

**G-TECH Optoelectronics Corporation and
Subsidiaries**

**Consolidated Financial Statements and
Independent Auditor's Report**

2021 and 2022

**Company Address: 99 Zhongxing Rd., Tongluo Township, Miaoli County
TEL: (037)236-988**

Table of Contents

<u>Item</u>	<u>Page No.</u>
I.Cover Page	1
II.Table of Contents	2
III.Declaration	3
IV.Independent Auditor’s Report	4
V.Consolidated Balance Sheet	5
VI.Consolidated Statements of Comprehensive Income	6
VII.Consolidated Statements of Changes in Equity	7
VIII.Consolidated Statements of Cash Flows	8
IX.Notes to the Consolidated Financial Statements	
(I) Company Profile	9
(II) Date and Procedure for Approval of Financial Statements	9
(III) Application of New and Revised Standards, Amendments and Interpretations	9~10
(IV) Summary of Significant Accounting Policies	11~24
(V) Critical Accounting Judgments and Key Sources of Estimation Uncertainty	24~25
(VI) Description of Significant Accounts	25~49
(VII) Related Party Transactions	49~51
(VIII) Pledged Assets	52
(IX) Significant Contingent Liabilities and Unrecognized Commitments	52
(X) Significant Disaster Loss	52
(XI) Significant Subsequent Events	52
(XII) Others	52
(XIII) Separately Disclosed Items	
1. Significant transactions information	53
2. Information on investees:	53
3. Information on investments in China	54
4. Information on major shareholders	54
(XIV) Information on Segments	54~56

Declaration

From January 1 to December 31, 2022, the companies which should be included in preparing the affiliates' consolidated financial statements as specified by the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those to be included in preparing consolidated financial statements of the parent company and its subsidiaries under IFRS 10 recognized by the FSC. Besides, related information which should be disclosed in the affiliates' consolidated financial statements has been disclosed in the previously disclosed consolidated financial statements of the parent company and its subsidiaries. Therefore, the affiliates' consolidated financial statements have no longer been additionally prepared.

Declared by

Company Name: G-TECH Optoelectronics

Corporation

Chairman of the Board: Chung, Chih-Ming

Date: March 10, 2023

Independent Auditor's Report

The Board of Directors G-TECH Optoelectronics Corporation

Verification Opinion

We have audited the accompanying consolidated financial statements of G-TECH Optoelectronics Corporation and its subsidiaries (the "Group") which comprise the consolidated balance sheets for the years ended December 31, 2022 and 2021, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows and notes to consolidated financial statements, including a summary of significant accounting policies, for the years ended December 21, 2022 and 2021.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years ended December 21, 2022 and 2021 in accordance with the regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRS Interpretations (IFRIC) and SIC Interpretations (SIC) endorsed and issued into effects by the Financial Supervisory Commission.

Basis for Opinion

We perform audits according to the Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Norms for Professional Ethics for Certified Public Accountants and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the Group for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a

whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters for the audit of the financial statements are stated as follows:

I. Revenue Recognition

Please refer to Note 4(16) of the consolidated financial statements for the detailed accounting policy on revenue recognition. Please refer to Note 6(18) of the consolidated financial statements for detailed descriptions of the revenue recognition.

Description of Key Audit Matters:

The revenue of the Group mainly comes from product sales to customers, and the sales contract with customers involve different types of transaction terms. For the recognition of sales revenue, the product control transfer status is determined according to the transaction terms of each individual sales contract. Accordingly, the test of the recognition of revenue is identified as a key audit matter for the execution of the audit of the financial statements of the Group.

Corresponding Audit Procedures:

- Evaluate if the accounting policies for income recognition are appropriate;
- Understand and test main income patterns, transaction models, contract terms, transaction conditions, related internal control designs and implementations of the Company to confirm if they are effective;
- Take samples for thorough tests and check all forms to confirm authenticity of transactions. A period before and after the financial reporting date, carry out cutoff tests, take samples and obtain related certificates, to confirm if the recognized time points of transactions are reasonable;
- In addition, a period before and after the financial reporting date, check the discounts and refunds that the Company has to offer to the customers according to the sales contracts, to confirm if there are material sales returns and discounts, in order to confirm authenticity of the transactions; and
- Learn about the accrued discounts estimated by the authorities and reconcile them with related internal or external data to evaluate whether related parameters and main hypotheses are reasonable. Review the estimates of previous years' accrued discounts to confirm if they are correct, and evaluate if the accrued discounts estimated by the authorities are appropriate.

II. Investment Property Fair Value Evaluation

Please refer to Note 4(10) of the consolidated financial statements for detailed accounting policy on investment property fair value evaluation. Please refer to Note 5(2) of the consolidated financial statements for detailed accounting estimation and assumption uncertainty for the investment property fair value. Please refer to Note 6(6) of the consolidated financial statements for details of the investment property.

Description of Key Audit Matters:

The investment property is an important asset for operations of the Company, and accounts for 26% of the total consolidated assets. The accounting of the Company is performed according to International Accounting Standard 40 at fair value, and subsequent changes in fair value are recognized as profit or loss of the current period. Since the Group uses the recommendations of external real estate appraiser reports as the basis for the evaluation of the investment property fair value, the neighborhood rental market prices referenced and financial information related to the investment property rental provided by the Group for the execution of the appraisal procedure may involve material judgment and estimation uncertainty. Accordingly, any inappropriate evaluation of the fair value change may result in misstatement of the financial statements. Accordingly, the investment property fair value evaluation is identified as a key audit matter for the execution of the audit of the financial statements of the Group.

Corresponding Audit Procedures:

- Assess the professionalism, objectiveness and experience of the real estate appraiser retained by the Group to be in charge of the fair value measurement.
- Verify the rationality of the material assumptions and critical judgments adopted in its appraisal report, and review the lease agreements and comparison with relevant market information, in order to determine whether the future cash flow, income and discount rate have been handled according to the regulations.
- Verify the appraisal report and relevant accounting records in order to determine the accuracy of accounting procedures.

Other Matters

G-TECH Optoelectronics Corporation has prepared the parent company only financial statements for 2022 and 2021, to which we have issued an independent auditor's report with unqualified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission, and for necessary internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the responsibilities of the management also include assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance means high assurance, and in performing audits according to the auditing standards, it cannot be guaranteed that material misstatements can always be detected in the standalone financial reports. Misstatement can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

In conducting audits according to the auditing standards, we make professional judgments and remain professionally skeptical. We also:

1. Identify and evaluate risks of material misstatements in consolidated financial statements resulting from frauds or errors; design and implement appropriate countermeasures for the evaluated risks; obtain sufficient and appropriate audit evidences as bases of audit opinions. 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. Acquire necessary understanding about internal controls critical for auditing, to design appropriate auditing procedures suitable for the current circumstances, but the purpose is not to express opinions regarding effectiveness of the Company's internal controls.
3. Evaluate whether the accounting policies adopted by the management, accounting estimates and related disclosures are appropriate.
4. Based on the obtained audit evidences, reach conclusions regarding appropriateness of the going concern basis of accounting adopted by the management, and whether material uncertainties exist in the events or circumstances which might cause major doubts about the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then relevant disclosures of the consolidated financial statements are required to be provided in our audit report to allow users of consolidated financial statements to be aware of such events or circumstances, or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate overall expressions, structures and contents of the consolidated financial statements (including related notes), and whether relevant transactions and events are fairly presented in the consolidated financial statements.
6. For the financial information of the Company's individual members, obtain sufficient and

appropriate auditing evidences to express opinions on the consolidated financial statements. We handle the guidance, supervision and execution of the audit on the Group and are responsible for preparing the opinion on the Group.

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 have also provided the governance body with a declaration of independence stating that all relevant personnel of the accounting firm have complied with auditors' professional ethics, and communicated with the governance body on all matters that may affect the auditor's independence (including protection measures).

From the matters communicated with those charged with governance, we determine those matters that were of most significant in the audit of the Group's 2022 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation preclude 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 could reasonably be expected to outweigh the public interest benefits of such communication.

KPMG

CPA:

Certificate No.	Jin Guan Zheng Liu Zi
Approved by	No.0940129108
the Competent	Jin Guan Zheng Shen Zi
Authority of	No.1020000737
Securities	
March 10, 2023	

G-TECH Optoelectronics Corporation and Subsidiaries
Consolidated Balance Sheet
As of December 31, 2021 and 2022

Unit: NT\$ thousand

		December 20, 2022		December 31, 2021				December 20, 2022		December 31, 2021	
		Amount	%	Amount	%			Amount	%	Amount	%
Assets											
Current assets:											
1100	Cash and cash equivalents (Note 6(1) and (20))	\$ 682,275	16	621,683	14	2100	Short-term borrowings (Note 6(8) and (20))	\$ 393,792	10	534,361	12
1170	Net notes and accounts receivable (Note 6(2), (18) and (20))	332,727	8	536,367	12	2130	Contract liabilities - current (Note 6(18))	13,518	-	4,661	-
1180	Net notes and accounts receivable - related parties (Note 6(2), (18) and (20) and 7)	130,468	3	123,124	3	2170	Notes and accounts payable (Note 6(20))	89,763	2	168,935	4
1220	Current income tax assets	373	-	5	-	2180	Notes and accounts payable - related parties (Note 6(20) and 7)	227,874	5	178,333	4
130X	Inventories (Note 6(3))	187,261	4	211,533	5	2219	Other payables (Note 6(20) and 7)	105,558	2	121,801	3
1476	Other financial assets - current (Note 6(7), (20), 7 and 8)	120,701	3	96,882	2	2213	Payables on equipment (Note 6(20) and (23))	4,977	-	3,303	-
1479	Other current assets - others	14,011	-	21,381	-	2250	Liability reserve - current (Note 6(12))	26,174	1	42,970	1
	Total current assets	1,467,816	34	1,610,975	36	2280	Lease liabilities - current (Note 6(20) and 7)	14,800	-	56,792	1
						2322	Long-term borrowings due in one year or one business cycle (Note 6(9) and (20))	214,684	5	273,781	6
						2399	Other current liabilities - others	35	-	57	-
Non-current assets:											
1510	Financial asset at fair value through profit or loss – Non-current (Note 6(10), and (20))	-	-	1,250	-		Total current liabilities	1,091,175	25	1,384,994	31
1551	Investment accounted for under the equity method (Note 6(4))	51,990	1	47,814	1		Non-current liabilities:				
1600	Property, plant and equipment (Note 6(5), (23), 8 and 9)	1,262,303	29	1,228,620	27	2530	Corporate bonds payable (Note 6(10) and (20))	492,797	11	487,048	11
1755	Right-of-use assets(Note 7)	46,093	1	115,575	3	2540	Long-term borrowings (Note 6(9) and (20))	1,228,156	29	1,065,449	24
1760	Net investment property (Note 6(6) and 8)	1,145,991	26	1,138,062	25	2550	Liability reserve - non-current	18,300	-	18,300	-
1780	Intangible Assets	2,028	-	5,163	-	2570	Deferred income tax liabilities (Note 6(13))	53,846	1	53,451	1
1840	Deferred income tax assets (Note 6(13))	5,037	-	4,643	-	2580	Lease liabilities - non-current (Note 6(20) and 7)	313	-	51,821	1
1915	Prepayments for equipment (Note 8 and 9)	94,441	2	157,805	4		Total non-current liabilities	1,793,412	41	1,676,069	37
1980	Other financial assets - non-current (Note 6(7) and (20) and 8)	287,347	7	183,915	4		Total liabilities	2,884,587	66	3,061,063	68
	Total non-current assets	2,895,230	66	2,882,847	64		Owner's equity attributable to parent company (Note 6 (14) and (15)):				
						3100	Share capital	2,241,856	51	2,063,936	46
						3200	Capital surplus	196,778	5	18,948	-
						3300	Losses to be covered	(1,440,223)	(33)	(1,124,630)	(25)
						3400	Other equity	480,048	11	474,505	11
							Total equity	1,478,459	34	1,432,759	32
	Total Assets	\$ 4,363,046	100	4,493,822	100		Total liabilities and equity	\$ 4,363,046	100	4,493,822	100

(For details, please refer to the notes attached to the consolidated financial statements)

Chairman of the Board: Chung, Chih-Ming

Managerial Officer: Chung, Chih-Ming

Accounting Officer: Tai-Chiu Wu

G-TECH Optoelectronics Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
From January 1 to December 31, 2021 and 2022

Unit: NT\$ thousand

		2022		2021	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Operating revenues (Note 6(18) and 7)	\$ 2,430,202	100	2,613,833	100
5000	Operating costs (Note 6 (3) and (12))	<u>2,552,312</u>	<u>105</u>	<u>2,576,766</u>	<u>99</u>
	Gross profit (loss)	<u>(122,110)</u>	<u>(5)</u>	<u>37,067</u>	<u>1</u>
	Operating expenses (Note 6 (2), (12) and 7):				
6100	Selling and marketing expenses	36,486	2	30,950	1
6200	Administrative expenses	151,944	6	145,372	6
6300	Research and development expenses	62,314	3	64,105	2
6450	Estimated credit impairment losses (recovery gains) (Note 6 (2))	<u>24,247</u>	<u>1</u>	<u>(4,943)</u>	<u>-</u>
	Total operating expenses	<u>274,991</u>	<u>12</u>	<u>235,484</u>	<u>9</u>
	Net operating loss	<u>(397,101)</u>	<u>(17)</u>	<u>(198,417)</u>	<u>(8)</u>
	Non-operating income and expense:				
7100	Interest income (Note 6(19))	5,104	-	19,991	-
7020	Other gains and losses (Note 6) (6), (10) and (19))	121,066	5	95,171	4
7050	Finance costs (Note 6(10), (19) and 7)	(45,054)	(2)	(38,904)	(1)
7060	Share of profit or loss on of associated companies and joint ventures accounted for using the equity method (Note 6(4))	<u>392</u>	<u>-</u>	<u>1,351</u>	<u>-</u>
	Total non-operating income and expenses	<u>81,508</u>	<u>3</u>	<u>77,609</u>	<u>3</u>
	Net loss before tax from continuing operating segments	<u>(315,593)</u>	<u>(14)</u>	<u>(120,808)</u>	<u>(5)</u>
7950	Less: Income tax expenses (Note 6(13))	<u>-</u>	<u>-</u>	<u>(13)</u>	<u>-</u>
	Net loss of current period	<u>(315,593)</u>	<u>(14)</u>	<u>(120,795)</u>	<u>(5)</u>
8300	Other comprehensive income:				
8360	Items that may subsequently be reclassified to profit or loss (Note 6(14))				
8361	Difference in exchange from the conversion of financial statements of overseas operating entities	6,965	-	(2,274)	-
8370	Share of other comprehensive income of associated companies and joint ventures accounted for using the equity method	(1,422)	-	340	-
8399	Less: Income tax related to items that may be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Total of items that may subsequently be reclassified to profit or loss	<u>5,543</u>	<u>-</u>	<u>(1,934)</u>	<u>-</u>
8300	Other comprehensive income (loss) of current period	<u>5,543</u>	<u>-</u>	<u>(1,934)</u>	<u>-</u>
8500	Total comprehensive income of current period	<u>\$ (310,050)</u>	<u>(14)</u>	<u>(122,729)</u>	<u>(5)</u>
	Loss per share (Note 6 (16))				
9710	Basic loss per share (Unit: NT\$)	<u>\$ (1.45)</u>		<u>(0.59)</u>	

(For details, please refer to the notes attached to the consolidated financial statements)

Chairman of the Board: Chung, Chih-Ming Managerial Officer: Chung, Chih-Ming Accounting Officer: Tai-Chiu Wu

G-TECH Optoelectronics Corporation and Subsidiaries
Consolidated Statements of Changes in Equity
From January 1 to December 31, 2021 and 2022

