

## **EZconn Corporation and Subsidiaries**

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

## **INDEPENDENT AUDITORS' REVIEW REPORT**

The Board of Directors and Shareholders  
EZconn Corporation

### **Introduction**

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

### **Scope of Review**

We conducted our reviews in accordance with the Standards on Review Engagements of the Republic of China 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2023 and 2022, and its consolidated financial performance for the three months ended June 30, 2023 and 2022, its consolidated financial performance and its consolidated cash flows for the six months ended June 30, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Chun-Hung Chen and Hsiu-Chun Huang.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

August 14, 2023

Notice to Readers

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

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

# EZCONN CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2023		December 31, 2022		June 30, 2022	
	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Note 6)	\$ 967,737	29	\$ 983,593	29	\$ 615,324	19
Financial assets at amortized cost - current (Note 8)	219,291	7	33,027	1	32,946	1
Notes receivable (Note 9)	2,606	-	4,266	-	9,729	-
Trade receivables (Note 9)	584,681	18	621,454	18	703,019	22
Other receivables from unrelated parties (Note 9)	17,843	1	18,653	1	20,608	1
Other receivables from related parties (Note 27)	-	-	1,500	-	-	-
Current tax assets (Note 4)	-	-	-	-	336	-
Inventories (Note 10)	646,335	19	798,376	23	855,237	27
Prepayments	17,383	-	14,725	1	13,395	1
Other current assets	5,093	-	13,795	-	4,649	-
Total current assets	2,460,969	74	2,489,389	73	2,255,243	71
<b>NON-CURRENT ASSETS</b>						
Financial assets at fair value through other comprehensive income - non-current (Notes 7 and 21)	24,455	1	30,077	1	35,005	1
Financial assets at amortized cost - non-current (Notes 8 and 28)	2,303	-	2,284	-	2,280	-
Investments accounted for using the equity method (Note 12)	49,272	2	56,413	2	60,903	2
Property, plant and equipment (Notes 13 and 28)	580,396	17	608,478	18	606,811	19
Right-of-use assets (Note 14)	89,935	3	94,906	3	94,902	3
Intangible assets (Note 15)	8,541	-	9,740	-	8,157	-
Deferred tax assets (Note 4)	114,203	3	114,702	3	122,827	4
Prepayments for equipment	2,225	-	1,083	-	8,577	-
Refundable deposits	3,123	-	3,155	-	3,085	-
Total non-current assets	874,453	26	920,838	27	942,547	29
<b>TOTAL</b>	<b>\$ 3,335,422</b>	<b>100</b>	<b>\$ 3,410,227</b>	<b>100</b>	<b>\$ 3,197,790</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term borrowings (Note 16)	\$ 330,000	10	\$ 330,000	10	\$ 300,000	10
Notes payable (Note 17)	45,378	1	26,488	1	1,086	-
Trade payables (Note 17)	157,785	5	227,644	7	202,232	6
Trade payables to related parties (Note 27)	46	-	-	-	-	-
Other payables to unrelated parties (Note 18)	404,390	12	304,712	9	322,865	10
Other payables to related parties (Note 27)	-	-	-	-	800	-
Current tax liabilities (Note 4)	33,700	1	64,179	2	59,347	2
Provisions - current (Note 19)	8,055	-	8,055	-	8,055	-
Lease liabilities - current (Note 14)	15,163	1	14,097	-	12,336	1
Current portion of long-term borrowings (Notes 16 and 28)	12,000	-	12,000	-	12,000	-
Other current liabilities (Note 18)	61,155	2	66,244	2	73,300	2
Total current liabilities	1,067,672	32	1,053,419	31	992,021	31
<b>NON-CURRENT LIABILITIES</b>						
Long-term borrowings (Notes 16 and 28)	212,000	7	218,000	7	224,000	7
Deferred tax liabilities (Note 4)	36,487	1	31,044	1	30,636	1
Lease liabilities - non-current (Note 14)	56,397	2	61,404	2	62,404	2
Net defined benefit liabilities (Notes 4 and 20)	41,786	1	44,472	1	50,360	2
Other non-current liabilities	9,672	-	9,637	-	9,815	-
Total non-current liabilities	356,342	11	364,557	11	377,215	12
Total liabilities	1,424,014	43	1,417,976	42	1,369,236	43
<b>EQUITY (Note 21)</b>						
Ordinary shares	663,000	20	693,000	20	693,000	22
Capital surplus	225,625	7	234,872	7	234,872	7
Retained earnings						
Legal reserve	276,278	8	243,893	7	243,893	7
Special reserve	117,072	3	117,072	3	117,072	4
Unappropriated earnings	752,156	23	920,911	27	756,145	24
Total retained earnings	1,145,506	34	1,281,876	37	1,117,110	35
Other equity	(122,723)	(4)	(106,644)	(3)	(105,575)	(3)
Treasury shares	-	-	(110,853)	(3)	(110,853)	(4)
Total equity	1,911,408	57	1,992,251	58	1,828,554	57
<b>TOTAL</b>	<b>\$ 3,335,422</b>	<b>100</b>	<b>\$ 3,410,227</b>	<b>100</b>	<b>\$ 3,197,790</b>	<b>100</b>

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

# EZCONN CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
NET REVENUE	\$ 698,592	100	\$ 770,139	100	\$ 1,330,813	100	\$ 1,476,663	100
COST OF REVENUE (Notes 10, 20 and 22)	<u>448,280</u>	<u>64</u>	<u>526,450</u>	<u>68</u>	<u>913,350</u>	<u>69</u>	<u>1,031,160</u>	<u>70</u>
GROSS PROFIT	<u>250,312</u>	<u>36</u>	<u>243,689</u>	<u>32</u>	<u>417,463</u>	<u>31</u>	<u>445,503</u>	<u>30</u>
OPERATING EXPENSES (Notes 9, 20 and 22)								
Selling and marketing expenses	90,480	13	81,847	11	161,519	12	137,294	9
General and administrative expenses	68,641	10	73,054	9	115,198	8	126,563	8
Research and development expenses	27,055	4	27,485	4	52,230	4	53,887	4
Expected credit loss (gain)	<u>(2,507)</u>	<u>-</u>	<u>410</u>	<u>-</u>	<u>(2,503)</u>	<u>-</u>	<u>(786)</u>	<u>-</u>
Total operating expenses	<u>183,669</u>	<u>27</u>	<u>182,796</u>	<u>24</u>	<u>326,444</u>	<u>24</u>	<u>316,958</u>	<u>21</u>
PROFIT FROM OPERATIONS	<u>66,643</u>	<u>9</u>	<u>60,893</u>	<u>8</u>	<u>91,019</u>	<u>7</u>	<u>128,545</u>	<u>9</u>
NON-OPERATING INCOME AND EXPENSES (Note 22)								
Interest income	4,623	1	540	-	8,379	1	991	-
Other income	895	-	4,170	-	970	-	4,225	-
Other gains and losses	43,672	6	52,057	7	27,322	2	81,058	5
Finance costs	(3,249)	-	(2,095)	-	(6,426)	(1)	(3,901)	-
Share of loss of associates accounted for using the equity method	<u>(3,951)</u>	<u>(1)</u>	<u>(485)</u>	<u>-</u>	<u>(7,141)</u>	<u>(1)</u>	<u>(485)</u>	<u>-</u>
Total non-operating income and expenses	<u>41,990</u>	<u>6</u>	<u>54,187</u>	<u>7</u>	<u>23,104</u>	<u>1</u>	<u>81,888</u>	<u>5</u>
PROFIT BEFORE INCOME TAX	108,633	15	115,080	15	114,123	8	210,433	14
INCOME TAX EXPENSE (Notes 4 and 23)	<u>37,684</u>	<u>5</u>	<u>32,305</u>	<u>4</u>	<u>39,657</u>	<u>3</u>	<u>52,733</u>	<u>3</u>
NET INCOME	<u>70,949</u>	<u>10</u>	<u>82,775</u>	<u>11</u>	<u>74,466</u>	<u>5</u>	<u>157,700</u>	<u>11</u>
OTHER COMPREHENSIVE (LOSS) INCOME (Notes 21 and 23)								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	361	-	326	-	(5,622)	-	994	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>(71)</u>	<u>-</u>	<u>(154)</u>	<u>-</u>	<u>(45)</u>	<u>-</u>	<u>(288)</u>	<u>-</u>
	<u>290</u>	<u>-</u>	<u>172</u>	<u>-</u>	<u>(5,667)</u>	<u>-</u>	<u>706</u>	<u>-</u>

