478	(79,837)
Remeasurements			
Actuarial gains and losses arising from changes in demographic assumptions	(58)	-	(58)
Actuarial gains and losses arising from changes in financial assumptions	2,675	-	2,675
Experience adjustments	560	31	591
	3,177	31	3,208
Pension fund contributions	-	9,600	9,600
Paid pension	-	-	-
At December 31	(\$ 83,138)	\$ 16,109	(\$ 67,029)

- (4) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings are less than fore mentioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

- (5) The principal actuarial assumptions used are as follows :

	<u>2022</u>	<u>2021</u>
Discount rate	<u>1.20%</u>	<u>0.70%</u>
Future salary increases rate	<u>1.70%</u>	<u>1.70%</u>

The assumption of future mortality is estimated based on the sixth empirical life table in Taiwan.

The analysis of the present value of the definite benefit obligations changes in the main assumptions adopted is as follows :

	<u>Discount rate</u>		<u>Future salary increases rate</u>	
	<u>Increase1%</u>	<u>Decrease1%</u>	<u>Increase1%</u>	<u>Decrease1%</u>
December 31, 2022				
Effect on Present value of defined benefit obligations	<u>(\$ 5,577)</u>	<u>\$ 5,723</u>	<u>\$ 4,874</u>	<u>(\$ 4,780)</u>
December 31, 2021				
Effect on Present value of defined benefit obligations	<u>(\$ 6,305)</u>	<u>\$ 6,485</u>	<u>\$ 5,573</u>	<u>(\$ 5,455)</u>

The sensitivity analysis above is based on the analysis of the impact of a single assumption change with other assumptions are unchanged. In practice, many assumptions may be linked as they vary. The method and assumptions used in the sensitivity analysis in this period are the same as those in the previous period.

(6) The Company is expected to pay out \$9,600 in pension plan allocations for the year of 2023.

(7) As of December 31, 2022, the weighted average duration of the pension plan was 7 years. The expected pension payment for the year of 2022 was \$4,322.

2.(1) Effective July 1, 2005, the Company has established a defined contribution pension plan (New Plan) under the Labor Pension Act, covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(2) For the fiscal years of 2022 and 2021, the Company recognized the retirement benefits cost under the Retirement Benefits Plan as \$7,120 and \$6,924 respectively.

(19) Common shares

1. As of December 31, 2022, the Company's authorized capital was \$9,450,000 (including 20,000 thousand shares which for employee stock option), and the paid-in capital was \$142,719 and preferred stock \$160,000, with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

The Group's outstanding shares are shown as below: (Unit : share)

	<u>2022</u>	<u>2021</u>
At January 1	44,599,774	44,599,774
Accumulated deficit	<u>(30,327,846)</u>	<u>-</u>
At December 31	<u>14,271,928</u>	<u>44,599,774</u>

The Group's outstanding preferred stock shares are shown as below: (Unit : share)

	<u>2022</u>	<u>2021</u>
At January 1	50,000,003	50,000,003
Accumulated deficit	<u>(34,000,002)</u>	<u>-</u>
At December 31	<u>16,000,001</u>	<u>50,000,003</u>

In order to improve the financial structure, the shareholders' meeting on November 16th 2022 passed a resolution to reduce the capital and cancel the accumulated losses of \$643,278. The shares of 30,328 thousand common shares and 34,000 thousand preferred shares were cancelled with a par value of NT\$10 per share, and the reduction rate was 68%. This reduction was approved by the competent authority on December 6th of 2022, and the reduction standard date was set to December 8th of 2022.

2. On October 12, 2012, the Company passed a resolution at the Extraordinary Meeting of Shareholders to handle the cash capital increase of convertible preferred shares through private placement. The purpose of the cash capital increase is to increase working capital. The number of private placement shares is 333,333,350 shares, and the subscription price per share is \$1.5. The case has raised \$500,000, and the change registration has been completed. The main rights and obligations of this private placement of convertible preferred shares are shown as below: :

- (1) The dividends of preferred shares are not cumulative.
- (2) The preferred stock dividends shall be paid first, which are calculated at an annual interest rate of 3% based on the issue price, and then the Company distributes dividends to ordinary shareholders.
- (3) Except when the dividend of ordinary shares distributed in the year of the above dividend receipt exceeds 3% of the face value, special shares shall not participate in the distribution of ordinary shares' earnings or capital reserves before the conversion.
- (4) The issuance period of this preferred stock is five years. After the period, if the shareholders do not perform the conversion, the preferred stock dividend has been changed to "3% annual interest and can be accumulated"
- (5) The shareholders who held the preferred share have the right to vote, the right to be elected, and the right to be elected.
- (6) When the Company issues new shares by cash, preferred shareholders have the same preemptive stock options as ordinary shareholders
- (7) When the Company distribute the remaining property, the preferred shareholders have the same order and percentage as ordinary shareholders.
- (8) According to Article 68 of the Regulations Governing the Offering and Issuance of Securities by the Issuer, the private placement special shares issued can apply for public offering after three years from the date of delivery of private placement securities.
- (9) The preferred shareholders have not right to sell back.
- (10) Investors may submit conversion applications to the issuing company at any time, except for suspension period, since the issuance of preferred shares two years. Each preferred shares shall be converted into 1 ordinary share.
- (11) The Board of Directors is authorized to formulate the issuance, conversion, and other related matters of preferred shares in accordance with the relevant laws and regulations.
- (12) If the Company reduce the capital and the shares shall reduce based on the proportion of shares, the accumulated dividend rights of special shares before the capital reduction will not be eliminated due to the capital reduction. After the capital reduction, the dividends shall be accumulated according to the number of shares.

3. Treasury stock

The Group and subsidiary Baycom Opto-Electronic Technology CO., LTD. held 136,000 shares (after capital reduction in 2022) and 426,000 shares on December 31, 2022 and 2021 respectively according to the group's strategic investment plan shares, the average book value per share is \$ 32.37, and the fair value per share was \$6.01 and \$6.60, respectively.

(20) Capital surplus

Pursuant to the R.O.C. Company Act, capital reserve arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital reserve to be capitalized mentioned above should not exceed 10% of the paid in capital each year. Capital reserve should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	<u>2022</u>	<u>2021</u>
	<u>Net change in equity of associates</u>	<u>Net change in equity of associates</u>
At January 1	\$ 6,227	\$ 2,679
Changes in equity of associates and joint ventures accounted for non under the equity method	<u>10</u>	<u>3,548</u>
At December 31	<u>\$ 6,237</u>	<u>\$ 6,227</u>

(21) Retained earnings(accumulated deficits)

1. According to the Article of Incorporation, the annual net income of the Company shall be appropriated in accordance with the priorities listed as follows:
 - (1) Tax payment.
 - (2) Recovery of losses.
 - (3) Appropriation of 10% for legal reserve unless the total legal reserve accumulated has already reached the amount of Groups' authorized capital.
 - (4) Appropriation or reversal of special reserve pursuant to applicable law or regulation.
 - (5) Distribution of preferred stock dividend
 - (6) The Board of Directors proposes to the shareholders resolutions to distribute the amount of the net profit, which includes the balance of the undistributed profit from the previous year, as dividends to the shareholders.
2. The Company's dividend distribution policy is subject to the Company's current and future investment environment, fund requirements, competition from local and abroad, and capital budgets, as well as taking into consideration the interests of shareholders, balance dividend, and the long-term financial planning. The Board of Directors shall prepare a proposal for the distribution of dividends to shareholders each year in accordance with the law. The proportion of cash dividends distributed from the aforementioned shareholders' dividends each year shall not exceed 50%, but shall not be lower than 5%. However, this dividend distribution policy can be adjusted by the Board of Directors after resolution and submitted to the shareholders' meeting for resolution according to the actual operating conditions.
3. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.
4. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
5. The accumulated deficits off-set for 2020 were approved through electronic voting in the shareholders' meeting on July 22, 2021.
6. The accumulated deficits off-set for 2021 were approved in the shareholders' meeting on June 15, 2022.