Unit: NT\$ thousand

	Common share capital	Capital surplus	Losses to be covered	Difference in exchange from the conversion of financial statements of overseas operating entities	Other equity		Total	Total equity
					Revalued amount of property			
Balance on January 1, 2021	\$ 2,063,936	16,711	(1,019,793)	163,752	312,687		476,439	1,537,293
Net loss of current period	-	-	(120,795)	-	-	-	-	(120,795)
Other comprehensive income (loss) of current period	-	-	-	(1,934)	-	-	(1,934)	(1,934)
Total comprehensive income of current period	-	-	(120,795)	(1,934)	-	-	(1,934)	(122,729)
Other capital surplus changes:								
Items of the -equity recognized due to issuance of convertible corporate bonds(preferred share))	-	12,724	-	-	-	-	-	12,724
Covering loss from capital surplus	-	(15,958)	15,958	-	-	-	-	-
Share-based compensation	-	5,471	-	-	-	-	-	5,471
Balance on December 31, 2021	2,063,936	18,948	(1,124,630)	161,818	312,687		474,505	1,432,759
Net loss of current period	-	-	(315,593)	-	-	-	-	(315,593)
Other comprehensive income (loss) of current period	-	-	-	5,543	-	-	5,543	5,543
Total comprehensive income of current period	-	-	(315,593)	5,543	-	-	5,543	(310,050)
Cash capital increase	170,000	170,000	-	-	-	-	-	340,000
Employees' exercising of stock options for issuing new shares	7,920	237	-	-	-	-	-	8,157
Share-based compensation	-	7,593	-	-	-	-	-	7,593
Balance on December 31, 2022	\$ 2,241,856	196,778	(1,440,223)	167,361	312,687		480,048	1,478,459

(For details, please refer to the notes attached to the consolidated financial statements)

Chairman of the Board: Chung, Chih-Ming

Managerial Officer: Chung, Chih-Ming

Accounting Officer: Tai-Chiu Wu

G-TECH Optoelectronics Corporation and Subsidiaries
Consolidated Statements of Cash Flows
From January 1 to December 31, 2021 and 2022

Unit: NT\$ thousand

	2022	2021
Cash Flows from Operating Activities:		
Net loss before tax in the period	\$ (315,593)	(120,808)
Adjustments:		
Income/expenses items		
Depreciation expense	194,609	206,542
Amortizations	4,940	4,691
Estimated credit impairment losses (recovery gains)	24,247	(4,943)
Net loss on financial asset or financial liability at fair value through profit or loss	1,250	726
Investment income recognized under the equity method	(392)	(1,351)
Loss (gain) on disposal and retirement of property, plant and equipment	22,947	(985)
Interest expense	45,055	38,904
Interest income	(5,104)	(19,991)
Share-based payment cost	7,593	5,471
Impairment loss on property, plant, and equipment	-	20,215
Gain on fair value adjustment of investment property	(7,929)	(22,994)
Gains from leasehold improvements	(415)	-
Total adjustments to reconcile profit and loss	286,801	226,285
Change in assets/liabilities relating to operating activities:		
Notes and accounts receivable (including related parties)	154,832	13,075
Inventories	24,272	(54,834)
Other current assets	7,419	15,569
Other financial assets	(86)	7,745
Contract liabilities - current	8,844	(2,896)
Notes and accounts payable (including related parties)	(31,369)	61,017
Other payables	(16,541)	15,121
Liability reserve - current	(16,796)	27,039
Other current liabilities - others	(23)	12
Total net changes in assets and liabilities related to operating activities	130,552	81,848
Total adjustments	417,353	308,133
Cash inflow generated by operating activities	101,760	187,325
Interest received	24,065	1,933
Interest paid	(37,695)	(33,934)
(Paid) refunded income taxes	(367)	238
Net cash inflow generated by operating activities	87,763	155,562

G-TECH Optoelectronics Corporation and Subsidiaries
Consolidated Statements of Cash Flows (continued)
From January 1 to December 31, 2021 and 2022

Unit: NT\$ thousand

	<u>2022</u>	<u>2021</u>
Cash flow from investing activities:		
Acquisition of financial assets at fair value through profit or loss	-	(14,078)
Disposal of financial assets at fair value through profit or loss	-	14,352
Property, plant and equipment acquired	(67,473)	(27,498)
Disposal of property, plant and equipment	3,827	985
Acquisition of intangible assets	(1,805)	(2,908)
Increase in other financial assets	(127,157)	(177,337)
Increase in prepayments for equipment	(72,370)	(162,010)
Net cash used in investing activities	<u>(264,978)</u>	<u>(368,494)</u>
Cash flows from financing activities:		
Increase in short-term borrowings	907,631	1,193,541
Decrease in short-term borrowings	(1,048,200)	(1,228,957)
Proceeds from issuing bonds	-	493,178
Proceeds from long-term borrowings	422,000	196,000
Repayments of long-term borrowings	(318,390)	(258,296)
Lease principle repayment	(74,907)	(59,706)
Cash capital increase	340,000	-
Employee stock options	8,157	-
Net cash inflow from financing activities	<u>236,291</u>	<u>335,760</u>
Effect of exchange rate changes on cash and cash equivalents	1,516	(649)
Increase of cash and cash equivalents in current period	60,592	122,179
Balance of cash and cash equivalents at beginning of period	<u>621,683</u>	<u>499,504</u>
Balance of cash and cash equivalents at end of period	<u>\$ 682,275</u>	<u>621,683</u>

(For details, please refer to the notes attached to the consolidated financial statements)

Chairman of the Board: Chung, Chih-Ming Managerial Officer: Chung, Chih-Ming Accounting Officer: Tai-Chiu Wu

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

G-TECH Optoelectronics Corporation and Subsidiaries Notes to the Consolidated Financial Statements 2021 and 2022

(Unless otherwise specified, all amounts shall be denominated in NT\$ thousand)

I. Organization and Business Scope

G-TECH Optoelectronics Corporation (“the Company”) was established on June 27, 1996 with the approval of the Ministry of Economic Affairs, with the registered place at No. 99 Zhongxing Rd., Tongluo Township, Miaoli County. The main businesses of the Company and its subsidiaries (hereinafter collectively referred to as “the consolidated company”) are manufacturing glass, glass products and electronic components as well as conducting international trade, etc.

II. Date and Procedure for Approval of Financial Statements

These consolidated financial statements were published with the approval of the Board of Directors on March 10, 2023.

III. Application of New and Revised Standards, Amendments and Interpretations

(I) Adopted newly promulgated and amended criteria recognized by the Financial Supervisory Commission (“FSC”), and explanation of their impacts

The Company has adopted the following newly amended IFRSs since January 1, 2022, which has imposed no material impact upon the consolidated financial statements.

- Amendments to IAS 16 “Property, Plant and Equipment — Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts — Cost of Fulfilling a Contract”
- IFRS 2018-2020 Annual Improvements
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(II) Effect of not adopting the IFRS endorsed by the FSC

The consolidated company adopts the following newly amended IFRSs which have entered into force since January 1, 2023 in its evaluation, which will impose no material impact upon the consolidated financial statements.

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”

(III) New standards and Interpretations not yet endorsed by the FSC

The standards and interpretations issued by the IASB but not yet endorsed and issued into effect by the FSC that may be relevant to the Group are as follows:

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

Newly promulgated or amended standards	Main amendments	Effective date of publication by FSC
Amendment to IAS 1 “Classification of Liabilities as Current or Non-current”	According to IAS 1 in force, the liabilities for which an enterprise is not entitled to unconditionally extend the term of repayment to at least 12 months after the reporting period shall be classified as current. In the amended clause, such right is no longer specified to be unconditional. Instead, it is stipulated that the right shall exist and substantive on the end date of the reporting period. The amended clauses specifies how an enterprise shall classify its liabilities repaid by issuing its own equity instruments (e.g. convertible corporate bonds)	January 1, 2024
Amendments to IAS 1 “Liabilities with Covenants”	After reconsidering certain aspects of the 2020 amendment to IAS1, it is specified in the newly amended clause that only the covenants followed on or before the reporting date impact the classification of liabilities as current or non-current. The covenants which shall be obeyed by an enterprise after the reporting date (namely the future covenants) do not impact the classification of liabilities on that day. Only when the non-current liabilities are subject to the future covenants shall an enterprise disclose information to help the users of its financial statements understand the risk that such liabilities might be repaid within 12 months after the reporting date.	January 1, 2024

The Group is currently assessing the impact of the aforementioned standards and interpretations on the financial status and business results of the Group, and relevant impacts will be disclosed after the completion of the assessment.

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

The following newly promulgated and amended standards not yet approved are not expected to have material impact on the consolidated financial statements of the Group.

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”
- Amendments to IFRS 17 “Insurance Contracts” and IFRS 17
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”
- Amendments to IFRS 16 “Provisions for Sale and Leaseback Transactions”

IV. Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of the consolidated financial statements are summarized as follows. The following accounting policies have been applied consistently throughout the presented periods in the consolidated financial statements.

(I) Statement of Compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (referred to as the “Regulations”) and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs” endorsed and issued into effect by the FSC).

(II) Basis of Preparation

1. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following significant balance sheet items.

- (1) Financial assets at fair value through profit or loss
- (2) Investment property at fair value

2. Functional and presentation currencies

The functional currency of each entity of the Group is determined based on the currency of the primary economic environment in which it operates. These consolidated financial statements are presented in New Taiwan Dollars, which is the Group’s functional currency. All financial information is presented in NT\$ thousand.

(III) Basis of Consolidation

1. Principles for preparing the consolidated financial statements

The consolidated financial statements incorporate the financial statements of the

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

Company and the entities controlled by the Company (i.e. subsidiaries). The Company controls an invested entity when the Company is exposed, or has rights, to variable returns from its involvement with the invested entity and has the ability to affect those returns through its power over the entity.

Consolidation of subsidiaries begins from the date when the Group obtains control of the subsidiaries and ceases on the date when the Group loses control of the subsidiaries. Transactions, balances or any unrealized gains and losses among the consolidated companies have been eliminated during the preparation of the consolidated financial statements. The total comprehensive income/loss of the subsidiaries are attributed to the owners and non-controlling interests of the Company respectively, and the same is true when the non-controlling interests consequently become loss balance.

Appropriate adjustments have been made to the financial statements of subsidiaries to allow their accounting policies to be consistent with those used by the Group.

Changes to the ownership interest of the subsidiaries made by the Group that have not caused the loss of the control over such subsidiaries, are handled as interest transactions with the owner. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognized directly in equity of the owner of the Company.

2. Subsidiaries included in the consolidated financial statements

The subsidiaries included in the consolidated financial statements are:

Investors	Subsidiaries	Business nature	Shareholding ratio		Explanations
			December 20, 2022	December 31, 2021	
The Company	Fast Achievement Global Ltd.	Holding	100.00%	100.00%	
"	Golden Start Global Corp.	"	100.00%	100.00%	
Golden Global	Charmtex Global Corp.	Holding	100.00%	100.00%	
Charmtex Global	Ruizhida Optoelectronics (Chengdu) Co., Ltd.	Produce and sell TFT - LCD materials	100.00%	100.00%	

3. Subsidiaries not included in the consolidated financial statements: None.

(IV) Foreign currency

1. Transactions in foreign currencies

Transactions in foreign currencies are translated to the functional currency at the exchange rate at the dates of the transactions. At the end of each subsequent reporting period (referred to as the "report date"), foreign currency items are translated to the functional currency at the exchange rate at that date. Non-monetary items measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

measured based on historical cost are translated using the exchange rate at the date of transaction.

The foreign exchange difference arising from the conversion is typically recognized in profit or loss; however, it shall be recognized under other comprehensive income for the following conditions:

- (1) Designated as equity instruments measured at fair value through other comprehensive profit or loss;
- (2) Designated as overseas operating entities' financial liabilities for evading risks of net investments within the effective scope of risk evasion: or
- (3) Qualified cash flow evading risks within the effective scope.

2. Overseas operating entities

The assets and liabilities of foreign operations include the reputation and fair value adjustment at the time of acquisition, and it is converted into NTD according to the exchange rate on the report date. The profit and loss items are converted into NTD according to the average exchange rate of the current period. The exchange difference generated is recognized as other comprehensive income.

In case of disposal of a foreign operation leading to loss of control, joint control or material impact, the accumulated exchange difference related to the foreign operation shall be reclassified as profit or loss in full. During partial disposal of subsidiaries involving foreign operations, relevant accumulated exchange difference shall be reclassified as non-controlling interest proportionally. During partial disposal of affiliated enterprise or joint venture investment involving foreign operations, relevant accumulated exchange difference shall be reclassified as profit or loss proportionally.

For monetary accounts receivable or payable of a foreign operation, if there is no repayment plan and repayment cannot be made in the foreseeable future, the foreign exchange profit or loss arising therefrom shall be treated as part of the net investment on such foreign operation and shall be recognized as other comprehensive income.

(V) Classification of current and non-current assets and liabilities

Assets satisfying one of the following criteria shall be classified as current assets; all other assets that are no current assets shall be classified as non-current assets:

1. The assets are expected to be realized in the normal course of business, or intended to be sold or consumed;
2. The assets are held mainly for trading;
3. The assets are expected to be realized within 12 months after the reporting period; or
4. The assets are cash or cash equivalents, except that they are subject to other restrictions

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

when exchanged or used for repaying liabilities at least 12 months after the reporting date.

Liabilities satisfying one of the following criteria shall be classified as current liabilities; all other liabilities that are not current liabilities shall be classified as non-current liabilities:

1. The liabilities are expected to be discharged in the normal course of business;
2. The liabilities are held mainly for trading;
3. The liabilities are expected to be discharged within 12 months after the reporting period;
or
4. The liabilities for which the Company is not entitled to unconditionally extend the term of repayment to at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issuing of equity instruments do not affect its classification.

(VI) Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents refer to short-term investments with high liquidity that are subject to insignificant risk of changes in their fair value and can be cashed into fixed amounts of money. The definition of time deposit is similar to that of cash equivalent; however, the purpose of holding time deposit is for short-term cash commitment rather than investment, to be classified as cash equivalents.

(VII) Financial instruments

Accounts receivable and debt securities are initially recognized upon receipt. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instruments. Financial assets not measured at fair value through profit or loss (excluding account receivables not containing a significant financial component) or financial liabilities were initially measured at fair value plus the transaction cost directly attributed to the acquisition or issuance thereof. Accounts receivable not containing a significant financial component were initially measured at the transaction price.

1. Financial assets

For the purchase or sale of financial assets complying with regular trading, the Group uses the same method to classify the financial assets. All of the purchases and sales of financial assets are recognized using trade-date or settlement-date accounting.

During the initial recognition, the financial assets are classified as: financial assets measured at amortized cost or financial assets at fair value through profit or loss.

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

The Group reclassifies all affected financial assets starting on the first day of the next reporting period only when it changes its business model for managing its financial assets.

(1) Financial assets measured at amortized costs

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as measured at fair value through profit or loss:

- The financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principle and interest on the outstanding principle amount.

Such assets subsequently use the initially recognized amount plus or less the accumulated amortized value using the effective interest method, and adjust any allowance loss measured at amortized cost. Interest income, foreign exchange gains and losses and impairment losses are recognized in profit or loss. Gains or losses on derecognition are recognized in profit or loss.

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

The financial instruments that are not measured at amortized cost or measured at fair value through other comprehensive income as described above are measured at fair value through profit or loss, including derivative financial assets. When making initial recognition, the Group may irrevocably recognize the financial assets that qualify as financial assets measured at amortized cost as financial assets at fair value through profit or loss in order to eliminate or significantly reduce the accounting mismatch.

Such assets are subsequently measured at fair value, and the gain or loss (including any dividends and interest income) is recognized as profit or loss.