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## EZCONN CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating foreign operations	\$ (19,442)	(3)	\$ (14,811)	(2)	\$ (13,015)	(1)	\$ 15,224	1
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>3,888</u>	<u>1</u>	<u>2,962</u>	<u>-</u>	<u>2,603</u>	<u>-</u>	<u>(3,045)</u>	<u>-</u>
	<u>(15,554)</u>	<u>(2)</u>	<u>(11,849)</u>	<u>(2)</u>	<u>(10,412)</u>	<u>(1)</u>	<u>12,179</u>	<u>1</u>
Other comprehensive (loss) income for the period, net of income tax	<u>(15,264)</u>	<u>(2)</u>	<u>(11,677)</u>	<u>(2)</u>	<u>(16,079)</u>	<u>(1)</u>	<u>12,885</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 55,685</u>	<u>8</u>	<u>\$ 71,098</u>	<u>9</u>	<u>\$ 58,387</u>	<u>4</u>	<u>\$ 170,585</u>	<u>12</u>
EARNINGS PER SHARE (Note 24)								
Basic	<u>\$ 1.07</u>		<u>\$ 1.25</u>		<u>\$ 1.12</u>		<u>\$ 2.38</u>	
Diluted	<u>\$ 1.06</u>		<u>\$ 1.24</u>		<u>\$ 1.11</u>		<u>\$ 2.36</u>	

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

(Concluded)

# EZCONN CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars)

	Share Capital (Note 21)		Capital Surplus (Note 21)	Retained Earnings (Note 21)				Other Equity (Note 21)			Treasury Shares (Note 21)	Total Equity
	Share (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Comprehensive Income	Total		
BALANCE AT JANUARY 1, 2022	69,300	\$ 693,000	\$ 234,872	\$ 233,370	\$ 106,641	\$ 697,571	\$ 1,037,582	\$ (103,987)	\$ (13,085)	\$ (117,072)	\$ (110,853)	\$ 1,737,529
Appropriation of 2021 earnings												
Legal reserve	-	-	-	10,523	-	(10,523)	-	-	-	-	-	-
Special reserve	-	-	-	-	10,431	(10,431)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(79,560)	(79,560)	-	-	-	-	(79,560)
Net profit for the six months ended June 30, 2022	-	-	-	-	-	157,700	157,700	-	-	-	-	157,700
Other comprehensive income for the six months ended June 30, 2022, net of income tax	-	-	-	-	-	-	-	12,179	706	12,885	-	12,885
Total comprehensive income for the six months ended June 30, 2022	-	-	-	-	-	157,700	157,700	12,179	706	12,885	-	170,585
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	1,388	1,388	-	(1,388)	(1,388)	-	-
BALANCE AT JUNE 30, 2022	69,300	\$ 693,000	\$ 234,872	\$ 243,893	\$ 117,072	\$ 756,145	\$ 1,117,110	\$ (91,808)	\$ (13,767)	\$ (105,575)	\$ (110,853)	\$ 1,828,554
BALANCE AT JANUARY 1, 2023	69,300	\$ 693,000	\$ 234,872	\$ 243,893	\$ 117,072	\$ 920,911	\$ 1,281,876	\$ (88,935)	\$ (17,709)	\$ (106,644)	\$ (110,853)	\$ 1,992,251
Cancellation of treasury shares	(3,000)	(30,000)	(9,247)	-	-	(71,606)	(71,606)	-	-	-	110,853	-
Appropriation of 2022 earnings												
Legal reserve	-	-	-	32,385	-	(32,385)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(139,230)	(139,230)	-	-	-	-	(139,230)
Net profit for the six months ended June 30, 2023	-	-	-	-	-	74,466	74,466	-	-	-	-	74,466
Other comprehensive loss for the six months ended June 30, 2023, net of income tax	-	-	-	-	-	-	-	(10,412)	(5,667)	(16,079)	-	(16,079)
Total comprehensive income (loss) for the six months ended June 30, 2023	-	-	-	-	-	74,466	74,466	(10,412)	(5,667)	(16,079)	-	58,387
BALANCE AT JUNE 30, 2023	66,300	\$ 663,000	\$ 225,625	\$ 276,278	\$ 117,072	\$ 752,156	\$ 1,145,506	\$ (99,347)	\$ (23,376)	\$ (122,723)	\$ -	\$ 1,911,408

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

# EZCONN CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30	
	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 114,123	\$ 210,433
Adjustments for:		
Depreciation expense	43,744	42,700
Amortization expense	1,802	1,372
Expected credit loss reversed on trade receivables	(2,503)	(786)
Finance costs	6,426	3,901
Interest income	(8,379)	(991)
Share of loss of associates accounted for using the equity method	7,141	485
Loss on disposal of property, plant and equipment	107	1,121
Write-down of inventories	40,062	33,032
Changes in operating assets and liabilities		
Notes receivable	1,660	(6,054)
Trade receivables	37,882	(68,805)
Other receivables from unrelated parties	3,159	(311)
Other receivables from related parties	1,500	-
Inventories	112,927	(156,829)
Prepayments	(2,658)	25,687
Other current assets	8,702	1,116
Notes payable	18,890	(3)
Trade payables	(69,859)	(134,378)
Trade payables to related parties	46	-
Other payables to unrelated parties	(38,248)	7,792
Other payables to related parties	-	800
Other current liabilities	(5,089)	(7,334)
Net defined benefit liabilities	(2,686)	(2,500)
Cash generated from (used in) operations	268,749	(49,552)
Interest received	6,030	1,182
Interest paid	(6,220)	(4,063)
Income tax paid	(61,715)	(32,157)
Net cash generated from (used in) operating activities	206,844	(84,590)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets a fair value through other comprehensive income	-	(10,000)
Purchase of financial assets at amortized cost	(201,787)	(23,305)
Proceeds from sales of financial assets at amortized cost	14,752	22,865
Acquisition of associate accounted for using the equity method	-	(30,000)
Payments for property, plant and equipment	(13,072)	(33,561)

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# **EZCONN CORPORATION AND SUBSIDIARIES**

## **CONSOLIDATED STATEMENTS OF CASH FLOWS** **(In Thousands of New Taiwan Dollars)**

	<b>For the Six Months Ended June 30</b>	
	<b>2023</b>	<b>2022</b>
Proceeds from disposal of property, plant and equipment	\$ 128	\$ 139
Decrease (increase) in refundable deposits	28	(226)
Payments for intangible assets	<u>(286)</u>	<u>(297)</u>
Net cash used in investing activities	<u>(200,237)</u>	<u>(74,385)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	610,000	1,712,025
Repayments of short-term borrowings	(610,000)	(1,676,025)
Repayments of long-term borrowings	(6,000)	-
Repayment of the principal portion of lease liabilities	(7,304)	(6,842)
Increase in other non-current liabilities	<u>35</u>	<u>119</u>
Net cash (used in) generated from financing activities	<u>(13,269)</u>	<u>29,277</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>(9,194)</u>	<u>17,880</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(15,856)</b>	<b>(111,818)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<u><b>983,593</b></u>	<u><b>727,142</b></u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u><b>\$ 967,737</b></u>	<u><b>\$ 615,324</b></u>

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

(Concluded)

# EZCONN CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

EZconn Corporation (the “Company”) was incorporated in the Republic of China (ROC) on September 4, 1996. The Company mainly manufactures and sells precision metal components and optical fiber components of various electronic products.

The Company’s shares have been listed on the Taiwan Stock Exchange (TWSE) since July 14, 2015.

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

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on August 14, 2023.

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

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

The initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have a material impact on the Group’s accounting policies.

- b. The IFRSs in issue but not yet endorsed and issued into effect by the FSC

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

(Continued)

<b>New, Amended and Revised Standards and Interpretations</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024
Amendments to IAS 12 “International Tax Reform - Pillar Two Model Rules”	Note 3

(Concluded)

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

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

Note 3: The requirement that the Group apply the exception and the requirement to disclose that fact are applied immediately upon issuance of the amendments and retrospectively in accordance with IAS 8. The remaining disclosure requirements apply for annual reporting periods beginning on or after January 1, 2023, but not for any interim period ending on or before December 31, 2023.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact of the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### **4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION**

##### **a. Statement of compliance**

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

##### **b. Basis of preparation**

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

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

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

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries).

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

See Note 11, Tables 4 and 5 for the detailed information of subsidiaries (including percentage of ownership and main business).

d. Other material accounting policies

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

1) Retirement benefits

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

2) Income tax expense

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

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

The accounting judgments and key sources of estimation uncertainty of these consolidated financial statements are the same as the consolidated financial statements for the year ended December 31, 2022.