(22) Operating revenue

	<u>2022</u>	<u>2021</u>
Revenue from contracts with customers	\$ 661,904	\$ 768,496

1. Disaggregation of revenue from contracts with customers

The Company revenue divided into major product lines and geographical regions as followed :

2022

	<u>Homemade products</u>			<u>Proxy Products</u>	<u>Total</u>
	<u>Taiwan</u>	<u>USA</u>	<u>Others</u>	<u>Taiwan</u>	
Section revenue	\$ 513,188	\$ 61,275	\$ 44,681	\$ 42,760	\$ 661,904

2021

	<u>Homemade products</u>			<u>Proxy Products</u>	<u>USA</u>
	<u>Taiwan</u>	<u>USA</u>	<u>Others</u>	<u>Taiwan</u>	
Section revenue	\$ 451,768	\$ 134,666	\$ 38,498	\$ 143,564	\$ 768,496

2. Contract assets and liabilities

(1) The Company has recognized the following revenue-related contract assets and liabilities:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Contract liabilities - Product sale contract	\$ 4,031	\$ 2,997	\$ 3,439

(2) Contract liabilities at the beginning of the period recognized as revenues

	<u>2022</u>	<u>2021</u>
Product sale contract	\$ 2,658	\$ 1,052

(23) Interest income

	<u>2022</u>	<u>2021</u>
Bank deposit interest	\$ 3,260	\$ 393

(24) Other income

	<u>2022</u>	<u>2021</u>
Rent income	\$ 5,318	\$ 5,337
Dividend income	14,747	18,798
Grants income (note)	-	8,735
Other income	1,311	7,409
	<u>\$ 21,376</u>	<u>\$ 40,279</u>

Note: In 2022 and 2021, due to the application of the Ministry of Economic Affairs “the Ministry of Economic Affairs handles salary and working capital subsidies for difficult businesses affected by severe special infectious pneumonia”, the salary expenses and working capital by government support were recognized as government subsidies Income of \$0 and \$8,735, respectively.

(25) Other gains (losses)

	<u>2022</u>	<u>2021</u>
Gain arising from lease modification	\$ 32	\$ -
Foreign currency exchange gain (loss)	13,244	(2,979)
Gains on disposal of investments	80	-
Investment real estate depreciation	(949)	(957)
Other profit or loss	(281)	(287)
	<u>\$ 12,126</u>	<u>(\$ 4,223)</u>

(26) Financial cost

	<u>2022</u>	<u>2021</u>
Interest expense	<u>\$ 26,725</u>	<u>\$ 24,232</u>

(27) Additional information of expense

	<u>2022</u>	<u>2021</u>
Employee benefits expense	\$ 164,364	\$ 161,758
Depreciation expense	20,111	19,815
Amortization expense	<u>2,136</u>	<u>1,553</u>
	<u>\$ 186,611</u>	<u>\$ 183,126</u>

(28) Employee benefit expenses

	<u>2022</u>	<u>2021</u>
Wages and salaries	\$ 136,767	\$ 134,865
Labor and health insurance fees	13,537	13,157
Pension cost	7,936	7,517
Other personnel expenses	<u>6,124</u>	<u>6,219</u>
	<u>\$ 164,364</u>	<u>\$ 161,758</u>

1. According to the Articles of Incorporation, after deducting the accumulated losses according to the profit status of the year, if there is still a balance, the employee remuneration should be 1% to 10%, and the director's remuneration should not be higher than 5%.
2. The amount of Employee Remuneration and Directors' Remuneration in 2022 is \$0. The estimated amount of cumulative losses in 2022 is based on the current profit and loss situation. As of December 31, 2022 there is an accumulated loss, so the estimated amount is \$0, which is consistent with the resolution of the Board of Directors.

The employee remuneration and director's remuneration approved by the Board of Directors in 2021 are the same as the amounts recognized in the 2021 financial report.

3. Information on the appropriation of earnings proposed by the Company's Board of Directors and approved by the Company's shareholders is available on the Market Observation Post System website of the Taiwan Stock Exchange.

(29) Income tax

1. Income tax expenses

(1) Components of income tax expense:

	<u>2022</u>	<u>2021</u>
Total current income tax	\$ -	\$ -
Total Deferred income tax	<u>-</u>	<u>-</u>
Income tax expense	<u>\$ -</u>	<u>\$ -</u>

(2) Amount of taxes related to other comprehensive income. : None.

(3) The amount of income tax on income arising from direct debits or credits to equity. : None.

2. The relationship between income tax expenses and accounting profit :

	<u>2022</u>	<u>2021</u>
Tax payables calculated by profit before tax multiplying the enacted tax rates	\$ 1,875	\$ 1,054
Tax exempt income based on tax laws	(1,893)	(1,549)
Creation and reversal of temporary differences	(1,421)	(4,644)
Tax losses not recognized as deferred tax assets	<u>1,439</u>	<u>5,139</u>
Income tax expense	<u>\$ -</u>	<u>\$ -</u>

3. The amounts of deferred income tax assets or liabilities arising from temporary differences and tax losses are as follows :

	<u>2022</u>				
	<u>At January 1</u>	<u>Recognized in Profit or Loss</u>	<u>Recognized in Other Comprehensive Income</u>	<u>Recognized in equity</u>	<u>December 31</u>
Tax loss	<u>\$ 115,508</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Temporary differences					
-Deferred tax assets					
liabilities:					
Determining the benefit					
remeasurement	(\$ 880)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>2021</u>					
	<u>At January 1</u>	<u>Recognized in Profit or Loss</u>	<u>Recognized in Other Comprehensive Income</u>	<u>Recognized in equity</u>	<u>December 31</u>
Tax loss	<u>\$ 115,508</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Temporary differences :					
-Deferred tax assets					
liabilities:					
Determining the benefit					
remeasurement	(\$ 880)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

4. Expiration dates of unused taxable loss and amounts of unrecognized deferred income tax assets are as follows :

December 31, 2022

<u>Year incurred</u>	<u>Amount filed/assessed</u>	<u>Unused amount</u>	<u>Unrecognized deferred income tax assets</u>	<u>Year of expiration</u>
2013	\$ 140,434	\$ 140,434	\$ 140,434	112
2014	135,719	135,719	135,719	113
2015	278,639	278,639	278,639	114
2016	99,269	99,269	99,269	115
2017	116,640	116,640	116,640	116
2018	62,637	62,637	62,637	117
2019	95,985	95,985	39,564	118
2021	498,607	498,607	-	120
2022	<u>22,512</u>	<u>22,512</u>	<u>-</u>	121
	<u>\$ 1,450,442</u>	<u>\$ 1,450,442</u>	<u>\$ 872,902</u>	

December 31, 2021

<u>Year incurred</u>	<u>Amount filed/assessed</u>	<u>Unused amount</u>	<u>Unrecognized deferred income tax assets</u>	<u>Year of expiration</u>
2012	\$ 250,918	\$ 250,918	\$ 250,918	111
2013	140,434	140,434	140,434	112
2014	135,719	135,719	135,719	113
2015	278,639	278,639	278,639	114
2016	99,269	99,269	99,269	115
2017	116,640	116,640	116,640	116
2018	62,637	62,637	62,637	117
2020	95,985	95,985	17,052	118
2021	<u>498,607</u>	<u>498,607</u>	<u>-</u>	120
	<u>\$ 1,678,848</u>	<u>\$ 1,678,848</u>	<u>\$ 1,101,308</u>	

The group continues improving the operating condition, thus, part of the deferred tax assets resulting from the tax losses in the current period can be recognized in the future period. Refer to the note 12(4).

5. Deductible temporary differences of unrecognized deferred tax assets :

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Deductible temporary differences	<u>\$ 172,828</u>	<u>\$ 196,495</u>

6. According to the tax authority, the income tax payable on the profits of our company's business for the year 2020 was determined.

(30) Earnings per share

	2022		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousand)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to shareholders of the parent	\$ 9,378		
Less : Preferred stock	-		
Profit attributable to ordinary shareholders of the parent	<u>\$ 9,378</u>	<u>14,136</u>	<u>\$ 0.66</u>

	2021		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousand)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to shareholders of the parent	\$ 5,272		
Less : Preferred stock	-		
Profit attributable to ordinary shareholders of the parent	<u>\$ 5,272</u>	<u>14,136</u>	<u>\$ 0.37</u>

Note: This company reduced the capital to make up for the deficit in the year 2022. The weighted average number of shares outstanding before the reduction of capital to make up for the deficit in the year 2021 has been adjusted to reflect the equity after the reduction of capital to make up for the deficit.