(3) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized cost, notes receivable and accounts receivable, other receivables, guarantee deposit paid and other financial assets).

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured at 12-month ECL:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

significantly since initial recognition.

Loss allowance for trade receivables is measured at an amount equal to lifetime ECLs.

To determine whether the credit risk has significantly increased after the initial recognition, the Group considers reasonable and verifiable information (information that can be obtained without excessive cost or investment), including qualitative and quantitative information, and the analysis conducted by the Group based on past experience, credit assessment and prospective information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 90 days past due or the borrower is unlikely to pay its credit obligation to the Group in full.

Where credit risk of financial instruments belong to the globally defined “investment grade” (BBB- - Standard & Poor’s investment grade, Baa3 - Moody’s investment grade or twA - investment grade of Taiwan Ratings, or a higher grade), the credit risk of such debt securities will be deemed low by the consolidated company.

Lifetime ECLs are the ECLs that result from all possible default events during the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from possible default events within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Expected credit losses are a probability-weighted estimate of credit losses during the expected lifetime of the financial instrument. Credit losses are measured as the present value of all cash shortfalls, i.e. the difference between the cash flows due to the Group in accordance with contracts and the cash flows that the Group expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assess whether financial assets measured at amortized cost are subject to credit impairment. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observation data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 90 days past due;

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

- For economic or contractual reasons related to the borrower's financial difficulty, having granted to the borrower a concession that the Group would not otherwise consider;
- It is probable that the borrower will file for bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security due to financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off, either in full or partially, to the extent that there is no realistic prospect of recovery for the Group. For corporate accounts, the Group individually analyzes the write-off timing and amount based on whether it is reasonably expected to be recovered. The Group expects that the written off amount will not have any significant reversal. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(4) Derecognition of financial assets

The Group derecognizes financial assets only when the contractual rights of the cash flows from the asset are terminated, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party, or when nearly all risks and rewards of ownership are not transferred and not retained and the control of the financial asset is not retained.

When the Group signs a transaction for transferring financial assets, if all or nearly all of the risks and rewards of the ownership of the assets transferred are retained, then it is still continued to be recognized in the balance sheet.

2. Financial liabilities and equity instruments

(1) Classification of liabilities or equity instruments

The debts and equity instruments issued by the Group are classified as financial liabilities or equity according to the substance of contract agreements and the definition of financial liabilities and equity instruments.

(2) Equity transactions

Equity instrument refers to any contract representing the Group with remaining equity from assets after all liabilities have been subtracted. The equity instruments issued by the Group are recognized based on the amount obtained from the payment amount less the direct issuance cost.

(3) Compound financial instruments

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

The compound financial instruments issued by the Group refer to convertible corporate bonds (valued in NTD) of options held by the owner for converting into capital share, and the quantity of the shares issued does not change along with changes of the fair value.

For the liability component of compound financial instruments, its amount initially recognized is measured at the fair value of similar liabilities excluding the equity conversion right. The initially recognized amount of the equity component is measured based on the difference between the overall compound financial instrument fair value and the liability component fair value. Any transaction costs that can be attributed directly are amortized to the liability and equity component according to the initial carrying amount ratio of the liability and equity.

After initial recognition, the liability component of the compound financial instruments is subsequently measured at amortized cost calculated using the effective interest method. For the equity component of compound financial instruments, it shall not be remeasured after initial recognition.

The interest related to the financial liabilities is recognized in profit or loss. When financial liabilities are reclassified as equity during the conversion, such conversion is not recognized in profit or loss.

(4) Financial liabilities

Financial liabilities are subsequently measured either at amortized cost or at fair value through profit or loss. Financial liabilities are classified as at fair value through profit or loss when the financial liability is held for trading, is a derivative instrument, or is designated at initial recognition. Financial liabilities measured at fair value through profit or loss are measured at fair value, with any relevant net gains or losses, including any interest expense, recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost calculated using the effective interest method. Interest expense and exchange gain and loss are recognized in the profit or loss. On derecognition, any profits or losses are recognized in profit or loss.

(5) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged, canceled or has expired. When there are changes in the terms of the financial liabilities and there is significant difference in the cash flow of liabilities after revision, then the original financial liabilities are derecognized, and the revised terms are used as the basis for the recognition of the new financial liabilities at fair value.

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

During the derecognition of a financial liability, the difference between the carrying amount and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(6) Offsetting of financial assets and liabilities

The Group only presents financial assets and liabilities on a net basis when the Company currently has the legally enforceable right to offset them, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(VIII) Inventories

Inventory is measured based on the lower of the cost and the net realizable value. The cost of inventories consists of all costs of acquisition, production or processing costs and other costs arising from the location and state of use, and the weighted average method is used. The costs of finished products and work in process include the manufacturing expense amortized according to the appropriate ratio under normal production capacity.

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

(IX) Investment in Associates

Associate refers to an entity where the Group has material impact on its financial and operational policies, but has no control or joint control over.

The Group adopts the equity method for the equity of an associate. Under the equity method, it is recognized at cost during the initial acquisition, and the investment cost includes the transaction cost. The carrying amount of the invested associate includes the goodwill identified during the initial investment, less any accumulated impairment loss.

The consolidated financial statements includes the amount of profit or loss and the amount of other comprehensive income of each invested associate, from the date of having material impact to the date of losing material impact, after adjustments to make the accounting policy consistent with the Group, recognized by the Group according to the equity ratio. When an associate is subject to equity change not for profit or loss or other comprehensive income and when the shareholding percentage of the Group in the associate is not affected, the Group then recognizes the equity change under the share of the associate for the Group as capital reserve according to the shareholding percentage.

The unrealized profit and loss arising from the transactions between the Group and associates is recognized in the company's financial statements only within the equity scope

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

of the non-related party on the associate. When the loss amount of the associate required for recognition proportionally by the Group is equal to or exceeds its equity in the associate, its loss is no longer recognized, and additional loss and relevant liabilities are recognized only within the scope of occurrence of statutory obligation, presumed obligation or payments made on behalf of the investee.

(X) Investment Property

Investment property refers to property held for the purpose of earning rents or capital value increase or both, and excluding property provided for normal business sales, for production, for product or labor or for administrative management purposes. Investment property is measured at cost initially, and subsequently measured at fair value. Any change thereof is recognized in profit or loss.

The profit or loss from disposition of investment property (calculated based on the difference between the net disposition amount and the carrying amount of such item) is recognized in profit or loss. If an investment property for sale was previously classified as property, plant and equipment, any relevant "Other equity - revalued amount of property" is changed to be recognized as retained earnings.

The rental income from investment property is recognized as non-operating income under the straight-line method during the lease period, and the lease incentive offered during the lease period is recognized as part of the rental income.

(XI) Property, Plant and Equipment

1. Recognition and measurement

Items of property, plant and equipment are measured at cost (including capitalized borrowing costs) less subsequent accumulated depreciation and any subsequent accumulated impairment loss.

When the useful lifetimes of the major components of the property, plant and equipment are different, then it is handled as an independent item (main component) of the property, plant and equipment.

The gain or loss arising from the disposal of property, plant and equipment is recognized in profit or loss.

2. Subsequent costs

Subsequent expenditure is capitalized only when it is possible that the future economic benefits associated with the expenditure will flow to the Group.

3. Depreciation

The depreciation of an asset is determined after deducting its residual amount from its

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

original cost and is depreciated using the straight-line method over its useful life in order to be recognized in profit or loss.

Land is not depreciated.

The estimated useful lives for current and comparative years are as follows:

(1) Houses and buildings	2~25 years
(2) Machinery and equipment	3~8 years
(3) Other equipment	3~11 years
(4) Leasehold improvement	1~10 years

The houses and buildings mainly include factory buildings, electromechanical power equipment, engineering and dust-free clean room systems. Their depreciation is accrued according to their useful life of 25 years, 10 years and 10 years respectively.

Depreciation methods, useful lives and residual values are reviewed by the Group at each reporting date, and are adjusted appropriately when it is determined necessary.

4. Reclassification as investment property

When the purpose of a property for own use is changed to an investment property, such property is reclassified to investment property based on the fair value at the time of change of its purpose. The profit generated is then remeasured, and it is recognized in profit or loss within the scope of the accumulated impairment previously recognized for such property. The remaining difference is then recognized under other comprehensive income, and it is cumulated to "Other equity - revalued amount of property". Any loss is recognized in profit or loss; however, if the reduced value is still within the revalued amount of the property, then the reduced amount is recognized in other comprehensive income, and the revalued amount in the equity is offset and reduced.

(XII) Leases

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

1. Lessees

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset to restore the underlying asset or the site on which it is located, less any lease incentives received.

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the Group periodically assesses whether the right-of-use asset has any impairment and handles any impairment loss already incurred, and under the condition where remeasurement on the lease liability occurs, the right-of-use-asset is adjusted.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. It is discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, the Group's incremental borrowing rate is used. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- (1) Fixed payments, including substantive fixed payments;
- (2) Variable lease payments based on an index or rate, with the index or rate on the start date of lease for original measurement;
- (3) Amount expected to be paid as residual value guarantee; and
- (4) Price reasonably determined for exercising purchase options or options for lease termination or the penalty to be paid.

The lease liability is measured at amortized cost using the effective interest method, and it is remeasured under the following conditions:

- (1) Future lease payment changes with the index or rate for determining lease payment;
- (2) Amount expected to be paid as residual value guarantee changes;
- (3) Changes occur to the evaluation of options for purchasing underlying assets;
- (4) The estimates on whether to extend or terminate the options change, as a result of which the evaluation of lease term is adjusted;
- (5) Leased objects, scope or other clauses are modified.

When the lease liability is remeasured due to the aforementioned change in future lease payments arising from a change in an index or rate, change in residual value guarantee and change in purchase, extension or termination option assessment, a corresponding adjustment is made to the carrying amount of the right-of-use asset, and it is recorded in profit or loss when the carrying amount of the right-of-use asset has been reduced to zero.

For change of lease in the reduction of the scope of lease, the carrying amount of the right-of-use asset is reduced in order to reflect the termination of all or a portion of the lease, and the amount of difference with the lease liability is remeasured for recognition

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

in profit or loss.

The Group presents right-of-use assets and lease liability that do not meet the definition of investment property in single items in the balance sheets respectively.

For short-term leases of other equipment and low-value underlying asset leases, the Group chooses not to recognize them as right-of-use assets or lease liabilities, but recognizes relevant lease payments associated with these leases as expenses on a straight-line basis over the lease term.

2. Lessor

For transactions with the Group as the lessor, the lease contracts are classified on the lease establishment date depending on whether nearly all of the risks and remunerations associated with the underlying asset ownership are transferred. If true, it is classified as financial lease; if false, it is classified as operating lease. During evaluation, the Group considers relevant specific indicators including whether the lease period covers the key components of the underlying asset economic lifetime.

If the Group is a sub-lessor, the primary lease and sub-lease transactions are dealt with separately, and the right-of-use assets generated from the primary lease are used to evaluate the classification of the sub-lease transactions. If the primary lease refers to a short-term lease and is exempted for recognition, then the sub-lease transaction shall be classified as operating lease.

If the agreement includes lease and non-lease components, the Group uses the consideration for an amortization contract specified in IFRS 15.

For operating lease, the Group adopts the straight-line basis to recognize the lease payment collected during the lease period as the rental income.

(XIII) Intangible Assets

1. Recognition and measurement

Research and development activity related expenses are recognized in profit or loss when such expenses are incurred.

A development expense is capitalized only when it can be measured reliably, product or process technology or commercial feasibility has been reached, future economic benefit is likely to flow into the Group, and the Group has the intention and sufficient resources to complete such development and has further used or sold the asset. Other development expenses are recognized in profit or loss when such expenses are incurred. After the initial recognition, the capitalized development expense is measured based on the amount obtained from the cost less the accumulated amortization and cumulative

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

impairment.

Other intangible assets with limited useful life acquired by the Group, including computer software and other intangible assets, etc., are measured by the cost less the cumulative amortization and cumulative impairment.

2. Subsequent expenditures

Subsequent expenditure is only capitalized when future economic benefits can be added to relevant specific assets. All other expenses are recognized in profit or loss when such expenses are incurred, including internally developed goodwill and brands.

3. Amortization

Amortization is calculated according to the asset cost less the estimated residual value, and starting from the available-for-use state of the intangible asset, the straight-line approach is used to recognize it in profit or loss for its estimated useful life.

The estimated useful lives for current and comparative years are as follows:

(1) The useful life of computer software is 1 to 3 years

(2) The useful life of other intangible assets is 3 years

Amortization methods, useful lives and residual values of the intangible assets are reviewed by the Group at each reporting date, and are adjusted appropriately when it is determined necessary.

(XIV) Impairment of Non-financial Assets

The Group assesses whether there is any indication that there might be an impairment in the carrying amount of non-financial assets (excluding inventory, deferred income tax assets and investment property measured at fair value) on each reporting day. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

For the purpose of testing the impairment, a group of assets of most of the cash inflow that is independent from the cash inflow of other individual assets or asset groups is used as the smallest identifiable asset group. The goodwill obtained from the merger of enterprises is amortized to each cash generating unit or cash generating unit group that is expected to gain benefits from the synergy of the merger.

The recoverable amount for an individual asset or a cash generating unit is the higher of its fair value less costs of disposal or its value in use. During the assessment of the use value, the future cash flow estimation uses a pre-tax discount rate for calculating the current value, and the discount rate shall reflect the current market assessment on the currency time value and the unit specific risk arising from the asset or cash.

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

If the recoverable amount of an asset is less than its carrying amount, it is recognized as an impairment loss.

An impairment loss shall be recognized immediately in profit or loss, and the carrying amount of each of the assets is reduced proportionally to the carrying amount of other assets in the unit.

Non-financial assets are reversed only in the range not exceeding the carrying amount (less depreciation or amortization) of the asset that has not been determined during the recognition of the impairment loss in the previous year.

(XV) Provision for Liabilities

Provisions for liabilities are recognized when the Group has an obligation as a result of past events, and the Group is likely to be subject to an outflow of economic resources that will be required to settle the obligation and the amount of the obligation can be reliably estimated. The provision for liabilities is discounted at the pre-tax discount rate for evaluating particular risks of liabilities which reflects the time value of money on the market. The discounted amortization is recognized as interest expense.

1. Restoration

According to applicable contracts, when the Group bears the obligation to disassemble, remove or restore the site location for parts of the property, plant and equipment, the present value of cost expected to be incurred due to the disassembly, removal or restoration of the site location is recognized as provision for liabilities.

2. Goods return and allowance

Possible goods return and allowance are estimated according to the empirical value, and they are recognized as the deduction of the sales revenue at the year when the goods are sold. For current obligations arising from past events, the amount and time of occurrence are uncertain; therefore, it is classified as provision for liabilities.

(XVI) Recognition of Revenue

1. Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for rendering services to its customers. Revenue is recognized in the reporting period when the Group satisfies a performance obligation by transferring its control of the product or service to the customer. The main revenue items of the Group are explained as follows:

(1) Product selling

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

The Group manufactures panel display screen materials and glass products, and also sells such products. The Group recognizes revenue when the control of products is transferred. Product control transfer refers to when the product has been delivered to the customer, and the customer has the full discretion on the sales channel and price of the product, and the unfulfilled obligations of the customer for accepting the product have not been affected. Delivery refers to a product being transferred to a specific location, and its obsolete and loss risks have been transferred to the customer, and the customer has accepted the product according to the sales contract, the acceptance clauses have become invalid, or the Group has objective evidence to consider that all acceptance criteria have been satisfied.

The Group recognizes the accounts receivable upon the delivery of goods since the Group has the right to collect consideration unconditionally at such time point.