## 6. CASH AND CASH EQUIVALENTS

	June 30, 2023	December 31, 2022	June 30, 2022
Cash on hand	\$ 925	\$ 825	\$ 1,017
Checking accounts and demand deposits	864,773	651,494	486,570
Cash equivalents			
Time deposits with original maturities of three months or less	<u>102,039</u>	<u>331,274</u>	<u>127,737</u>
	<u>\$ 967,737</u>	<u>\$ 983,593</u>	<u>\$ 615,324</u>

## 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Non-current</u>			
Domestic investments			
Unlisted shares			
Ordinary share - OpXion Tech. Incorporation	\$ 8,153	\$ 14,000	\$ 14,000
Foreign investments			
Unlisted shares			
Preferred shares - Lightel Technologies Inc.	<u>16,302</u>	<u>16,077</u>	<u>21,005</u>
	<u>\$ 24,455</u>	<u>\$ 30,077</u>	<u>\$ 35,005</u>

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purpose. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

In March 2022, the Group acquired the ordinary shares of OpXion Tech. Incorporation via capital injection since the shares are held for medium- to long-term strategic purposes, the management designated these investments as at FVTOCI.

## 8. FINANCIAL ASSETS AT AMORTIZED COST

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Current</u>			
Time deposits with original maturities of more than 3 months	<u>\$ 219,291</u>	<u>\$ 33,027</u>	<u>\$ 32,946</u>
<u>Non-current</u>			
Pledged deposits	<u>\$ 2,303</u>	<u>\$ 2,284</u>	<u>\$ 2,280</u>

Refer to Note 28 for information relating to investments in financial assets at amortized cost pledged as security.

## 9. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Notes receivable, net</u>			
At amortized cost			
Gross carrying amount	\$ 2,689	\$ 4,349	\$ 9,812
Less: Allowance for impairment loss	<u>(83)</u>	<u>(83)</u>	<u>(83)</u>
	<u>\$ 2,606</u>	<u>\$ 4,266</u>	<u>\$ 9,729</u>
Notes receivable - operating	<u>\$ 2,606</u>	<u>\$ 4,266</u>	<u>\$ 9,729</u>
<u>Trade receivables (a)</u>			
At amortized cost			
Gross carrying amount	\$ 685,614	\$ 723,496	\$ 803,847
Less: Allowance for impairment loss	<u>(100,933)</u>	<u>(102,042)</u>	<u>(100,828)</u>
	<u>\$ 584,681</u>	<u>\$ 621,454</u>	<u>\$ 703,019</u>
<u>Other receivables (b)</u>			
Tax refund business receivable	\$ 11,762	\$ 14,299	\$ 16,318
Interest receivable	3,586	1,237	166
Receivables from sales of scrap and by-products	941	1,514	1,765
Others	<u>1,554</u>	<u>1,603</u>	<u>2,359</u>
	<u>\$ 17,843</u>	<u>\$ 18,653</u>	<u>\$ 20,608</u>

### a. Trade receivables

The average credit period of sales of goods is 30 to 120 days. No interest was charged on trade receivables. In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix approach considering the past default records of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date.

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

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

June 30, 2023

	China	Asia	America	Europe	Others	Total
Gross carrying amount	\$ 55,324	\$ 291,784	\$ 185,059	\$ 53,220	\$ 100,227	\$ 685,614
Loss allowance (Lifetime ECLs)	<u>(67)</u>	<u>(438)</u>	<u>(92)</u>	<u>(109)</u>	<u>(100,227)</u>	<u>(100,933)</u>
Amortized cost	<u>\$ 55,257</u>	<u>\$ 291,346</u>	<u>\$ 184,967</u>	<u>\$ 53,111</u>	<u>\$ -</u>	<u>\$ 584,681</u>

December 31, 2022

	China	Asia	America	Europe	Others	Total
Gross carrying amount	\$ 83,179	\$ 364,531	\$ 136,506	\$ 38,019	\$ 101,261	\$ 723,496
Loss allowance (Lifetime ECLs)	<u>(83)</u>	<u>(548)</u>	<u>(68)</u>	<u>(82)</u>	<u>(101,261)</u>	<u>(102,042)</u>
Amortized cost	<u>\$ 83,096</u>	<u>\$ 363,983</u>	<u>\$ 136,438</u>	<u>\$ 37,937</u>	<u>\$ -</u>	<u>\$ 621,454</u>

June 30, 2022

	China	Asia	America	Europe	Others	Total
Gross carrying amount	\$ 114,625	\$ 291,997	\$ 226,994	\$ 70,017	\$ 100,214	\$ 803,847
Loss allowance (Lifetime ECLs)	<u>(93)</u>	<u>(292)</u>	<u>(111)</u>	<u>(118)</u>	<u>(100,214)</u>	<u>(100,828)</u>
Amortized cost	<u>\$ 114,532</u>	<u>\$ 291,705</u>	<u>\$ 226,883</u>	<u>\$ 69,899</u>	<u>\$ -</u>	<u>\$ 703,019</u>

The aging of receivables was as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Up to 30 days	\$ 285,890	\$ 201,977	\$ 372,722
31-60 days	112,200	164,615	143,556
61-90 days	79,898	85,155	100,494
91-120 days	58,326	86,170	40,931
Over 120 days	<u>149,300</u>	<u>185,579</u>	<u>146,144</u>
	<u>\$ 685,614</u>	<u>\$ 723,496</u>	<u>\$ 803,847</u>

The above aging schedule was based on the number of past due days from the invoice date.

The movements of the loss allowance of trade receivables were as follows:

	For the Six Months Ended June 30	
	2023	2022
Balance at January 1	\$ 102,042	\$ 94,683
Impairment loss reversed on receivables	(2,503)	(786)
Foreign exchange gains and losses	<u>1,394</u>	<u>6,931</u>
Balance at June 30	<u>\$ 100,933</u>	<u>\$ 100,828</u>

PCT International Inc. (PCT), one of the Company's customers, filed for bankruptcy proceedings under Chapter 11 of the United States Bankruptcy Code in November 2019, and in June 2020, PCT also filed for a debt reorganization plan. In March 2021, the Company, PCT, the Official Committee of Unsecured Creditors ("Committee"), and certain other parties entered into a settlement agreement. The Bankruptcy Court approved the debt reorganization plan associated with the settlement in November 2021. PCT made the first payment in December 2021, agreeing to pay the balance of the Company's claims in full within a 10-year schedule with options for early payments. Nevertheless, since the Company has recognized full impairment losses regarding PCT's debt for the past few years, the scheduled payments from PCT will be reversed in the future. As of June 30, 2023, the remaining US\$3,207 thousand was fully recognized as an allowance for impairment loss.

b. Other receivables

Other receivables were primarily tax refund receivable, receivable from sales of scrap and by-products and interest receivable. As of June 30, 2023, December 31, 2022 and June 30, 2022, the Group had assessed the impairment loss of other receivables based on expected credit losses.

## 10. INVENTORIES

	June 30, 2023	December 31, 2022	June 30, 2022
Finished goods	\$ 224,852	\$ 263,890	\$ 304,327
Work in progress	182,694	197,612	204,314
Raw materials	<u>238,789</u>	<u>336,874</u>	<u>346,596</u>
	<u>\$ 646,335</u>	<u>\$ 798,376</u>	<u>\$ 855,237</u>

The costs of inventories recognized as cost of goods sold for the three months ended June 30, 2023 and 2022 were \$448,280 thousand and \$526,450 thousand, respectively, including write-downs of inventory of \$26,756 thousand and \$15,316 thousand, respectively. The costs of inventories recognized as cost of goods sold for the six months ended June 30, 2023 and 2022 were \$913,350 thousand and \$1,031,160 thousand, respectively, including write-downs of inventory of \$40,062 thousand and \$33,032 thousand, respectively.

## 11. SUBSIDIARIES

### Subsidiaries Included in the Consolidated Financial Statements

Investor	Investee	Nature of Activities	Proportion of Ownership		
			June 30, 2023	December 31, 2022	June 30, 2022
The Company	EC-Link Technology Inc. (EC-Link)	Investment	100%	100%	100%
	EZconn Europe GmbH	Manufacture and sale of precision metal components and optical fiber components of various electronic products	100%	100%	100%
EC-Link	Light Master Technology Inc. (Light Master)	Investment	100%	100%	100%
EZconn Europe GmbH	EZconn Czech a.s.	Manufacture of various optical fiber components	100%	100%	100%
Light Master	Light Master Technology (Ningbo) Inc.	Manufacture and sale of optical fiber components and cable connector	100%	100%	100%
EZconn Czech a.s.	EZconn Technologies CZ s.r.o.	Manufacture and research of optical communication components	100%	100%	100%



The financial statements of subsidiaries included in the consolidated financial statements were reviewed by the independent auditors.

