

Asia Optical Co., Inc. and Subsidiaries

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

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Asia Optical Co., Inc.

Introduction

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

Scope of Review

Except as discussed in the following paragraph, we conducted our reviews in accordance with the Standards on Review Engagements No. 2410, "Review of Interim Financial Information performed by the Independent auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As described in Note 11, the financial statements of certain non-significant subsidiaries were prepared and not reviewed by the independent auditors for the periods. Total assets of these subsidiaries amounted to \$ 3,983,903 thousand and \$ 3,026,547 thousand, representing 19% and 14% of the related consolidated totals, and total liabilities amounted to \$ 867,751 thousand and \$ 820,075 thousand, representing 13% and 11% of the related consolidated totals, as at June 30, 2023 and 2022, respectively. Total comprehensive income of these subsidiaries amounted to \$ 106,771 thousand and \$ (65,013) thousand, representing 24% and (12%) of the related consolidated totals for the three-month periods ended June 30, 2023 and 2022. As for the six-month periods ended June 30, the total comprehensive income of these subsidiaries amounted to \$ 161,597 thousand and \$ 46,386 thousand, representing 34% and 4% of the related consolidated totals. Also, as Note 13 indicated, the un-reviewed balance of investment amounted to \$ 46,994 thousand and \$46,149 thousand; the recognized share of profits of associates under the equity method of these investments amounted to \$ 1,176 thousand and \$ 2,114 thousand for the three months ended June 30, 2023 and 2022, respectively and amounted to \$ 1,218 thousand and \$ 2,305 thousand for the six months then ended, respectively.

Qualified Conclusion

Based on our reviews, except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of certain non-significant subsidiaries and investee companies been reviewed by independent accountants as described in the preceding paragraph, that we might have become aware of had it not been for the situation described above, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2023 and 2022, its consolidated financial performance for the three months and six months then ended and its consolidated cash flows for the six months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" as endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Lie-Dong Wu and Ting-Chien Su.

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 1, 2023

Notice to Readers

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

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

ASIA OPTICAL CO., INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2023		December 31, 2022		June 30, 2022	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 9,731,168	47	\$ 9,179,112	45	\$ 8,573,835	41
Financial assets at amortized cost - current (Notes 8 and 31)	169,669	1	87,131	-	248,352	1
Notes receivable (Note 23)	51,743	-	71,764	-	105,050	-
Trade receivables from unrelated parties (Notes 9 and 23)	3,978,956	19	3,836,922	19	4,292,635	20
Trade receivables from related parties (Notes 23 and 30)	555	-	-	-	10	-
Inventories (Note 10)	3,159,188	15	3,360,626	16	3,880,394	18
Other financial assets - current (Note 30)	49,506	-	100,641	1	126,572	1
Other current assets (Note 12)	<u>172,825</u>	<u>1</u>	<u>163,797</u>	<u>1</u>	<u>136,834</u>	<u>1</u>
Total current assets	<u>17,313,610</u>	<u>83</u>	<u>16,799,993</u>	<u>82</u>	<u>17,363,682</u>	<u>82</u>
NON-CURRENT ASSETS						
Financial assets at fair value through profit or loss - non-current (Note 7)	201,725	1	166,996	1	172,722	1
Investments accounted for using the equity method (Note 13)	46,994	-	46,741	-	46,149	-
Property, plant and equipment (Note 14)	2,576,013	12	2,544,471	13	2,616,003	13
Right-of-use assets (Note 15)	273,285	1	282,110	1	291,374	2
Investment property (Note 16)	345,506	2	366,452	2	382,336	2
Other intangible assets (Note 17)	68,680	-	74,202	-	68,747	-
Deferred tax assets (Notes 4 and 25)	38,821	-	43,810	-	30,458	-
Prepayments for equipment	95,883	1	85,170	1	60,734	-
Refundable deposits	13,676	-	13,299	-	13,107	-
Other financial assets - non-current (Note 18)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,704</u>	<u>-</u>
Total non-current assets	<u>3,660,583</u>	<u>17</u>	<u>3,623,251</u>	<u>18</u>	<u>3,684,334</u>	<u>18</u>
TOTAL	<u>\$ 20,974,193</u>	<u>100</u>	<u>\$ 20,423,244</u>	<u>100</u>	<u>\$ 21,048,016</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Contract liabilities – current (Note 23)	\$ 306,167	1	\$ 339,150	2	\$ 440,812	2
Notes payable	3,399	-	7,182	-	9,652	-
Trade payables to unrelated parties	2,789,851	13	2,599,360	13	2,830,749	14
Trade payables to related parties (Note 30)	5,721	-	12,276	-	15,178	-
Other payables (Note 19)	2,675,904	13	1,960,293	9	3,281,962	16
Current tax liabilities (Notes 4 and 25)	417,024	2	357,316	2	238,256	1
Lease liabilities - current (Note 15)	19,601	-	18,730	-	19,197	-
Other current liabilities (Note 23)	<u>97,846</u>	<u>1</u>	<u>90,646</u>	<u>-</u>	<u>90,635</u>	<u>-</u>
Total current liabilities	<u>6,315,513</u>	<u>30</u>	<u>5,384,953</u>	<u>26</u>	<u>6,926,441</u>	<u>33</u>
NON-CURRENT LIABILITIES						
Deferred tax liabilities (Notes 4 and 25)	173,535	1	181,701	1	173,645	1
Lease liabilities - non-current (Note 15)	19,874	-	25,887	-	34,969	-
Net defined benefit liabilities - non-current (Notes 4 and 21)	117,825	1	122,644	1	141,249	1
Guarantee deposits received	7,799	-	7,856	-	6,648	-
Other non-current liabilities (Note 20)	<u>2,299</u>	<u>-</u>	<u>2,285</u>	<u>-</u>	<u>2,268</u>	<u>-</u>
Total non-current liabilities	<u>321,332</u>	<u>2</u>	<u>340,373</u>	<u>2</u>	<u>358,779</u>	<u>2</u>
Total liabilities	<u>6,636,845</u>	<u>32</u>	<u>5,725,326</u>	<u>28</u>	<u>7,285,220</u>	<u>35</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT						
Capital Stock	2,792,439	13	2,810,839	14	2,810,839	13
Capital surplus	5,365,320	26	5,400,198	26	5,399,840	25
Retained earnings						
Legal reserve	2,100,482	10	2,040,613	10	2,040,613	10
Special reserve	281,870	1	1,085,120	5	1,085,120	5
Unappropriated earnings	1,925,532	9	1,452,121	7	849,596	4
Other equity	(273,556)	(1)	(276,073)	(1)	(490,584)	(2)
Treasury shares	<u>-</u>	<u>-</u>	<u>(109,630)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Equity attributable to owners of the parent	<u>12,192,087</u>	<u>58</u>	<u>12,403,188</u>	<u>61</u>	<u>11,695,424</u>	<u>55</u>
NON-CONTROLLING INTERESTS	<u>2,145,261</u>	<u>10</u>	<u>2,294,730</u>	<u>11</u>	<u>2,067,372</u>	<u>10</u>
Total equity	<u>14,337,348</u>	<u>68</u>	<u>14,697,918</u>	<u>72</u>	<u>13,762,796</u>	<u>65</u>
TOTAL	<u>\$ 20,974,193</u>	<u>100</u>	<u>\$ 20,423,244</u>	<u>100</u>	<u>\$ 21,048,016</u>	<u>100</u>

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

ASIA OPTICAL CO., INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In thousands of New Taiwan dollars, Except Earnings Per Share)

	Three Months Ended June 30				Six Months Ended June 30			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
NET REVENUES (Note 23 and 30)	\$4,451,394	100	\$ 4,874,029	100	\$ 8,287,291	100	\$9,362,864	100
COSTS OF REVENUES (Notes 10, 21, 24 and 30)	<u>3,613,799</u>	<u>81</u>	<u>3,984,086</u>	<u>82</u>	<u>6,815,669</u>	<u>82</u>	<u>7,694,435</u>	<u>82</u>
GROSS PROFIT	<u>837,595</u>	<u>19</u>	<u>889,943</u>	<u>18</u>	<u>1,471,622</u>	<u>18</u>	<u>1,668,429</u>	<u>18</u>
OPERATING EXPENSES (Notes 21, 24 and 30)								
Selling and marketing expenses	44,138	1	49,767	1	86,410	1	99,256	1
General and administrative expenses	322,848	7	320,815	7	632,193	8	645,568	7
Research and development expenses	202,969	5	200,565	4	390,636	5	401,730	4
Expected credit loss (Note 9)	<u>8,283</u>	<u>-</u>	<u>20,805</u>	<u>-</u>	<u>13,485</u>	<u>-</u>	<u>20,260</u>	<u>-</u>
Total operating expenses	<u>578,238</u>	<u>13</u>	<u>591,952</u>	<u>12</u>	<u>1,122,724</u>	<u>14</u>	<u>1,166,814</u>	<u>12</u>
INCOME FROM OPERATIONS	<u>259,357</u>	<u>6</u>	<u>297,991</u>	<u>6</u>	<u>348,898</u>	<u>4</u>	<u>501,615</u>	<u>6</u>
NON-OPERATING INCOME AND EXPENSES								
Other income (Note 24)	17,994	-	71,466	2	36,009	1	125,444	1
Other gains and losses (Note 24)	(59)	-	(454)	-	(8,130)	-	(5,544)	-
Finance costs (Note 15)	(340)	-	(1,048)	-	(710)	-	(2,324)	-
Share of profit of associates (Note 13)	1,176	-	2,114	-	1,218	-	2,305	-
Interest income	74,914	2	11,739	-	146,626	2	22,610	-
Foreign exchange gain	140,199	3	149,259	3	99,477	1	112,487	1
Net gain (loss) on fair value of financial asset at FVTPL	<u>18,461</u>	<u>-</u>	<u>(26,935)</u>	<u>(1)</u>	<u>32,694</u>	<u>-</u>	<u>(50,507)</u>	<u>-</u>
Total non-operating income and expenses	<u>252,345</u>	<u>5</u>	<u>206,141</u>	<u>4</u>	<u>307,184</u>	<u>4</u>	<u>204,471</u>	<u>2</u>
INCOME BEFORE INCOME TAX	511,702	11	504,132	10	656,082	8	706,086	8

(Continued)

ASIA OPTICAL CO., INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In thousands of New Taiwan dollars, Except Earnings Per Share)