2. Financial components

The Group expects that the time period between the time in the customer contract of transferring products or services to the customer and the time when the customer makes payment for such products or services is less than one year; therefore, the Group has not adjusted the currency time value of the transaction price.

(XVII) Employee benefits

1. Defined contribution plan

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the period during which services are rendered by employees.

2. Short-term employee benefits

Obligations for short-term employee benefits are recognized as expenses in the period when services are provided. When the Group is required to bear current statutory or presumed payment obligation due to the service previously provided by an employee, and when such obligation can be estimated reliably, such amount is recognized as liabilities.

3. Separation benefits

Separation benefits refer to when the Group cannot cancel the offer of such benefits or recognizes relevant restructuring costs, and whichever occurs first is recognized as expense. When the separation benefits are not expected to be fully repaid within 12 months after the report date, they are discounted.

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

(XVIII) Share-based payment transactions

Equity-settled share-based payment agreements are recognized as expenses based on the fair value of the provision date and within the receipt period of such compensation, and the relative equity is increased. The expense recognized is adjusted based on the expected compensation amount satisfying the service conditions and the non-market vesting conditions. In addition, the amount finally recognized uses the compensation amount complying with the service conditions and the non-market vesting conditions on the vesting date as the basis for measurement.

The non-vesting conditions of share-based compensation have been reflected in the measurement of the share-based payments and payment date fair value, and it is not required to make verified adjustments for the difference between the expected result and actual result.

The fair value amount of cash-settled share appreciation rights offered to employees is recognized as expense and the relative liabilities are increased during the period when the employees satisfy the condition for obtaining the compensation. The liabilities are remeasured according to the fair value of the share appreciation rights on each report date and settlement date, and any change thereof is recognized in profit or loss.

The payment date for the share-based payments of the Group refers to the subscription price approved by the board of directors and the date when employees are permitted to subscribe the shares.

(XIX) Income taxes

Income tax includes both current tax and deferred tax. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes comprise the expected tax payable or receivable on the taxable income (or loss) for the year and any adjustment to tax payable or receivable in respect of previous years. The amount is measured according to the statutory rate or the substantive legislative rate on the reporting date in order to present the most optimal estimation value of the expected payment or receipt amount.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Temporary differences resulting from the following circumstances shall not be recognized as deferred taxes:

1. Assets or liabilities originally recognized for the transactions which don't belong to

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

business combinations, which don't affect accounting profits, taxable income (loss) at the time of transaction;

2. The temporary differences incurred by the equity from investing in subsidiaries, affiliates and joint ventures, of which the consolidated company is able to control the time points for reversing the differences and which would probably not be reversed in the foreseeable future; and

3. Taxable temporary differences incurred by original goodwill recognition.

A deferred tax asset shall be recognized for unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is possible that future taxable profit will be available against which it can be utilized. In addition, such deferred tax assets shall also be reviewed at each reporting date, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; or the originally reduced amount is reversed within the scope that it is likely to become sufficient taxable income.

Deferred tax shall be measured at the tax rates that are expected to apply to the period when expected temporary difference is reversed, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

The deferred tax assets and liabilities of the Group are only offset against each other when the following criteria are met:

1. The current period's income tax assets and income tax liabilities are offset against each other with legally enforceable rights; and
2. The deferred income tax assets and liabilities are related to one of the taxpayers upon whom the income taxes are levied by a tax authority:

(1) The same taxpayer; or

(2) Different taxpayers, provided that the taxpayers intend to liquidate the current period's income tax liabilities and assets on a net basis in every future period when a significant amount of such deferred income taxes and liabilities are expected to be recovered and liquidated, or realize assets and discharge liabilities together.

(XX) Earnings per share

The Group discloses the Group's basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of the basic earnings per share of the Group is based on the profit attributable to the ordinary shareholders of the Company, divided by the weighted average number of ordinary shares outstanding. The calculation of the diluted earnings per share is based on the profit attributable to the ordinary shareholders of the Company, divided by the weighted average number of ordinary shares

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

outstanding after the adjustment of the effects of all dilutive potential ordinary shares. Potential diluted common shares of the Group include convertible corporate bonds and employee stock options.

(XXI) Information of segments

As parts of the consolidated company, the operating segments embark on business activities which create revenues and incur expenses (including revenues and expenses related to the transactions with other components of the consolidated company). The operating results of all operating segments are reviewed by the main operation decision maker of the Group in order to make decision on the allocation of resource for the segments and to evaluate their performance. Each operating segment is equipped with independent financial information.

V. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

When the management performs the preparation of these consolidated financial statements, the management is required to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. Any changes in accounting estimates during the period and the impact in the next period are recognized.

There are no critical judgments in applying accounting policies that have significant effect on the amounts recognized in the consolidated financial statements.

The following assumptions and uncertainties have major risks that may lead to material adjustments in assets and liability carrying amounts in the next fiscal year, and also reflect the impact caused by the COVID-19 pandemic, and relevant information is as follows:

(I) Loss allowance for accounts receivable

The loss allowance for accounts receivable of the Group is estimated based on the assumption of the risk of breach and the expected loss rate. The Group considers the historical experience, current market condition and prospective estimation on each reporting date in order to determine the assumption required to be adopted and selection of inputs during the calculation of impairment loss. Changes in the economic and industrial environment may cause material adjustment in the loss allowance for accounts receivable. Please refer to Note 6(2) for detailed explanation on relevant assumption and inputs.

(II) Investment property fair value

The subsequent measurement of investment property of the Group adopts the discounted cash flow analysis method under the income approach for valuation. The input used in the

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

fair value valuation technique is Level 3.

Valuation process

The accounting policies and disclosures of the Group include the use of fair value to measure its financial, non-financial assets and liabilities. The Group establishes a relevant internal control system for the fair value measurement, and the Financial Department is responsible for verifying all material fair value measurements (including Level 3 fair value) and periodically verifies the material inputs and adjustment that cannot be observed. If the inputs used in the measurement of fair value use external third party information, the Financial Department evaluates the evidence that supports the inputs provided by the third party in order to determine that the valuation and its fair value level classification comply with the requirements of the IFRSs. For the property of the Group, it is assumed that the Group has retained an external appraiser to perform appraisal according to the valuation method and parameters announced by the FSC. When the Group measures its assets and liabilities, it uses the observable inputs in the market as much as possible. The levels of fair value are classified in the following different levels according to the inputs used in the valuation technique:

- Level 1: Public quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Input parameters other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Input parameters of assets or liabilities not based on the observable market information (non-observable parameters).

In case of any transfer event or condition of fair value among levels, the Group recognizes such transfer at the report date.

Please refer to Note 6(6) Investment Property for relevant information on the assumption used for measurement of fair value.

VI. Description of Significant Accounts

(I) Cash and cash equivalents

	December 20, 2022	December 31, 2021
Cash on hand and petty cash	\$ 731	678
Demand deposits	407,809	383,754
Checking accounts	40	51
Time deposits	273,695	237,200
Cash and cash equivalent indicated in the statements of cash flow	\$ 682,275	621,683

The Group's exposure to interest rate risk and the sensitivity analysis on the financial assets and liabilities of the Group are disclosed in Note 6(20).

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

(II) Notes and accounts receivable (including related parties)

	<u>December 20, 2022</u>	<u>December 31, 2021</u>
Notes receivable	\$ 6,547	74,044
Accounts receivable	581,561	692,683
Accounts receivable - related parties	130,468	123,124
Less: Allowance for loss	(255,381)	(230,360)
	\$ 463,195	659,491

The Group applies the simplified approach to provide for its expected credit losses, i.e., the use of lifetime expected loss provision for all notes and account receivables. To measure the expected credit losses, the notes and accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including overall economic and relevant industry information. The expected credit loss analysis for notes and accounts receivables of the Group is as follows:

	<u>December 20, 2022</u>		
	<u>Carrying amounts of notes receivable and accounts receivable</u>	<u>Weighted average expected credit loss rate</u>	<u>Estimated credit loss during existence of allowances</u>
Not overdue	\$ 434,571	0%~0.9%	3,078
Overdue for less than 90 days	14,962	0.9%~21.9%	3,101
Overdue for more than 91 days	269,043	21.9%~100%	249,202
	\$ 718,576		255,381

	<u>December 31, 2021</u>		
	<u>Carrying amounts of notes receivable and accounts receivable</u>	<u>Weighted average expected credit loss rate</u>	<u>Estimated credit loss during existence of allowances</u>
Not overdue	\$ 611,419	0%~1%	4,166
Overdue for less than 90 days	50,719	1%~15%	6,832
Overdue for more than 91 days	227,713	1%~100%	219,362
	\$ 889,851		230,360

The movement in the allowance for impairment with respect to notes and accounts receivable of the Group is as follows:

	<u>2022</u>	<u>2021</u>
Opening balance	\$ 230,360	235,703
Current period's provision	24,247	-
Impairment loss reversed	-	(4,943)
Foreign currency translation gains or losses	774	(400)
Balance at end of the period	\$ 255,381	230,360

- The accounts receivable overdue for more than 90 days are mainly from important customers, which purchase optical adhesives from the consolidated company and sell them to large-scale manufacturers which produce various liquid crystal displays in Shenzhen, China. Because of COVID-19, the operations on the upstream and downstream parts of the supply chain have been impacted. As a consequence, the payments for goods

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

have been temporarily suspended. For the purpose of protecting its own rights and interests, the consolidated company has filed civil lawsuits with Xiamen Intermediate People's Court, China, and appropriated allowance for losses.

- As of December 31, 2021 and 2022, the Company didn't offer any pledge or guarantee for the notes receivable or the accounts receivable.

(III) Inventories

	<u>December 20, 2022</u>	<u>December 31, 2021</u>
Raw materials and supplies	\$ 75,872	127,589
Work in progress	38,665	16,072
Finished goods	72,722	67,869
Merchandise inventory	2	3
	<u>\$ 187,261</u>	<u>211,533</u>

- Details of the inventory-related losses recognized by the consolidated company in 2021 and 2022 are as follows:

	<u>2022</u>	<u>2021</u>
Inventory sale recognition	\$ 2,560,413	2,574,245
(Reversal of) write-down of inventories	(8,101)	2,521
	<u>\$ 2,552,312</u>	<u>2,576,766</u>

- As of December 31, 2021 and 2022, the consolidated company didn't offer any pledge or guarantee for the inventories.

(IV) Investment Accounted for Using Equity Method

The investments of the Group accounted for using the equity method at the report date are as follows:

	<u>December 20, 2022</u>	<u>December 31, 2021</u>
Associates	\$ 51,990	47,814

1. Associates

For associates of the Group using the equity method that are not material, the summary financial information is as follows, and the financial information refers to the amount included in the consolidated financial statements of the Group:

	<u>December 20, 2022</u>	<u>December 31, 2021</u>
The summary carrying amount at the end of the period for equity of individual non-material associates	\$ 211,809	194,727
	<u>2022</u>	<u>2021</u>
Amount attributable to the Group:		
Net profits of businesses maintaining operations on a going concern basis	\$ 392	1,351
Other comprehensive income	(1,422)	340
Total comprehensive income	<u>\$ (1,030)</u>	<u>1,691</u>

2. Guarantee

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

As of December 31, 2021 and 2022, the consolidated company didn't offer any pledge or guarantee for the investments made by equity method.

(V) Property, Plant and Equipment

Detailed changes in the costs, depreciation and impairment losses of the consolidated company's property, plant and equipment in 2021 and 2022 are as follows:

	<u>Land</u>	<u>Houses and buildings</u>	<u>Machinery and equipment</u>	<u>Other equipment</u>	<u>Leasehold improvement</u>	<u>Uncompleted projects and equipment to be inspected</u>	<u>Total</u>
Cost or deemed cost:							
Balance on January 1, 2022	\$ 319,648	1,417,138	1,914,687	207,403	422,924	20,540	4,302,340
Additions	-	294	30,385	2,348	-	36,112	69,139
Disposals and retirements	-	(19,404)	(1,122,767)	(167,380)	(406,406)	-	(1,715,957)
Reclassifications	-	126	128,864	8,396	-	(1,481)	135,905
Impacts of exchange rate fluctuation	-	-	-	458	-	-	458
Balance on December 31, 2022	<u>\$ 319,648</u>	<u>1,398,154</u>	<u>951,169</u>	<u>51,225</u>	<u>16,518</u>	<u>55,171</u>	<u>2,791,885</u>
Balance on January 1, 2021	\$ 319,648	1,413,474	1,948,610	240,305	421,524	7,107	4,350,668
Additions	-	1,984	1,346	1,786	1,400	20,860	27,376
Disposals and retirements	-	-	(39,803)	(39,895)	-	-	(79,698)
Reclassifications	-	1,680	4,534	5,407	-	(7,399)	4,222
Impacts of exchange rate fluctuation	-	-	-	(200)	-	(28)	(228)
Balance on December 31, 2021	<u>\$ 319,648</u>	<u>1,417,138</u>	<u>1,914,687</u>	<u>207,403</u>	<u>422,924</u>	<u>20,540</u>	<u>4,302,340</u>
Depreciation and impairment loss:							
Balance on January 1, 2022	\$ -	630,470	1,866,631	199,424	377,195	-	3,073,720
Depreciation	-	71,322	48,882	2,386	22,050	-	144,640
Disposals and retirements	-	(19,404)	(1,122,767)	(164,285)	(382,727)	-	(1,689,183)
Impacts of exchange rate fluctuation	-	-	-	405	-	-	405
Balance on December 31, 2022	<u>\$ -</u>	<u>682,388</u>	<u>792,746</u>	<u>37,930</u>	<u>16,518</u>	<u>-</u>	<u>1,529,582</u>
Balance on January 1, 2021	\$ -	557,843	1,867,723	208,561	344,681	-	2,978,808
Depreciation	-	72,627	38,711	10,541	32,514	-	154,393
Disposals and retirements	-	-	(39,803)	(39,895)	-	-	(79,698)
Impairment loss	-	-	-	20,215	-	-	20,215
Impacts of exchange rate fluctuation	-	-	-	2	-	-	2
Balance on December 31, 2021	<u>\$ -</u>	<u>630,470</u>	<u>1,866,631</u>	<u>199,424</u>	<u>377,195</u>	<u>-</u>	<u>3,073,720</u>
Carrying value:							
December 31, 2022	<u>\$ 319,648</u>	<u>715,766</u>	<u>158,423</u>	<u>13,295</u>	<u>-</u>	<u>55,171</u>	<u>1,262,303</u>
January 1, 2021	<u>\$ 319,648</u>	<u>855,631</u>	<u>80,887</u>	<u>31,744</u>	<u>76,843</u>	<u>7,107</u>	<u>1,371,860</u>
December 31, 2021	<u>\$ 319,648</u>	<u>786,668</u>	<u>48,056</u>	<u>7,979</u>	<u>45,729</u>	<u>20,540</u>	<u>1,228,620</u>

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

As of December 31, 2021 and 2022, pledge and guarantee had been offered to certain financial institutions. For details, please refer to Note 8.

(VI) Investment Property

Investment properties refer to assets owned by the Group, and for the lease of investment properties, the original non-cancellable period is 10 years. For investment properties already leased out, the rental incomes are fixed amounts.

Statement of changes in investment property of the Group is as follows:

	Proprietary assets		Total
	Land	Houses and buildings	
Cost or deemed cost:			
Balance on January 1, 2022	\$ 375,972	762,090	1,138,062
Net (loss) gain arising from fair value adjustments	43,396	(35,467)	7,929
Balance on December 31, 2022	\$ 419,368	726,623	1,145,991
Balance on January 1, 2021	\$ 293,165	821,903	1,115,068
Net (loss) gain arising from fair value adjustments	82,807	(59,813)	22,994
Balance on December 31, 2021	\$ 375,972	762,090	1,138,062

The inputs used in the fair value valuation technique for the subsequent measurement of investment property of the Company belongs to Level 3. Please refer to the aforementioned statement of change for details of the adjustment of carrying amounts at the beginning and end of the period for Level 3.

