StockCode：3450

eLASER

ELITE ADVANCED LASER CORPORATION

ANNUAL REPORT 2022

http://mops.twse.com.tw
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I. Contact Information of Spokesperson and acting spokesperson:

Spokesperson: Tsong-Min, Liang

Title: Vice President

Tel: (02)8245-6186 ext.2108

E-mail: elaser@elaser.com.tw

Deputy Spokesperson: Ya-Lan, Chen

Title: Senior Manager

Tel: (02)8245-6186 ext.2226

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II. Contact Information:

Headquarters:	10F., No. 35, Qiao'an St., Zhonghe Dist., New Taipei City	Tel: (02) 8245-6186
Branch:	2F., No. 50-2, Keyan Rd., Zhunan Township, Miaoli County, Hsinchu Science Park	Tel: (037) 586-298
Factories:	3F.-10F., No. 27, Qiao'an St., Zhonghe Dist., New Taipei City	Tel: (02) 8245-6186
	3F.-10F., No. 35, Qiao'an St., Zhonghe Dist., New Taipei City	
	2F., No. 50-2, Keyan Rd., Zhunan Township, Miaoli County, Hsinchu Science Park	Tel: (037) 586-298

III. Stock Transfer Agency:

Name: Transfer Agency Department, Fubon Securities

Address: 2F., No.17, Xuchang St., Zhongzheng Dist., Taipei City

Tel: (02) 2361-1300

Website: http://www.fbs.com.tw

IV. Certified Public Accountants:

CPA: Keng-Hsi, Chang and Chien-Hsin, Hsieh

Name: Deloitte & Touche

Address: 20F., No.100, Songren Rd., Xinyi Dist., Taipei City

Tel: (02) 2725-9988

Website: http://www.deloitte.com.tw

V. Overseas Exchange for Trading of Company Securities: (None)

VI. Company website: http://www.elaser.com.tw

Contents

1. Letter to shareholders

Elite Advanced Laser Corporation

2022 Consolidated Business Report

Dear Shareholders,

Amid the challenges of the rapidly changing global industrial environment and the epidemic situation, the management team of the Company, under the support and supervision of its shareholders throughout the years, has made continuous efforts to improve its operational structure by adhering to the 4A action policy of “Ahead, Able, Agile and Accountable”.

1. **Operating results in 2022:**

   The consolidated sales of eLaser in 2022 was NT$ 6,775,781 thousand, the total consolidated income was NT$ 648,292 thousand, and the EPS was NT$ 1.32. The net value per share of owner’s equity is NT$ 27.25, the consolidated debt ratio is 38.66%, and the consolidated current ratio is 180.01%. In response to the market demand for new application areas such as high speed, high power and image recognition in the laser diode industry and the increasing application of power management components in the green and energy-saving industry, the Company is committed to meeting the production needs of customers and cooperating with customers to develop new products and new processes to meet new market needs and challenges.

2. **Operating Plan in 2023:**

   In the face of the global epidemic, economic and trade conflicts and various uncertainties, the Company will adjust its sales strategies in a timely manner to maintain business stability based on the recent changes in the market environment, the overview of customer operations, the progress of new product development and the assessment of the overall industry development trend. During the year, the Company continued to develop the research and development of new products and expand the production scale in order to maintain its leading position in the foundry of optical information and optical communication laser packaging and power management components.

   Major production and marketing policies:

   (1) Continue to improve production efficiency and yield, reduce costs, and improve competitiveness.

   (2) Implement the concept of “Quality is Made”, strengthen the ability of employees and create a high-quality production culture.

   (3) Collaborate with customers to develop new products and provide cost and quality advantages to create a win-win opportunity.

   (4) Actively develop new applications and new customers with process technology.

   (5) Continue to strengthen after-sales service and maintain stable interaction and trust with customers.

(6) Establish high standards for quality and technology, and enhance international branding and popularity.

(7) Establish and strengthen collaboration with international manufacturers to create opportunities for mutual benefit.

Looking at the above, with the changes and evolution of the global industry, in the overall market economy, customer competition has been promoted to the operation of the global platform and the integration of resources of group enterprises. In the face of fierce external competition, the Company will strive to adjust its operation and sales policies in a timely manner to maintain its industrial advantages. In addition, the Company will actively respond to the rapid changes in the regulatory environment to meet the requirements of laws and regulations, so as to make the operation structure safer and stronger.

The Company will continue to strive to maximize the interests of all shareholders with its existing research and development and manufacturing capabilities and efficient operation and management.