	Three Months Ended June 30				Six Months Ended June 30			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
INCOME TAX EXPENSE (Notes 4 and 25)	<u>97,033</u>	<u>2</u>	<u>97,997</u>	<u>2</u>	<u>158,445</u>	<u>2</u>	<u>140,120</u>	<u>2</u>
NET INCOME	414,669	9	406,135	8	497,637	6	565,966	6
OTHER COMPREHENSIVE INCOME (LOSS) Items that may be reclassified subsequently to profit or loss: Exchange differences on translation of foreign operations	<u>23,472</u>	<u>1</u>	<u>142,547</u>	<u>3</u>	<u>(17,525)</u>	<u>-</u>	<u>688,970</u>	<u>7</u>
TOTAL COMPREHENSIVE INCOME	<u>\$438,141</u>	<u>10</u>	<u>\$548,682</u>	<u>11</u>	<u>\$480,112</u>	<u>6</u>	<u>\$1,254,936</u>	<u>13</u>
NET INCOME ATTRIBUTE TO:								
Owner of the parent	\$296,651	7	\$281,126	6	\$316,945	4	\$359,066	4
Non-controlling interests	<u>118,018</u>	<u>2</u>	<u>125,009</u>	<u>2</u>	<u>180,692</u>	<u>2</u>	<u>206,900</u>	<u>2</u>
	<u>\$414,669</u>	<u>9</u>	<u>\$406,135</u>	<u>8</u>	<u>\$497,637</u>	<u>6</u>	<u>\$565,966</u>	<u>6</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTE TO:								
Owner of the parent	\$340,062	8	\$456,312	9	\$319,462	4	\$947,805	10
Non-controlling interests	<u>98,079</u>	<u>2</u>	<u>92,370</u>	<u>2</u>	<u>160,650</u>	<u>2</u>	<u>307,131</u>	<u>3</u>
	<u>\$438,141</u>	<u>10</u>	<u>\$548,682</u>	<u>11</u>	<u>\$480,112</u>	<u>6</u>	<u>\$1,254,936</u>	<u>13</u>
EARNINGS PER SHARE (Note 26)								
Basic	<u>\$ 1.07</u>		<u>\$ 1.00</u>		<u>\$ 1.14</u>		<u>\$ 1.28</u>	
Diluted	<u>\$ 1.05</u>		<u>\$ 0.99</u>		<u>\$ 1.12</u>		<u>\$ 1.26</u>	

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

(Concluded)

ASIA OPTICAL CO., INC. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Parent					Other Equity		Total	Non-controlling Interests	Total Equity
	Capital Stock (Note 22)	Capital Surplus (Note 22)	Retained Earnings (Notes 22 and 27)			Exchange Differences on Translation of the Financial Statements of Foreign Operations	Treasury Shares (Note 22)			
			Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE AT JANUARY 1, 2022	\$ 2,810,839	\$ 5,399,840	\$ 1,891,790	\$ 830,448	\$ 2,296,940	(\$ 1,079,323)	\$ -	\$ 12,150,534	\$ 3,741,518	\$ 15,892,052
Appropriation of 2021 earnings										
Legal reserve	-	-	148,823	-	(148,823)	-	-	-	-	-
Special reserve	-	-	-	254,672	(254,672)	-	-	-	-	-
Cash dividends, NT\$3.70 per share	-	-	-	-	(1,040,010)	-	-	(1,040,010)	-	(1,040,010)
Net income for the six months ended June 30, 2022	-	-	-	-	359,066	-	-	359,066	206,900	565,966
Other comprehensive income for the six months ended June 30, 2022, net of income tax	-	-	-	-	-	588,739	-	588,739	100,231	688,970
Total comprehensive income for the six months ended June 30, 2022	-	-	-	-	359,066	588,739	-	947,805	307,131	1,254,936
Change in ownership interests in subsidiaries	-	-	-	-	(362,905)	-	-	(362,905)	(1,751,347)	(2,114,252)
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	(229,930)	(229,930)
BALANCE AT JUNE 30, 2022	\$ 2,810,839	\$ 5,399,840	\$ 2,040,613	\$ 1,085,120	\$ 849,596	(\$ 490,584)	\$ -	\$ 11,695,424	\$ 2,067,372	\$ 13,762,796
BALANCE AT JANUARY 1, 2023	\$ 2,810,839	\$ 5,400,198	\$ 2,040,613	\$ 1,085,120	\$ 1,452,121	(\$ 276,073)	(\$ 109,630)	\$ 12,403,188	\$ 2,294,730	\$ 14,697,918
Appropriation of 2022 earnings										
Legal reserve	-	-	59,869	-	(59,869)	-	-	-	-	-
Special reserve	-	-	-	(803,250)	803,250	-	-	-	-	-
Cash dividends, NT\$1.90 per share	-	-	-	-	(530,563)	-	-	(530,563)	-	(530,563)
Net income for the six months ended June 30, 2023	-	-	-	-	316,945	-	-	316,945	180,692	497,637
Other comprehensive income for the six months ended June 30, 2023, net of income tax	-	-	-	-	-	2,517	-	2,517	(20,042)	(17,525)
Total comprehensive income for the six months ended June 30, 2023	-	-	-	-	316,945	2,517	-	319,462	160,650	480,112
Cancellation of treasury shares	(18,400)	(34,878)	-	-	(56,352)	-	109,630	-	-	-
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	(310,119)	(310,119)
BALANCE AT JUNE 30, 2023	\$ 2,792,439	\$ 5,365,320	\$ 2,100,482	\$ 281,870	\$ 1,925,532	(\$ 273,556)	\$ -	\$ 12,192,087	\$ 2,145,261	\$ 14,337,348

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

ASIA OPTICAL CO., INC. AND SUBSIDIARIES

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

	Six Months Ended June 30	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 656,082	\$ 706,086
Adjustments for:		
Depreciation expense	266,545	264,023
Amortization expense	15,894	10,396
Expected credit loss	13,485	20,260
Loss (gain) on financial assets at fair value through profit or loss, net	(32,694)	50,507
Finance costs	710	2,324
Interest income	(146,626)	(22,610)
Dividend income	-	(25,071)
Share of profit of associates	(1,218)	(2,305)
Loss (gain) on disposal of property, plant and equipment, net	5,496	(624)
Impairment loss on non-financial assets	6,341	
Gain on foreign currency exchange, net	(8,240)	(2,440)
Recognition of provisions	15	17
Changes in operating assets and liabilities:		
Notes receivable	18,812	50,830
Trade receivables	(149,138)	178,341
Inventories	222,964	168,417
Other current assets	7,561	7,448
Other financial assets	50,673	51,936
Contract liabilities	(32,032)	13,851
Notes payable	(3,827)	(8,711)
Trade payables	(615,131)	(565,409)
Other payables	(114,977)	(413,685)
Other current liabilities	6,758	(23,908)
Net defined benefit liabilities	(5,172)	(4,574)
Cash generated from operations	159,655	448,315
Interest received	146,626	22,610
Interest paid	(710)	(2,324)
Income tax paid	(103,129)	(47,819)
Net cash generated from operating activities	<u>202,442</u>	<u>420,782</u>

(Continued)

ASIA OPTICAL CO., INC. AND SUBSIDIARIES

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

	Six Months Ended June 30	
	2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at amortized cost	(84,023)	(183,938)
Acquisition of financial assets at fair value through profit or loss	-	(7,378)
Acquisition of property, plant and equipment	(226,559)	(201,143)
Proceeds from disposal of property, plant and equipment	5,615	900
Increase in refundable deposits	(254)	(13)
Acquisition of intangible assets	(24,074)	(5,103)
Decrease in other financial assets	-	38,788
Increase in prepayments for equipment	(110,345)	(29,282)
Dividend received	<u>-</u>	<u>25,071</u>
Net cash used in investing activities	(<u>439,640</u>)	(<u>362,098</u>)
CASH FLOWS FROM FINANCING ACTIVITIES		
Acquisition of subsidiary's ownership interests	-	(2,114,252)
Decrease in guarantee deposits received	(6)	(1,141)
Repayment of the principal portion of lease liabilities	(<u>10,240</u>)	(<u>9,994</u>)
Net cash used in financing activities	(<u>10,246</u>)	(<u>2,125,387</u>)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>799,500</u>	<u>453,475</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	552,056	(1,613,228)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>9,179,112</u>	<u>10,187,063</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 9,731,168</u>	<u>\$ 8,573,835</u>

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

(Concluded)

ASIA OPTICAL CO., INC. AND SUBSIDIARIES

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

1. GENERAL INFORMATION

Asia Optical Co., Inc. (the “Company”) was incorporated in the Republic of China (ROC) in October, 1980 according to the Company Law of the ROC. The Company mainly manufactures, processes and sells cameras, riflescopes, photocopier lens, scanner lens and optical components.

The Company’s shares have been listed on the Taiwan Stock Exchange (TWSE) since August, 2002.

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

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on August 1, 2023.

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

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

The initial application of amendments to the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group’s accounting policies.

- b. New IFRSs in issue by International Accounting Standards Board (IASB) but not yet endorsed and issued into effect by the FSC

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9-Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024
Amendments to IAS 12 “International Tax Reform Pillar Two Model Rules”	Note 3

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

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

Note 3: The amendments will be effective for exceptions and disclosures of related facts immediately after the announcement of these amendments, and the provisions of IAS 8 apply retroactively. Other disclosure requirements are applicable to the annual report period starting after January 1, 2023, while such other disclosure requirements are not applicable to interim financial reports with the end date of the period before December 31, 2023.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC. The consolidated financial statements do not present all the disclosures required for a complete set of annual consolidated financial statements as required by International Financing standard (IFRS).

b. Basis of preparation

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

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

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

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group’s ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group’s interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

Refer Note 11 to Tables 6 and 7 for the detailed information of subsidiaries (including the percentage of ownership and main business).

d. Other Significant Accounting Policies

1) Defined benefit retirement benefits

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

2) Income tax expense

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

For more significant accounting policies applied in these consolidated financial statements, please refer to the consolidated financial statements for the year ended December 31, 2022.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION, UNCERTAINTY AND ASSUMPTION

The Group considers the possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis.

For the critical accounting judgments and key sources of estimation, uncertainty and assumption applied in these consolidated financial statements, please refer to the consolidated financial statements for the year ended December 31, 2022.

6. CASH AND CASH EQUIVALENTS

	June 30, 2023	December 31, 2022	June 30, 2022
Cash on hand and petty cash	\$ 16,521	\$ 24,186	\$ 25,060
Checking and savings accounts	2,580,083	3,236,089	3,706,196
Cash equivalent (Time deposits with original maturities of less than three months)	<u>7,134,564</u>	<u>5,918,837</u>	<u>4,842,579</u>
	<u>\$ 9,731,168</u>	<u>\$ 9,179,112</u>	<u>\$ 8,573,835</u>
Interest rate intervals of cash in bank (%)	0.001-5.53	0.001-5.17	0.001-3.4

7. FINANCIAL ASSETS AT FVTPL - NON-CURRENT

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Unlisted shares			
Pioneer Technology Co., Ltd. (“Pioneer”)	\$ 144,453	\$ 114,641	\$ 119,722
OTO Brite Electronics, Inc. (“OTO Brite”)	52,774	47,752	45,633
Guangdong Xinwei Automobile Technology Co., Ltd (“Guangdong Xinwei”)	4,498	4,603	4,622
B-STORM. CO., LTD. (“B-STORM”)	-	-	2,745
Shisei Datum Ltd. (“Shisei Datum”)	-	-	-
Kotura, Inc. (“Kotura”)	-	-	-
	<u>\$ 201,725</u>	<u>\$ 166,996</u>	<u>\$ 172,722</u>

8. FINANCIAL ASSETS AT AMORTIZED COST – CURRENT

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Time deposits with original maturities of more than 3 months	<u>\$ 169,669</u>	<u>\$ 87,131</u>	<u>\$ 248,352</u>
Market rate intervals of time deposits (%)	1.25-1.45	1.35-1.44	0.27-1.55

Refer to Note 31 for information relating to financial assets at amortized cost -current pledged as security.