For the subsequent measurement of investment property of the Group adopting the discounted cash flow analysis method under income approach for valuation, relevant important contract terms and valuation information is as follows:

1. December 31, 2022

Subject property	Land and buildings of three factories in
Important contract terms	1. Rent: NT\$ 5,867 thousand/month 2. Lease term: 136 months 3. Total taxes annually borne by the lessor in the future: NT\$ 2,422 thousand
Local rent status	NT\$ 130~NT\$ 160/m ² /month
Rent status of similar property	NT\$ 140/m ² /month
Current condition	Normal use
Past income amount	NT\$ 140/m ² /month
Income capitalization rate	4.543%
Discount rate	3.895%
Outsourced or own appraisal	Outsourced appraisal
Appraisal firm	Hua Shin Appraisers Firm
Name of appraiser	Chen-Hsu Chiang, Chih-Ming Cheng
Date of appraisal	September 30, 2022
Outsourced appraisal fair value	NT\$ 1,145,991 thousand

2. December 31, 2021

Subject property	Land and buildings of three factories in
Important contract terms	1. Rent: NT\$ 5,867 thousand/month

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

	2. Lease term: 136 months
	3. Total taxes annually borne by the lessor in the future: NT\$ 7,421 thousand
Local rent status	NT\$ 130~NT\$ 160/m ² /month
Rent status of similar property	NT\$ 140/m ² /month
Current condition	Normal use
Past income amount	NT\$ 140/m ² /month
Income capitalization rate	4.503%
Discount rate	3.60%
Outsourced or own appraisal	Outsourced appraisal
Appraisal firm	Hua Shin Appraisers Firm
Name of appraiser	Chen-Hsu Chiang, Chih-Ming Cheng
Date of appraisal	2021/9/30
Outsourced appraisal fair value	NT\$ 1,138,062 thousand

According to Article 34 of the Technical Rules for Real Estate Valuation, the valuation procedures of the equity method include calculating effective gross income, total expenses, net profit, discount rate and earnings price. The estimation of the aforementioned parameters refers to relevant data of the subject property for appraisal and comparable property with identical or similar characteristics in the most recent three years. Adjustment is made through comprehensive determination of the continuity, stability and growth status in order to confirm the availability and reasonableness of the data. The change status of the income (cash inflow) and expense (cash outflow) of each period is determined based on the past income and expense (cash flow) of the subject property, comparable property income and expense (cash flow) in the same industry or substituting comparable property, idle or loss ratio and present or possible planned income and expense in the future. The objective net income after the deduction of total expense from the total revenue is based on the objective net income of the subject property under the most effective use, and the incomes of similar properties in the neighborhood under the most effective use conditions are used as a reference for the estimation.

The determination of the discount rate adopts the risk premium method, and it considers the factors of the time deposit interest rate of the bank, government bond interest rate, risk of property investment, currency change status and change trend of property price, etc., in order to determine the likely rate of return on the most common investment, thereby adjusting the differences of individual characteristics between the investment and the subject property. The discount rate was determined as the dynamic interest rate of small-sum two-year postal demand deposits announced by Chunghwa Post Co., Ltd. plus 0.75%, namely 2.095%, which was adopted as the benchmark interest rate. In addition, revenue, liquidity, risk, appreciation, management difficulty and other factors of the subject property were taken into account. As of December 31, 2022 and 2021, risk

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

premiums were accrued at 1.8% and 2.0% respectively. Thus, the discount rate of the subject property as at December 31, 2022 and 2021 was determined as 3.895% and 3.6% respectively. For estimation of revenue capitalization, after dividing the net profit of the subject property for comparison by the price, the revenue capitalization rate as of December 31, 2022 and 2021 was calculated as 4.543% and 4.503% respectively by weighted average.

The aforementioned fair value valuation technique and material unobservable inputs are explained in the following table:

Fair value valuation technique	Material unobservable inputs	Relationships between material unobservable inputs and fair value measurements
Perform discounted cash flow analysis under income approach for evaluation based on the contract rent provided by the consolidated company during the lease term, and after the lease term expires, the evaluation is performed based on the market rent. Discounted cash flow analysis under income approach: This refers to the net income and value at the end of the period during the future discounted cash flow of the subject property analysis period, and after discount at appropriate discount rate the sum of the estimated subject property values are added. Such method is applicable to the property investment evaluation for the purpose of investment.	<ul style="list-style-type: none"> Discount rate after risk adjustment (3.895% and 3.6% respectively as at December 31, 2022 and December 31, 2021). 	The estimated fair value will be increased (or decreased) if: <ul style="list-style-type: none"> After adjustment, the discount rate will decline (increase).

Investment property refers to facilities leased out to others, and the lease contract includes the original non-cancellable lease period, and the subsequent lease period is negotiated with the lessee, and rent is either collected or not yet collected. Please refer to Note 6(11) for relevant information.

As of December 31, 2022 and 2021, the consolidated company didn't offer any pledge or guarantee for the investment property. For details, please refer to Note 8.

(VII) Other financial assets (including non-current)

	<u>December 20, 2022</u>	<u>December 31, 2021</u>
Time deposits-general	\$ 50,000	-
Time deposits-pledged	2,557	64,830
Restricted demand deposit	342,500	203,000
Accrued rent receivable	4,365	3,045

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

Income tax refund receivable	3,632	4,586
Refundable deposits - non-current	4,847	4,915
Others	147	421
	<u>\$ 408,048</u>	<u>280,797</u>

For details of other circumstances under which other financial assets are used as pledge or guarantee, please refer to Note 8.

(VIII) Short-term Borrowings

Statement of short-term borrowings of the Group is as follows:

	<u>December 20, 2022</u>	<u>December 31, 2021</u>
Letter of credit loan	\$ 3,792	11,497
Unsecured bank loans	60,000	140,000
Secured bank loans	330,000	382,864
Total	<u>\$ 393,792</u>	<u>534,361</u>
Unused amount	<u>\$ 236,208</u>	<u>95,639</u>
Interest rate interval	<u>2.22%~2.54%</u>	<u>1.0499%~1.825%</u>

1. For details of some assets pledged and mortgaged by the consolidated company as guarantee for short-term loans from banks, please refer to Note 8.
2. For details about the consolidated company's exposure to the interest rate and liquidity risks, please refer to Note 6 (20).

(IX) Long-term Borrowings

Statement, criteria and terms of long-term borrowings of the Group are as follows:

	<u>December 20, 2022</u>			
	<u>Currency type</u>	<u>Interest rate interval</u>	<u>Maturity year</u>	<u>Amount</u>
Unsecured bank loans	NTD	1.97%~2.05%	2025~2026	\$ 195,825
Secured bank loans	NTD	1.345%~2.42%	2023~2028	<u>1,247,015</u>
				1,442,840
Less: Portion with maturity due in one year				<u>(214,684)</u>
Total				<u>\$ 1,228,156</u>
Unused amount				<u>\$ -</u>
	<u>December 31, 2021</u>			
	<u>Currency type</u>	<u>Interest rate interval</u>	<u>Maturity year</u>	<u>Amount</u>
Secured bank loans	NTD	1.48%	115	\$ 38,000
Secured non-financial loans	NTD	0.72%~2.405%	2022~2028	<u>1,301,230</u>
				1,339,230
Less: Portion with maturity due				<u>(273,781)</u>

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

in one year	
Total	<u>\$ 1,065,449</u>
Unused amount	<u>\$ -</u>

1. For details of some assets pledged and mortgaged by the consolidated company as guarantee for short-term loans from banks, please refer to Note 8.
2. For details about the consolidated company's exposure to the interest rate and liquidity risks, please refer to Note 6 (20).

(X) Bonds Payable

Information on the Group's issuance of secured convertible bonds is as follows.

	<u>December 20, 2022</u>	<u>December 31, 2021</u>
Total amount of issued convertible bonds	\$ 500,000	500,000
Unamortized amount of discount on bonds payable	<u>(7,203)</u>	<u>(12,952)</u>
Ending balance of bonds payable	<u>\$ 492,797</u>	<u>487,048</u>
Embedded derivatives - right to redeem convertible corporate bonds (present the financial assets measured at fair value through profit or loss)	<u>\$ -</u>	<u>1,250</u>
Equity component-conversion right (accounted as capital reserve - stock option)	<u>\$ 12,724</u>	<u>12,724</u>
	<u>2022</u>	<u>2021</u>
Embedded derivatives - right of redemption based on the losses remeasured at fair value (accounted as other profit or loss)	<u>\$ (1,250)</u>	<u>(1,000)</u>
Interest expense	<u>\$ 5,749</u>	<u>4,344</u>

On March 26, 2021, the consolidated company issued 5,000 three-year secured convertible corporate bonds with a coupon rate of 0% and carrying value of NT\$ 100 thousand at an effective interest rate of 1.33%.

At the time of issuance, the conversion price was determined as NT\$ 35.86 per share. Where the consolidated company issued ordinary shares in compliance with the issuance clauses on adjustment of conversion price, the conversion price shall be adjusted as per the formula specified under the issuance clauses. No terms are re-established for these bonds.

In May 2022, the consolidated company handled formalities for capital increase in cash. According to Article 11 of the Rules Governing Domestic Third Issuance and Conversion of Secured Convertible Corporate Bonds, the conversion price shall be adjusted. From May 23, 2022, the conversion price was adjusted from NT\$ 35.86 to NT\$ 35.57.

From the following day of the end of three months after the issuance of the convertible corporate bonds (June 27, 2021) to 40 days before the expiry of the issuance period (February 25, 2024), if the closing price of the consolidated company's ordinary shares at the securities dealer's premise is 30% (including the figure) higher than the prevailing

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

conversion price for thirty consecutive business days, or the outstanding balance of the convertible corporate bonds is 10% lower than the total original issue price, such convertible corporate bonds shall be redeemed from the holders in cash based on their carrying value.

The convertible bonds are repayable in cash at par value upon maturity.

(XI) Operating Leases

For the lease on the investment property and a portion of the facilities of the Group, since nearly all of the risks and remunerations associated with the ownership of the underlying asset are not transferred, the lease contracts are classified as operating lease. Please refer to Note 6(6) Investment Property for details.

The due lease payment is analyzed based on the undiscounted lease payment total amount that will be collected after the report date, as described in the following table:

	December 20, 2022	December 31, 2021
Less than one year	\$ 72,762	72,762
One to two years	72,762	72,762
Two to three years	72,762	72,762
Three to four years	72,762	72,762
Four to five years	72,762	72,762
More than five years	274,863	347,625
Undiscounted lease payment total amount	\$ 638,673	711,435

The rental income from the investment property amounted to NT\$ 72,762 in both 2022 and 2021.

(XII) Employee Benefits

1. Defined contribution plan

According to the defined contribution plan of the consolidated company, 6.00% and 19.00% shall be appropriated from the labor workers' monthly salaries to their individual pension accounts as specified by the Rules on Labor Workers' Pensions, Chinese basic endowment insurance laws and regulations. Under this defined contribution plan, the Group contributes a fixed amount to the Bureau of the Labor Insurance and the Social Insurance Bureau without additional legal or constructive obligations.

The pension expense confirmed and appropriated by the Group according to the pension regulations and the retirement premium recognized under each subsidiary of the consolidated financial statements are as follows:

	2022	2021
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Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

Operating costs	\$	11,812	10,236
Selling and marketing expenses		854	846
Administrative expenses		2,610	2,440
Research and development expenses		1,155	1,021
	\$	16,431	14,543

2. Liabilities of short-term paid leave

	<u>December 20, 2022</u>	<u>December 31, 2021</u>
Short-term leave with pay liabilities	\$ 9,409	9,348

(XIII) Income Tax

1. Details of the income tax expenses recognized by the consolidated company in 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Current tax expenses		
Adjustment of current income tax for the previous period	\$ -	(13)

2. The relationships between the consolidated company's income tax expenses and the net pre-tax losses are adjusted as follows:

	<u>2022</u>	<u>2021</u>
Loss before tax	\$ (315,593)	(120,808)
Income tax calculated according to the domestic tax rate of the country of the Company	(63,119)	(24,161)
Effect of foreign jurisdiction tax rate differences	(423)	(1,269)
Change of unrecognized deductible temporary differences	63,542	25,430
Overestimation in the previous period	-	(13)
	\$ -	(13)

3. Income tax expenses

(1) Unrecognized deferred income tax assets

The items not recognized as deferred tax assets by the Group are as follows:

	<u>December 20, 2022</u>	<u>December 31, 2021</u>
Deductible temporary differences	\$ 47,762	52,655
Tax loss	1,229,312	1,142,203
	\$ 1,277,074	1,194,858

Regarding tax losses, according to the provisions of the Income Tax Act specifying that losses of the past ten years approved by the taxation authority may be deducted from the net profit of the current year, followed by the payment of the income tax. The

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

reason for not recognizing such items as deferred income tax assets is because the Company is not very likely to have sufficient taxable income in the future for deductible temporary difference use.

As of December 31, 2022, the consolidated company had not recognized taxable losses of deferred income tax assets, of which the deduction periods are as follows:

<u>Year with loss</u>	<u>Non-deducted loss</u>	<u>Final year for deduction</u>
Approved value for 2013	\$ 209,457	2023
Approved value for 2014	910,923	2024
Approved value for 2015	1,073,944	2025
Approved value for 2016	457,378	2026
Approved value for 2017	1,862,692	2027
Approved value for 2018	337,430	2028
Approved value for 2019	346,172	2029
Approved value for 2020	277,181	2030
Declared value for 2021	252,688	2031
Estimated value for 2022	<u>418,693</u>	2032
	<u>\$ 6,146,558</u>	

(2) Recognized deferred income tax assets and liabilities

Changes in the deferred income tax assets and liabilities in 2022 and 2021 are as follows:

Deferred tax assets:

	<u>Loss deduction</u>
January 1, 2022	\$ 4,643
Recognized in income statement	<u>395</u>
December 31, 2022	<u>\$ 5,038</u>
January 1, 2021	\$ -
Recognized in income statement	<u>4,643</u>
December 31, 2021	<u>\$ 4,643</u>

Deferred income tax liabilities:

	<u>Investment property</u>
January 1, 2022	\$ 53,451
Recognized as profit or loss	<u>394</u>
December 31, 2022	<u>\$ 53,845</u>
January 1, 2021	\$ 48,808
Recognized in other comprehensive income	<u>4,643</u>
December 31, 2021	<u>\$ 53,451</u>

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

4. The Company's settlement and declaration of the business income taxes had been approved by the taxation authority as of 2020.

(XIV) Capital and Other Equity

1. Ordinary shares

As at December 31, 2022 and 2021, the Company's authorized share capital amounted to NT\$ 5,000,000 thousand with par value of NT\$ 10 per share, and 500,000 shares in each year. All shares concerned in the foregoing authorized share capital were ordinary shares. In 2022 and 2021, 224,186 thousand and 206,394 thousand shares were issued respectively. All proceeds from shares issued have been collected.

As resolved by the Board of Directors on December 20, 2021, the Company issued new shares for capital increase and intended to issue 17,000 thousand shares with par value of NT\$ 10 per share. The aforementioned proposal for capital increase in cash was approved upon declaration and took effect on January 26, 2022. As decided by the chairman as authorized by the Board of Directors through resolution, the issue price per share was NT\$ 20, and the total issue price amounted to NT\$ 340,000 thousand. In addition, on April 18, 2022, the placement period was extended for three months as approved by the FSC to July 25, 2022. On May 23, 2022, the share payments were fully collected, and this date was determined as the base date for capital increase. On June 6, 2022, the legal registration procedures were completed.