## 12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	June 30, 2023	December 31, 2022	June 30, 2022
Investments in associate that is not <u>individually material</u>			
AuthenX Inc.	<u>\$ 49,272</u>	<u>\$ 56,413</u>	<u>\$ 60,903</u>

Associate is accounted for using the equity method.

Aggregate information of associate that is not individually material

	For the Six Months Ended June 30, 2023	May 11, 2022 (Date of Acquisition) to June 30, 2022
The Group's share of:		
Loss for the current period/total comprehensive loss	<u>\$ (7,141)</u>	<u>\$ (485)</u>

In May 2022, the Group participated in the capital injection of AuthenX Inc. with an amount of \$30,000 thousand, which increased the Group's holding percentage to 26.45%.

In December 2022, the Group subscribed for additional new shares of AuthenX Inc. at a percentage different from its existing ownership interests, which decreased its ownership interests from 31.86% to 29.52%.

Investments were accounted for using the equity method, and the share of profit or loss and other comprehensive income of those investments were calculated based on financial statements, which have been reviewed.

## 13. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2023	December 31, 2022	June 30, 2022
Land	\$ 126,000	\$ 126,000	\$ 126,000
Buildings	184,188	192,551	199,996
Machinery equipment	217,943	231,598	215,824
Mold equipment	2,357	3,187	3,110
Transportation equipment	1,507	1,650	461
Office equipment	7,143	8,227	5,315
Other equipment	40,905	43,608	40,456
Property under construction	<u>353</u>	<u>1,657</u>	<u>15,649</u>
	<u>\$ 580,396</u>	<u>\$ 608,478</u>	<u>\$ 606,811</u>

Except for depreciation recognized, the Group did not have significant additions, disposal or impairment of property, plant and equipment during the six months ended June 30, 2023 and 2022. The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	4, 5, 20 and 40 years
Machinery equipment	2-10 years
Mold equipment	2 years
Transportation equipment	5 years
Office equipment	3, 5 and 10 years
Other equipment	2, 3, 5, 8-10 years

Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 28.

#### 14. LEASE ARRANGEMENTS

##### a. Right-of-use assets

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Carrying amount</u>			
Land	\$ 20,150	\$ 20,959	\$ 21,390
Buildings	66,380	71,805	72,663
Transportation equipment	<u>3,405</u>	<u>2,142</u>	<u>849</u>
	<u>\$ 89,935</u>	<u>\$ 94,906</u>	<u>\$ 94,902</u>
	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>
	<b>2023</b>	<b>2022</b>	<b>2023</b>
			<b>2022</b>
Additions to right-of-use assets			<u>\$ 3,314</u>
Depreciation charge for right-of-use assets			<u>\$ 592</u>
Land	\$ 170	\$ 172	\$ 342
Buildings	3,470	3,400	6,955
Transportation equipment	<u>270</u>	<u>176</u>	<u>570</u>
	<u>\$ 3,910</u>	<u>\$ 3,748</u>	<u>\$ 7,867</u>
			<u>\$ 7,478</u>

##### b. Lease liabilities

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Carrying amount</u>			
Current	<u>\$ 15,163</u>	<u>\$ 14,097</u>	<u>\$ 12,336</u>
Non-current	<u>\$ 56,397</u>	<u>\$ 61,404</u>	<u>\$ 62,404</u>

Range of discount rates for lease liabilities was as follows:

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Buildings	1.45%-4.75%	1.45%-4.75%	1.45%-4.75%
Transportation equipment	1.45%-4.00%	1.45%-4.00%	1.45%-2.11%

c. Material leasing activities and terms

As lessee, the Group leases land and buildings for plants and offices and transportation equipment with lease terms of 2 to 50 years. The Group does not have bargain purchase options to acquire the leasehold land, buildings and transportation equipment at the end of the lease terms. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Expenses relating to short-term leases	<u>\$ 1,646</u>	<u>\$ 383</u>	<u>\$ 2,000</u>	<u>\$ 868</u>
Total cash outflow for leases			<u>\$ (9,907)</u>	<u>\$ (8,323)</u>

## 15. INTANGIBLE ASSETS

The Group's intangible assets mainly comprise computer software. Except for amortization recognized, there were no significant additions, disposals or impairment of intangible assets during the six months ended June 30, 2023 and 2022. Intangible assets are amortized on a straight-line basis over their estimated useful lives of 1 to 10 years.

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<u>An analysis of amortization by function</u>				
Operating costs	\$ 276	\$ 257	\$ 542	\$ 514
Selling and marketing expenses	9	1	13	1
General and administrative expenses	460	289	915	562
Research and development expenses	<u>166</u>	<u>145</u>	<u>332</u>	<u>295</u>
	<u>\$ 911</u>	<u>\$ 692</u>	<u>\$ 1,802</u>	<u>\$ 1,372</u>

## 16. BORROWINGS

### a. Short-term borrowings

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Unsecured borrowings</u>			
Line of credit borrowings	\$ 330,000	\$ 330,000	\$ 300,000

The interest rate ranges of line of credit borrowings were 1.76-1.96%, 1.785-1.950% and 1.10-1.36 % per annum as of June 30, 2023, December 31, 2022 and June 30, 2022, respectively.

### b. Long-term borrowings

	June 30, 2023	December 31, 2022	June 30, 2022
Secured borrowings	\$ 224,000	\$ 230,000	\$ 236,000
Less: Current portion of long-term borrowings	<u>(12,000)</u>	<u>(12,000)</u>	<u>(12,000)</u>
Long-term borrowings	\$ 212,000	\$ 218,000	\$ 224,000

To increase medium- and long-term working capital, the Group entered into a loan contract with a bank for the period November 2020 to November 2027. As of June 30, 2023, the effective interest rate was 2.35-2.40% and interest is repayable on a monthly basis. The principal of the loan is repayable over a period of 2 years, where repayments of NT\$6,000 thousand are to be made semi-annually starting 2 years from the date of the initial drawdown, with the rest of the principal paid in one lump sum upon maturity. The Group provided land, property, and plant as collateral for this loan (refer to Notes 13 and 28 for the details).

For some of the loan agreements, the Group current ratio, debt ratio, and the net worth as stated in the financial statements are not to fall below specified ratios/amount, or else. The Group is required to propose improvement measures to the bank when failing to comply with the restrictions. As of June 30, 2023, the Group was not in violation of any of the aforementioned financial restrictions.

## 17. NOTES PAYABLE AND TRADE PAYABLES

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Notes payable</u>			
Operating	\$ -	\$ 8	\$ 15
Non-operating	<u>45,378</u>	<u>26,480</u>	<u>1,071</u>
	\$ 45,378	\$ 26,488	\$ 1,086
<u>Trade payables</u>			
Operating	\$ 157,785	\$ 227,644	\$ 202,232

The average credit period of purchases of goods is 60-90 days. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

## 18. OTHER LIABILITIES

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Other payables</u>			
Payables for cash dividends	\$ 139,230	\$ -	\$ 79,560
Payables for salaries or bonuses	84,967	141,702	94,593
Payables for commissions	74,840	53,687	43,133
Payables for employees' compensation and remuneration of directors	50,500	39,000	33,300
Payables for employees' benefits	14,615	6,909	14,196
Payables for employees' insurance	7,254	11,983	6,608
Payables for professional expenses	6,497	5,271	7,218
Payables for employees' pension	2,900	3,045	2,774
Payables for equipment	998	2,508	3,027
Others	<u>22,589</u>	<u>40,607</u>	<u>38,456</u>
	<u>\$ 404,390</u>	<u>\$ 304,712</u>	<u>\$ 322,865</u>
<u>Other current liabilities</u>			
Refund liabilities	\$ 49,467	\$ 48,929	\$ 49,366
Contract liabilities	8,847	13,411	20,977
Others	<u>2,841</u>	<u>3,904</u>	<u>2,957</u>
	<u>\$ 61,155</u>	<u>\$ 66,244</u>	<u>\$ 73,300</u>

The changes in the balance of contract liabilities balances primarily resulted from the timing difference between the satisfaction of performance obligations and the customer's payment.

## 19. PROVISIONS

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Current</u>			
Warranties	<u>\$ 8,055</u>	<u>\$ 8,055</u>	<u>\$ 8,055</u>

Provision for warranty is estimated based on the Group's obligations for warranties under local regulations on sale of goods.

## 20. RETIREMENT BENEFIT PLANS

Employee benefits expense in respect of the Group's defined benefit retirement plans was calculated using the actuarially determined pension cost rate at the end of the prior financial year which was stated in the respective 2022 and 2021 actuarial report; the employee benefits expense for the three months ended June 30, 2023 and 2022 were \$170 thousand and \$92 thousand, respectively, and the employee benefits expense for the six months ended June 30, 2023 and 2022 were \$314 thousand and \$185 thousand, respectively.