(31) Supplemental cash flow information

Investing activities with partial cash payments :

	2022	2021
Purchase of property, plant and equipment	\$ 3,980	\$ 3,170
Add: Opening balance of payable on equipment	906	611
Less: Ending balance of payable on equipment	(1,333)	(906)
Cash paid	<u>\$ 3,553</u>	<u>\$ 2,875</u>

(32) Changes in liabilities from financing activities

	Short-term <u>Borrowings</u>	Long-term borrowings (including expiry <u>within one year</u>)	Corp. bonds (including expiry <u>within one year</u>)	Lease principal <u>repayment</u>	Liabilities from financing <u>activities-gross</u>
January 1, 2022	\$ 567,112	\$ 480,000	\$ 133,000	\$ 199,594	\$ 1,379,706
Changes in cash flow from financing activities	172,888	(280,000)	-	(11,705)	(118,817)
Interest expense	-	-	-	4,899	4,899
Interest expenditure	-	-	-	(4,899)	(4,899)
Lease liability modification	-	-	-	(32)	(32)
Add lease liability	-	-	-	3,573	3,573
Others	-	-	-	(330)	(330)
December 31, 2022	<u>\$ 740,000</u>	<u>\$ 200,000</u>	<u>\$ 133,000</u>	<u>\$ 191,100</u>	<u>\$ 1,264,100</u>

	Short-term <u>Borrowings</u>	Long-term borrowings (including expiry <u>within one year</u>)	Corp. bonds (including expiry <u>within one year</u>)	Lease principal <u>repayment</u>	Liabilities from financing <u>activities-gross</u>
January 1, 2021	\$ 613,311	\$ 300,000	\$ 138,000	\$ 205,206	\$ 1,256,517
Changes in cash flow from financing activities	(46,199)	180,000	(5,000)	(11,661)	117,140
Interest expense	-	-	-	5,067	5,067
Interest expenditure	-	-	-	(5,067)	(5,067)
Add lease liability	-	-	-	6,049	6,049
December 31, 2021	<u>\$ 567,112</u>	<u>\$ 480,000</u>	<u>\$ 133,000</u>	<u>\$ 191,100</u>	<u>\$ 1,379,706</u>

7. RELATED PARTY TRANSACTIONS

(1) Parent Company and the final Controller

This company is controlled by TECO Electric Co., Ltd. (registered in Taiwan), which owns 63.52% of the shares of this company, being the ultimate parent company and ultimate controller of this company. The remaining 36.48% is held by the public.

(2) Names of related parties and relationship

<u>Names of related parties</u>	<u>Related Party Category</u>
Baycom Opto-Electronic Technology CO., LTD.	Subsidiary
Wu Han Tecom Co., Ltd	Subsidiary
Tecom Tech Investment (B.V.I.) Limited	Subsidiary
Tecom Global Tech Investment Pte Limited	Subsidiary
TECO Electric & Machinery Co., Ltd	Parent Company
Guandehong Technology Co., Ltd.	Substantive related party
Taiwan Ericsson Co., Ltd.	Substantive related party
WANTGO.COM CO., LTD.	Substantive related party
JIE ZHENG PROPERTY SERVICE & MANAGEMENT CO., LTD.	Associate
INFORMATION TECHNOLOGY TOTAL SERVICES CO., LTD.	Associate
TUNG PEI INDUSTRIAL CO., LTD.	Associate
TONG DAI CO., LTD.	Associate
Dong An Asset Development Management Co., Ltd.	Associate
TECO Technology (Vietnam) Co. , Ltd.	Associate
YUBAN & COMPANY	Associate
Wuxi Teco Electric Machinery Co., Ltd	Associate
YATEC ENGINEERING CORPORATION	Associate
E-JOY Electronic Internationa Co., LTD.	Associate
A-OK TECHNICAL SERVICE CO., LTD.	Associate
TAIWAN PELICAN EXPRESS CO. , LTD.	Associate
TAISAN ELECTRIC CO., LTD.	Associate
Century Development Corporation	Associate
NIDEC SANKYO CORPORATION	Associate
Shanghai Teco Electric & Machinery Co., Ltd.	Associate
Taian (Subic) Electric Company	Associate
Teco - Westinghouse Motor Company	Associate
TECO Australia Pty Limited (TAC)	Associate
TECO(PHILIPPINES)3C APPLIANCES,INC.	Associate
Motovario S.p.A	Associate

(3) Significant transactions and balances with related parties

1. Sales

	<u>2022</u>	<u>2021</u>
Sales of goods :		
— Associate	\$ 2,248	\$ 5,584
— Substantive related party	54	84
— Subsidiary	29,851	27,308
— Parent Company	<u>16,894</u>	<u>20,953</u>
	<u>\$ 49,047</u>	<u>\$ 53,929</u>

Sales are on normal commercial terms and conditions

2. Purchases of goods

	<u>2022</u>	<u>2021</u>
Purchases of goods		
— Associate	\$ -	\$ 5,080
— Substantive related party	-	51
— Subsidiary	15,020	17,157
— Parent Company	<u>13,680</u>	<u>12,541</u>
	<u>\$ 28,700</u>	<u>\$ 34,829</u>

Purchases of goods are on normal commercial terms and conditions.

3. Receivables from related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable:		
— Associate	<u>\$ 221</u>	<u>\$ 109</u>
Trade receivables:		
— Associate	145	1,512
— Substantive related party	-	9
— Wu Han Tecom Co., Ltd	23,409	15,765
— Parent Company	<u>1,692</u>	<u>6,152</u>
	<u>25,246</u>	<u>23,438</u>
Other receivables		
— Substantive related party	5	5
— Subsidiary	269	211
— Wu Han Tecom Co., Ltd	<u>-</u>	<u>2,970</u>
	274	3,186
Allowance for bad debts	<u>-</u>	<u>-</u>
Subtotal	<u>274</u>	<u>3,186</u>
Total	<u>\$ 25,741</u>	<u>\$ 26,733</u>

Receivables from related parties mainly arise from sales transactions, with a maturity of 30 to 120 days after the date of sale.

4. Payables from related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts payable:		
— Associate	\$ -	\$ 3
— Substantive related party	-	4,961
— Subsidiary	1,629	494
— TECO Electric & Machinery Co., Ltd	<u>1,346</u>	<u>2,642</u>
	<u>\$ 2,975</u>	<u>\$ 8,100</u>
Other payables from related parties :		
— Associate	\$ 60	\$ 24
— Wu Han Tecom Co., Ltd	8,016	4,121
— Parent Company	<u>481</u>	<u>698</u>
	<u>\$ 8,557</u>	<u>\$ 4,843</u>

The accounts payable to the counterparties are mainly from purchase transactions, and payment shall be made within 25 to 90 days after receipt of goods. There is no interest attached to this accounts payable.

5. Other payables from related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Bonds payable		
— Baycom Opto-Electronic Technology Co.,LTD.	<u>\$ 133,000</u>	<u>\$ 133,000</u>
	<u>2022</u>	<u>2021</u>
Interest expense-bond payable		
— Baycom Opto-Electronic Technology Co.,LTD.	<u>\$ 2,660</u>	<u>\$ 2,414</u>
	<u>2022</u>	<u>2021</u>
Labor costs/other expense		
— Wu Han Tecom Co., Ltd	\$ 20,572	\$ 21,810
— Taiwan Ericsson Co., Ltd.	(3,297)	9,262
— Other Subsidiary	221	-
— Parent Company	<u>2,400</u>	<u>3,975</u>
	<u>\$ 19,896</u>	<u>\$ 35,047</u>

6. Lease transactions – lessee

- (1) The Company rents building and parking area from other related parties. The periods of the lease contracts are 1 month to 3 years. The rents are paid in monthly and quarterly. The Company rents cars from parent company. The period is 1 year, and the rents are paid in monthly.

(2) Right-of-use-assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Associate	<u>\$ 3,573</u>	<u>\$ -</u>

(3) Rent expense

	<u>2022</u>	<u>2021</u>
Associate	\$ 48	\$ 48
Parent Company	<u>382</u>	<u>438</u>
Total	<u>\$ 430</u>	<u>\$ 486</u>

(4) Lease liability

Interest expense

	<u>2022</u>	<u>2021</u>
Associate	<u>\$ 48</u>	<u>\$ 48</u>

7. Leasing transaction – Lessor

In 2022 and 2021, the Group received rental income \$5,313 and \$5,279 respectively from leasing part of the factories and offices to related parties, which is collected on a monthly basis.

	<u>2022</u>	<u>2021</u>
— Substantive related party	\$ 65	\$ 29
— Baycom Opto-Electronic Technology Co.,LTD.	<u>5,248</u>	<u>5,250</u>
	<u>\$ 5,313</u>	<u>\$ 5,279</u>

8. Loans from related parties

Loans from related parties

(1) Balance at ended (Other long-term borrowings):

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Baycom Opto-Electronic Technology CO., LTD.	<u>\$ -</u>	<u>\$ 44,000</u>

(2) Interest expense

	<u>2022</u>	<u>2021</u>
Baycom Opto-Electronic Technology CO., LTD.	<u>\$ 23</u>	<u>\$ 219</u>

The loan condition for the subsidiary company is to repay the loan once a year after the loan is made, and the interest in 2022 and 2021 is charged at 1.7%, respectively.