From January 1, 2022 to December 31, 2022, the employees of the Company subscribed to 7,920 shares. On January 16, 2023, the change registration was completed.

2. Capital surplus

The capital surplus balance content of the Company is as follows:

	December 20, 2022	December 31, 2021
Premium of issued shares	\$ 173,176	-
Share-based payments	10,878	6,224
Convertible corporate bonds	12,724	12,724
	\$ 196,778	18,948

In accordance with the Company Act, after having first offset losses using capital surplus, the realized capital surplus can be used to issue new shares or cash dividends according to the original percentage of shares of shareholders. The aforementioned realized capital surplus includes share premiums from the outstanding shares issued at a price above the par value and donation gains. In accordance with the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the amount of capital surplus to increase share capital shall not exceed 10% of the paid-in capital amount.

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

On July 15, 2021, the Company's 2020 loss recovery plan was resolved at the general shareholders' meeting, and the losses were recovered with capital surplus of NT\$ 15,958 thousand. Related information is available from channels like MOPS.

3. Retained earnings

The Company shall distribute its earnings or appropriate an amount for loss recovery at the end of half of a fiscal year. If there is still surplus in the final accounts for half of a fiscal year, an amount shall first be appropriated for paying taxes, recovering accumulated losses and paying the estimated remuneration to the retained employees. Subsequently, 10% shall be appropriated as statutory surplus reserve, but this shall not apply if the statutory surplus reserve has been up to the total capital of the Company. In addition, the special surplus reserves shall be appropriated or reversed according to laws, regulations or rules of competent authorities. If there is still surplus, the shareholder dividends shall be determined as the sum of the surplus and the accumulated undistributed earnings for the first half of the fiscal year. The distribution proposal shall be drafted by the Board of Directors, and to issue new shares for distribution, a request shall be made to the shareholders' meeting for resolving the distribution. The distribution in cash shall be resolved by the Board of Directors.

If there is a surplus in the Company's annual final accounts, the Company shall first pay off the taxes, make up for the accumulated losses and allocate 10% as statutory surplus reserve. However, this provision shall not apply if the statutory surplus reserve has reached the total capital of the Company. In addition, the special surplus reserves shall be appropriated or reversed according to laws, regulations or rules of competent authorities. If there is still surplus, the shareholder dividends shall be determined as the sum of the surplus and the accumulated undistributed earnings for the first half of the fiscal year. The distribution proposal shall be drafted by the Board of Directors, and to issue new shares for distribution, a request shall be made to the shareholders' meeting for resolving the distribution.

To distribute dividends and bonuses or statutory surplus reserve and capital reserve in cash in whole or in part, the Board of Directors may be authorized to hold a meeting with the presence of more than two thirds of directors. Such distribution may be performed only if approved by over half of the directors present at the meeting, and reported to the shareholders' meeting.

At present, the Company is in a phase of growth. In the future, it will expand for business development. For earning distribution, it shall consider its future budget for capital expenditures and capital requirements. However, the dividends distributed to the

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

shareholders shall not be lower than 20% of the period's earnings after tax or the period's distributable earnings whichever are lower. Among the dividends distributed in the current year, the cash dividends shall not be below 50%.

(1) Statutory surplus reserve

When a company incurs no loss, it may, pursuant to a resolution to be adopted by the shareholders' meeting as required, distribute its legal reserve by issuing new shares or cash; however, it shall be limited to the portion of legal reserve exceeding 25% of the issued share capital.

(2) Surplus distribution

On June 24, 2022 and July 15, 2021, the Company's 2021 and 2020 loss recovery plans were resolved at the general shareholders' meetings. Related information is available from channels like MOPS.

As of June 30, 2022 and 2021, aggregate losses were accrued, so earnings were not intended to be distributed in the first half of 2022 and 2021.

4. Other equity (net profit after tax)

	Difference in exchange from the conversion of financial statements of overseas operating entities	Revalued amount of property	Total
Balance on January 1, 2022	\$ 161,818	312,687	474,505
Exchange differences arising from the translation of net assets of foreign operations	6,965	-	6,965
Share of translation difference of associates accounted for using the equity method	(1,422)	-	(1,422)
Balance on December 31, 2022	<u>\$ 167,361</u>	<u>312,687</u>	<u>480,048</u>
Balance on January 1, 2021	\$ 163,752	312,687	476,439
Exchange differences arising from the translation of net assets of foreign operations	(2,274)	-	(2,274)
Share of translation difference of associates accounted for using the equity method	340	-	340
Balance on December 31, 2021	<u>\$ 161,818</u>	<u>312,687</u>	<u>474,505</u>

(XV) Share-based Payments

- As of December 31, 2022 and 2021, the Company had accounted the following share-based payment transactions:

Type	<u>Equity transactions</u> <u>Employee stock option</u>
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Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

Grant date	2020-09-17
Grant quantity (thousand/unit)	3,000
Contract period	4 years
Vesting conditions	Immediate vesting
Actual turnover rate of current period	0%
Estimated turnover rate for the future	0%

On August 21, 2020, the Company issued employee stock options as resolved by the Board of Directors, and a total of 3,000 thousand ordinary shares. The closing price of the Company's ordinary shares on the issue date was determined as the subscription price. The employee stock options were issued within one year after the competent authority's notice regarding declaration effectiveness expired, once or twice dependent upon the actual needs. The aforementioned issued employee stock options took effect on September 16, 2020 after declaration to the Securities and Futures Bureau, Financial Supervisory Commission. On September 17, 2020, all the employee stock options were issued as resolved by the Board of Directors at fair value of NT\$ 10.4 on the grant date.

On May 23, 2022, capital was increased, and the fair value was adjusted as NT\$ 10.3.

Except that subscribers shall comply with the transfer suspension period of two years after the grant of employee stock options according to the law, the accumulated exercisable subscription rights ratio is as follows:

Stock warrants grant period	2020
Matured for two years	60%
Matured for three years	100%

2. Parameters for fair value measurement on the grant date

The Company estimated the fair value of the share-based payments on the grant date with Black-Scholes option evaluation mode. The inputs of this mode are as follows:

	2020
Dividend rate (Note)	-%
Expected volatility (%)	45.77%
Expected life of stock options (years)	4 years
Risk-free interest rate (%)	0.2916%

Note: According to the Company's 2020 measures for issuing employee stock options, the subscription price was adjusted to the same extent with the distributed dividends (anti-dilution price adjustment), so it was not taken into account in calculation.

3. Details of the aforementioned employee stock options are as follows:

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

	2022		2021	
	Weighted average strike price (NT\$)	Number of stock options (thousand)	Weighted average strike price (NT\$)	Number of stock options (thousand)
Outstanding on January 1	\$ 10.40	3,000	10.40	3,000
Exercised quantity in current period	10.30	(792)	-	-
Outstanding on December 31	\$ 10.30	2,208	10.40	3,000

Information on the Company's stock options outstanding as at December 31, 2022 and 2021 is as follows:

	December 31, 2022	December 31, 2021
Exercise price interval	\$ 10.30	10.40
Weighted-average remaining contractual life (years)	1.75	2.75

4. Employee expenses

The expenses incurred by the consolidated company for share-based payments in 2022 and 2021 are as follows:

	2022	2021
Expenses arising from employee stock options	\$ 3,853	5,471

(XVI) Loss per share

	2022	2021
Basic loss per share		
Loss attributable to common shareholders of the Company	\$ (315,593)	(120,795)
Weighted average number of outstanding ordinary shares	216,922	206,394
Basic loss per share (NT\$)	\$ (1.45)	(0.59)

Loss was suffered in both 2022 and 2021, without dilution effect, so the diluted loss per share needn't be disclosed.

(XVII) Employee and director remuneration

If the Company makes profit in a year (the reference to profit means the pre-tax profit net of remuneration distributed to employees and directors), 8% shall be appropriated from the profit as employee remuneration and 1% shall be appropriated as director remuneration. However, an amount shall be retained for recovering the accumulated losses of the Company if any. The employee remuneration may be made in the form of shares or cash, and the subjects for receiving the shares or cash may include employees of the affiliated companies meeting certain specific criteria and the board of directors shall be authorized to establish said specific criteria. The foregoing matters shall be handled as resolved by the Board of Directors and reported to the shareholders' meeting.

Losses remained to be recovered by the Company in 2022 and 2021, so the amount of

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

employee and director remuneration needn't be estimated and presented. Related information is available from MOPS.

(XVIII) Revenue from contracts with customers

1. Revenue subdivision

	2022			
	Optoelectronics	Green building industry	Others	Total
Primary regional markets:				
Taiwan	\$ 341,508	195,660	63,388	600,556
Mainland China	190,430	-	1,492,811	1,683,241
U.S.	17,543	-	146	17,689
Others	111,356	-	17,360	128,716
	\$ 660,837	195,660	1,573,705	2,430,202

Main products:

Photoelectric glass	\$ 660,837	-	-	660,837
Green building glass	-	195,660	-	195,660
Others	-	-	1,573,705	1,573,705
	\$ 660,837	195,660	1,573,705	2,430,202

	2021			
	Optoelectronics	Green building industry	Others	Total
Primary regional markets:				
Taiwan	\$ 479,924	271,408	205,610	956,942
Mainland China	381,186	-	1,224,130	1,605,316
U.S.	16,698	-	171	16,869
Others	11,916	-	22,790	34,706
	\$ 889,724	271,408	1,452,701	2,613,833

Main products:

Photoelectric glass	\$ 889,724	-	-	889,724
Green building glass	-	271,408	-	271,408
Others	-	-	1,452,701	1,452,701
	\$ 889,724	271,408	1,452,701	2,613,833

2. Contract balance

December 20, 2022	December 31, 2021	January 1, 2021
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Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

Notes and accounts receivable (including related parties)	\$	718,576	889,851	885,207
Less: Allowance for loss		(255,381)	(230,360)	(235,703)
Total	\$	<u>463,195</u>	<u>659,491</u>	<u>649,504</u>
Contract liabilities	\$	<u>13,518</u>	<u>4,661</u>	<u>7,592</u>

For the disclosures of notes and accounts receivable and impairment thereof, please refer to Note 6(2).

The contractual liabilities as at January 1, 2022 and 2021 recognized as revenue amounted to NT\$ 4,498 thousand and NT\$ 7,098 thousand in 2022 and 2021 respectively.

(XIX) Non-operating Income and Expenses

1. Interest income

Statement of interest income of the Group is as follows:

		2022	2021
Interest income	\$	<u>5,104</u>	<u>19,991</u>

2. Other gains and losses

Statement of other gains and losses of the Group is as follows:

		2022	2021
Foreign exchange gains	\$	59,936	1,809
Net income on disposal of financial assets at fair value through profit or loss		-	274
Gain (loss) on disposal and retirement of property, plant and equipment		(22,947)	985
Gain on fair value adjustment of investment property		7,929	22,994
Loss on valuation of financial assets at fair value through profit or loss		(1,250)	(1,000)
Impairment loss on property, plant, and equipment		-	(20,215)
Other income			
Income from lease		80,359	79,710
Other income		3,124	18,024
Other expenses		(6,085)	(7,410)
	\$	<u>121,066</u>	<u>95,171</u>

3. Financial costs

Statement of financial costs of the Group is as follows:

		2022	2021
Interest expense			
Bank borrowings	\$	37,970	34,083

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

Corporate bonds payable	5,749	4,344
Others	1,335	477
	<u>\$ 45,054</u>	<u>38,904</u>

(XX) Financial Instruments

1. Credit risks

The main potential credit risk of the Group comes from the financial commodities of cash and cash equivalents and accounts receivable. The cash of the Group is deposited at different financial institutions. The Group controls the credit risk of each financial institution exposed, and believes that there is no likelihood of obvious concentration of material credit risk in the cash and cash equivalents of the Group.

Customers of the Group are concentrated in the optoelectronics industry, and to reduce accounts receivable credit risk, the Group continues to evaluate the financial status of customers, and periodically evaluates the feasibility of recovery of accounts receivable and appropriates allowance for doubtful accounts. As at December 31, 2022 and 2021, the accounts receivable from these customers accounted for 22% and 35% of the consolidated company's total accounts receivable respectively so that the consolidated company's credit risks were significantly centralized.

(1) Credit risks of receivables and debt securities

Please refer to Note 6(2) for details on the credit risk exposure information related to notes receivable and accounts receivable. Other financial assets measured at amortized cost include other accounts receivable and time deposit certificates.

The aforementioned financial assets refer to financial assets with low credit risk; therefore, the allowance for losses for such periods is measured according to the 12-month expected credit loss amount (please refer to Note 4(7) for details on how the Group makes the judgment on credit risk).

The movement in the allowance for impairment as at 2022 and 2021 is as follows:

	<u>Other receivables</u>	
Balance on January 1, 2022	\$	646
Impairment loss recognized		<u>340</u>
Balance on December 31, 2022	\$	<u>986</u>
Balance on January 1, 2021	\$	666
Impairment loss reversed		<u>(20)</u>
Balance on December 31, 2021	\$	<u>646</u>

2. Liquidity risks

The following are the contractual maturities of financial liabilities, including estimated

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

interest payments but excluding the impact of netting agreements.

	Carrying amount	contractual cash flows	Less than 1 year	1-3 years	3-5 years	Over 5 years
December 31, 2022						
Non-derivative financial liabilities						
Secured bank loans	\$ 1,580,807	1,659,060	518,494	537,921	584,346	18,299
Unsecured bank loans	255,825	263,309	120,588	114,365	28,356	-
Convertible corporate bonds	492,797	500,000	-	500,000	-	-
Notes and accounts payable (including related parties)	317,637	317,637	317,637	-	-	-
Other payables	105,558	105,558	105,558	-	-	-
Payables for equipment	4,977	4,977	4,977	-	-	-
Lease liabilities	15,113	15,268	14,951	317	-	-
	\$ 2,772,714	2,865,809	1,082,205	1,152,603	612,702	18,299
January 31, 2021						
Non-derivative financial liabilities						
Secured bank loans	\$ 1,695,591	1,731,040	649,463	522,205	148,772	410,600
Unsecured bank loans	178,000	212,150	180,964	31,186	-	-
Convertible corporate bonds	487,048	500,000	-	500,000	-	-
Notes and accounts payable (including related parties)	347,268	347,268	347,268	-	-	-
Other payables	121,801	121,801	121,801	-	-	-
Construction and equipment payable	3,303	3,303	3,303	-	-	-
Lease liabilities	108,613	110,441	58,157	52,284	-	-
	\$ 2,941,624	3,026,003	1,360,956	1,105,675	148,772	410,600

The Group does not expect that the timing of the occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, or that the actual cash flow amount will be significantly different.

3. Exchange rate risk

(1) Exchange rate risk

The Group's financial assets and liabilities exposed to significant exchange rate risk are as follows:

	December 20, 2022			December 31, 2021		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
<u>Financial asset</u>						
<u>Monetary items</u>						
USD : NTD	\$ 25,898	30.71	795,313	37,726	27.68	1,044,251
EUR : NTD	48	32.72	1,565	159	31.32	4,965
RMB : NTD	174	4.4080	769	436	4.344	1,896
<u>Non-monetary items</u>						
USD : NTD	1,693	30.71	51,990	1,727	27.68	47,814

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

Financial liability

Monetary items

USD : NTD	5,866	30.71	180,133	14,045	27.68	388,777
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(2) Sensitivity analysis

The Group's exposure to foreign currency risk mainly comes from cash and cash equivalents, accounts receivable, loans and borrowings, and accounts payable that are denominated in foreign currencies, and foreign exchange gain or loss occurs during the translation. Where TWD depreciated or appreciated by 1% compared with USD, euro and RMB and all other factors remained unchanged as at December 31, 2022 and 2021, the net loss after tax decreased or increased by NT\$ 4,940 thousand and NT\$ 5,299 thousand in 2022 and 2021 respectively. The analysis for the two periods adopted the same basis.