9. TRADE RECEIVABLES FROM UNRELATED PARTIES

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
At amortized cost			
Gross carrying amount	\$ 4,040,796	\$ 3,884,776	\$ 4,351,652
Less: Loss Allowance	(61,840)	(47,854)	(59,017)
	<u>\$ 3,978,956</u>	<u>\$ 3,836,922</u>	<u>\$ 4,292,635</u>

The average credit period of sales of goods is 30 to 240 days. The Group uses other publicly available financial information or its own trading records to rate its major customers. The Group’s exposure and the credit ratings of its counterparties are continuously monitored and reviewed by the management annually.

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor’s current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Group’s historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due days from the invoice date is not further distinguished according to the Group’s different customer base.

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

The following table details the loss allowance of trade receivables:

	<u>Less than 90 days</u>	<u>91 to 120 Days</u>	<u>121 to 150 Days</u>	<u>151 to 180 Days</u>	<u>181 to 210 Days</u>	<u>Over 211 Days</u>	<u>Total</u>
June 30, 2023							
Expected credit loss rate (%)	0-1.15	0-5.56	0-23.91	0-32.63	0-68.80	0-100	
Gross carrying amount	\$ 3,339,420	\$ 368,550	\$ 136,429	\$ 51,595	\$ 57,881	\$ 86,921	\$ 4,040,796
Loss allowance (Lifetime ECLs)	(12,444)	(8,124)	(6,691)	(2,803)	(2,545)	(29,233)	(61,840)
Amortized cost	<u>\$ 3,326,976</u>	<u>\$ 360,426</u>	<u>\$ 129,738</u>	<u>\$ 48,792</u>	<u>\$ 55,336</u>	<u>\$ 57,688</u>	<u>\$ 3,978,956</u>
December 31, 2022							
Expected credit loss rate (%)	0-0.73	0-6.21	0-23.91	0-32.63	0-68.80	0-100	
Gross carrying amount	\$ 3,223,733	\$ 272,888	\$ 94,191	\$ 89,755	\$ 99,821	\$ 104,388	\$ 3,884,776
Loss allowance (Lifetime ECLs)	(8,147)	(5,254)	(5,928)	(7,180)	(8,817)	(12,528)	(47,854)
Amortized cost	<u>\$ 3,215,586</u>	<u>\$ 267,634</u>	<u>\$ 88,263</u>	<u>\$ 82,575</u>	<u>\$ 91,004</u>	<u>\$ 91,860</u>	<u>\$ 3,836,922</u>
June 30, 2022							
Expected credit loss rate (%)	0-0.66	0-5.56	0-23.91	0-32.63	0-68.80	0-100	
Gross carrying amount	\$ 3,429,219	\$ 317,055	\$ 98,447	\$ 43,171	\$ 113,378	\$ 350,382	\$ 4,351,652
Loss allowance (Lifetime ECLs)	(8,134)	(9,850)	(6,032)	(2,557)	(7,021)	(25,423)	(59,017)
Amortized cost	<u>\$ 3,421,085</u>	<u>\$ 307,205</u>	<u>\$ 92,415</u>	<u>\$ 40,614</u>	<u>\$ 106,357</u>	<u>\$ 324,959</u>	<u>\$ 4,292,635</u>

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

	<u>Six Months Ended June 30</u>	
	<u>2023</u>	<u>2022</u>
Balance at January 1	\$ 47,854	\$ 88,001
Add: Provision	13,485	20,260
Less: Written off	-	(54,009)
Effect of exchange rate changes	<u>501</u>	<u>4,765</u>
Balance at June 30	<u>\$ 61,840</u>	<u>\$ 59,017</u>

10. INVENTORIES

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Raw materials	\$ 1,735,801	\$ 2,085,097	\$ 2,597,769
Supplies	47,940	50,139	54,665
Work in process	453,103	506,028	516,275
Finished goods	<u>922,344</u>	<u>719,362</u>	<u>711,685</u>
	<u>\$ 3,159,188</u>	<u>\$ 3,360,626</u>	<u>\$ 3,880,394</u>

The nature of the cost of goods sold is as follows:

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Cost of inventories sold	\$ 3,616,425	\$ 3,989,522	\$ 6,811,954	\$ 7,701,219
Inventory loss from write-down (reversal of write-down)	(2,626)	(5,436)	<u>3,715</u>	(6,784)

\$ 3,613,799

\$ 3,984,086

\$ 6,815,669

\$ 7,694,435

11. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investor	Investee	% of Ownership		
		June 30, 2023	December 31, 2022	June 30, 2022
Asia Optical	Asia Optical International Ltd. ("Asia International")	100	100	100
	Powerlink Electronic International Ltd. ("Powerlink")	100	100	100
	Richman International Group Co., Ltd. ("Richman")	100	100	100
	Taiwan Top Optical Co., Ltd. ("Taiwan Top")	94	94	93
	Asia Tech Image, Inc. ("Asia Tech")	26	26	26
	Powerlink Electronic International (Cayman) Ltd. ("Powerlink Cayman")	100	100	100
	Powerlink Electronic International (KY), Ltd. Taiwan Branch. ("Powerlink TWN BR")	-	100	100
	Asia Optical and Asia International	AOE Optronics Co., Ltd. ("AOE Optronics")	98	98
Asia Optical, Richman and Asia International	Dong-Guan Tailien Optical Co., Ltd. ("Dong-Guan Tailien")	90	90	90
Asia International	Dong-Guan Sintai Optical Co., Ltd. ("Dong-Guan Sintai")	100	100	100
	Shen Zhen Sintai Optical Co., Ltd. ("Shen Zhen Sintai")	100	100	100
	Sintai Photonics Technology (Shang Hai) Ltd. ("Shang Hai Sintai")	100	100	100
	Pentax Sintai Holding Co., Limited ("Pentax Sintai")	45	45	45
	AOI Development Center, Limited ("AOIDC")	100	100	100
	Myanmar Asia Optical International Co., Ltd. ("Myanmar Asia")	100	100	100
	Richman	Crosszone Limited ("Crosszone")	100	100
Richman and Asia International	Yorkey Optical International (Cayman) Ltd. ("Yorkey Cayman")	100	100	100
	Powerlink	Scopro Optical Co., Ltd. ("Scopro")	100	100
Asia Tech	Asia Image (Samoa) Technology Limited ("Asia Tech Samoa")	100	100	100
Pentax Sintai	Shen Zhen Pentax Sintai Co., Ltd. ("Shen Zhen Pentax Sintai")	-	-	-

Asia Tech Samoa	Atii Tech Image (Shen Zhen) Co., Ltd. (“Shen Zhen Atii”)	100	100	100
AOE Optronics	AOE International (Cayman) Limited (AOE Cayman)	100	100	100
AOE Cayman	AOE Optronics (Shen Zhen) Ltd. (“AOE Shen Zhen”)	100	100	100
Powerlink Cayman	Asia Scopro Optics Co., Inc. (Asia Scopro)	100	100	100
	ASAM Industries Inc. (“ASAM”)	100	100	100
Yorkey Cayman	Yorkey Optical Technology Limited (“Yorkey Technology”)	100	100	100
Yorkey Technology	Dong-Guan Yorkey Optical Co., Ltd. (“Dong-Guan Yorkey”)	100	100	100

The dissolution of Pentax Sintai was approved by the board of directors in December 2021; thus, the related income and expenses were excluded from the consolidated statements of comprehensive income. As of June 30, 2023, the process of liquidation has not yet been completed.

In March 2022, Asia International completed the privatization of Yorkey Cayman by way of a scheme of arrangement, and acquired 72.21% of the shares of Yorkey Cayman for \$2,114,252 thousand from other shareholders of Yorkey Cayman. The Group's percentage of ownership increased from 27.79% to 100% and the percentage of the indirect investment in Dong-Guan Yorkey increased to 100%. As equity trading did not result in any loss of control, it shall be handled as an equity transaction, refer to Note 27.

The board of directors of Asia International resolved to raise the capital of Myanmar Asia through debt for equity swap in the amount of US\$8,326 thousand in October 2022.

The board of directors of Richman resolved to return capital in the amount of US\$2,500 thousand in April 2022.

The shareholders’ meeting of Taiwan Top resolved a capital reduction to offset deficit in June 2022. The base date of capital reduction was on June 16, 2022.

In August 2022, Taiwan Top issued new shares. The Group subscribed for additional new shares of Taiwan Top at a percentage different from its existing ownership percentage, thereby increasing its ownership interest from 92.52 % to 93.62 %.

The dissolution of Powerlink TWN BR was approved by the board of directors in December 2022. In June 2023, the process of liquidation has been completed.

Restricted by local laws, the Company entrusted others to invest in Scopro, Asia Scopro and ASAM; The Company still has a 100% ownership interest in the subsidiaries mentioned above.

The financial statements for the six months ended June 30, 2023 and 2022 of Asia International, Asia Tech, Shen Zhen Sintai, Asia Tech Samoa, AOE Optronics, AOE CAYMAN, Shen Zhen AOE, Shen Zhen Atii, Myanmar Asia were reviewed by independent auditors. In addition, the financial statements for the six months ended June 30, 2022 of Powerlink, Scopro, Powerlink Cayman, Powerlink TWN BR, Asia Scopro, ASAM were reviewed. Other financial statements of non-significant subsidiaries were not reviewed.

b. Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Proportion of Ownership and Voting Rights Held by Non-controlling Interests		
	June 30,2023	December 31, 2022	June 30,2022

Asia Tech	74	74	74
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Refer to Table 6 and 7 for the information on principal place of business and place of incorporation.

12. OTHER CURRENT ASSETS

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Prepayments	\$ 116,954	\$ 123,510	\$ 109,221
Net input VAT	19,530	12,989	5,176
Other	<u>36,341</u>	<u>27,298</u>	<u>22,437</u>
	<u>\$ 172,825</u>	<u>\$ 163,797</u>	<u>\$ 136,834</u>

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investee	<u>June 30, 2023</u>		<u>December 31, 2022</u>		<u>June 30, 2022</u>	
	Carrying Amount	% of Ownership	Carrying Amount	% of Ownership	Carrying Amount	% of Ownership
<u>Unlisted companies</u>						
Dong-Guan Nikon Surveying Instruments Co., Ltd. (Dong-Guan Nikon)	<u>\$ 46,994</u>	40	<u>\$ 46,741</u>	40	<u>\$ 46,149</u>	40

Refer to Table 7 for the nature of activities, principal place of business and country of incorporation of the associate.

Investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have not been reviewed.