## 21. EQUITY

### a. Share capital

#### Ordinary shares

	June 30, 2023	December 31, 2022	June 30, 2022
Number of authorized shares (in thousands)	<u>180,000</u>	<u>180,000</u>	<u>100,000</u>
Amount of authorized shares	<u>\$ 1,800,000</u>	<u>\$ 1,800,000</u>	<u>\$ 1,000,000</u>
Number of issued and fully paid shares (in thousands)	<u>66,300</u>	<u>69,300</u>	<u>69,300</u>
Amount of issued and fully paid shares	<u>\$ 663,000</u>	<u>\$ 693,000</u>	<u>\$ 693,000</u>

The holders of issued ordinary shares with a par value of \$10 are entitled the right to vote and receive dividends.

The changes in the number of issued shares were mainly attributable to the cancellation of treasury shares.

### b. Capital surplus

	June 30, 2023	December 31, 2022	June 30, 2022
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)			
Issuance of ordinary shares	\$ 204,353	\$ 213,600	\$ 213,600
Share-based payments	8,236	8,236	8,236
May not be used for any purpose (2)			
Changes in percentage of ownership interests in subsidiaries	<u>13,036</u>	<u>13,036</u>	<u>13,036</u>
	<u>\$ 225,625</u>	<u>\$ 234,872</u>	<u>\$ 234,872</u>

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

2) Such capital surplus arises from the effect of changes in ownership interest in a subsidiary that resulted from equity transactions other than actual disposal or acquisition. Such capital surplus may not be used for any purpose.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Articles, where the Company makes a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors, refer to employees' compensation and remuneration of directors in Note 22-g.

The Company's dividends policy is based on the shareholders' long-term interests. In formulating its dividends policy, the Company takes into account the overall business and industry conditions and trends, present and future operational expansion and to satisfy the shareholders' need for cash inflow. The Company's dividends policy states that cash dividends should be at least 10% of total dividends. A distribution plan is also to be made by the board of directors and passed for resolution in the shareholders' meeting.

Under the Company's dividends policy in the Articles, the proposed distribution of dividends can be distributed fully or partially by cash and is subject to the approval of the Company's board of directors with attendance of more than two-thirds of the directors and with consent of at least half of the attending directors; in addition, it shall be reported in the shareholders' meeting.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2022 and 2021 were as follows:

	2022	2021
Legal reserve	\$ 32,385	\$ 10,523
Special reserve	\$ -	\$ 10,431
Cash dividends	\$ 139,230	\$ 79,560
Cash dividends per share (NT\$)	\$ 2.1	\$ 1.2

The above appropriations of earnings as cash dividends were resolved by the Company's board of directors on March 14, 2023, and March 24, 2022, respectively. The proposed appropriations of earnings for the years ended December 31, 2022 and 2021 were resolved by the shareholders in their meetings on June 6, 2023 and June 27, 2022.

d. Special reserve

Additional special reserve relating to exchange differences on translating the financial statements of foreign operations (including the subsidiaries of the Company) should be appropriated for the amount equal to the difference between net debit balance reserves and the special reserve appropriated. Any special reserve appropriated may be reversed to the extent that the debit balance reverses and, thereafter, distributed.

e. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

The exchange differences arising on translation of the net assets of foreign operation from their functional currencies to the Company's presentation currency (the New Taiwan dollar) are recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve.

2) Unrealized valuation gain/(loss) on financial assets at FVTOCI

	<b>For the Six Months Ended June 30</b>	
	<b>2023</b>	<b>2022</b>
Balance at January 1	\$ (17,709)	\$ (13,085)
Recognized for the period		
Unrealized (loss) gain - equity instruments	(5,667)	706
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal (refer to Note 7)	<u>-</u>	<u>(1,388)</u>
Balance at June 30	<u>\$ (23,376)</u>	<u>\$ (13,767)</u>

f. Treasury shares

In order to motivate employees and increase their loyalty to the Company, the board of directors resolved to purchase treasury shares on January 20, 2020. The planned repurchase period was January 21 to March 20, 2020, and the number of shares repurchased was 3,000 thousand. Furthermore, the Company retired these treasury shares at the original cost with amounts debited to capital surplus - additional paid-in capital on a pro rata basis of \$9,247 thousand and retained earnings of \$71,606 thousand. In March 2020, the Company completed its repurchase of shares for a total cost of \$110,853 thousand.

	<b>Unit: In Thousands of Shares</b>	
	<b>For the Six Months Ended June 30</b>	
	<b>2023</b>	<b>2022</b>
Number of shares at January 1	3,000	3,000
Shares transferred to employees during the period	-	-
Shares cancelled during the period	<u>(3,000)</u>	<u>-</u>
Number of shares at June 30	<u>-</u>	<u>3,000</u>

The Company cancelled the treasury shares overdue that had not yet been transferred to employees pursuant to the law, and the board of directors of the Company resolved to decrease its capital by \$30,000 thousand in March 2023 through cancellation of 3,000 thousand issued shares on March 20, 2023.

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



## 22. NET INCOME FROM CONTINUING OPERATIONS

### a. Interest income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Bank deposits	\$ 4,540	\$ 537	\$ 8,291	\$ 985
Others	<u>83</u>	<u>3</u>	<u>88</u>	<u>6</u>
	<u>\$ 4,623</u>	<u>\$ 540</u>	<u>\$ 8,379</u>	<u>\$ 991</u>

### b. Other income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Grant income	\$ 882	\$ 3,804	\$ 890	\$ 3,816
Others	<u>13</u>	<u>366</u>	<u>80</u>	<u>409</u>
	<u>\$ 895</u>	<u>\$ 4,170</u>	<u>\$ 970</u>	<u>\$ 4,225</u>

### c. Other gains and losses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Loss on disposal of property, plant and equipment	\$ (23)	\$ (264)	\$ (107)	\$ (1,121)
Net foreign exchange gains	43,711	51,432	27,467	81,704
Others	<u>(16)</u>	<u>889</u>	<u>(38)</u>	<u>475</u>
	<u>\$ 43,672</u>	<u>\$ 52,057</u>	<u>\$ 27,322</u>	<u>\$ 81,058</u>

### d. Finance costs

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Interest on bank borrowings	\$ 2,952	\$ 1,796	\$ 5,823	\$ 3,288
Interest on lease liabilities	<u>297</u>	<u>299</u>	<u>603</u>	<u>613</u>
	<u>\$ 3,249</u>	<u>\$ 2,095</u>	<u>\$ 6,426</u>	<u>\$ 3,901</u>

e. Depreciation and amortization

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Property, plant and equipment	\$ 17,905	\$ 17,402	\$ 35,877	\$ 35,222
Right of use assets	3,910	3,748	7,867	7,478
Intangible assets	<u>911</u>	<u>692</u>	<u>1,802</u>	<u>1,372</u>
	<u>\$ 22,726</u>	<u>\$ 21,842</u>	<u>\$ 45,546</u>	<u>\$ 44,072</u>
An analysis of depreciation by function				
Operating costs	\$ 14,759	\$ 13,777	\$ 29,528	\$ 27,765
Operating expenses	<u>7,056</u>	<u>7,373</u>	<u>14,216</u>	<u>14,935</u>
	<u>\$ 21,815</u>	<u>\$ 21,150</u>	<u>\$ 43,744</u>	<u>\$ 42,700</u>
An analysis of amortization by function				
Operating costs	\$ 276	\$ 257	\$ 542	\$ 514
Operating expenses	<u>635</u>	<u>435</u>	<u>1,260</u>	<u>858</u>
	<u>\$ 911</u>	<u>\$ 692</u>	<u>\$ 1,802</u>	<u>\$ 1,372</u>

Refer to Note 15 for information relating to an analysis of amortization by function.

f. Employee benefits expense

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Post-employment benefits (Note 20)				
Defined contribution plans	\$ 5,983	\$ 2,799	\$ 12,499	\$ 9,689
Defined benefit plans	<u>170</u>	<u>92</u>	<u>314</u>	<u>185</u>
	6,153	2,891	12,813	9,874
Insurance expense	12,951	15,470	25,956	26,967
Remuneration of directors	3,384	3,064	3,960	5,172
Other employee benefits	<u>149,396</u>	<u>178,917</u>	<u>279,133</u>	<u>329,897</u>
Total employee benefits expense	<u>\$ 171,884</u>	<u>\$ 200,342</u>	<u>\$ 321,862</u>	<u>\$ 371,910</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 103,838	\$ 123,083	\$ 201,617	\$ 238,710
Operating expenses	<u>68,046</u>	<u>77,259</u>	<u>120,245</u>	<u>133,200</u>
	<u>\$ 171,884</u>	<u>\$ 200,342</u>	<u>\$ 321,862</u>	<u>\$ 371,910</u>

g. Employees' compensation and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors at rates of no less than 5% and no higher than 5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors.