(4) Key management compensation

	<u>2022</u>	<u>2021</u>
Salaries and other short-term employee benefits	\$ 8,262	\$ 8,501
Post-employment benefits	<u>216</u>	<u>216</u>
Total	<u>\$ 8,478</u>	<u>\$ 8,717</u>

8. PLEDGED ASSETS

The book values of the Company's pledged assets are as follows :

Assets Item	Book value		Purpose
	December 31, 2022	December 31, 2021	
Cash and bank deposits (Financial assets at amortized cost)	\$ 245,890	\$ 236,440	Lease security deposit and borrowing restrictions
Cash and bank deposits (shown as Refundable deposits)	662	662	Customs Secured
Financial assets at fair value through other comprehensive income — non-current	460,000	399,600	Bank Loan Secured
Hsinchu plant	<u>77,394</u>	<u>80,615</u>	Bank Loan Secured
	<u>\$ 783,946</u>	<u>\$ 717,317</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT

(1) Contingencies

None.

(2) Commitments

By the end of December 2022, the Group commissioned banks to open the guarantee bills and guarantee letters for the fulfillment of sale contracts and bids, with a total amount of \$6,574.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to operate with the goal to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure. The Company may issue new shares or sell assets to reduce debts. The Company monitors capital on the basis of the debt capital ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet add the total net debts. The strategy of capital management is the same in 2021 and 2022. The Company is committed to improving the capital structure and reducing the debt-to-capital ratio through appropriate planning and management, and the debt to capital ratios in 2021 and 2022 are shown as below :

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Total borrowings	\$ 1,073,000	\$ 1,180,112
Less : cash and cash equivalents	(27,000)	(116,746)
Net debt	1,046,000	1,063,366
Total equity	<u>211,071</u>	<u>226,463</u>
Total capital	<u>\$ 1,257,071</u>	<u>\$ 1,289,829</u>
Debt to Capital Ratio	<u>83%</u>	<u>82%</u>

(2) Financial instruments

1. Financial instruments by category

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at fair value through other comprehensive income		
Financial assets standard measured at fair value through profit or loss (current and non-current)	\$ 499,149	\$ 571,368
Financial assets, loans and receivables at amortized cost		
Cash and cash equivalents	27,000	116,746
Financial assets at amortized cost	245,890	236,440
Notes receivable	26,521	48,150
Accounts receivable	100,536	120,650
Other receivables	2,204	4,609
Refundable deposits	<u>1,775</u>	<u>2,599</u>
	<u>\$ 903,075</u>	<u>\$ 1,100,562</u>

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial liabilities</u>		
Short-term loans	\$ 740,000	\$ 567,112
Notes payable	2,280	3,033
Accounts payable	89,542	133,160
Other payables	51,272	55,641
Bonds payable (including expiry within 1 year)	133,000	133,000
Long-term loans(including expiry within 1 year)	200,000	480,000
Deposits received	<u>1,678</u>	<u>670</u>
	<u>\$ 1,217,772</u>	<u>\$ 1,372,616</u>
 Lease liabilities	 <u>\$ 191,100</u>	 <u>\$ 199,594</u>

2. Risk management policies

- (1) The Company's operation is influenced by several financial risks, including market risk (including foreign exchange risk, interest rate risk and price risk), credit risk, and liquidity risk. The Company's overall risk management policy focuses on the unpredictable item of financial markets and seeks to reduce the risk that potentially pose adverse effects on the Company's financial position and financial performance.
- (2) Risk management is executed by the Company's finance department by following authorized policies. The finance department cooperates with the Company's operating units, and take charge in identifying, evaluating and hedging financial risks. The Management has a written policy covering overall risk management. It also has written policies covering specific issues, such as exchange rate risk, interest rate risk, credit risk, derivative and non-derivative financial instruments used, and the investment of excess working capital.

3. Significant financial risks and degrees of financial risks

(1) Market risk

Foreign exchange risk

- A. The Company is operating on a cross-border basis, so it is exposed to foreign exchange risks arising from the differences between the functional currencies of the Company and its subsidiaries, primarily USD and CNY. The related foreign exchange risks arise from future commercial transactions and assets and liabilities already recognized.
- B. The Company manages its foreign exchange risk through the Company Finance Department. To manage the foreign exchange risk arising from future business transactions and recognized assets and liabilities, all companies within the Company are regularly reviewed by the Company Finance Department for exchange rate fluctuations. When future business transactions, recognized assets or liabilities are priced in currencies other than the functional currency of the entity, foreign exchange risk arises.
- C. The Company's businesses involve a number of non-functional currencies (the Company's functional currency is NTD), so they are affected by exchange rate fluctuations. The foreign assets and liabilities with significant exchange rate fluctuations are as follows:

(Foreign currency: Functional currency)	December 31, 2022		
	<u>Foreign currency amount(thousand)</u>	<u>Exchange rate</u>	<u>Book value (NT)</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : TWD	\$ 7,851	30.71	\$ 241,104
CNY : TWD	5,288	4.408	23,310
<u>Non-monetary items: none.</u>			
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : TWD	\$ 2,142	30.71	\$ 65,781
CNY : TWD	378	4.408	1,666
<u>Non-monetary items: none.</u>			

(Foreign currency: Functional currency)	December 31, 2021		
	<u>Foreign currency amount(thousand)</u>	<u>Exchange rate</u>	<u>Book value (NT)</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : TWD	\$ 9,110	27.68	\$ 252,165
CNY : TWD	4,309	4.344	18,718
<u>Non-monetary items: none.</u>			
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : TWD	\$ 5,389	27.68	\$ 149,168
CNY : TWD	122	4.344	530
<u>Non-monetary items: none.</u>			

D. The total amount of all exchange gains (losses) (including realized and unrealized) recognized by the Group due to exchange rate fluctuations was \$13,244 and (\$2,979).

E. The information would be materially affected by the exchange rate fluctuations is as follows :

		2022		
		Sensitivity Analysis		
		Effect on profit and loss	Effect on profit and loss	Effect on profit and loss
(Foreign currency: Functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : TWD	1%	\$ 2,411	\$	-
CNY : TWD	1%	233		-
Financial liabilities				
<u>Monetary items</u>				
USD : TWD	1%	(\$ 658)	\$	-
CNY : TWD	1%	(17)		-
		2021		
		Sensitivity Analysis		
		Effect on profit and loss	Effect on profit and loss	Effect on profit and loss
(Foreign currency: Functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : TWD	1%	\$ 2,552	\$	-
CNY : TWD	1%	187		-
Financial liabilities				
<u>Monetary items</u>				
USD : TWD	1%	(\$ 1,492)	\$	-
CNY : TWD	1%	(5)		-

Price risk

- A. The Company's equity instruments, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity instruments, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- B. The Group mainly invests in equity instruments comprised of shares and open-end funds issued by the domestic companies. The value of equity instruments is susceptible to market price risk arising from uncertainties about future performance of equity markets. A change of increase or decrease 1% in the price of the aforementioned financial assets at fair value through other comprehensive income could increase or decrease the Company's other comprehensive income for the years ended December 31, 2022 and 2021 by \$4,991 and \$5,714, respectively.

Cash flow and fair value interest rate risk

- A. The Company's main interest rate risk arises from long-term and short-term borrowings with variable rates which expose the Company to cash flow interest rate risk. During the years ended December 31, 2022 and 2021, the Company's borrowings at variable rates were denominated in USD and NTD.
- B. Loans of the Company are measured at amortized cost and the interest rate will be repriced according to the contractual agreement every year, thus the Company is exposed to the risk of future market rate fluctuations.
- C. If interest rates on borrowings had increased or decreased 1% with all other variables held constant, net income after-tax for the years ended December 31, 2022 and 2021 would have decreased or increased \$8,584 and \$8,025, respectively, mainly as a result of higher interest expense on floating rate borrowings.