14. PROPERTY, PLANT AND EQUIPMENT

Six Months Ended June 30, 2023

	Balance, January 1	Additions	Decrease	Reclassification	Effect of Exchange Rate Changes	Balance, June 30
<u>Cost</u>						
Land	\$ 310,936	\$ -	\$ -	\$ -	(\$ 3,245)	\$ 307,691
Buildings	2,496,126	1,577	(170)	708	(23,781)	2,474,460
Machinery and equipment	7,405,830	103,381	(177,802)	15,132	(62,286)	7,284,255
Office equipment	409,733	732	(77)	-	5,673	416,061
Other equipment	2,400,530	120,273	(42,408)	45,813	(52,803)	2,471,405
Construction in progress	<u>1,216</u>	<u>5,969</u>	<u>-</u>	<u>(1,149)</u>	<u>115</u>	<u>6,151</u>
	<u>13,024,371</u>	<u>\$ 231,932</u>	<u>(\$ 220,457)</u>	<u>\$ 60,504</u>	<u>(\$ 136,327)</u>	<u>12,960,023</u>
<u>Accumulated depreciation</u>						
Buildings	1,653,905	\$ 46,182	(\$ 170)	\$ -	(\$ 22,840)	1,677,077
Machinery and equipment	6,485,878	104,340	(167,107)	-	(58,979)	6,364,132
Office equipment	341,276	569	(77)	-	4,739	346,507
Other equipment	<u>1,998,841</u>	<u>81,935</u>	<u>(41,992)</u>	<u>-</u>	<u>(42,490)</u>	<u>1,996,294</u>
	<u>10,479,900</u>	<u>\$ 233,026</u>	<u>(\$ 209,346)</u>	<u>\$ -</u>	<u>(\$ 119,570)</u>	<u>10,384,010</u>
	<u>\$ 2,544,471</u>					<u>\$ 2,576,013</u>

Six Months Ended June 30, 2022

	Balance, January 1	Additions	Decrease	Reclassification	Effect of Exchange Rate Changes	Balance, June 30
<u>Cost</u>						
Land	\$ 312,067	\$ -	\$ -	\$ -	(\$ 4,091)	\$ 307,976
Buildings	2,401,997	5,949	(871)	914	66,693	2,474,682
Machinery and equipment	7,051,159	87,221	(101,681)	22,932	256,351	7,315,982
Office equipment	381,677	70	(855)	-	27,809	408,701
Other equipment	2,352,548	97,726	(125,822)	39	48,427	2,372,918
Construction in progress	<u>1,274</u>	<u>2,014</u>	<u>-</u>	<u>(980)</u>	<u>(3)</u>	<u>2,305</u>
	<u>12,500,722</u>	<u>\$ 192,980</u>	<u>(\$ 229,229)</u>	<u>\$ 22,905</u>	<u>\$ 395,186</u>	<u>12,882,564</u>
<u>Accumulated depreciation</u>						
Buildings	1,527,503	\$ 45,756	(\$ 871)	\$ -	\$ 38,173	1,610,561
Machinery and equipment	6,123,047	114,147	(101,453)	(298)	228,690	6,364,133
Office equipment	326,141	378	(855)	-	23,806	349,470
Other equipment	<u>1,956,054</u>	<u>70,768</u>	<u>(125,774)</u>	<u>298</u>	<u>41,051</u>	<u>1,942,397</u>
	<u>9,932,745</u>	<u>\$ 231,049</u>	<u>(\$ 228,953)</u>	<u>\$ -</u>	<u>\$ 331,720</u>	<u>10,266,561</u>
	<u>\$ 2,567,977</u>					<u>\$ 2,616,003</u>

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives as follows:

Buildings	
Main buildings	25-50 years
Others	2-20 years
Machinery and equipment	2-12 years
Office equipment	2-8 years
Other equipment	2-35 years

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>	
<u>Carrying amount</u>				
Land	\$ 240,037	\$ 239,893	\$ 239,991	
Buildings	32,380	41,747	50,701	
Other equipment	<u>868</u>	<u>470</u>	<u>682</u>	
	<u>\$ 273,285</u>	<u>\$ 282,110</u>	<u>\$ 291,374</u>	
	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
<u>Additions to right-of use assets</u>				
Land	\$ 4,584	\$ -	\$ 4,584	\$ -
Other equipment	-	-	582	-
Buildings	-	<u>1,311</u>	-	<u>5,930</u>
	<u>\$ 4,584</u>	<u>\$ 1,311</u>	<u>\$ 5,166</u>	<u>\$ 5,930</u>
<u>Depreciation of right-of-use assets</u>				
Land	\$ 2,657	\$ 2,493	\$ 5,637	\$ 5,069
Buildings	4,591	4,728	9,326	9,405
Other equipment	<u>92</u>	<u>106</u>	<u>184</u>	<u>212</u>
	<u>\$ 7,340</u>	<u>\$ 7,327</u>	<u>\$ 15,147</u>	<u>\$ 14,686</u>

Besides the addition and recognized depreciation expenses, there were no material subleases and impairment loss of the right-of-use assets of the Group for the six months ended June 30, 2023 and 2022.

b. Lease liabilities

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
<u>Carrying amount</u>			
Current	\$ <u>19,601</u>	\$ <u>18,730</u>	\$ <u>19,197</u>
Non-current	\$ <u>19,874</u>	\$ <u>25,887</u>	\$ <u>34,969</u>

Range of discount rates for lease liabilities was as follows:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Land	2%	2%	2%
Buildings	1.1%-5%	1.1%-5%	1.5%-5%
Office equipment	2%-4.75%	2%-4.75%	2%-4.75%
Other equipment	1.5%-4.75%	1.5%-4.75%	1.5%-4.75%

c. Material lease-in activities and terms

The Group leases lands and buildings for the use of plants and offices with lease terms of 2 to 50 years. The lease contracts for land located in the ROC's export processing zone specify that lease payments

will be adjusted in the next month after change in land value prices is announced. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Expenses relating to short-term leases	<u>\$ 4,697</u>	<u>\$ 5,447</u>	<u>\$ 9,334</u>	<u>\$ 9,967</u>
Total cash outflow for leases			<u>\$ 20,284</u>	<u>\$ 20,896</u>
Finance costs				
Interest expense from lease liabilities	<u>\$ 340</u>	<u>\$ 466</u>	<u>\$ 710</u>	<u>\$ 936</u>

16. INVESTMENT PROPERTY

	<u>Balance, January 1</u>	<u>Additions</u>	<u>Effect of Exchange Rate Changes</u>	<u>Balance, June 30</u>
<u>Six Months Ended June 30, 2023</u>				
Cost	\$ 1,141,001	<u>\$ -</u>	<u>(\$ 17,168)</u>	\$ 1,123,833
Accumulated depreciation	<u>(774,549)</u>	<u>(\$ 18,372)</u>	<u>\$ 14,594</u>	<u>(778,327)</u>
	<u>\$ 366,452</u>			<u>\$ 345,506</u>
<u>Six Months Ended June 30, 2022</u>				
Cost	\$ 1,106,970	<u>\$ -</u>	<u>\$ 34,077</u>	\$ 1,141,047
Accumulated depreciation	<u>(721,633)</u>	<u>(\$ 18,288)</u>	<u>(\$ 18,790)</u>	<u>(758,711)</u>
	<u>\$ 385,337</u>			<u>\$ 382,336</u>

The investment properties are depreciated using the straight-line method over 20-50 years.

The market for comparable properties is inactive and alternative reliable measurements of fair value are not available; therefore, the Group determined that the fair value of the investment property is not reliably measurable.

17. OTHER INTANGIBLE ASSETS

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Computer software	\$ 49,109	\$ 40,685	\$ 41,947
Goodwill	14,883	14,883	14,883
Others	<u>4,688</u>	<u>18,634</u>	<u>11,917</u>
	<u>\$ 68,680</u>	<u>\$ 74,202</u>	<u>\$ 68,747</u>

The computer software is amortized on a straight-line basis over 2 to 10 years.

18. OTHER FINANCIAL ASSETS - NON-CURRENT

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Restricted deposits	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,704</u>

The Company repatriated US\$10,000 thousand under The Management, Utilization, and Taxation of Repatriated Offshore Funds Act by National Taxation Bureau, Ministry of Finance (MOF) and submitted an investment plan to the Ministry of Economic Affairs under the Regulations on Industries Investment from Repatriated Offshore Funds for approval. The Company withdraws the fund for investment according to the schedule of the approved plan. The fund cannot be used for purposes other than those specified and shall be subject to 20% tax. As of June 30, 2023, the Company had fully utilized the fund and got the completion certification from MOF.

19. OTHER PAYABLES

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Dividends	\$ 840,702	\$ -	\$ 1,269,940
Salaries and bonus	814,491	947,663	681,747
Compensation of employees and remuneration of directors	449,036	321,601	535,035
Payables for consumables, supplies and packing charges	159,812	170,105	142,968
Payables for annual leave	47,358	45,028	31,103
Others	<u>364,505</u>	<u>475,896</u>	<u>621,169</u>
	<u>\$ 2,675,904</u>	<u>\$ 1,960,293</u>	<u>\$ 3,281,962</u>

20. PROVISIONS

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Employee benefits (other non-current liabilities)	<u>\$ 2,299</u>	<u>\$ 2,285</u>	<u>\$ 2,268</u>

Employee benefits refer to estimates of certain long-term benefits.

21. RETIREMENT BENEFIT PLANS

Relevant pension cost of defined benefit plans recognized for the three months and the six months ended June 30, 2023 and 2022 were determined by the pension cost rates of actuarial valuation as of December 31, 2022 and 2021, amounting to 518 thousand and 819 thousand; 1,037 thousand and 1,658 thousand respectively.

22. EQUITY

a. Capital Stock

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Number of shares authorized (in thousands)	<u>313,000</u>	<u>313,000</u>	<u>313,000</u>
Capital authorized	<u>\$ 3,130,000</u>	<u>\$ 3,130,000</u>	<u>\$ 3,130,000</u>
Number of shares issued and fully paid (in thousands)	<u>279,244</u>	<u>281,084</u>	<u>281,084</u>
Capital issued	<u>\$ 2,792,439</u>	<u>\$ 2,810,839</u>	<u>\$ 2,810,839</u>

Each issued common stock with par value of \$10 is entitled the right to vote and receive dividends.

On March 7, 2023, the Company's Board of Directors resolved to cancel 1,840 thousand treasury shares with par value of \$10, amounting to 18,400 thousand and set the same date as the record date of capital reduction approved by the Competent Authority. The changes in capital have completed and registered with the Authority.

b. Capital surplus

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>			
Additional paid-in capital	\$ 430,838	\$ 433,676	\$ 433,676
From convertible bonds	4,660,886	4,691,598	4,691,598
<u>May be used to offset a deficit only (2)</u>			
From changes in ownership interest of subsidiaries	72,361	72,361	72,003
From interest payable compensation of convertible bonds	74,343	74,833	74,833
Others - share options expired	<u>126,892</u>	<u>127,730</u>	<u>127,730</u>
	<u>\$ 5,365,320</u>	<u>\$ 5,400,198</u>	<u>\$ 5,399,840</u>

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

2) Such capital surplus arises from the effect of changes in ownership interest in a subsidiary resulted

from equity transactions other than actual disposal or acquisition, and/or from the relevant payable interest compensation and stock options occurred in converting the corporate bonds and not received before expiration time.

c. Retained earnings and dividends policy

According to the amendments to the Articles that were resolved in the shareholders' meeting on June 14, 2022, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, except when the legal reserve equals the Company's total issued capital, and setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of compensation of employees and remuneration of directors, refer to Note 24.

In accordance with Article 240 of Company Act, the dividends and bonuses, capital surplus, or legal reserve can be distributed in the whole or in part by cash in accordance with Article 241 of the Company Act after a resolution has been adopted by a majority of directors present at a meeting of the board of directors attended by two-thirds of the total number of directors; in addition, a report of such distribution shall be submitted to the shareholders' meeting.