The employees' compensation and the remuneration of directors for the six months ended June 30, 2023, and 2022 were as follows:

Accrual rate

	<b>For the Six Months Ended June 30</b>	
	<b>2023</b>	<b>2022</b>
Compensation of employees	7.60%	8.22%
Remuneration of directors	2.33%	2.06%

Amount

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Compensation of employees	\$ 8,500	\$ 10,700	\$ 8,800	\$ 18,000
Remuneration of directors	\$ 2,600	\$ 2,700	\$ 2,700	\$ 4,500

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

The employees' compensation and remuneration of directors for the year ended December 31, 2022, which were approved by the Company's board of directors on March 14, 2023, were as follows:

	<b>Cash</b>
Compensation of employees	\$ 30,000
Remuneration of directors	\$ 9,000

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

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

h. Gain or loss on foreign currency exchange

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Foreign exchange gains	\$ 53,725	\$ 76,549	\$ 79,791	\$ 119,886
Foreign exchange losses	(10,014)	(25,117)	(52,324)	(38,182)
	<u>\$ 43,711</u>	<u>\$ 51,432</u>	<u>\$ 27,467</u>	<u>\$ 81,704</u>

## 23. INCOME TAXES

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

Major components of income tax expense are as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Current tax				
In respect of the current period	\$ 10,157	\$ 43,670	\$ 24,932	\$ 59,689
Income tax on unappropriated earnings	7,625	-	7,625	-
Adjustments for prior years	<u>(1,041)</u>	<u>1,004</u>	<u>(1,041)</u>	<u>(4,427)</u>
	16,741	44,674	31,516	55,262
Deferred tax				
In respect of the current period	<u>20,943</u>	<u>(12,369)</u>	<u>8,141</u>	<u>(2,529)</u>
Income tax expense recognized in profit or loss	<u>\$ 37,684</u>	<u>\$ 32,305</u>	<u>\$ 39,657</u>	<u>\$ 52,733</u>

### b. Income tax recognized in other comprehensive income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
<u>Deferred tax</u>				
In respect of the current period				
Translation of foreign operations	\$ 3,888	\$ 2,962	\$ 2,603	\$ (3,045)
Fair value changes of financial assets at FVTOCI	<u>(71)</u>	<u>(154)</u>	<u>(45)</u>	<u>(288)</u>
Total income tax recognized in other comprehensive income	<u>\$ 3,817</u>	<u>\$ 2,808</u>	<u>\$ 2,558</u>	<u>\$ (3,333)</u>

### c. Income tax assessments

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

## 24. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Basic earnings per share	<u>\$ 1.07</u>	<u>\$ 1.25</u>	<u>\$ 1.12</u>	<u>\$ 2.38</u>
Diluted earnings per share	<u>\$ 1.06</u>	<u>\$ 1.24</u>	<u>\$ 1.11</u>	<u>\$ 2.36</u>

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

### Net Profit for the Period

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Net profit for the period	<u>\$ 70,949</u>	<u>\$ 82,775</u>	<u>\$ 74,466</u>	<u>\$ 157,700</u>

  

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022

### Number of shares (in thousands)

Weighted average number of ordinary shares used in the computation of basic earnings per share	66,300	66,300	66,300	66,300
Effect of potentially dilutive ordinary shares				
Compensation of employees	<u>402</u>	<u>348</u>	<u>408</u>	<u>549</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>66,702</u>	<u>66,648</u>	<u>66,708</u>	<u>66,849</u>

The Group may settle compensation paid to employees in cash or shares; therefore, the Group assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 25. CAPITAL MANAGEMENT

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

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group (comprising issued capital, reserves, retained earnings, and other equity).

Key management personnel of the Group review the capital structure periodically. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, and the amount of new debt issued or existing debt redeemed.

## 26. FINANCIAL INSTRUMENTS

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

The management believes the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values or their fair value cannot be reliably measured.

### b. Fair value of financial instruments measured at fair value on a recurring basis

#### 1) Fair value hierarchy

June 30, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic unlisted shares	\$ -	\$ -	\$ 8,153	\$ 8,153
Foreign unlisted shares	<u>-</u>	<u>-</u>	<u>16,302</u>	<u>16,302</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,455</u>	<u>\$ 24,455</u>

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic unlisted shares	\$ -	\$ -	\$ 14,000	\$ 14,000
Foreign unlisted shares	<u>-</u>	<u>-</u>	<u>16,077</u>	<u>16,077</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,077</u>	<u>\$ 30,077</u>

June 30, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic unlisted shares	\$ -	\$ -	\$ 14,000	\$ 14,000
Foreign unlisted shares	<u>-</u>	<u>-</u>	<u>21,005</u>	<u>21,005</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,005</u>	<u>\$ 35,005</u>

There were no transfers between Levels 1 and 2 in the six months ended June 30, 2023 and 2022.

2) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of foreign and domestic unlisted equity investments were estimated using the market approach, either by the method of comparable listed companies or by the comparable transaction method, while the fair values of the preference shares were estimated using the option pricing method. The fair values of domestic unlisted equity investments of the ordinary shares were estimated using the Royalties Savings Act method. The significant unobservable inputs used were the discount for lack of marketability and discount for non-controlling interests. An increase in the discount for lack of marketability or non-controlling interests would result in an increase in the fair value.

c. Categories of financial instruments

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Financial assets</u>			
Financial assets at amortized cost (1)	\$ 1,785,822	\$ 1,653,633	\$ 1,370,673
Financial assets at FVTOCI - equity instruments	24,455	30,077	35,005
<u>Financial liabilities</u>			
Financial liabilities at amortized cost (2)	886,902	938,142	855,530

- 1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables, other receivables (excluding tax refund receivable), and refundable deposits.
- 2) The balances included financial liabilities at amortized cost, which comprise long-term loans, short-term loans, notes payable, trade payables and other payables (excluding payables for salaries or bonuses and payables for employees' compensation and remuneration of directors and dividends payable).

d. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, trade receivables, trade payables, borrowings and lease liabilities. According to business nature and the degree and magnitude of risks, the Group monitors and manages the financial risks relating to the operations. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group minimizes the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors. Compliance with policies and exposure limits is reviewed by internal auditors on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

# 1) Market risk

The Group's activities exposed it primarily to the market risks of changes in foreign currency exchange rates and interest rates.

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

## a) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk. To manage the volatility of future cash flows arising from changes in foreign exchange rates, the Group maintains a balance of net foreign currency assets and liabilities in hedge.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 29.

### Sensitivity analysis

The Group's sensitivity analysis mainly focuses on the foreign currency risk of U.S. dollars at the end of the reporting period. Assuming a 5% strengthening/weakening of the functional currency against U.S. dollars, the net income before tax for the six months ended June 30, 2023 and 2022 would have decreased/increased by \$73,586 thousand and \$54,908 thousand, respectively.

In management's opinion, the sensitivity analysis was unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period did not reflect the exposure during the period.

## b) Interest rate risk

The Group was exposed to fair value and cash flow interest rate risk because the Group held both fixed-rate financial assets and financial liabilities. The Group's management monitors fluctuations in market interest rate regularly. If it is needed, the management performs necessary procedures to control significant interest rate risks from fluctuations in market interest rates.

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

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Fair value interest rate risk			
Financial assets	\$ 323,633	\$ 366,585	\$ 162,963
Financial liabilities	625,560	635,501	610,740
Cash flow interest rate risk			
Financial assets	863,030	648,516	485,356



The changes in interest rates did not have significant influence on the Group, so there was no sensitivity analysis.

c) Other price risk

The Group was exposed to equity price risk through its investments in equity securities. Equity investments are held for strategic rather than trading purposes, the Group does not actively trade these investments. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

The changes in equity securities did not have significant influence on the Group, so there was no sensitivity analysis.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk, which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation with financial guarantees provided by the Group, could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored.

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

3) Liquidity risk

The Group manages liquidity risk by maintaining a level of cash and cash equivalents and bank loan facilities deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

a) Liquidity for non-derivative financial liabilities

The following tables detail the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the earliest date on which the Group can be required to pay.