(3) Exchange gain or loss of monetary items

The information on the amount of exchange gain or loss (including realized and unrealized) of monetary items of the Group translated to the functional currency of NTD (i.e. the presentation currency of the Company) is as follows:

	2022		2021	
	Exchange gain (loss)	Average exchange rate	Exchange gain (loss)	Average exchange rate
TWD	\$ 59,936	29.88	1,809	27.96

4. Analysis of interest rate

Please refer to the note on liquidity risk management for the interest rate exposure of the Group's financial assets and liabilities.

The sensitivity analyses below were determined based on the exposure to interest rates for non-derivative instruments on the reporting date. Regarding assets with variable interest rates, the analysis is on the basis of the assumption that the amount of assets outstanding at the report date was outstanding throughout the year. The interest rate increased or decreased by 1% when the consolidated company internally reported the interest rate to the main management. This represented the evaluation of the reasonable change range of the interest rate by the management.

Where the interest rate increased or decreased by 1% and all other factors remained unchanged, the consolidated company's net profit declined or increased by NT\$ 11,551 thousand and NT\$ 18,736 thousand in 2022 and 2021 respectively, mainly because the consolidated company loaned at variable interest rate.

5. Information on fair value

(1) Types and fair value of financial instruments

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

The consolidated company measures financial assets at fair value through profit or loss on a recurring basis. The carrying amount and fair value of various financial assets and financial liabilities (including information on fair value level, but where the carrying amount of the financial instruments measured at fair value is not the reasonable estimate of the fair value and for the lease liabilities, the information on fair value needn't be disclosed) are listed as follows:

	December 20, 2022				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at amortized cost					
Cash and cash equivalents	\$ 682,275	-	-	-	-
Notes and accounts receivable (including related parties)	463,195	-	-	-	-
Other financial assets - (current and non-current)	408,048	-	-	-	-
Subtotal	1,553,518	-	-	-	-
Total	\$ 1,553,518	-	-	-	-
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 393,792	-	-	-	-
Notes and accounts payable (including related parties)	317,637	-	-	-	-
Other payables	105,558	-	-	-	-
Payables for equipment	4,977	-	-	-	-
Lease liabilities (current and non-current)	15,113	-	-	-	-
Corporate bonds payable	492,797	-	-	-	-
Long-term borrowings (including the portion with maturity in one year)	1,442,840	-	-	-	-
Total	\$ 2,772,714	-	-	-	-
	December 31, 2021				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	\$ 1,250	-	1,250	-	1,250
Financial assets at amortized cost					
Cash and cash equivalents	621,683	-	-	-	-
Notes and accounts receivable (including related parties)	659,491	-	-	-	-
Other financial assets - (current and non-current)	280,797	-	-	-	-
Subtotal	1,561,971	-	-	-	-
Total	\$ 1,563,221	-	1,250	-	1,250
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 534,361	-	-	-	-
Notes and accounts payable (including related parties)	347,268	-	-	-	-

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

Other payables	125,103	-	-	-	-
Payables for equipment	3,303	-	-	-	-
Lease liabilities (current and non-current)	108,613	-	-	-	-
Corporate bonds payable	487,048	-	-	-	-
Long-term borrowings (including the portion with maturity in one year)	1,339,230	-	-	-	-
Total	<u>\$ 2,944,926</u>	-	-	-	-

(2) Fair value valuation techniques for financial instruments not measured at fair value

The methods and assumptions the Group adopted to estimate the instruments not measured at fair value are as follows:

(2.1) Financial assets and liabilities measured at amortized costs

If there is transaction or quote information from a market maker, then the latest transaction price and quote information are used as the basis for the evaluation of the fair value. If no market price is available for reference, then a valuation method is used for estimation. The estimation and assumption adopted for the valuation method refers to the discounted value of the cash flow estimated fair value.

(3) Fair value valuation techniques for financial instruments measured at fair value

(3.1) Non-derivative financial instruments

When a financial instrument has an active market open quote, then the open quote of the active market is used for the fair value. For the market price of the main exchange and announced by the exchange center of the central government determined to be on-the-run securities, the publicly listed equity instruments and debt instruments with an active market open quote are determined to have a basis for fair value.

If an open quote of a financial instrument can be timely and frequently obtained from an exchange, broker, underwriter, industry association, pricing service institution or competent authority, and the price represents an actual and frequently occurring fair market transaction, then the financial instrument has an active market open quote. If the aforementioned criteria are not met, then the market is deemed to be inactive. In general, when the bid-ask spread is great, and the bid-ask spread obviously increases or the trading volume is small, then it serves as indicators of an inactive market.

Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. For the fair value of financial instruments measured by using valuation techniques, reference can be made to the current fair value of

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculations by model using market information available at the balance sheet date.

If a financial instrument held by the Group has no active market, then its fair value is determined according to the following category and attribute:

- Equity instrument without open quote: The market comparable company method is used to estimate the fair value, and its main assumption is to use the rate of return on investees as the basis for measurement. For the estimated value, the discount effect of the lack of market liquidity of such equity security has been adjusted.

(3.2) Derivative financial instruments

The valuation is based on the valuation model widely used and accepted by users in the market, such as discount method and option pricing model.

(4) Transfer between Level 1 and Level 2

In 2022 and 2021, none of the consolidated company's financial assets or liabilities was transferred.

(XXI) Financial risk management

1. Summary

The Group is exposed to the following risks arising from the use of financial instruments:

- (1) Credit risks
- (2) Liquidity risks
- (3) Market risks

This note discloses information about the Group's exposure to the aforementioned risks, and its goals, policies and procedures with regard to the Group's measurement and management of these risks. For additional quantitative disclosures of these risks, please refer to the notes regarding each risk disclosed throughout the consolidated financial statements.

2. Risk management framework

The board of directors is fully responsible for the establishment and oversight of the risk management framework of the Group. For the board of directors, the chairperson's office is responsible for the development and control of the financial risk management policies of the Group and to provide reports on the operation thereof to the board of directors periodically.

The establishment of the financial risk management policy of the Group is to identify and analyze the financial risk faced by the Group, and to set up appropriate financial risk limits and control, as well as to monitor risk and risk limit compliance. The financial risk

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

management policy is reviewed periodically to reflect market conditions and changes in the operation of the Group. The Group, through training, management standards and operation procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The board of directors of the Group monitors the management, such as monitoring of the financial risk management policy and procedure compliance of the Group, and reviews the appropriateness of the relevant financial management framework for the risks faced by the Group. The internal auditing personnel of the Group provides assistance to the board of directors of the Group to perform their role of supervision. Such personnel undertakes both regular and ad hoc reviews of risk management controls and procedures, and the results thereof are reported to the board of directors.

3. Credit risks

Credit risk refers to the risk of financial loss of the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the Group's receivables from customers' notes and accounts as well as bank deposits.

(1) Accounts receivable and other receivables

The credit risk exposure of the Group is mainly affected by the individual condition of each customer. However, the management considers the basic statistical data of customers of the Group, including the industry of customers and country default risk since such factors may affect the credit risk.

The Group has established a credit policy, and according to such policy, before the Group makes standard payment and delivery terms, it is necessary to analyze the credit rating of each new customer individually.

The Group has set up an allowance for bad debt account to reflect the estimated losses arising from notes receivable and others receivable as well as investments. The allowance for debt account mainly consists of a specific loss component relating to individually significant exposure, and a combinational loss component established for losses already occurred but not yet identified in similar asset groups. The combinational loss account allowance account is determined based on the statistical data of past payments of similar financial assets.

(2) Investments

The credit risk of bank deposits and other financial instruments are measured and monitored by the financial department of the Group. Since the transaction counterparties and the contract performance parties of the Group are banks with excellent credit standing, there are no non-compliance issues; therefore, there is no significant credit risk.

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

(3) Guarantee

The Group's policy is executed in accordance with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies. As of December 31, 2022 and 2021, the consolidated company had not offered any endorsement or guarantee.

4. Liquidity risks

Liquidity risk refers to the risk that the Group is unable to deliver cash or other financial assets for repayment of financial debts, and the risk of failure to perform relevant obligations. The Group's liquidity management method is to ensure that under general conditions and conditions of pressure, the Group is still able to have sufficient working capital capable of paying liabilities that are due for payment, such that unacceptable loss would not occur or the risk of the reputation of the Group being damaged would not occur.

As at December 31, 2022 and 2021, the loans not utilized by the consolidated company amounted to NT\$ 236,208 thousand and NT\$ 95,639 thousand respectively.

5. Market risks

Market risk refers to the risk in the change of market prices, such as foreign exchange rates and interest rates, affecting the Group's income or the value of holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within an acceptable range, and to optimize investment returns.

To manage market risks, the Group engages in derivative instrument transactions and also generates financial assets and liabilities accordingly. The all transactions were executed in accordance with the instructions of the board of directors.

(1) Exchange rate risk

The Group is exposed to currency risk on transactions of sales, purchases and loans that are denominated in a currency other than the respective functional currencies of the Group. The functional currencies of the Group are mainly NTD and USD. The main pricing currency for such transactions is NTD and USD.

In addition, based on the principle of natural hedging, the Group performs hedging according to the capital demand of each currency and the net position with respect to the market exchange condition.

(2) Interest rate risk

The Group's policy is to ensure that the loan interest rate change risk exposure is evaluated according to the international economic status and market interest rates.

(XXII) Capital management

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

The Group's capital management objective is to safeguard the Group's ability to continue as a going concern in order to continue to provide returns for shareholders and interests of other stakeholders, as well as to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, execute capital reduction to return share capital to shareholders, issue new shares or sell assets in order to repay debts.

The Group, similar to others in the same industry, uses the debt-to-capital ratio as the basis for capital control and monitoring. Such ratio is calculated by dividing the net liabilities by the total capital. The net liabilities refer to the total liabilities indicated on the balance sheet less cash and cash equivalents. Total capital refers to all components (i.e. share capital, capital surplus, retained earnings and other equity) of equity plus net liabilities.

The consolidated company's capital management strategies in 2022 were intended to ensure that the consolidated company could finance at reasonable costs. Debt-to-capital ratio at report date is as follows:

	<u>December 20, 2022</u>	<u>December 31, 2021</u>
Total liabilities	\$ 2,884,587	3,061,063
Less: Cash and cash equivalent	(682,275)	(621,683)
Net liabilities	2,202,312	2,439,380
Total equity	1,478,459	1,432,759
Capital after adjustment	\$ 3,680,771	3,872,139
Debt-to-capital ratio	59.83%	63.00%

In 2022, the consolidated company repaid its loans and increased its operating funds by capital increase in cash, thereby causing a drop in the debt-capital ratio.

(XXIII) Investments in Non-cash Transactions and Financing Activities

The consolidated company's investments in the non-cash transactions in 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Purchase of property, plant and equipment in the current period	\$ 69,139	27,376
Add: Equipment and construction payables at beginning of the period	3,303	3,424
Less: Equipment and construction payables at end of the period	(4,977)	(3,303)
Add: Impact of changes in foreign exchange rate	8	1
	\$ 67,473	27,498

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

(XXIV) Sound Financial Plan

Due to rapid changes in the industry, the Group has suffered continuous losses in recent years, and the management of the Group has consecutively adopted the following measures in order to ensure the operation of the Group and to improve the financial structure and cash flow in a positive direction. In response to these circumstances, the Group plans to adopt the following plans:

1. Operation

- (1) Actively integrate core technologies of the Company to satisfy the requirements for high-level customization of terminal products and adapt to new technologies. Continuously enhance and adjust the abilities to get orders from the market, to consolidate and develop market, satisfy customer requirements and reinforce foundations for boosting the increase in the market share.
- (2) Extend to industries related to vehicle-borne industrial computers and intelligent buildings to diversify operations. Decrease reliance upon the industry of consumer electronics, constantly develop new products and adjust market position to increase sales of niche products.
- (3) Expand customer bases and extend product applications in relation to core competences. Realize speed, service, cost and quality objectives.
- (4) Plan promotions of glass products.
 - (a) Combine E-beam evaporation technology with ion assisted precise optical coating quality technology.
 - (b) Develop and promote multi-curved glass hot forming designs for vehicle-borne displays and interiors.
 - (c) Promote application of electrochromic curtain glass.

2. Management

- (1) Implement policies for streamlining organizational structure and take full advantage of outsourcing advantages to strictly control costs.
- (2) Improve production management efficiency, reduce material losses, perform stringent inventory management and decrease loss of obsolescence.
- (3) Increase accuracy of sales forecasts, strictly control raw material procurement, enhance flexibility of capital utilization, improve efficiency and lower operating costs.
- (4) Facilitate introduction of materials from the second source, effectively control and lower material costs.
- (5) Strictly control auditing of expenditures. Reduce expenditures and unnecessary wastes.

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

(6) Focus on introducing new technologies or processes in the future; increase the capital expenditures necessary for improving production efficiency of machines and equipment, and perform strict analysis of returns on investments, to maximize benefits of capital expenditures.

3. Finance

- (1) Plan cost reduction, tighten expenditures, keep funds at a safe level and decrease backlog of working capital.
- (2) Constantly negotiate about bank lines and strengthen cooperation with banks, to increase working capital.

VII. Related Party Transactions

(I) Names of related parties and relationships

The related parties that have had transactions with the Group during the periods covered in the financial statements are as follows:

Related party name	Relationship with the Group	Remarks
Hon Hai Precision Industry Co., Ltd.	Investees indirectly evaluated by the Company with equity method	Note 1
Chin Ming Glass Co., Ltd.	The chairperson of this company is a relative within the first degree of kinship of the chairperson of the Company	
PT. Sharp Electronics Indonesia	Its ultimate parent company is an investment company using the indirect equity method on the Company	Note 1
FIH (Hong Kong) Limited	"	"
Asia Pacific Telecom Co., Ltd.	"	"
Nanjing Innolux Optoelectronics Ltd.	"	"
Futaihua Industry (Shenzhen) Co., Ltd.	"	"
Foxconn Global Network Corporation	"	"
General Interface Solution Business (Shenzhen) Co., Ltd.	"	"
General Interface Solution Business (Wuxi) Co., Ltd.	"	"
Innolux Corporation	"	"
Chiun Mai Communication Systems Inc.	Its ultimate parent company is an investment company using the indirect equity method on the Company	"
Century Technology (Shenzhen) Co., Ltd.	"	"
Foshan Innolux Optoelectronics Ltd.	"	"
Ennoconn Corporation	"	"
Ningbo CarUX Technology Co., Ltd.	"	"
Hongfutai Precision Electrons (Yantai) Co., Ltd.	"	"
XINGFOX ENERGY TECHNOLOGY CO., LTD.	"	"
FOXCONN TECHNOLOGY CO., LTD.	"	"
Ningbo Innolux Optoelectronics Ltd.	"	"
CARUX TECHNOLOGY PTE. LTD. Tainan Branch	"	"

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

Related party name	Relationship with the Group	Remarks
Brave Advance	Associates of the Group	
Hongda Photoelectric Glass (Dongguan) Co., Ltd.	"	

Note 1: No longer an associate of the consolidated company from January 1, 2023.

(II) Significant related party transactions and balances

1. Operating revenue

The significant sales of the Group to related parties were as follows:

	2022	2021
Innolux Corporation	\$ 258,138	214,779
Other related parties	465,723	323,229
	\$ 723,861	538,008

The consolidated company's selling price and collection term for other related parties is monthly settlement within 45 to 120 days, without significant difference from general customers.