(2) Credit risk

- A. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments. Company is exposed to credit risks from accounts receivables that the counterparty is unable to pay off by the payment term, and the contractual cash flows from investments in debt instruments at amortized cost.
- B. The Company manages credit risk in terms of the Company. The Group only accepts banks or institutions assessed to be with good credit quality as correspondent bank or financial institutions. Based on the internal credit policies, the Group shall manage and implement credit risk analysis before determine payment terms and delivery terms with new customers. Internal risk control evaluates customers' credit quality by considering the financial condition, past experiences, and other factors. The individual risk limits are established by the management level according to the internal rating, and the credit limit is monitored regularly.
- C. Credit risk impairment assessment of financial assets at amortized cost :
- (1) The Group adopts IFRS 9 assuming that if the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition; if past due over 90 days, a default has occurred.
- (2) The Group has taken into consideration of the forward-looking considerations to adjust historical and current information and consider the credit ratings of the issuing banks to estimate the expected credit losses.
- (3) The financial assets measured at cost after impairment held by the Group include deposits in banks and restricted deposits in banks, the credit ratings of which are all good, without any overdue in the past. Considering the overall economic environment without significant changes, the risk of credit loss is extremely low and the impact on the financial statements is also small.
- D. Credit Risk Impairment Assessment of Accounts Receivable and Notes Receivable :
- (1) The Company estimates the expected credit losses based on the simplified approach with a loss rate method for the receivables and receivables from customers according to their ratings.
- (2) The Company has incorporated an adjustment to the loss rate based on past and current information over a certain period to estimate the provision for losses on receivables and receivables as of December 31, 2022 and 2021, as follows :

	<u>Group 1</u>	<u>Group 2</u>	<u>Group 3</u>	<u>Group 4</u>	<u>Group 5</u>	<u>Total</u>
<u>December 31, 2022</u>						
Expected loss rate	0.03%~1%	0.03%~2%	0.03%~5%	0.03%~10%	0.03%~30%	
Total book value	\$ 53,510	\$ 11,071	\$ 31,831	\$ 28,518	\$ 2,687	\$ 127,617
Loss allowance	\$ -	\$ -	\$ 25	\$ 489	\$ 46	\$ 560
	<u>Group 1</u>	<u>Group 2</u>	<u>Group 3</u>	<u>Group 4</u>	<u>Group 5</u>	<u>Total</u>
<u>December 31, 2021</u>						
Expected loss rate	0.03%~1%	0.03%~2%	0.03%~5%	0.03%~10%	0.03%~30%	
Total book value	\$ 79,782	\$ 18,504	\$ 39,706	\$ 23,678	\$ 7,752	\$ 169,422
Loss allowance	\$ -	\$ -	\$ 14	\$ 545	\$ 63	\$ 622

(3) The Company's allowances of trade receivables are shown as below :

	<u>2022</u>	<u>2021</u>
	<u>Trade receivables</u>	<u>Trade receivables</u>
At January 1	\$ 622	\$ 1,019
Provision for impairment loss(reversal)	(62)	(351)
Amount written off due to recoverability	<u>-</u>	<u>(46)</u>
At December 31	<u>\$ 560</u>	<u>\$ 622</u>

(3) Liquidity risk

A. Cash flow forecasting is performed in the various departments of the Company and aggregated by the Company treasury. The Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs.

B. The Company of unutilized borrowing amounts are shown as below s:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Floating Rate		
expiry within 1 year	\$ 425,061	\$ 597,383
expiry more than 1 year	<u>-</u>	<u>-</u>
	<u>\$ 425,061</u>	<u>\$ 597,383</u>

C. The table below analyses the Group's non-derivative financial liabilities based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative
financial liabilities:

December 31, 2022	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>More than 5 years</u>
Short-term loans	\$ 747,735	\$ -	\$ -	\$ -
Notes payable	2,280	-	-	-
Accounts payable	89,542	-	-	-
Other payables	51,272	-	-	-
Bonds payable	-	-	133,000	-
Lease liability	12,926	12,096	33,935	188,873
Long-term loans(including expiry within one year)	4,360	4,160	200,000	-

Non-derivative
financial liabilities:

December 31, 2021	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>More than 5 years</u>
Short-term loans	\$ 569,400	\$ -	\$ -	\$ -
Notes payable	3,033	-	-	-
Accounts payable	133,160	-	-	-
Other payables	55,641	-	-	-
Bonds payable	2,660	5,320	138,320	-
Lease liability	13,042	12,540	35,062	200,134
Long-term loans(including expiry within one year)	285,842	3,800	203,600	-

The Company does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis to be significantly earlier, nor expect the actual cash flow amount to be significantly different.

(3) Fair value information

1. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the listed and over-the-counter stocks invested by the Company shall be attributed accordingly.

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

Level 3 : Unobservable inputs for the asset or liability.

2. Financial instruments not measured at fair value:

Except for those listed in the table below, the carrying amounts of the Company's financial instruments not measured at fair value (including cash and cash equivalents, financial assets at amortized cost, notes and accounts receivable, other receivables and refundable deposits (listed other non-current assets and financial assets measured at amortized cost), short-term loans, notes and accounts payable, other payables and long-term loans(including expiry within one year) approximate to their fair values:

December 31, 2022				
	<u>Book value</u>	<u>Fair value</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial Debt :				
Bonds payable				
(Including expiry within one year)				
	<u>\$ 133,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 133,000</u>

December 31, 2021				
	<u>Book value</u>	<u>Fair value</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial Debt :				
Bonds payable				
(Including expiry within one year)				
	<u>\$ 133,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 133,000</u>

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

(1) The related information on the nature of the assets and liabilities is as follows

December 31, 2022	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income - Equity instruments	<u>\$ 498,382</u>	<u>\$ -</u>	<u>\$ 767</u>	<u>\$499,149</u>
Debt : None.				
December 31, 2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income - Equity instruments	<u>\$ 570,601</u>	<u>\$ -</u>	<u>\$ 767</u>	<u>\$ 571,368</u>
Debt : None.				

(2) The methods and assumptions the Group used to measure fair value are as follows:

- A. The Group used market quoted prices as their fair values (that is, Level 1), which is closing price of listed and OTC shares.
- B. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques.

C. When assessing non-standard and low-complexity financial instruments, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

5. There is no transfer between level 1 and level 2 in 2022 and 2021.

6. There is no change of level 3 of financial instruments in 2022 and 2021.

(4) The future financial plan

As of December 31, 2022, the accumulated loss exceeded 50% of the paid-in capital, the debt-to-capital ratio was 88%. The active plans for financial sound were shown as below:

1. Operation perspective : In the face of a sudden reversal of the global economic situation, we will tightly grasp customer demands, inventory levels, receivables and capital status to ensure the normal operation of the Company; in production and manufacturing, production schedules will be adjusted in real time to maintain capacity utilization, appropriate inventory levels and to meet customer needs. In order to strengthen operational performance, in addition to continuously deploying new technologies and actively integrating group resources, we will deepen management and strengthen financial structure in the future to enhance shareholder return on equity. The related important point as shown below :

(1) Continuously cultivate access control systems, intelligent office business communication systems, etc., related to smart homes/building communities, and actively explore domestic and foreign markets.

(2) Launch industrial Internet of Things "Intelligent Mechanical and Electrical Monitoring Equipment and Cloud Health Management Platform" series products, innovate applications and lead the industry.

(3) Strengthen team integration of combat capability, expand sales channels, and target mainland China, North America, Europe and emerging markets as the goal for expanding the product agency.

(4) To continue adjusting the channel structure, introduce the agency of new products, and improve product quality and strengthen after-sales maintenance services, to enhance profitability.

(5) In order to create the unique products and services, the Company will focus on the customers and create a large platform of digital life.

2. Continuously adjust and deepen the organization structure, strictly evaluate the performance of each department, consolidate core talents, merge available resources, reduce unnecessary expenses, increase future cash inflows, enhance operational efficiency and business growth.

3. Financial perspective : Keep to maintain support from the bank. The group continue improving the management capacity and profitability to strengthen financial structure. With the successful operation of open-source savings and the support of major shareholders- TECO Electric Co., Ltd. as well as the continuous improvement of operational performance, the Company has successfully obtained continuous support from major banks for short-term and long-term funds. For large and large orders, it also obtains project quotas from banks to support them. The Company's operations are not short of funds.

(5) Other items

As of December 31, 2022, the supply and domestic and international market orders demand of mainland suppliers have been planned and responded to, and the supply and delivery are normal without being affected. However, the impact of the epidemic is still uncertain. The Group will continue to monitor the development of the epidemic and its impact.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loan to others: Refer to table 1.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost reaching NT\$300 million or 20% of paid-in capital or more: None.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid in capital or more: None.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Refer to table 3.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Refer to table 4.

(3) Information on investments in Mainland China

- 1. A. Basic information: Refer to table 5.
- 2. Significant transactions, either directly or indirectly through a third area, with investee companies in China: Please refer to table 6.

(4) Major shareholders

Major shareholders : Refer to table 7.

14. SEGMENT INFORMATION

None.