Under the Company Law of the ROC and the Company's Articles of Incorporation, in deciding its stock dividend policy, the Company should consider that it is currently expanding and has a great demand for capital. Thus, for a stable dividend policy, the board of directors should take into account the results of operations, financial position and capital demand of the Company when deciding the type of dividends (cash or shares) to be distributed. Total dividends paid should be less than 90% of retained earnings available for appropriation, and the cash dividends must be more than 10% of total dividends paid.

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

The Company specifies that when the special reserve is allocated from the net deduction of other equity accumulated in the previous period, if the undistributed surplus in the previous period is insufficient for allocation, the after-tax net income plus items other than the after-tax net income of the current period will be added into the undistributed surplus of the current period for the allocation.

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

	Amounts		Dividends Per Share (NT\$)	
	2022	2021	2022	2021
Legal reserve	\$ 59,869	\$ 148,823		
Special reserve	(803,250)	254,672		
Cash dividends	530,563	1,040,010	<u>\$ 1.90</u>	<u>\$ 3.70</u>

The above appropriation for cash dividends has been resolved by the Company's Board of Directors in March 2023; the other proposed appropriations have been resolved by the shareholders' meeting held in June 2023 and 2022.

d. Treasury shares

Purpose of Buy-back	Number of Shares at	Increase (In Thousands)	Decrease (In Thousands)	Number of Shares at June
---------------------	------------------------	----------------------------	----------------------------	-----------------------------

	January 1, 2023 (In Thousands of Shares)	of Shares)	of Shares)	30, 2023 (In Thousands of Shares)
Maintain the Company's creditworthiness and shareholders' interests	<u>1,840</u>	<u>-</u>	<u>(1,840)</u>	<u>-</u>

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

The aforementioned appropriation for cash dividends has been resolved by the Company's Board of Directors in March, 2023; the other appropriation proposed appropriations has been resolved separately by the shareholders' meetings held in June, 2023 and in June, 2022.

d. Treasury shares

Purpose of Buy-back	Number of Shares at January 1, 2023 (In Thousands of Shares)	Increase (In Thousands of Shares)	Decrease (In Thousands of Shares)	Number of Shares at June 30, 2023 (In Thousands of Shares)
Maintain the Company's creditworthiness and shareholders' interests	<u>1,840</u>	<u>-</u>	<u>(1,840)</u>	<u>-</u>

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

23. NET REVENUES

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Revenues from Contracts with customers				
Sale of goods	<u>\$ 4,451,394</u>	<u>\$ 4,874,029</u>	<u>\$ 8,287,291</u>	<u>\$ 9,362,864</u>

The rate of discount is estimated using the most likely amount, taking into account the Group's accumulated historical experience of discount. The balance of refund liability was as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Refund liability	<u>\$ 36,951</u>	<u>\$ 36,951</u>	<u>\$ 36,951</u>

a. Contract information

	June 30, 2023	December 31, 2022	June 30, 2022

Notes receivable and trade receivables	\$ 4,031,254	\$ 3,908,686	\$ 4,397,695
Contract liabilities			
Sale of goods	\$ 306,167	\$ 339,150	\$ 440,812

b. Disaggregation of revenues

Refer to Note 35 for information about disaggregation of revenues.

	<u>Six Months Ended June 30</u>	
	2023	2022
<u>Timing of revenue recognition</u>		
Satisfied at a point in time	\$ 8,287,291	\$ 9,362,864

24. NET INCOME FROM CONTINUING OPERATIONS

a. Other income

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	2023	2022	2023	2022
Rental income (Note 30)	\$ 5,894	\$ 5,871	\$ 11,783	\$ 11,857
Dividend income	-	25,071	-	25,071
Others	12,100	40,524	24,226	88,516
	<u>\$ 17,994</u>	<u>\$ 71,466</u>	<u>\$ 36,009</u>	<u>\$ 125,444</u>

b. Other gains and losses

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	2023	2022	2022	2023
Gain (loss) on disposal of property, plant and equipment	\$ 42	\$ 193	(\$ 5,496)	\$ 624
Other losses	(101)	(647)	(2,634)	(6,168)
	<u>(59)</u>	<u>(454)</u>	<u>(8,130)</u>	<u>(5,544)</u>

c. Employee benefits, depreciation and amortization expenses

	<u>Three Months Ended June 30</u>					
	<u>2023</u>			<u>2022</u>		
	Recognized in Cost of Revenues	Recognized in Operating Expenses	Total	Recognized in Cost of Revenues	Recognized in Operating Expenses	Total
Employee benefits expense						
Salaries and bonuses	\$631,956	\$308,268	\$940,224	\$ 670,859	\$ 311,748	\$ 982,607
Other employee benefits	75,326	31,280	106,606	63,763	27,082	88,845
Post-employment benefits						
Defined contribution plans	41,406	20,029	61,435	42,450	19,653	62,103
Defined benefit plans	194	324	518	403	416	819
Depreciation	92,235	40,492	132,727	91,131	38,647	129,778
Amortization	659	7,360	8,019	213	4,935	5,148

**Six Months Ended
June 30**

	2023			2022		
	Recognized in Cost of Revenues	Recognized in Operating Expenses	Total	Recognized in Cost of Revenues	Recognized in Operating Expenses	Total
Employee benefits expense						
Salaries and bonuses	\$1,196,604	\$571,344	\$1,767,948	\$ 1,315,580	\$ 603,259	\$ 1,918,839
Other employee benefits	151,896	67,520	219,416	124,103	59,415	183,518
Post-employment benefits						
Defined contribution plans	81,110	39,540	120,650	84,660	39,010	123,670
Defined benefit plans	394	643	1,037	800	858	1,658
Depreciation	185,435	81,110	266,545	187,883	76,140	264,023
Amortization	1,328	14,566	15,894	424	9,972	10,396

d. Compensation of employees and remuneration of directors

According to the Company's Articles of Incorporation, the Company shall accrue compensation of employees and remuneration of directors at rates of 5% to 20% and no higher than 3.5%, respectively, of net income before income tax.

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

	Three Months Ended June 30			
	2023		2022	
	Accrual Rate	Amount	Accrual Rate	Amount
Compensation of employees	16%	\$ 63,632	15%	\$ 53,768
Remuneration of directors	2%	7,890	2%	7,169

	Six Months Ended June 30			
	2023		2022	
	Accrual Rate	Amount	Accrual Rate	Amount
Compensation of employees	16%	\$ 75,000	15%	\$ 69,325
Remuneration of directors	2%	9,406	2%	9,243

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

The compensation of employees and remuneration of directors for the year ended December 31, 2022 and 2021 were resolved by the board of directors in March 2023 and 2022, respectively, as follows:

	2022		2021	
	Accrual Rate	Amount	Accrual Rate	Amount
Compensation of employees	15%	\$ 184,013	14%	\$ 259,800
Remuneration of directors	2%	24,500	2%	37,300

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

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

25. INCOME TAX

a. Income tax expense recognized in profit or loss

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Current income tax expense				
Current tax expense				
Recognized in the current period	\$ 59,768	\$ 100,903	\$ 110,432	\$ 144,707
Undistributed retained earnings surcharge	74,898	2,015	74,898	2,015
Adjustments on prior years	(<u>16,241</u>)	(<u>13,967</u>)	(<u>23,857</u>)	(<u>13,362</u>)
	118,425	88,951	161,473	133,360
Deferred income tax expense				
Current tax expense				
Recognized in the current period	(<u>21,392</u>)	<u>9,046</u>	(<u>3,028</u>)	<u>6,760</u>
Income tax expense recognized in profit or loss	<u>\$ 97,033</u>	<u>\$ 97,997</u>	<u>\$ 158,445</u>	<u>\$ 140,120</u>

b. Income tax examination

The income tax returns of the Company, Asia Tech and Taiwan Top through 2020 have been examined by the tax authorities. The income tax returns of AOE Optronics through 2021 has been examined by the tax authorities.

26. EARNINGS PER SHARE

	<u>Net Income (Numerator)</u>	<u>Number of Shares (In Thousands) (Denominator)</u>	<u>Earnings Per Share (In Dollars)</u>
<u>Three months ended June 30, 2023</u>			
Basic EPS			
Net income available to shareholders of the common shares	\$ 296,651	279,244	<u>\$ 1.07</u>
Dilutive effects			
Subsidiaries' compensation of employees	(285)	-	
Company's compensation of employees	<u>-</u>	<u>1,166</u>	
Diluted EPS			
Net income available to owners of the parent	<u>\$ 296,366</u>	<u>280,410</u>	<u>\$ 1.05</u>

Three months ended June 30, 2022

Basic EPS			
Net income available to shareholders of the common shares	\$ 281,126	281,084	<u>\$ 1.00</u>
Dilutive effects			
Subsidiaries' compensation of employees	(440)	-	
Company's compensation of employees	<u>-</u>	<u>1,124</u>	
Diluted EPS			
Net income available to owners of the parent	<u>\$ 280,686</u>	<u>282,208</u>	<u>\$ 0.99</u>

Six months ended June 30, 2023

Basic EPS			
Net income available to shareholders of the common shares	\$ 316,945	279,244	<u>\$ 1.14</u>
Dilutive effects			
Subsidiaries' compensation of employees	(740)	-	
Company's compensation of employees	<u>-</u>	<u>2,109</u>	
Diluted EPS			
Net income available to owners of the parent	<u>\$ 316,205</u>	<u>281,353</u>	<u>\$ 1.12</u>

Six months ended June 30, 2022

Basic EPS			
Net income available to shareholders of the common shares	\$ 359,066	281,084	<u>\$ 1.28</u>
Dilutive effects			
Subsidiaries' compensation of employees	(1,178)	-	
Company's compensation of employees	<u>-</u>	<u>2,626</u>	
Diluted EPS			
Net income available to owners of the parent	<u>\$ 357,888</u>	<u>283,710</u>	<u>\$ 1.26</u>

If the Company offered to settle compensation paid to employees in cash or shares, the Company assumed the entire amount of the compensation will be settled in shares and the resulting potential shares, if dilutive, are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

27. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

In March 2022, the Group acquired 72.21% of the shares of Yorkey Cayman from other shareholders of Yorkey Cayman; thus, the Group's ownership interest in Yorkey Cayman increased from 27.79% to 100%.

YORKEY CAYMAN

Cash consideration paid	(\$ 2,114,252)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred from non-controlling interests	<u>1,751,347</u>
Differences recognized from equity transactions	(\$ <u>362,905</u>)
<u>Line items adjusted for equity transactions</u>	
Unappropriated earnings	(\$ <u>362,905</u>)

The above transactions were accounted for as equity transactions, since the Group did not cease to have control over these subsidiaries.

28. NON-CASH TRANSACTIONS

For the six months ended June 30, 2023 and 2022, the Group entered into the following non-cash financing activities:

- a. The Group reclassified prepayments for equipment in the amount of \$60,504 thousand and \$22,905 thousand to property, plant and equipment for the six months ended June 30, 2023 and 2022, respectively.
- b. The cash dividends for non-controlling interest resolved by the board of directors remain \$310,119 thousand and \$229,930 thousand to be paid as of June 30, 2023 and 2022, respectively.
- c. The cash dividends resolved by the board of directors remain \$530,563 thousand and 1,040,010 thousand to be paid as of June 30, 2023 and 2022, respectively.