2. Purchase

Purchase costs of the Group from related parties were as follows:

	2022	2021
Other related parties:		
Futaihua Industry (Shenzhen) Co., Ltd.	\$ 1,176,241	834,004
Other related parties	24,583	66,195
	\$ 1,200,824	900,199

The related parties from which the consolidated company makes purchases are single suppliers, for which the payment term is monthly settlement within 45 to 90 days. The payment terms for general suppliers are LC120 days and monthly settlement within 30 to 90 days.

3. Receivables from related parties

Statement of receivables from related parties of the Group is as follows:

Item	Types of related parties	December 20, 2022	December 31, 2021
Accounts receivable - related parties	Other related parties:		
	Innolux Corporation	\$ 64,796	61,488
	Other related parties	65,672	61,636
		\$ 130,468	123,124

4. Payables to related parties

Statement of payables to related parties of the Group is as follows:

Item	Types of related parties	December 20, 2022	December 31, 2021
Accounts payable - related parties	Other related parties:		
	Futaihua Industry (Shenzhen) Co., Ltd.	\$ 218,864	168,908

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

	Other related parties	9,010	9,425
		<u>\$ 227,874</u>	<u>178,333</u>
Other payables	Other related parties	<u>\$ 3,325</u>	<u>6,589</u>

5. Lease

In December 2021, the consolidated company rented the office building for Nanke Plant from a related party and entered into a two-year lease contract with reference to the rent of adjacent land. The total contract price was NT\$ 101,024 thousand. In November 2022, a new lease contract was concluded upon further negotiation to lower the rent. While the remaining lease term remained unchanged, the total contract price amounted to NT\$ 15,654 thousand. The interest expenses recognized in 2022 and 2021 amounted to NT\$ 1,253 thousand and NT\$ 505 thousand. As of December 31, 2022 and 2021, the balance of lease liabilities amounted to NT\$ 13,851 thousand and NT\$ 101,024 thousand respectively.

(III) Personnel transactions from key management

Remuneration of key management includes:

	2022	2021
Short-term employee benefits	\$ 15,151	16,810
Share-based payments	1,028	1,459
	<u>\$ 16,179</u>	<u>18,269</u>

VIII. Pledged Assets

Statement of the carrying value of pledged or secured assets of the Group is as follows:

Asset name	Pledged or secured subject matter	December 20, 2022	December 31, 2021
Other financial assets - current	Customs bonds and bank borrowings	\$ 62,557	88,830
Other financial assets - non-current	Corporate bonds payable and bank borrowings	282,500	179,000
Property, plant and equipment	Bank borrowings	1,098,652	1,054,019
Investment property	Bank borrowings	1,145,991	1,138,062
Prepayments for equipment	Bank borrowings	77,556	-
		<u>\$ 2,667,256</u>	<u>2,459,911</u>

IX. Significant Contingent Liabilities and Unrecognized Commitments

The contract prices for the Group's equipment purchases were as follows:

	December 20, 2022	December 31, 2021
Signed contract prices	\$ 202,792	337,379
Paid amount	<u>\$ 148,976</u>	<u>178,345</u>

X. Significant Disaster Loss: None.

XI. Significant Subsequent Events: None.

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

XII. Others

A summary of employee benefits, depreciation, depletion and amortization expenses, by function, is as follows:

By nature	By function	2022			2021		
		Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expense							
Salary expense		255,554	102,677	358,231	268,813	102,708	371,521
Labor and health insurance expense		28,023	8,182	36,205	24,117	7,837	31,954
Pension expense		11,812	4,619	16,431	10,236	4,307	14,543
Other employee benefit expenses		11,199	3,524	14,723	10,672	4,451	15,123
Depreciation expense		178,880	12,986	191,866	186,920	14,098	201,018
Amortization expense		1,002	3,938	4,940	995	3,696	4,691

In 2022 and 2021, the depreciation in other profit and loss under the non-operating income and expense of the consolidated company amounted to NT\$ 2,743 thousand and NT\$ 5,524 thousand respectively.

XIII. Separately Disclosed Items

(I) Significant transactions information

The information on material transactions that should be further disclosed by the consolidated company in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers in 2022 is as follows:

1. Fund lending to others: None.
2. Endorsement or guarantee for others: None.
3. Year-end holding of negotiable securities (excluding equity in investees, associates and joint ventures): None.
4. Accumulated purchase or sale of the same negotiable securities up to NT\$ 300 million or over 20% of the paid-in capital: None.
5. Acquisition of property up to NT\$ 300 million or over 20% of the paid-in capital: None.
6. Disposal of property up to NT\$ 300 million or over 20% of the paid-in capital: None.
7. Purchase from or sales to the associates up to NT\$ 100 million or over 20% of the paid-in capital:

Unit: NT\$ thousand

Companies from and to which products are purchased and sold	Related party name	Relations	Transaction details				Difference of transaction conditions with general transactions and reasons		Notes and accounts receivable (payable)		Remarks
			Purchase (sales)	Amount	Ratio to total purchase (sales)	Payment term	Unit price	Payment term	Balance	Ratio to notes and accounts receivable (payable)	
G-TECH Optoelectronics Corporation	Futaihua Industry (Shenzhen) Co., Ltd.	Other related parties	Purchase	948,880	63.71 %	DA 45 DAYS	-		(125,816)	(61.10)%	
"	Innolux Corporation	"	Sales	(258,138)	(12.34)%	Monthly payment in	-		64,796	17.44%	

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

						120 days				
"	Ningbo CarUX Technology Co., Ltd.	"	Sales	(140,908)	(6.73) %	Monthly payment in 120 days	-		28,580	7.69%
Ruizhida Optoelectronics (Chengdu) Co., Ltd.	Futaihua Industry (Shenzhen) Co., Ltd.	"	Purchase	227,361	86.88 %	Monthly payment in 30 days	-		(93,048)	(91.31)%

8. Receivables from associates up to NT\$ 100 million or over 20% of the paid-in capital:
None.

9. Engagement in derivative transactions: For details, please refer to Note 6 (10).

10. Business relations and material transactions between the parent company and the subsidiaries: None.

(II) Information on investees:

The information on the consolidated company's investees (excluding investees in Mainland China) in 2022 is as follows:

Unit: NT\$ thousand/USD thousand

Investors	Name of investee	Location	Main business items	Original investment amount		Shareholding at the end of the period			Highest shareholding ratio or capital contribution in the current period	Investees' profit/loss in the period	Current investment profit/loss recognized	Remarks
				End of the period	End of the preceding year	Number of shares	Ratio	Carrying amount				
G-TECH Optoelectronics Corporation	Fast Achievement Global Ltd.	Cayman Islands	Holding	16,583 (USD540)	16,583 (USD540)	540,000	100.00%	51,990	100.00%	372 (USD12)	372 (USD12)	
G-TECH Optoelectronics Corporation	Golden Start Global Corp.	Samoa	Holding	2,192,429 (USD71,391)	2,192,429 (USD71,391)	71,391,373	100.00%	73,893	100.00%	(7,274) (USD(243))	(7,274) (USD(243))	
Fast Achievement Global Ltd.	Brave Advance International Corp.	Samoa	Holding	15,355 (USD500)	15,355 (USD500)	500,000	25.00%	51,990 (USD1,693)	25.00%	1,568 (USD52)	392 (USD13)	
Golden Start Global Corp.	Charmtex Global Corp.	Samoa	Holding	2,191,815 (USD71,371)	2,191,815 (USD71,371)	71,371,373	100.00%	73,893 (USD2,406)	100.00%	(7,265) (US(243))	(7,265) (USD(243))	

Note: Except for Brave Advance International Corp., all above transactions were written off in preparing the consolidated financial statements.

(III) Information on Investments in China:

1. Information of name of investees in China, and main business items:

Unit: NT\$ thousand/USD thousand

Names of the investees in Mainland China	Main business items	Paid-in capital	Investment method	Opening aggregate investment amount remitted out from Taiwan	Remitted or recovered investment amount of the period		Closing aggregate investment amount remitted out from Taiwan	Investees' profit/loss in the period	Ratio of shareholding directly or indirectly invested by the Company	Highest shareholding ratio or capital contribution in the current period	Recognized returns and losses on investments in the period	Closing carrying value of investments	Remitted returns on investments as of the end of the period
					Outward remittance	Recovery							
Hongda Photoelectric Glass (Dongguan) Co., Ltd.	Produce and sell TFT-LCD materials	729,055 (USD23,740)	Note 1	729,055 (USD23,740)	-	-	729,055 (USD23,740)	21 (USD1)	25.00%	25.00%	5 (USD-)	16,026 (USD522)	-
Ruizhida Optoelectronics (Chengdu) Co., Ltd.	Produce and sell TFT-LCD materials	2,149,700 (USD70,000)	Note 2	2,149,700 (USD70,000)	-	-	2,149,700 (USD70,000)	(8,450) (USD(283))	100.00%	100.00%	(8,450) (USD(283))	66,446 (USD2,164)	-

Note 1: The company indirectly invests in Hongda Photoelectric Glass (Dongguan) Co., Ltd. in Mainland China through Brave Advance International Corp., an investee of Fast Achievement Global Ltd. in a third area.

Note 2: The Company indirectly invests in Ruizhida Optoelectronics (Chengdu) Co., Ltd. in Mainland China through Charmtex Global Corp., an investee of Golden Start Global Corp. in a third area.

Note 3: Fast Achievement Global Ltd., Golden Start Global Corp., Brave Advance

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

International Corp., Charmtex Global Corp., Hongda Photoelectric Glass (Dongguan) Co., Ltd. and Ruizhida Optoelectronics (Chengdu) Co., Ltd. Recognize the returns and losses investments based on certain accounts audited by or financial reports of the same period disclosed by the CPAs of the Taiwan parent company.

Note 4: Except for Hongda Photoelectric Glass (Dongguan) Co., Ltd., all other transactions mentioned above were offset in preparing the consolidated financial statements.

2. Limit of investments in Mainland China:

Aggregate amount remitted from Taiwan for investments in Mainland China in the period	Investment amount approved by the Investment Commission, Ministry of Economic Affairs	Limit of investments in Mainland China specified by the Investment Commission, Ministry of Economic Affairs
2,878,755 (USD93,740)	2,878,755 (USD93,740)	-
(Including machine prices of NT\$ 263,584) (USD8,583)	(Including machine prices of NT\$ 284,866) (USD9,276)	-

Note: On August 26, 2019, the consolidated company was issued the supporting documents for compliance with the business scope of the head office by the Industrial Development Bureau, Ministry of Economic Affairs, so it was not subject to any investment limit.

3. Material transactions with investees of Mainland China: None.

(IV) Information on Major Shareholders:

Name of major shareholder	Shares	Number of shares held	Shareholding ratio
HON YUN INTERNATIONAL INVESTMENT CO., LTD.		15,728,165	7.01%

XIV. Information on Segments

(I) General information

Since April 2016, the Group has made organization segment adjustments, and the reportable segments and operations thereof after the adjustment respectively refer to the Optoelectronics Business Unit (referred to as "Optoelectronics BU") and the Green Building Business Unit (referred to as "Green Building BU"). The Optoelectronics BU is mainly responsible for the R&D, design, manufacturing and sales of general consumer electronics, vehicle glass and protective touch control glass for industrial control computers. The Green Building BU is mainly responsible for the R&D and sales of green building material glass, and provides various sorts of building glass surface treatment and reinforcement, abnormality processing services.

(II) Information on profit/loss, assets, liabilities and measurement basis and adjustment of reportable segments

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

The Group uses the income before tax of segments (excluding gain/loss occurred infrequently and exchange gain/loss) from the internal management reports reviewed by key operating decision makers as a basis for management resource allocation and performance evaluation. Since the income tax, gain/loss occurred infrequently and exchange gain/loss are managed with the Group as the basis, the Group does not amortize the income tax expense (profit), gain/loss occurred infrequently and exchange gain/loss to the reportable segments. In addition, not all of the gain/loss of reportable segments includes material non-monetary items other than the depreciation and amortization. The amounts reported and the reports used by the operating decision makers are consistent.

The pension expense of each operating segment is recognized and measured based on the pension program paid in cash, and the accounting policies of operating segments are the same as Note 4 "Summary of Significant Accounting Policies".

The Group treats the sales and transfers among segments as transactions with third parties. The transactions are measured at current market prices.

Information and adjustment of operating segments of the Group are as follows:

<u>2022</u>	<u>Optoelectron ics</u>	<u>Green building</u>	<u>Others</u>	<u>Adjustment and offset</u>	<u>Total</u>
Revenue					
Revenue from external customers	\$ 660,837	195,660	1,573,705	-	2,430,202
Inter-segment revenue	-	-	-	-	-
Interest income	5,104	-	-	-	5,104
Total revenue	<u>\$ 665,941</u>	<u>195,660</u>	<u>1,573,705</u>	<u>-</u>	<u>2,435,306</u>
Interest expense	\$ (45,054)	-	-	-	(45,054)
Depreciation and amortization	(139,461)	(60,088)	-	-	(199,549)
Investment gain	392	-	-	-	392
Segment profit/loss	<u>\$ (340,746)</u>	<u>(31,611)</u>	<u>56,764</u>	<u>-</u>	<u>(315,593)</u>
Segment total assets	<u>\$ 3,945,196</u>	<u>417,850</u>	<u>-</u>	<u>-</u>	<u>4,363,046</u>
Segment liabilities	<u>\$ 2,588,145</u>	<u>296,442</u>	<u>-</u>	<u>-</u>	<u>2,884,587</u>
<u>2021</u>					
Revenue					
Revenue from external customers	\$ 889,724	271,408	1,452,701	-	2,613,833
Inter-segment revenue	-	-	-	-	-
Interest income	19,991	-	-	-	19,991
Total revenue	<u>\$ 909,715</u>	<u>271,408</u>	<u>1,452,701</u>	<u>-</u>	<u>2,633,824</u>
Interest expense	\$ (38,904)	-	-	-	(38,904)
Depreciation and amortization	(126,180)	(85,053)	-	-	(211,233)
Investment gain	1,351	-	-	-	1,351
Segment profit/loss	<u>\$ (270,098)</u>	<u>89,029</u>	<u>60,261</u>	<u>-</u>	<u>(120,808)</u>
Segment total assets	<u>\$ 3,640,421</u>	<u>853,401</u>	<u>-</u>	<u>-</u>	<u>4,493,822</u>
Segment liabilities	<u>\$ 2,536,096</u>	<u>524,967</u>	<u>-</u>	<u>-</u>	<u>3,061,063</u>

(III) Information on Product Type and Labor Type

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

Information on revenue from external customers of the Group is as follows:

<u>Product name</u>	<u>2022</u>	<u>2021</u>
Photoelectric glass	\$ 660,837	889,724
Green building	195,660	271,408
Others	1,573,705	1,452,701
Total	<u>\$ 2,430,202</u>	<u>2,613,833</u>

(IV) Geographical Information

The geographical information of the Group is as follows. The income described in the following is classified according to the geographical location of customers. In addition, non-current assets are classified according to the geographical location of assets.

<u>By location</u>	<u>2022</u>	<u>2021</u>
Revenue from external customers:		
Mainland China	\$ 1,683,241	1,605,316
Taiwan	600,556	956,942
U.S.	17,689	16,869
Others	128,716	34,706
	<u>\$ 2,430,202</u>	<u>2,613,833</u>
Non-current assets:		
Taiwan	\$ 2,456,415	2,484,352
Mainland China	-	3,068
Total	<u>\$ 2,456,415</u>	<u>2,487,420</u>

Non-current assets include property, plant and equipment, right-of-use assets, investment property, investment property and other assets; however, financial instruments, deferred income tax assets, assets of retirement benefits and non-current assets arising from rights of insurance policies are excluded.

(V) Information on Major Customers

Operating revenue:

	<u>2022</u>	<u>2021</u>
Customer B	\$ 684,133	678,432
Customer A	295,858	391,203
	<u>\$ 979,991</u>	<u>1,069,635</u>