Tecom Co., LTD. and Subsidiaries

Loans to others
December 31, 2022

Table 1

Expressed in thousands of TWD
(Except as otherwise indicated)

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended	Balance at ending	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for shortterm No. Creditor Borrower financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted F	Footnote
													Item	Value			
1	Baycom Opto-Electronics Technology Co., Ltd.	Tecom Co., LTD.	Other receivables-related parties	Y	\$ 44,000	\$ -	\$ -	-	short-term financing	-	Refund	-	None	-	\$ 47,521	\$ 95,041	Footnote 1

Note 1 : According to the subsidiary of BAYCOM OPTO-ELECTRONICS TECHNOLOGY CO., LTD (Hereinafter referred to as 「BAYCOM」)"loans to others operating procedures"

(1)The ceiling on total loans granted by the Company to all parties is 20% of the net assets value of the Company °

(2)For a single enterprise's capital loan and limit, it shall be determined separately as follows :

(1)For companies that are evaluated by equity method by BAYCOM OPTO-ELECTRONICS TECHNOLOGY CO., LTD., or the investment companies evaluated by equity method byBAYCOM OPTO-ELECTRONICS TECHNOLOGY CO., LTD., they are limited to not exceed 10% of the net value of the latest financial statement of BAYCOM OPTO-ELECTRONICS TECHNOLOGY CO., LTD..

(2)For companies or firms that have business dealings with BAYCOM OPTO-ELECTRONICS TECHNOLOGY CO., LTD. , the amount of individual loans should not exceed the amount of business dealings between the two parties. The exchange amount refers to the purchase or sale amount between the two parties, which is higher °

Tecom Co., LTD. and Subsidiaries
Holding of marketable securities (not including subsidiaries, associates and joint ventures)
December 31, 2022

Table 2

Expressed in thousands of TWD
(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2022				Footnote
				Number of shares	Book value	Ownership	Fair value	
Tecom Co., LTD.	Taiwan High Speed Rail Corporation(Common Stock)	The parent company is its legal person director	Financial assets measured at fair value through other comprehensive income, non-current	16,222,080	\$ 466,385	0.29%	\$ 466,385	Note 1
Tecom Co., LTD.	NEOVIDEO TECHNOLOGY CORPORATION(Common Stock)	None	Financial assets measured at fair value through other comprehensive income, non-current	1,066,667	87	19.39%	87	
Tecom Co., LTD.	EDIMAX TECHNOLOGY CO., LTD.(Common Stock)	None	Financial assets measured at fair value through other comprehensive income,current	2,119,000	31,997	1.11%	31,997	
Tecom Co., LTD.	International Integrated Systems, Inc. (Common Stock)	None	Financial assets measured at fair value through other comprehensive income, non-current	94,706	680	0.13%	680	
Baycom Opto-Electronics Technology Co., Ltd.	Fuhua Investment Trust Guardian Fund	None	Financial assets measured at fair value through profit or loss, current	545,765	10,493	-	10,493	
Baycom Opto-Electronics Technology Co., Ltd.	Tecom Co., LTD.(Common Stock)	Parent Company	Financial assets measured at fair value through other comprehensive income, non-current	311,626	1,023	1.03%	1,023	
Baycom Opto-Electronics Technology Co., Ltd.	Tecom Co., LTD.(unsecured corp bond)	Parent Company	Financial assets measured at amortized cost,non-current	-	133,000	-	133,000	Note 2

Note 1 : The common stock of the Company held by the Company is required for bank secured loans, and it is used as a secured. Please refer to Note 8 for details.

Note 2 : The company issued the first domestic unsecured payable company bonds in Taiwan in 2021 with a total amount of NT\$133,000, each with a face value of NT\$1,000, fully issued according to the face value of the ticket, with a coupon rate of 2%, and a circulation period of 5 years from November 17, 2021 to November 17, 2026.

The principal of the ordinary company bonds without warranty shall be paid in cash once according to the face value of the bonds, and the interest shall be paid annually. Since the private placement targets are Baycom Opto-Electronics Technology Co., Ltd. included in the consolidation individual, the relevant transactions have been written off when preparing the combined financial statements.

Tecom Co., LTD. and Subsidiaries
Significant inter-company transactions during the reporting period
December 31, 2022

Table 3

Expressed in thousands of TWD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	Tecom Co., LTD.	Wu Han Tecom Co., Ltd.	1	Accounts receivable	\$ 23,409	Depending on Term	1%
0	Tecom Co., LTD.	Wu Han Tecom Co., Ltd.	1	Sales	29,851	Depending on Term	3%
0	Tecom Co., LTD.	Wu Han Tecom Co., Ltd.	1	Purchases	15,020	Depending on Term	1%
0	Tecom Co., LTD.	Wu Han Tecom Co., Ltd.	1	Other expense	20,572	Depending on Term	2%
1	Baycom Opto-Electronics Technology Co., Ltd.	Tecom Co., LTD.	2	Financial assets measured at amortized cost, non-	133,000	Depending on Term	9%

Note 1: The information of transactions between the Company and the consolidated subsidiaries should be noted in "Number" column.

(1) Number 0 represents the Company.

(2) The consolidated subsidiaries are numbered in order from number 1.

Note 2: The transaction relationships with the counterparties are as follows:

If one of the subsidiaries has already disclosed the transactions between the subsidiaries, the other subsidiary does not need to disclose it again.

(1) The Company to the consolidated subsidiary.

(2) The consolidated subsidiary to the Company.

(3) The consolidated subsidiary to another consolidated subsidiary.

Note 3: In calculating the ratio, the transaction amount is divided by consolidated total assets for balance sheet accounts and is divided by consolidated total revenues for income statement accounts.

Note 4: Only transactions with a value of more than one million are disclosed, and transactions between related parties are not disclosed separately.

Tecom Co., LTD. and Subsidiaries

Information on investees

December 31, 2022

Table 4

Expressed in thousands of TWD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			(loss) of the investee	income (loss) recognised	Footnote
				December 31, 2021	December 31, 2022	Number of shares	Ownership	Book value			
Tecom Co., LTD.	Baycom Opto-Electronics Technology Co., Ltd.	Taiwan	Research, manufacture and sales of optical fiber communication systems and optical fibers, optical fiber cables and their components	\$ 431,258	\$ 431,258	14,700,741	43.76	\$ 205,405	\$ 41,280	\$ 18,066	
Tecom Co., LTD.	Tecom Global Tech Investment (B.V.I.) Limited	British Virgin Islands	Investment	33,213	33,213	995,000	100	(7,133)	1,031	1,031	
Tecom Co., LTD.	A-Tel Inc.	Guatemala	Operating telecommunications system service business	63,177	63,177	596,925	19.73	-	(35,245)	-	Note
Tecom Co., LTD.	Taian Technology Sdn. Bhd.	Malaysia	Production and sales of gate opening equipment industry	8,360	8,360	1,100,000	10	3	-	-	
Tecom Co., LTD.	E-JOY ELECTRONICS INTERNATIONAL CO., LTD.	Taiwan	Wholesale of telecommunication equipment, wholesale of precision instruments and wholesale of electrical appliances, etc.	999	999	435,095	4.90	5,812	27,854	964	
Tecom Co., LTD.	TECNOS INTERNATIONAL CONSULTANT CO., LTD	Taiwan	Operation of talent dispatch service, project contracting service and education and training business	2,499	2,499	635,815	5.26	9,412	34,867	1,827	
Tecom Co., LTD.	TECO TOUR TRAVEL SERVICE CO., LTD.	Taiwan	Operating a travel service business	2,912	2,912	480,000	16.00	1,669	(1,045)	(164)	

Note : This company has invested in A-Tel Inc. receivables of \$55,254 and has 100% impairment loss in the previous year.

Tecom Co., LTD. and Subsidiaries
Information on investments in Mainland China
December 31, 2022

Table 5

Expressed in thousands of TWD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	amount of remittance from Taiwan to	from Taiwan to Mainland China/ Mainland back		Net income of investee for the year ended	of investee for the year ended	held by the Company	(loss) recognised by the Company for the year ended	investments in Mainland China as of December	amount of investment income	Footnote
Wu Han Tecom Co., Ltd.(Note 1)	Engage in technical development, production, sales and technical	\$ 6,950	Through investment in a third region and reinvesting in a mainland company	\$ 6,950	\$ -	\$ -	\$ 6,950	\$ 1,025	100	\$ 1,031	(\$ 173)	\$ -	Note 7

Company name	Accumulated amount of remittance from Taiwan to Mainland China	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Wu Han Tecom Co., Ltd.	\$ 6,950	\$ 681,144	\$ 285,011

Note 1 : The company has remitted US\$995,000 to Tecom Global Tech Investment (B.V.I.) Limited, which US\$200,000 has been remitted to invest in Wu Han Tecom Co., Ltd. *

Note 2 : The company has remitted US\$15,050,000 to Tecom Global Tech Investment Pte Limited, which US\$15,000,000 has been remitted to invest in Wu Xi Tecom Co., Ltd. It was dissolved and liquidated in January 2021.