29. FINANCIAL INSTRUMENTS

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

- 1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
<u>June 30, 2023</u>				
Financial assets at FVTPL				
Foreign unlisted shares	\$ -	\$ 148,951	\$ -	\$ 148,951
Domestic unlisted shares	-	52,774	-	52,774
<u>December 31, 2022</u>				
Financial assets at FVTPL				
Foreign unlisted shares	\$ -	\$ 119,244	\$ -	\$ 119,244
Domestic unlisted shares	-	47,752	-	47,752
<u>June 30, 2022</u>				

Financial assets at FVTPL				
Foreign unlisted shares	-	127,089	-	127,089
Domestic unlisted shares	-	45,633	-	45,633

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

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Unlisted shares	<p>Market approach: using the market transaction price and other relevant information of same or comparable (similar) assets and liabilities, or a group of assets and liabilities (e.g., operation).</p> <p>Income approach: utilizing discounted cash flows to determine the present value of the expected future economic benefits that will be derived from investment.</p> <p>Asset approach: measuring the fair value of individual assets and liabilities at net asset value.</p>

b. Categories of financial instruments

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
<u>Financial assets</u>			
at amortized cost (note 1)	\$ 13,995,273	\$ 13,288,869	\$ 13,362,265
Financial assets at FVTPL			
Mandatorily at FVTPL	201,725	166,996	172,722
<u>Financial liabilities</u>			
at amortized cost (note 2)	4,171,789	3,272,675	4,896,304

(note 1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, time deposits with original maturity of more than 3 months, notes and trade receivables, other financial assets and refundable deposits and so on.

(note 2) The balances include financial liabilities at amortized cost, which comprise notes and trade payables, other payables and guarantee deposits received and so on.

c. Financial risk management objectives and policies

The Group's major financial instruments included equity, trade receivables, trade payables, borrowings and lease liabilities. The Group's corporate treasury function provides services to the business, coordinates access to financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

Market risk

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

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

1) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency-denominated monetary assets and monetary liabilities are shown in Note 33.

Sensitivity analysis

The Group was mainly exposed to the USD, JPY and RMB.

The following table details the Group's sensitivity to a 1% increase and decrease in the New Taiwan dollar (functional currency) against the relevant foreign currencies. 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. Numbers below indicate the change in pre-tax profit or loss associated with the New Taiwan dollar strengthening 1% against the relevant currency:

	Six Months Ended	
	June 30	
	2023	2022
Profit or loss		
USD impact	\$ 14,424	\$ 22,230
RMB impact	6,311	5,821
JPY impact	2,151	1,730

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

2) Interest rate risk

The Group was exposed to interest rate risk because the Group's deposits, and lease liabilities are at both fixed and floating interest rates.

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

	June 30, 2023	December 31, 2022	June 30, 2022
	Fair value interest rate risk		
Financial assets	\$ 7,304,233	\$ 6,005,968	\$ 5,090,931
Lease liabilities	39,475	44,617	54,166
Cash flow interest rate risk			
Financial assets	2,520,686	3,158,060	3,678,199

Sensitivity analysis

If interest rates had been 5% basis points higher/lower and all other variables been held constant,

the Group's pretax profits for the six months ended June 30, 2023 and 2022 would have increased/decreased by \$3,182 thousand and \$1,517 thousand, respectively. A 5% basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of counterparties to discharge an obligation and financial guarantees provided by the Group, could arise from:

- a) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and
- b) The maximum amount that may be payable in relation to financial guarantees issued by the Group, regardless of its probability.

The Group adopted a policy of obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. In order to minimize credit risk, management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. In this regard, management believes the Group's credit risk was significantly reduced.

Liquidity risk

The Group's operating funds are deemed sufficient to meet the cash flow demand, therefore, liquidity risk is not considered to be significant.

Liquidity and interest rate risk tables

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. Thus, the Group's bank loans that may be required to pay immediately were listed in the soonest period of the list, regardless of the probability that a bank may request immediate repayments. The maturity dates for other non-derivative financial liabilities were based on the agreed upon repayment dates.

	Less Than 1 Year	1-5 Years	More Than 5 Years	Total
<u>June 30, 2023</u>				
Non-interest bearing payables	\$ 5,474,875	\$ 7,799	\$ -	\$ 5,482,674
Lease liabilities	<u>20,224</u>	<u>20,473</u>	<u>757</u>	<u>41,454</u>
	<u>\$ 5,495,099</u>	<u>\$ 28,272</u>	<u>\$ 757</u>	<u>\$ 5,524,128</u>
<u>December 31, 2022</u>				
Non-interest bearing payables	\$ 4,579,111	\$ 7,856	\$ -	\$ 4,586,967
Lease liabilities	<u>19,979</u>	<u>26,339</u>	<u>742</u>	<u>47,060</u>
	<u>\$ 4,599,090</u>	<u>\$ 34,195</u>	<u>\$ 742</u>	<u>\$ 4,634,027</u>
<u>June 30, 2023</u>				
Non-interest bearing payables	\$ 6,137,541	\$ 6,648	\$ -	\$ 6,144,189
Lease liabilities	<u>20,255</u>	<u>34,507</u>	<u>2,189</u>	<u>57,398</u>
	<u>\$ 6,158,243</u>	<u>\$ 41,155</u>	<u>\$ 2,189</u>	<u>\$ 6,201,587</u>

30. RELATED-PARTY TRANSACTIONS

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

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
Dong-Guan Nikon	Associate

b. Trading transactions

<u>Line Item</u>	<u>Related Party Category</u>	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
		<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Net revenues	Associate	<u>\$ -</u>	<u>\$ 23</u>	<u>\$ 7</u>	<u>\$ 47</u>
Purchases of goods	Associate	<u>\$ 5,053</u>	<u>\$ 22,904</u>	<u>\$ 8,999</u>	<u>\$ 40,138</u>
Rental income	Associate	<u>\$ 495</u>	<u>\$ 503</u>	<u>\$ 997</u>	<u>\$ 1,001</u>

Purchases were made at discounted market price to reflect the quantity of goods purchased and relationships between the parties. The payment terms to related parties were not significantly different from those of purchases from third parties.

The rentals were based on the market rentals in the area, and were paid monthly.

c. Receivables from related parties

<u>Line Item</u>	<u>Related Party Category</u>	<u>June 30, 2023</u>	<u>December 31,2022</u>	<u>June 30, 2022</u>
Trade Receivables	Associate	\$ <u>555</u>	\$ <u>-</u>	\$ <u>10</u>
Other financial assets-current	Associate	\$ <u>341</u>	\$ <u>174</u>	\$ <u>234</u>

d. Payables to related parties

<u>Line Item</u>	<u>Related Party Category</u>	<u>June 30, 2023</u>	<u>December 31,2022</u>	<u>June 30, 2022</u>
Trade payables	Associate	\$ <u>5,721</u>	\$ <u>12,276</u>	\$ <u>15,178</u>

e. Compensation of key management personnel

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ <u>3,223</u>	\$ <u>2,712</u>	\$ <u>10,531</u>	\$ <u>8,699</u>

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

31. PLEDGED ASSETS

The following assets have been pledged as collateral to meet customs duty and performance guarantee:

	<u>June 30 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Financial assets at amortized cost-current	\$ <u>-</u>	\$ <u>-</u>	\$ <u>200</u>

32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of the Group were as follows:

- As of June 30, 2022, unused letters of credit for purchases of raw materials and machinery and equipment amounted to \$2,356 thousand.
- In order to provide for sufficient operating funds, the Company obtained a syndicated loan with a credit line of US\$60,000 thousand with Chinatrust Commercial Bank and the related management group. The Company is required to maintain its current ratio at no less than 100%, debt ratio less than 110%, interest coverage ratio at no less than 4 times and the value of net tangible assets at no less than NT\$12 billion during the contractual period of the loan agreement. The Group has not drawn against the credit line as of June 30, 2023.

33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

				June 30, 2023			
				Foreign Currency	Exchange Rate		Carrying Amount
<u>Financial assets</u>							
Monetary items							
	USD	\$	108,425	31.14	(USD:NTD)	\$	3,376,355
	USD		163,064	7.2258	(USD:RMB)		5,077,813
	USD		5,975	55.2030	(USD:PHP)		186,062
	JPY		1,000,986	0.0499	(JPY:RMB)		215,078
	RMB		146,436	0.1384	(RMB:USD)		631,106
<u>Financial liabilities</u>							
Monetary items							
	USD		181,387	31.14	(USD:NTD)		5,648,391
	USD		32,578	7.2258	(USD:RMB)		1,014,479
	USD		17,178	55.2030	(USD:PHP)		534,923
				December 31, 2022			
				Foreign Currency	Exchange Rate		Carrying Amount
<u>Financial assets</u>							
Monetary items							
	USD		172,939	30.71	(USD:NTD)		5,310,957
	USD		116,804	6.9646	(USD:RMB)		3,587,051
	USD		6,198	56.4211	(USD:PHP)		190,341
	JPY		773,321	0.0527	(JPY:RMB)		179,701
	RMB		105,904	0.1436	(RMB:USD)		467,032
<u>Financial liabilities</u>							
Monetary items							
	USD		170,235	30.71	(USD:NTD)		5,227,917
	USD		30,193	6.9646	(USD:RMB)		927,227
	USD		15,512	56.4211	(USD:PHP)		476,374
	JPY		455,822	0.0076	(JPY:USD)		106,387
				June 30, 2022			
				Foreign Currency	Exchange Rate		Carrying Amount
<u>Financial assets</u>							
Monetary items							
	USD		139,326	29.72	(USD:NTD)		4,140,769
	USD		141,084	6.7114	(USD:RMB)		4,193,016
	USD		7,257	55.6972	(USD:PHP)		215,678
	JPY		1,204,175	0.0073	(JPY:USD)		261,253
	JPY		485,160	0.0490	(JPY:RMB)		105,258

RMB	131,454	0.1490	(RMB:USD)	105,258
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Financial liabilities

Monetary items

USD	155,670	29.72	(USD:NTD)	4,626,512
USD	39,927	6.7114	(USD:RMB)	1,186,630
USD	17,272	55.6972	(USD:PHP)	513,324
JPY	891,928	0.0073	(JPY:USD)	193,509

For three months and six months ended June 30, 2023 and 2022, realized and unrealized net foreign exchange gains were \$140,199 thousand, \$149,259 thousand, \$99,477 thousand, and \$112,487 thousand respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the entities in the Group.

34. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others: Table 1.
- 2) Endorsements/guarantees provided: None.
- 3) Marketable securities held (excluding investment in subsidiaries and associates): Table 2.
- 4) Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital: None.
- 5) Acquisition of individual real estate at costs of at least NT \$300 million or 20% of the paid-in capital: None.
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 3.
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4.
- 9) Trading in derivative instruments: None.
- 10) Intercompany relationships and significant intercompany transactions: Table 5.

b. Information on investees: Table 6.

c. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the period, repatriation of investment income, and limit on the amount of investment in the mainland China area: Table 7.

- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
- The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: Table 3.
 - The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Table 3.
 - The amount of property transactions and the amount of the resultant gains or losses: None.
 - The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None.
 - The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: Table 1.
 - Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: Note 30.
- d. Information of major shareholders: list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 8.

35. SEGMENT INFORMATION

The analysis of revenue and profits by reportable segments are as below:

a. Segment revenue and results

	Segment Revenue		Segment Profit (Loss)	
	Six Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Optical components	\$ 4,324,464	\$ 5,220,507	\$ (230,317)	\$ (100,047)
Contact image sensor modules	1,885,867	2,057,225	227,565	238,099
Optronics components	1,033,537	925,132	92,661	4,391
Digital camera	830,671	558,354	126,975	73,323
Optronics products	<u>351,465</u>	<u>791,870</u>	<u>58,970</u>	<u>204,475</u>
	<u>\$ 8,426,004</u>	<u>\$ 9,553,088</u>	<u>\$ 275,854</u>	<u>\$ 420,241</u>

b. Reconciliation of segment revenue and segment profit (loss)

1) Segment revenue

	Six Months Ended June 30	
	2023	2022
Reportable segment revenue	\$ 8,426,004	\$ 9,553,088
Eliminated intersegment revenue	<u>(138,713)</u>	<u>(190,224)</u>

Net sale	<u>\$ 8,287,291</u>	<u>\$ 9,362,864</u>
2) Segment profits and losses		
	Six Months Ended June 30	
	2023	2022
Reportable segment income	\$ 275,854	\$ 420,241
Allocated general and administrative expenses	73,044	81,405
Other segment profits and loss	-	(31)
Other income	36,009	125,444
Other gain and loss	(8,130)	(5,544)
Financial costs	(710)	(2,324)
Share of profit of associates	1,218	2,305
Interest income	14,626	22,610
Foreign exchange gain, net	99,477	112,487
Net gain(loss) on fair value of financial assets at FVTPL	<u>32,694</u>	<u>(50,507)</u>
Income before income tax	<u>\$ 656,082</u>	<u>\$ 706,086</u>

Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' compensation, share of profit of associates, interest income, rental income, dividend income, gain or loss on disposal of assets, net exchange gain or loss, valuation gain or loss on financial instruments, interest expense and income tax expense. This is the amount reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

ASIA OPTICAL CO., INC. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
SIX MONTHS ENDED JUNE 30, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower (Note 2)	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limit (Note 1)
													Item	Value		
1	Shen Zhen Sintai	Shang Hai Sintai	Receivables from related parties	Yes	\$ 171,098 (RMB 39,700)	\$ 162,479 (RMB 37,700)	\$ 162,478 (RMB 37,700)	0.5	Short-term financing	\$ -	For working capital	\$ -	-	\$ -	\$ 1,000,000	\$ 2,000,000
Total						\$ 162,479	\$ 162,479			\$ -		\$ -		\$ -		

Note 1: The lending amount to a company shall not exceed forty percent (40%) of the net worth of the Company, and the aggregate amount for lending shall not exceed fifty percent (50%) of the net worth of the Company. The restriction of these term shall not apply to inter-company loans for funding between 100% owned subsidiaries, and the Group sets an additional rule that the amount available for lending purpose between 100% owned subsidiaries shall be (a) no more than NT\$1 billion for the individual financier and (b) no more than NT\$2 billion in total.

Note 2: Intercompany accounts and transactions have been eliminated.

ASIA OPTICAL CO., INC. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

June 30, 2023

(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	March 31, 2023			
				Shares/Units	Carrying Amount	Percentage of Ownership	Fair Value
Asia Optical	<u>Shares</u> OTO Brite	None	Financial assets at FVTPL - non-current	2,902,846	\$ 52,774	9	\$ 52,774
Asia International	<u>Equity</u> Pioneer B-STROM Shisei Datum	None None None	Financial assets at FVTPL - non-current Financial assets at FVTPL - non-current Financial assets at FVTPL - non-current	- 1,760 2,718	144,453 - -	12 49 29	144,453 - -
Shen Zhen Sintal	<u>Equity</u> Guangdong Xinwei	None	Financial assets at FVTPL - non-current	-	4,498	38	4,498
Powerlink	<u>Shares</u> Kotura	None	Financial assets at FVTPL - non-current	1,000	-	1	-

ASIA OPTICAL CO., INC. AND SUBSIDIARIES

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

Purchaser or Seller	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable or (Payable)		Note
			Purchases / Sales	Amount	%	Payment Terms	Unit Price	Payment Terms	Ending Balance	%	
Asia Optical	Shen Zhen Sintai	Note 1	Purchases	\$ 511,506	28	30-180 days	-	-	(\$ 433,632)	(11)	Note 2
	Dong-Guan Sintai	Note 1	Purchases	197,276	11	30-180 days	-	-	(237,659)	(6)	Note 2
	Dong-Guan Tailien	Note 1	Purchases	133,798	7	30-180 days	-	-	(247,457)	(6)	Note 2
	Scopro	Note 1	Purchases	110,605	6	30-180 days	-	-	(97,471)	(2)	Note 2
	Myanmar Asia	Note 1	Purchases	198,852	11	30-180 days	-	-	(207,790)	(5)	Note 2
Asia International	Shen Zhen Sintai	Note 1	Purchases	276,635	7	30-180 days	-	-	(1,346,247)	(62)	Note 2
	Myanmar Asia	Note 1	Purchases	329,056	9	30-180 days	-	-	-	-	Note 2
Asia Tech	Asia Tech Samoa	Note 1	Purchases	1,510,341	100	30-180 days	-	-	(1,611,002)	(100)	Note 2
Asia Tech Samoa	Asia Tech	Note 1	Sales	(1,510,341)	(100)	30-180 days	-	-	1,611,002	100	Note 2
Shen Zhen Atii	Shen Zhen Atii	Note 1	Purchases	904,747	62	30-180 days	-	-	(1,250,469)	(68)	Note 2
	Asia Tech Samoa	Note 1	Sales	(904,747)	(85)	30-180 days	-	-	1,250,469	93	Note 2
AOE Shen Zhen	Shen Zhen Sintai	Note 1	Purchases	150,983	20	30-180 days	-	-	(74,417)	(14)	Note 2
	AOE Cayman	Note 1	Sales	(497,455)	(39)	30-180 days	-	-	93,343	15	Note 2
	AOE Cayman	Note 1	Purchases	151,661	20	30-180 days	-	-	(37,866)	(7)	Note 2
AOE Cayman	AOE Shen Zhen	Note 1	Sales	(151,661)	(23)	30-180 days	-	-	56,845	14	Note 2
	AOE Shen Zhen	Note 1	Purchases	497,455	76	30-180 days	-	-	(93,343)	(26)	Note 2
	AOE Optronics	Note 1	Sales	(475,840)	(73)	30-180 days	-	-	357,590	86	Note 2
AOE Optronics	AOE Cayman	Note 1	Purchases	475,840	83	30-180 days	-	-	(354,870)	(77)	Note 2
Dong-Guan Sintai	Asia Optical	Note 1	Sales	(197,276)	(92)	30-180 days	-	-	242,111	83	Note 2
Dong-Guan Tailien	Asia Optical	Note 1	Sales	(133,798)	(34)	30-180 days	-	-	249,571	50	Note 2
Shen Zhen Sintai	Asia International	Note 1	Sales	(276,635)	(19)	30-180 days	-	-	1,568,062	68	Note 2
	Asia Optical	Note 1	Sales	(511,506)	(34)	30-180 days	-	-	436,315	19	Note 2
	AOE Shen Zhen	Note 1	Sales	(150,983)	(10)	30-180 days	-	-	111,420	5	Note 2
Myanmar Asia	Asia International	Note 1	Sales	(329,056)	(62)	30-180 days	-	-	-	-	Note 2
	Asia Optical	Note 1	Sales	(198,852)	(38)	30-180 days	-	-	212,789	100	Note 2
Doan-Guan Yorkey	Yorkey Technology	Note 1	Sales	(576,028)	(59)	30-180 days	-	-	1,366,907	86	Note 2
Yorkey Technology	Dong-Guan Yorkey	Note 1	Purchases	576,028	86	30-180 days	-	-	(1,366,907)	(96)	Note 2
	Asia Optical	Note 1	Sales	(110,605)	(100)	30-180 days	-	-	95,386	100	Note 2

Note 1: Refer to Note 11 to the consolidated financial statements.

Note 2: Intercompany accounts and transactions have been eliminated.

ASIA OPTICAL CO., INC. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

June 30, 2023

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
Asia International	Myanmar Asia	Subsidiary of Asia International	\$ 2,729,054	Note 1	\$ -	-	-	\$ -
	AOE Cayman	Affiliate	244,841	Note 1	-	-	-	-
	Asia Optical	Parent company of Asia International	2,512,051	Note 1	-	-	27,336	-
	Dong-Guan Tailien	Affiliate	309,027	Note 1	-	-	-	-
AOE Cayman	AOE Shen Zhen	Subsidiary of AOE Cayman	906,984	Note 1	-	-	93,343	-
	AOE Optronics	Parent company of AOE Cayman	357,590	Note 1	-	-	99,628	-
Dong-Guan Sintai	Asia Optical	Parent company of Asia International	242,111	Note 1	-	-	-	-
Dong-Guan Tailien	Asia Optical	Parent company of Asia International	249,571	Note 1	-	-	7,168	-
Shen Zhen Sintai	Asia International	Parent company of Shen Zhen Sintai	1,568,062	Note 1	-	-	13,650	-
	Shang Hai Sintai	Affiliate	165,213	Note 1	-	-	-	-
	Asia Optical	Parent company of Asia International	436,315	Note 1	-	-	-	-
	AOE Shen Zhen	Subsidiary of AOE Cayman	111,420	Note 1	-	-	-	-
Myanmar Asia	Asia Optical	Parent company of Asia International	212,789	Note 1	-	-	7,372	-
Powerlink Cayman	Scopro	Affiliate	216,000	Note 1	-	-	-	-
	Asia Scopro	Parent company of Asia Scopro	161,879	Note 1	-	-	-	-
Asia Tech Samoa	Asia Tech	Parent company of Asia Tech Samoa	1,611,002	Note 1	-	-	232,954	-
Shen Zhen Atii	Asia Tech Samoa	Parent company of Shen Zhen Atii	1,250,469	Note 1	-	-	20,629	-
Dong-Guan Yorkey	Yorkey Technology	Parent company of Dong-Guan Yorkey	1,256,907	Note 1	-	-	54,512	-

Note 1: The receivables resulted from purchases of materials and property, plant, and equipment on behalf of Asia International and loan transaction; thus, turnover analysis was not suitable.

Note 2: Intercompany accounts and transactions have been eliminated.