June 30, 2023

	<b>On Demand or Less than 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>			
Non-interest bearing	\$ 472,132	\$ -	\$ -
Lease liabilities	16,162	58,779	-
Fixed interest rate liabilities	<u>342,000</u>	<u>212,000</u>	<u>-</u>
	<u>\$ 830,294</u>	<u>\$ 270,779</u>	<u>\$ -</u>

December 31, 2022

	<b>On Demand or Less than 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>			
Non-interest bearing	\$ 378,142	\$ -	\$ -
Lease liabilities	15,159	64,260	-
Fixed interest rate liabilities	<u>342,000</u>	<u>218,000</u>	<u>-</u>
	<u>\$ 735,301</u>	<u>\$ 282,260</u>	<u>\$ -</u>

June 30, 2022

	<b>On Demand or Less than 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>			
Non-interest bearing	\$ 399,090	\$ -	\$ -
Lease liabilities	13,385	65,577	-
Fixed interest rate liabilities	<u>312,000</u>	<u>224,000</u>	<u>-</u>
	<u>\$ 724,475</u>	<u>\$ 289,577</u>	<u>\$ -</u>

b) Financing facilities

The Group relies on bank loans as a significant source of liquidity. As of the balance sheet date, the unused amounts of bank loan facilities were as follows:

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Bank loan facilities			
Amounts unused	<u>\$ 1,093,522</u>	<u>\$ 1,097,088</u>	<u>\$ 1,045,853</u>

## 27. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and categories

<u>Related Party Name</u>	<u>Related Party Category</u>
AuthenX Inc.	Associate (since May 11, 2022)

b. Purchases

Related Party Category/Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Associate	\$ <u>84</u>	\$ <u>-</u>	\$ <u>157</u>	\$ <u>-</u>

c. Payables to related parties

Line Item	Related Party Category/Name	June 30, 2023	December 31, 2022	June 30, 2022
Trade payables	Associate	\$ <u>46</u>	\$ <u>-</u>	\$ <u>-</u>

d. Other receivables

Line Item	Related Party Category/Name	June 30, 2023	December 31, 2022	June 30, 2022
Other receivables	Associate	\$ <u>-</u>	\$ <u>1,500</u>	\$ <u>-</u>

e. Other payables

Line Item	Related Party Category/Name	June 30, 2023	December 31, 2022	June 30, 2022
Other payables	Associate	\$ <u>-</u>	\$ <u>-</u>	\$ <u>800</u>

f. Prepayments

Related Party Category/Name	June 30, 2023	December 31, 2022	June 30, 2022
Associate	\$ <u>536</u>	\$ <u>536</u>	\$ <u>-</u>

g. Other transactions with related parties

Line Item/ Related Party Category	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Cost of goods sold				
Associate	\$ <u>-</u>	\$ <u>800</u>	\$ <u>2,250</u>	\$ <u>800</u>
Operating expenses				
Associate	\$ <u>-</u>	\$ <u>361</u>	\$ <u>-</u>	\$ <u>361</u>

h. Remuneration of key management personnel

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Short-term employee benefits	\$ 16,845	\$ 17,298	\$ 26,206	\$ 31,249
Post-employment benefits	<u>232</u>	<u>220</u>	<u>465</u>	<u>438</u>
	<u>\$ 17,077</u>	<u>\$ 17,518</u>	<u>\$ 26,671</u>	<u>\$ 31,687</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

## 28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral and guarantees for the tariff of imported raw materials and goods (see Notes 8 and 13):

	June 30, 2023	December 31, 2022	June 30, 2022
Pledged deposits (classified as financial assets at amortized cost - non-current)	\$ 2,303	\$ 2,284	\$ 2,280
Land	126,000	126,000	126,000
Buildings	<u>132,954</u>	<u>134,743</u>	<u>136,531</u>
	<u>\$ 261,257</u>	<u>\$ 263,027</u>	<u>\$ 264,811</u>

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

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

### June 30, 2023

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Financial assets</u>			
Monetary items			
USD	\$ 40,374	31.1400 (USD:NTD)	\$ 1,257,237
JPY	92,735	0.2150 (JPY:NTD)	19,938
USD	15,634	7.2258 (USD:RMB)	486,847
RMB	6,093	4.3096 (RMB:NTD)	26,658
EUR	425	23.6839 (EUR:CZK)	14,378
Non-monetary items			
USD	524	31.1400 (USD:NTD)	16,302
<u>Financial liabilities</u>			
Monetary items			
USD	6,925	31.1400 (USD:NTD)	215,640
USD	1,822	7.2258 (USD:RMB)	56,734

December 31, 2022

	<b>Foreign Currency (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount (In Thousands)</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 38,284	30.7100 (USD:NTD)	\$ 1,175,698
JPY	74,166	0.2324 (JPY:NTD)	17,236
USD	14,085	6.9646 (USD:RMB)	432,564
RMB	6,028	4.4094 (RMB:NTD)	26,580
EUR	102	24.0280 (EUR:CZK)	3,340
Non-monetary items			
USD	524	30.7100 (USD:NTD)	16,077

Financial liabilities

Monetary items			
USD	7,506	30.7100 (USD:NTD)	230,501
USD	3,193	6.9646 (USD:RMB)	98,065

June 30, 2022

	<b>Foreign Currency (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount (In Thousands)</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 36,721	29.7200 (USD:NTD)	\$ 1,091,351
JPY	81,711	0.2182 (JPY:NTD)	17,829
USD	10,316	6.7114 (USD:RMB)	306,590
RMB	6,048	4.4283 (RMB:NTD)	26,782
EUR	572	24.7325 (EUR:CZK)	17,748
Non-monetary items			
USD	707	29.7200 (USD:NTD)	21,005

Financial liabilities

Monetary items			
USD	8,363	29.7200 (USD:NTD)	248,553
USD	1,723	6.7114 (USD:RMB)	51,219

### 30. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and investees:

- 1) Financing provided to others (None)
- 2) Endorsements/guarantees provided (None)

- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures) (Table 1)
  - 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (None)
  - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
  - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
  - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 2)
  - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 3)
  - 9) Trading in derivative instruments (None)
  - 10) Intercompany relationships and significant intercompany transactions (Table 6)
- b. Information on investees (Table 4)
- c. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 5)
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
    - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (Table 7)
    - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (None)
    - c) The amount of property transactions and the amount of the resultant gains or losses. (None)
    - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes. (None)
    - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds. (None)
    - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receiving of services. (None)
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 8)

### 31. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Group's reportable segments under IFRS 8 "Operating Segments" are described below.

#### Segments, Revenues and Results

The following is an analysis of the Group's revenues and results from continuing operations by reportable segment:

	<b>Optical Fiber Component</b>	<b>Radio Frequency Connector</b>	<b>Total</b>
<u>For the six months ended June 30, 2023</u>			
Segment revenues	<u>\$ 973,075</u>	<u>\$ 357,738</u>	<u>\$ 1,330,813</u>
Segment income (loss)	<u>\$ 96,207</u>	<u>\$ (5,188)</u>	\$ 91,019
Interest income			8,379
Other income			970
Other gains and losses			27,322
Finance costs			(6,426)
Share of associate's loss accounted for using the equity method			<u>(7,141)</u>
Profit before tax (continuing operations)			<u>\$ 114,123</u>
<u>For the six months ended June 30, 2022</u>			
Segment revenues	<u>\$ 1,041,812</u>	<u>\$ 434,851</u>	<u>\$ 1,476,663</u>
Segment income (loss)	<u>\$ 146,570</u>	<u>\$ (18,025)</u>	\$ 128,545
Interest income			991
Other income			4,225
Other gains and losses			81,058
Finance costs			(3,901)
Share of associate's loss accounted for using the equity method			<u>(485)</u>
Profit before tax (continuing operations)			<u>\$ 210,433</u>

The segment revenues were all generated from external customers. There were no inter-segment transactions for the six months ended June 30, 2023 and 2022.

Segment profit represented the profit before tax earned by each segment without other income, other gains and losses and finance costs. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance. However, the measure of segment assets was not provided to the chief operating decision maker.

**TABLE 1**

**EZCONN CORPORATION AND SUBSIDIARIES**

**MARKETABLE SECURITIES HELD**  
**JUNE 30, 2023**  
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	June 30, 2023				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
EZconn Corporation	Enablence Technology Inc. - ordinary shares	-	Investments in equity instruments at FVTOCI - non-current	1	\$ -	-	\$ -	2
	Lightel Technologies Inc. - preference shares	-	As above	1,250	16,302	4.79	16,302	-
	OpXion Tech. Incorporation - ordinary shares	-	As above	6,000	8,153	17.14	8,153	-

Note 1: The marketable securities were not pledged.

Note 2: The carrying amount was zero as of June 30, 2023 due to the impairment loss recognized in prior years.