Note 3 : The company has remitted US\$1,500,000 to Tecom Tech Investment (B.V.I.) Limited, and all the investment has been remitted out of Tecom Communication Technology (Xiamen) Co., Ltd. and Beijing Tecom Innovation Technology Co., Ltd. Dissolution and liquidation were completed in October 2017 and May 2019 respectively *

Note 4 : As of December 31, 2022 the upper limit of the company's investment in the mainland was \$285,011 , which was consolidated the net value 475,019 of 60%.

Note 5 : When the above Mainland investment project was completed, the investment limit of the company to Mainland China was 60% of the net value of the company's Third Quarter 2010, which is \$2,933,752, amounting to \$1,760,251.

Note 6 : The investment profit and loss recognized in this period is the financial information checked by the certified accountant of the parent company in Taiwan.

Note 7 : There is cutover current transactions occurred (\$6).

Tecom Co., LTD. and Subsidiaries

Information on investments in Mainland China— Directly or indirectly through third-region invest in mainland China Major transactions

December 31, 2022

Table 6

Expressed in thousands of TWD

(Except as otherwise indicated)

Investee in Mainland China	Sales		Accounts receivable		Other expense		Account payable	
	Amount	%	Amount	%	Amount	%	Amount	%
Wuhan Dongxun Technology Co., Ltd	\$ 29,851	2.77%	\$ 23,409	11.79%	\$ 20,572	8.59%	\$ 1,629	1.39%
Wuhan Dongxun Technology Co., Ltd	Other payables		Purchase					
	Amount	%	Amount	%				
	\$ 8,016	10.36%	\$ 15,020	2.51%				

Tecom Co., LTD. and Subsidiaries
Major Shareholders Information
December 31, 2022

Table 7

Shareholders shares	Number of Shares Held	Shareholding Ratio
TECO ELECTRIC & MACHINERY CO., LTD.	common stock 3,868,898 preferred stock 15,360,000	63.52%

Descript The Company apply for the information from TDCC:

(1) This table mainly discloses the shareholder information calculated by the central depository company based on the last business day of each quarter, which is the total number of ordinary shares and special shares that have completed the delivery of non-entity registration (including treasury stocks) exceeding five percent.

(2) If the shareholders deliver the shares to the trust, the trustees shall disclose the individual accounts of the trustees according to the trust. As for the internal shareholders' equity declaration of more than 10% of the shares under the Securities and Futures Trading Act, the holdings include the shares held by himself and the trust delivered, and he has the right to decide the use of the trust assets. For the internal shareholders' equity declaration information, please refer to the Public Information Observation Station.

As for the number of shares recorded in the company's financial report and the actual number of shares that have been completed without physical registration, there may be differences due to different calculation bases.

Tecom Co., LTD
STATEMENT OF CASH AND CASH EQUIVALENTS
YEAR ENDED DECEMBER 31, 2022

Table 1

Expressed in thousands of New
Taiwan dollars

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Petty cash		\$ 103
Bank Deposits		
Demand deposits		
—TWD		14,966
—Foreign currency	USD - FX 30.71	7,784
	Others	4,039
Checking accounts		<u>108</u>
		<u>\$ 27,000</u>

Tecom Co., LTD
STATEMENT OF ACCOUNTS RECEIVABLE, NET
YEAR ENDED DECEMBER 31, 2022

Table 2

Expressed in thousands of New
Taiwan dollars

<u>Client Name</u>	<u>Items</u>	<u>Amount</u>	<u>Notes</u>
General customers—			
XBlue Network Ltd.		\$ 5,800	
Songyu Technology Co., Ltd.		4,356	
Xinyou Telecom Co., Ltd.		4,266	
			None of the miscellaneous items exceeds 5% of the balance of this subject. The amount of accounts receivable longer than 1 year is \$59.
Others		61,428	
		75,850	
Less : Allowance for uncollectible accounts	(	560)	
		75,290	
Related Parties—			
TECO Electric & Machinery Co., Ltd		1,692	
Wuhan Dongxun Technology Co., Ltd.		23,325	
			None of the related parties exceeds 5% of the balance of this subject. The amount of accounts receivable longer than 1 year is \$0.
Others		229	
		25,246	
Less : Allowance for uncollectible accounts		-	
		<u>25,246</u>	
Total		<u>\$ 100,536</u>	

Tecom Co., LTD
STATEMENT OF INVENTORIES
YEAR ENDED DECEMBER 31, 2022

Table 3

Expressed in thousands of New
Taiwan dollars

<u>Items</u>	<u>Summary</u>	<u>Amount</u>		<u>Method of fair value</u>	<u>Collateral</u>
		<u>Cost</u>	<u>Net Realizable Value</u>		
Merchandise		\$ 8,736	\$ 238	Net Realizable Value	None.
Finished goods		116,438	178,800	ditto	None.
Work in process		6,384	10,725	ditto	None.
Raw materials		<u>99,667</u>	<u>121,513</u>	ditto	None.
		231,225	<u>\$ 311,276</u>		
Less: Allowance for uncollectible accounts		<u>(59,224)</u>			
		<u>\$ 172,001</u>			

Tecom Co., LTD
STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022

Table 4

Expressed in thousands of New Taiwan dollars

<u>Name</u>	<u>Beginning Balance</u>		<u>Additions</u>		<u>Decrease</u>		<u>Ending Balance</u>			<u>Footnote</u>
	<u>Number of shares</u>	<u>Fair value</u>	<u>Number of shares</u>	<u>Amount</u>	<u>Number of shares</u>	<u>Amount</u>	<u>Number of shares</u>	<u>Fair value</u>	<u>Collateral</u>	
Innolux Corporation	2,175,280	\$ 42,635	-		2,175,280	\$ 42,635	-	\$ -		
Taiwan High Speed Rail Corporation	16,222,080	480,174	-		-	13,789	16,222,080	466,385	Note	
NEOVIDEO TECHNOLOGY CORPORATION	1,066,667	87	-	-	-	-	1,066,667	87		
Edimax Technology Co., Ltd.	3,353,819	47,792	-	-	1,234,819	15,795	2,119,000	31,997		
COSMACTIVE BROADBAND NETWORKS CO., LTD.	40,970	-	-	-	40,970	-	-	-		
International Integrated Systems, Inc	94,706	<u>680</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	94,706	<u>680</u>		
		<u>\$ 571,368</u>		<u>\$ -</u>		<u>\$ 72,219</u>		<u>\$ 499,149</u>		

Note: The information of the Company may provide its stock as collateral for long-term bank loans. Please refer to note 8.

Tecom Co., LTD
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR UNDER EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2022

Table 5

Expressed in thousands of New Taiwan dollars

<u>Investees</u>	<u>Balance, January 1, 2022</u>		<u>Additions in Investment (Note)</u>		<u>Decrease in Investment (Note)</u>		<u>Balance, December 31, 2022</u>			<u>Market price or equity net value</u>		<u>Provide collateral or pledged situation</u>	<u>Footnotes</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Own ship</u>	<u>Amount</u>	<u>Unit price</u>	<u>Total price</u>		
Baycom Opto-Electronic Technology CO., LTD. common stock	14,700,741	\$ 196,161	-	\$ 18,064	-	(8,820)	14,700,741	43.76%	\$ 205,405	\$ 13.97	\$ 205,405	None	
Tecom Global Tech Investment(B.V.I) Limited	995,000	(8,203)	-	1,070	-	-	995,000	100%	(7,133)	(7.17)	(7,133)	None	
A-Tel Inc.	596,925	-	-	-	-	-	596,925	28.19%	-	-	-	None	
Taian Technology Sdn Bhd.	1,100,000	3	-	-	-	-	1,100,000	10%	3	-	3	None	
E-JOY Electronic Internationa Co., LTD.	390,570	4,838	44,525	974	-	-	435,095	4.90%	5,812	13.36	5,812	None	
Eight Union Investment Co., Ltd.	800,000	-	-	-	(800,000)	-	-	-	-	-	-	None	
Tecnos International Consulation Co., LTD	635,815	9,097	-	1,827	-	(1,512)	635,815	5.26%	9,412	14.80	9,412	None	
Teco Tour Travel Service Co., LTD.	480,000	1,833	-	-	-	(164)	480,000	16.00%	1,669	3.48	1,669	None	
		<u>\$ 203,729</u>		<u>\$ 21,935</u>		<u>(\$ 10,496)</u>			<u>\$ 215,168</u>		<u>\$ 215,168</u>		

Note : The increase/decrease of this period includes the investment income recognized under equity method, the cash dividends issued by the investee company, and the receivable from the investee's liquidation.