ASIA OPTICAL CO., INC. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS

June 30, 2023

(In Thousands of New Taiwan Dollars)

Number	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			
				Financial Statement Accounts	Amount (Note 3)	Payment Terms	% to Total Sales or Assets (Note 2)
0	Asia Optical	Asia International	1	Trade payables	\$ 2,414,845	30-180 days	12
				Other payables	105,458	-	1
				Advance sales receipt	407,535	-	2
		Dong-Guan Tailien	1	Purchases	133,798	30-180 days	2
				Trade payables	247,457	30-180 days	1
		Dong-Guan Sintai	1	Purchases	197,276	30-180 days	2
				Trade payables	237,659	-	1
		Shen Zhen Sintai	1	Purchases	511,506	30-180 days	6
				Trade payables	433,632	-	2
		Myanmar Asia	1	Purchases	198,852	30-180 days	2
Trade payables	207,790			-	1		
Scopro	1	Sales	70,893	30-180 days	1		
		Purchases	110,605	30-180 days	1		
Asia Tech	1	Other financial assets-current	110,362	-	1		
1	Asia International	Dong-Guan Tailien	2	Trade receivables	309,027	30-180 days	1
				Purchases	276,635	30-180 days	3
		Shen Zhen Sintai	2	Trade payables	1,346,247	30-180 days	6
				Other payables	221,815	30-180 days	1
				Purchases	329,056	30-180 days	4
		Myanmar Asia	2	Trade receivables	2,729,054	30-180 days	13
				Professional service	43,703	30-180 days	1
AOE Cayman	2	Trade receivables	244,841	30-180 days	1		
2	AOE Optronics	AOE Cayman	2	Purchases	475,840	30-180 days	6
				Trade payables	354,870	30-180 days	2
3	Asia Tech	Asia Tech Samoa	2	Purchases	1,510,341	30-180 days	18
				Trade payables	1,611,002	30-180 days	8
4	Asia Tech Samoa	Shen Zhen Atii	2	Purchases	904,747	30-180 days	11
				Trade payables	1,250,469	30-180 days	6
5	AOE Cayman	AOE Shen Zhen	2	Sales	151,661	30-180 days	2
				Purchases	497,455	30-180 days	6
				Trade receivables	906,984	-	4
				Other financial assets - current	886,671	-	4

(Continued)

Number	Company Name	Counter-party	Relationship (Note 1)	Transaction Details			
				Financial Statement Accounts	Amount (Note 3)	Payment Terms	% to Total Sales or Assets (Note 2)
6	Shen Zhen Sintai	Shang Hai Sintai AOE Shen Zhen	2 2	Other financial assets - current	\$ 165,213	-	1
				Sales	150,983	30-180 days	2
				Trade receivables	111,420	30-180 days	1
7	Powerlink Cayman	Scopro Asia Scopro	2 2	Trade receivables	216,000	30-180 days	1
				Trade receivables	161,879	30-180 days	1
9	Yorkey Technology	Dong-Guan Yorkey	2	Purchases	576,028	30-180 days	7
				Trade payables	1,366,907	30-180 days	7

(Concluded)

Note 1: 1. From the parent company to the subsidiary.

2. From the subsidiary to the subsidiary.

Note 2: The percentage of transactions to consolidated assets and liabilities items are calculated at the balance as of the end of reporting period; income and expense items are calculated at the accumulated amount of consolidated sales.

Note 3: Intercompany accounts and transactions have been eliminated.

ASIA OPTICAL CO., INC. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
SIX MONTHS ENDED JUNE 30, 2023
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of March 31, 2023			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				March 31, 2023	December 31, 2022	Shares	Percentage of Ownership	Carrying Value			
Asia Optical	Asia International	British Virgin Islands	Sale of riflescopes, lenses and optical components	\$ 2,701,520	\$ 2,701,520	15,686,000	100	\$ 11,759,432	\$ 299,700	\$ 29,700	Subsidiary
	Powerlink Cayman	Cayman Islands	Trading company	44,392	44,392	1,500,000	100	797,363	(6,211)	(6,211)	Subsidiary
	Asia Tech	New Taipei	Sale of precision instruments and image sensors	231,753	231,753	19,027,964	26	761,883	240,240	63,036	Subsidiary
	Powerlink	British Virgin Islands	Sale of riflescopes, telescopes, lenses and optical components	14,000	14,000	50,000	100	(95,016)	(14,268)	(14,268)	Subsidiary
	Richman	British Virgin Islands	Holding company	99,520	99,520	2,566,000	100	134,872	13,960	13,960	Subsidiary
	AOE Optronics	Taichung	Design, manufacture and sale of cell phone related products	1,921,610	1,921,610	19,065,843	95	596,613	(62,017)	(59,343)	Subsidiary
	Taiwan Top	Changhua	Manufacture and sale of cameras, copy machines, printers and facsimile machines	588,105	588,105	8,248,348	94	138,830	(3,090)	(2,893)	Subsidiary
Asia International	Yorkey Cayman	Cayman Islands	Holding company	2,663,778	2,663,778	776,346,000	95	1,415,437	175,993	167,251	Indirect Subsidiary
	Pentax Sintai	Hong Kong	Trading company	42,557	42,557	9,360,000	45	-	-	-	Note
	AOE Optronics	Taichung	Design, manufacture and sale of cell phone related products	298,179	298,179	506,880	3	15,871	(62,017)	(1,575)	Subsidiary
	AOIDC	Japan	Development and technology services	22,071	22,071	100	100	27,387	303	303	Indirect Subsidiary
	Myanmar Asia	Myanmar Yangon	Manufacture of lens and related products	634,082	634,082	1,998,572	100	(1,739,832)	(118,673)	(118,673)	Indirect subsidiary
Powerlink Cayman	Asia Scopro	Philippines Calamba	Manufacture and trade of riflescopes, lenses and optical component	17,043	17,043	241,000	100	(51,915)	(7,877)	(7,877)	Indirect subsidiary
	ASAM	Philippines Calamba	Anode processing factory	9,690	9,690	150,000	100	44,406	(1,699)	(1,699)	Indirect subsidiary
Asia Tech	Asia Tech Samoa	Samoa	Sale of precision instruments and image sensors	845,520	845,520	18,662,310	100	2,696,426	38,197	38,197	Indirect Subsidiary
Powerlink	Scopro	Philippines Manila	Manufacture and trade of riflescopes, lenses and optical components	5,119	5,119	4,000,000	100	(104,144)	(13,762)	(13,762)	Indirect subsidiary
Richman	Yorkey Cayman	Cayman Islands	Holding company	291,289	291,289	40,000,000	5	72,795	175,993	8,624	Indirect Subsidiary
	Crosszone	British Virgin Islands	Trading company	1,568	1,568	50,000	100	(2,891)	(156)	(156)	Indirect subsidiary
AOE Optronics	AOE Cayman	Cayman Islands	Sale of cell phone related products	1,311,447	1,311,447	44,176,066	100	564,350	(36,992)	(36,992)	Indirect subsidiary
Yorkey Cayman	Yorkey Technology	Samoa	Trading company	2,560,518	2,560,518	550,001	100	491,166	168,092	168,092	Indirect subsidiary

Note: The dissolution was approved by the board of directors. Refer to Note 11 to the consolidated financial statements.

ASIA OPTICAL CO., INC. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
THREE MONTHS ENDED MARCH 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2023	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2023	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of March 31, 2023	Accumulated Repatriation of Investment Income as of March 31, 2023
					Outward	Inward						
Shen Zhen Sintai	Manufacture of laser printers, cameras, scanners and plastic products	US\$ 38,000	(2)	\$ 1,270,274 (US\$ 38,000)	\$ -	\$ -	\$ 1,270,274 (US\$ 38,000)	\$ (74,642)	100	\$ (74,642)	\$ 3,059,834	\$ -
Dong-Guan Sintai	Manufacture of optical components and finished products	US\$ 16,600	(2)	1,234,670 (US\$ 35,937)	-	-	1,234,670 (US\$ 35,937)	1,141	100	1,141	451,334	454,587 (US\$ 14,000)
Shen Zhen Atii	Manufacture and sale of image sensor	US\$ 10,000	(2)	170,256 (US\$ 5,400)	-	-	170,256 (US\$ 5,400)	49,780	26	13,040	455,364	-
Shang Hai Sintai	Manufacture and sale of parts of DV and DSC	US\$ 34,000	(2)	1,098,606 (US\$ 34,000)	-	-	1,098,606 (US\$ 34,000)	(4,629)	100	(4,629)	80,997	-
Xingfung Sintai	Manufacture and sale of DVD players, DVD pickup heads and parts	US\$ 29,137	(2)	145,656 (US\$ 4,200)	-	-	145,656 (US\$ 4,200)	-	12	-	144,453	74,541 (US\$ 2,599)
Dong-Guan Tailien	Manufacture and processing of cameras and parts	US\$ 3,160	(2)	123,440 (US\$ 4,000)	-	-	123,440 (US\$ 4,000)	47,700	61	29,180	146,328	84,435 (US\$ 2,751)
			(3)	11,163 (US\$ 420)	-	-	11,163 (US\$ 420)	47,700	17	8,152	40,807	39,546 (US\$ 1,255)
			(2)	22,614 (US\$ 700)	-	-	22,614 (US\$ 700)	47,700	12	5,493	27,495	18,812 (US\$ 589)
Dong-Guan Yorkey	Manufacture of plastic and metallic parts, molds and cases of optical and optronics products	US\$ 20,680	(2)	291,289 (US\$ 9,079)	-	-	291,289 (US\$ 9,079)	106,070	5	5,197	78,608	-
			(2)	2,663,778 (US\$ 93,994)	-	-	2,663,778 (US\$ 93,994)	106,070	95	100,755	1,528,248	-
Dong-Guan Nikon	Research and manufacture of equipment for electronic use	US\$ 2,000	(2)	27,772 (US\$ 800)	-	-	27,772 (US\$ 800)	3,045	40	1,218	46,994	-
AOE Shen Zhen	Manufacture of cell phone related products	US\$ 12,000	(2)	360,186 (US\$ 12,000)	-	-	360,186 (US\$ 12,000)	(35,193)	95	(33,742)	(393,082)	-
Guangdong Xinwei	Manufacture of car parts	RMB\$ 9,100	(2)	-	-	-	-	-	3	2,196	(12,044)	-
				-	-	-	-	-	38	-	4,498	-

Accumulated Outward Remittance for Investment in Mainland China as of DECEMBER 31, 2022	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by the Investment Commission, MOEA
\$ 7,791,858 (US\$ 235,131)	\$ 10,280,622 (US\$ 328,042)	(Note 3)

Note 1: The investments were made as follows:

- (1) The investment was made directly by a subsidiary located in mainland China.
- (2) The investment was made through a corporation established in a third country, which, in turn, invested in companies located in mainland China (refer to Note 11 to the accompanying consolidated financial statements; in addition, Asia International is the investor of Pioneer and Dong-Guan Nikon).
- (3) Others

Note 2: Investment gain (loss) was recognized based on the financial un-reviewed statements except for Shen Zhen Sintai, Shen Zhen Atii, and AOE Shen Zhen.

Note 3: Under the "Regulations for the Screening of Applications to Engage in Technical Cooperation in Mainland China" issued by the Investment Commission of the Ministry of Economic Affairs on August 29, 2008, the amount of investment in mainland China has no limit since the parent company, Asia Optical Co., Inc. had acquired the approval by the Industrial Development Bureau to establish operating headquarters in Taiwan.

ASIA OPTICAL CO., INC. AND SUBSIDIARIES**INFORMATION OF MAJOR SHAREHOLDERS****June 30, 2023**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Tsih-Mei Industrial Co., Ltd.	34,665,440	12.41%

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

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