**TABLE 2**

**EZCONN CORPORATION AND SUBSIDIARIES**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE SIX MONTHS ENDED JUNE 30, 2023  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
EZconn Corporation	Light Master Technology (Ningbo) Inc.	Sub-subsidiary	Purchases	\$ 281,370 (US\$ 9,210 thousand)	51	T/T 90 days	-	-	\$ (175,377) (US\$ 5,632 thousand)	57	

Note: All intercompany transactions have been eliminated upon consolidation.

**TABLE 3**

**EZCONN CORPORATION AND SUBSIDIARIES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
JUNE 30, 2023  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period (Notes 2 and 3)	Allowance for Impairment Loss
					Amount	Actions Taken		
Light Master Technology (Ningbo) Inc.	EZconn Corporation	Parent company	Trade receivables from related parties \$ 175,377 (US\$ 5,632 thousand)	-	\$ -	-	\$ 48,809	Note 1

Note 1: No impairment loss was recognized on trade receivables from related parties.

Note 2: Subsequent period was from July 1, 2023 to August 14, 2023.

Note 3: All intercompany transactions have been eliminated upon consolidation.

TABLE 4

EZCONN CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES  
FOR THE SIX MONTHS ENDED JUNE 30, 2023  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of June 30, 2023			Net Income (Loss) of the Investee (Foreign Currencies in Thousands)	Share of Profit (Loss)	Note
				June 30, 2023 (Foreign Currencies in Thousands)	December 31, 2022 (Foreign Currencies in Thousands)	Number of Shares (In Thousands)	%	Carrying Amount (Foreign Currencies in Thousands)			
EZconn Corporation	EC-Link Technology Inc.	Samoa Islands	Investment	\$ 679,543	\$ 679,543	-	100.00	\$ 798,992	\$ 33,904 (US\$ 1,110)	\$ 34,063	2
	EZconn Europe GmbH	Germany	Manufactures and sale of precision metal components and optical fiber components of various electronic products	185,143	185,143	-	100.00	82,747	(7,307) (US\$ -239)	(7,307)	2
	AuthenX Inc.	Taiwan	Manufacturing of electronic products	61,015	61,015	7,625	29.52	49,272	(16,464)	(7,141)	3
EC-Link Technology Inc.	Light Master Technology Inc.	Samoa Islands	Investment	712,390 (US\$ 22,877)	712,390 (US\$ 22,877)	-	100.00	770,234 (US\$ 24,735)	33,903 (US\$ 1,110)		
EZconn Europe GmbH	EZconn Czech a.s.	Czech	Manufacturing of various optical fiber components	64,577 (EUR 1,910)	64,577 (EUR 1,910)	-	100.00	84,840 (EUR 2,509)	(5,933) (EUR -180)		
EZconn Czech a.s.	EZconn technologies CZ s.r.o.	Czech	Manufacturing and research of optical communication components	14,276 (CZK 10,000)	14,276 (CZK 10,000)	-	100.00	10,178 (CZK 7,129)	(816) (CZK -586)		

Note 1: For information on invested company in mainland China, please refer to Table 5.

Note 2: All intercompany transactions have been eliminated upon consolidation.

Note 3: Please refer to Note 12 for more information.

TABLE 5

EZCONN CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE SIX MONTHS ENDED JUNE 30, 2023  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital (Foreign Currencies in Thousands) (Note 3)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2023 (Foreign Currencies in Thousands) (Note 3)	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of June 30, 2023 (Foreign Currencies in Thousands) (Note 3)	Net Income (Loss) of the Investee (Foreign Currencies in Thousands) (Notes 4 and 6)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Foreign Currencies in Thousands) (Notes 4, 6, 7 and 8)	Carrying Amount as of June 30, 2023 (Foreign Currencies in Thousands) (Notes 3, 6 and 8)	Accumulated Repatriation of Investment Income as of June 30, 2023 (Note 2)
					Outflow	Inflow						
Light Master Technology (Ningbo) Inc.	Manufacture and sale of optical fiber components and cable connector	\$ 467,100 (US\$ 15,000)	Note 1	\$ 658,206 (US\$ 21,137)	\$ -	\$ -	\$ 658,206 (US\$ 21,137)	\$ 33,154 (US\$ 1,085)	100	\$ 33,903 (US\$ 1,110)	\$ 767,507 (US\$ 24,647)	\$ 437,137

Accumulated Outward Remittance for Investment in Mainland China as of June 30, 2023 (Foreign Currencies in Thousands) (Note 3)	Investment Amounts Authorized by Investment Commission, MOEA (Foreign Currencies in Thousands) (Notes 1 and 3)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$658,206 (US\$21,137)	\$710,833 (US\$22,827)	\$1,146,845 (Note 5)

Note 1: The Company indirectly invested in Light Master Technology (Ningbo) Inc. through EC-Link Technology Inc. by investing via 3rd region. The amount included capital surplus of US\$1,690 thousand of Light Master Technology (Ningbo) Inc.

Note 2: The board of directors of Light Master Technology (Ningbo) Inc. adopt a resolution to distribute dividends in cash of \$118,359 thousand (RMB27,301 thousand), \$81,943 thousand (RMB19,074 thousand), \$119,269 thousand (RMB28,528 thousand), \$117,566 thousand (RMB27,063 thousand) on November 2018, 2019, September 2020, and October 2021, respectively. The Company repatriated of Investment Income through EC-Link Technology Inc for the year ended December 31, 2019, March and December 2021. The accumulated repatriation of investment income as of June 30, 2023 was \$437,137 thousand.

Note 3: The calculation was based on the spot exchange rate of June 30, 2023.

Note 4: The calculation was based on the average exchange rate from January 1, 2023 to June 30, 2023.

Note 5: The calculation was based on 60% of the Company’s net worth on June 30, 2023.

Note 6: The basis for investment income (loss) recognition is the financial statements reviewed and attested by parent company’s CPA in the ROC.

Note 7: The share of profits/losses of investee included the effect of unrealized gross profit on intercompany transaction.

Note 8: All intercompany transactions have been eliminated upon consolidation.

**TABLE 6**

**EZCONN CORPORATION AND SUBSIDIARIES**

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS  
FOR THE SIX MONTHS ENDED JUNE 30, 2023  
(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transactions Details			
				Financial Statement Account	Amount (Note 3)	Payment Terms	% to Total Sales or Assets (Note 4)
0	EZconn Corporation	Light Master Technology (Ningbo) Inc.	a	Trade payables to related parties	\$ 175,377	No significant difference to others	5.26
		Light Master Technology (Ningbo) Inc.	a	Cost of goods sold	281,370	No significant difference to others	21.14
		Light Master Technology (Ningbo) Inc.	a	Other payables to related parties	629	No significant difference to others	0.02
1	EZconn Europe GmbH	EZconn Czech a.s.	c	Other income	498	No significant difference to others	0.04
2	EZconn Czech a.s.	EZconn Technologies CZ s.r.o.	c	Trade payables to related parties	537	No significant difference to others	0.02
		EZconn Technologies CZ s.r.o.	c	Cost of goods sold	3,350	No significant difference to others	0.25
3	Light Master Technology (Ningbo) Inc.	EZconn Czech a.s.	c	Sales revenue	514	No significant difference to others	0.04

Note 1: The information about the transactions between the Company and the subsidiaries are marked in the note column as follows:

- a. The Company: 0.
- b. The subsidiaries were marked in numerical order from 1.

Note 2: Investment types as follows:

- a. The Company to the subsidiaries.
- b. The subsidiaries to the Company.
- c. Between the subsidiaries.

Note 3: All intercompany transactions have been eliminated upon consolidation.

Note 4: The ratio of transaction amounts to total sales revenue or assets is calculated as follows: (1) asset or liability: The ratio was calculated based on the ending balance over the total consolidated assets; (2) income or loss: The ratio was calculated based on the midterm accumulated amounts over the total consolidated sales revenue.

**TABLE 7**

**EZCONN CORPORATION AND SUBSIDIARIES**

**SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES  
FOR THE SIX MONTHS ENDED JUNE 30, 2023  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
		Amount	% to Total		Payment Term	Comparison with Normal Transaction	Ending Balance	% to Total		
Light Master Technology (Ningbo) Inc.	Purchases	\$ 281,370	51	No significant difference to others	No significant difference to others	No significant difference to others	\$ (175,377)	57	\$ 1,484	

Note: All intercompany transactions have been eliminated upon consolidation.

**TABLE 8****EZCONN CORPORATION AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS****JUNE 30, 2023**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
CabTel Corporation Investment Accounts commissioned to CTBC Bank	6,295,555	9.49
TMX LLC Investment Accounts commissioned to CTBC Bank	3,579,828	5.39
EGTRAN Corporation	3,565,741	5.37

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

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