Tecom Co., LTD
STATEMENT OF SHORT-TERM BORROWINGS
DECEMBER 31, 2022

Table 6

Expressed in thousands of New Taiwan dollars

<u>Type of Loan</u>	<u>Descriptions</u>	<u>Ending Balance</u>	<u>Period of contract</u>	<u>Range of Interest Rate</u>	<u>Credit Facility</u>	<u>Collateral</u>
Unsecured Loan	Credit Loan	\$ 280,000	2022/03/07~2023/03/25	2.12%~2.892%	NTD285,188 and USD1,000 thousand	None.
Secured Loan	Mortgage	<u>460,000</u>	2022/09/23~2022/03/23	1.40%~1.97%	NTD480,383	Y
		<u>\$ 740,000</u>				

Note: The amount of book value of property, plant and equipment, which as a collateral for bank is \$77,394 °

Tecom Co., LTD
Accounts payable
DECEMBER 31, 2022

Table 7

Expressed in thousands of New
Taiwan dollars

<u>Vendor Name</u>	<u>Summary</u>	<u>Amount</u>	<u>Footnotes</u>
General manufacturers —			
HONOR TONE Ltd.		\$ 24,229	
ARROW ELECTRONICS TAIWAN LTD.		26,288	
Others		<u>36,050</u>	None of the suppliers exceeds 5% of the balance of this subject.
		<u>86,567</u>	
Related parties —			
TECO Electric & Machinery Co., Ltd		1,346	
Wuhan Dongxun Technology Co., Ltd.		<u>1,629</u>	
		<u>2,975</u>	
Total		<u>\$ 89,542</u>	

Tecom Co., LTD
STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2022

Table 8

Expressed in thousands of New
Taiwan dollars

<u>Items</u>	<u>Quantity</u>	<u>Amount</u>	<u>Footnote</u>
Net operating income			
Mobile communication products	893 piece	\$ 50,427	
Business communication system	202,333 piece	496,244	
Smart electromechanical series	33,876 piece	70,422	
Broadband/IP Series	7,598 piece	12,748	
Other operating income		<u>32,063</u>	Note
Total		<u>\$ 661,904</u>	

Note: Other revenue is including maintenance income and processing income.

Tecom Co., LTD
STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022

Table 9

Expressed in thousands of New
Taiwan dollars

<u>Items</u>	<u>Amount</u>	
	<u>Subtotal</u>	<u>Total</u>
Merchandise cost		
Merchandise at January 1, 2022	\$ 8,713	
Add: Merchandise purchased	49,678	
Less: Merchandise at December 31, 2022	(8,736)	\$ 49,655
Supplies		
Supplies at January 1, 2022	103,746	
Add : Supplies purchased	207,397	
Work in process	117,217	
Supplies	122,853	
Expense	1,843	
Lee : Supplies at December 31, 2022	(99,667)	
Maintenance costs	(865)	
Sales of material	(74,429)	
Expense	(1,982)	376,113
Direct labor		8,325
Manufacturing overhead		<u>40,456</u>
Manufacturing cost		424,894
Add: Work in process purchased	4,218	
Less : Work in process at December 31, 2022	(6,384)	
Material	(117,217)	
Expense	(697)	(120,080)
Finished goods cost		<u>304,814</u>
Add : Finished goods at January 1, 2022	97,525	
Finished goods purchased	169,007	
Less : Finished goods at December 1, 2022	(116,438)	
Material	(122,853)	
Maintenance costs	(289)	
Expense	(1,057)	<u>25,895</u>
Cost of sales		<u>330,709</u>

Tecom Co., LTD
STATEMENT OF OPERATING COSTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2022

Table 9

Expressed in thousands of New
Taiwan dollars

<u>Items</u>	<u>Amount</u>	
	<u>Subtotal</u>	<u>Total</u>
Cost of raw materials sold	74,429	
Maintenance costs	1,154	
Inventory falling price loss	2,058	
Labor cost	12,854	
Unallocated Manufacturing Overhead	28,070	
Warranty cost	(161)	
Other operating cost	<u>(10,717)</u>	<u>107,687</u>
Total operating cost		<u>\$ 488,051</u>

Tecom Co., LTD
Manufacturing costs
FOR THE YEAR ENDED DECEMBER 31, 2022

Table 10

Expressed in thousands of New
Taiwan dollars

<u>Items</u>	<u>Summary</u>	<u>Amounts</u>	<u>Footnotes</u>
processing cost		\$ 38,019	
salary expenditure		16,763	
Depreciation expense		5,911	
Other expenses		7,833	None of the items exceeds 5% of the balance of this subject.
Less: Unallocated Manufacturing Overhead		(28,070)	
		<u>\$ 40,456</u>	

Tecom Co., LTD
STATEMENT OF SELLING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

Table 11

Expressed in thousands of New
Taiwan dollars

<u>Items</u>	<u>Summary</u>	<u>Amounts</u>	<u>Footnotes</u>
salary expenditure		\$ 41,688	
Insurance expense		5,271	
Depreciation		5,310	
Other expenses		<u>19,498</u>	None of the items exceeds 5% of the balance of this subject.
		<u>\$ 71,767</u>	

Tecom Co., LTD
STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

Table 12

Expressed in thousands of New
Taiwan dollars

<u>Items</u>	<u>Summary</u>	<u>Amounts</u>	<u>Footnotes</u>
salary expenditure		\$ 27,905	
Labor expenditure		5,725	
Depreciation		5,360	
Insurance expense		2,797	
Other expenses		<u>6,476</u>	None of the items exceeds 5% of the balance of this subject.
		<u>\$ 48,263</u>	

Tecom Co., LTD
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

Table 13

Expressed in thousands of New
Taiwan dollars

<u>Items</u>	<u>Summary</u>	<u>Amounts</u>	<u>Footnotes</u>
salary expenditure		\$ 39,739	
Labor expenditure		21,911	
Indirect material		2,380	
Other expenses		<u>12,276</u>	None of the items exceeds 5% of the balance of this subject.
		<u>\$ 76,306</u>	

Tecom Co., LTD
Summary of employee benefits, depreciation and amortization expenses
FOR THE YEAR ENDED DECEMBER 31, 2022

Table 14

Expressed in thousands of New Taiwan dollars

Type	Funtion	2022			2021		
		belongs to business cost	belongs to business expense	Total	belongs to business cost	belongs to business expense	Total
Employee Benefit Expenses							
Salary Expenses		\$ 24,643	\$ 109,332	\$ 133,975	\$ 24,321	\$ 107,698	\$ 132,019
labor health insurance		2,822	10,715	13,537	2,738	10,419	13,157
Pension Expenses		1,479	6,457	7,936	1,400	6,118	7,518
Director's remuneration		-	2,792	2,792	-	2,846	2,846
Other employee benefit expenses		1,553	4,571	6,124	1,548	4,671	6,219
Depreciation expense		5,911	14,200	20,111	4,796	14,062	18,858
Amortization fee		168	1,968	2,136	162	1,391	1,553

1. As of December 31, 2022 and 2021 the amount of employee of the Company was 168 people and 174 people. Among them, the number of directors who are not concurrently employees is 7
2. Companies which are listed on the stock exchange or traded on the OTC securities trading center shall be disclosure of the following information :
 - (1) The average employee benefit cost is 1004 thousand in this period.
The average employee benefit cost is 952 thousand in previous period.
 - (2) The average Staff Salary Expenses is 832 thousand in this period.
The average Staff Salary Expenses is 791 thousand in previous period.
 - (3) The change in the average employee salary is 5.18%.
 - (4)
 - A. This company has a company charter and the "Method for Paying Director and Functional Member Remuneration". According to the degree of participation and contribution of the directors and functional members in the operation of the Company, and reference to the domestic industry standards, the corresponding remuneration is regulated. In addition to director remuneration and business execution expenses, the Company shall pay director remuneration not more than 5% of the profits of the year, but when the Company has accumulated losses, it should be made up. The above remuneration shall be evaluated and proposed by the Salary Remuneration Committee, and then submitted to the Board of Directors for deliberation and decision.
 - B. This company has a company charter and the "Performance Reward Method for Senior Management Level", which regulates the remuneration payment standards and performance evaluation for managers. The Salary Remuneration Committee shall evaluate and propose, and then submit to the Board of Directors for deliberation and decision.
 - C. The salary & benefits policy of this company: The salary of the employees of this company is determined based on their educational background, professional knowledge and skills, and professional years of experience, and the annual salary adjustment is based on the Company's operating conditions, the employee's work performance, and the market conditions to determine the items and amount of salary adjustment. °