To all of you

Good health and good luck

2. Company profile

2.1 Date of Incorporation: September 27, 2000

2.2 Company History

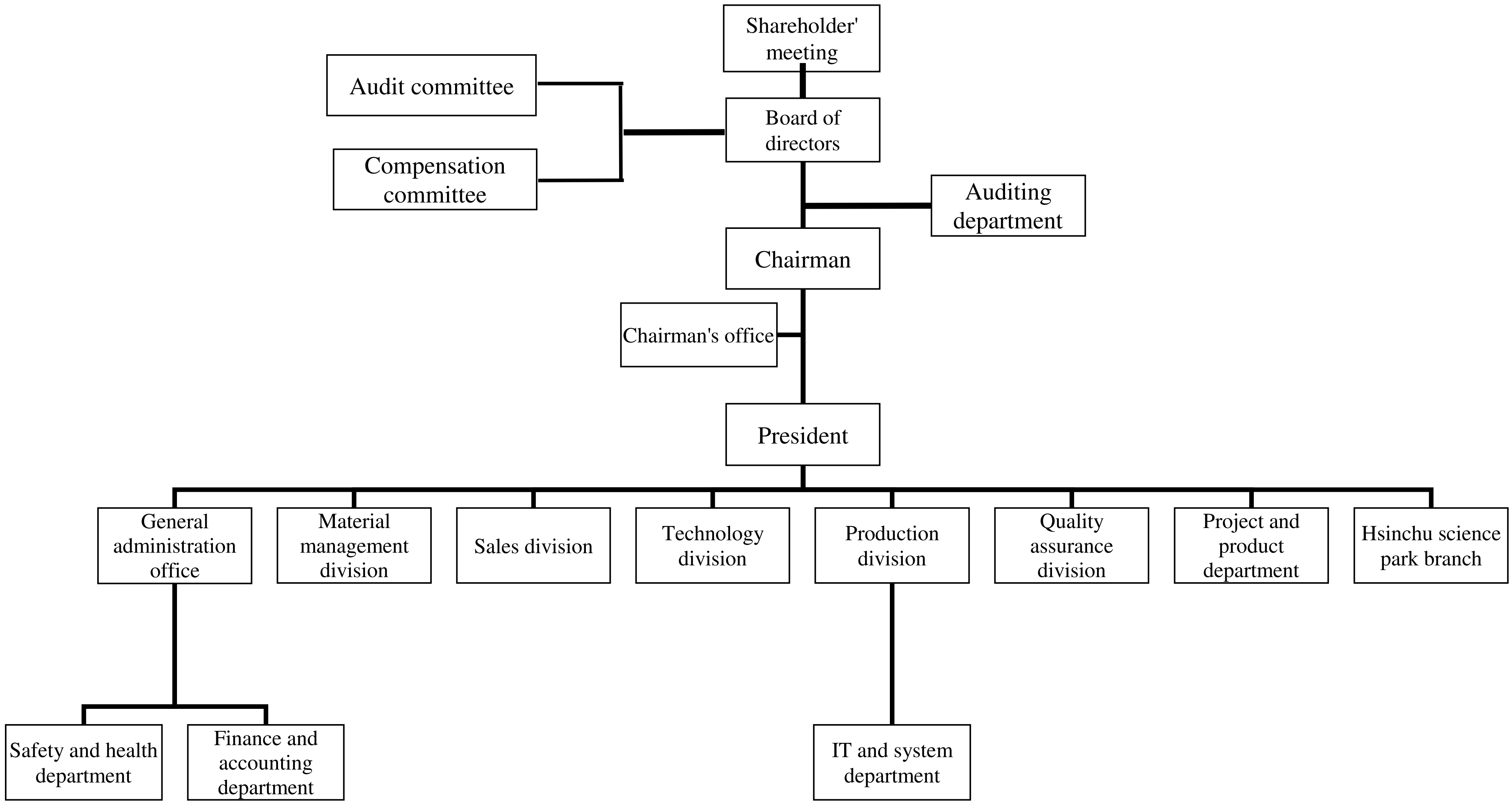
September 2000	The Company was established in New Taipei City with a share capital of NT$5 million
April 2001	Commenced operation, mass production of industrial laser diodes and high-power CD-RW laser diodes for optical storage
December 2001	Commenced mass production of VCSEL surface-emitting laser diodes for optical communication
February 2002	Obtained ISO 9001 Quality Management System
March 2002	Commenced mass production of long-wavelength laser diodes for optical communications
November 2002	Commenced mass production of high-power DVD±RW laser diodes for optical storage
June 2003	Commenced mass production of PIN-TIA optical receivers
July 2003	Commenced mass production of OSA optical sub-modules
February 2004	Obtained QS9000 Quality Management System
August 2004	Approved by the Securities and Futures Bureau for listing stocks
April 2005	Listed on Emerging Stock Board
August 2005	Commenced mass production of high-power dual-wavelength laser diodes
September 2005	Obtained ISO14001 Environmental Management System
April 2006	Listed on the TWSE
May 2006	Commenced mass production of integrated laser mouse module
November 2007	Obtained TS16949 Quality Management System
November 2008	Commenced mass production of optical communication high-speed 10G laser and APD-TIA receiver
December 2008	Commenced mass production of blue light laser diodes
September 2009	Participated in the Intel Light Peak photoelectric module development project
November 2009	Commenced mass production of COS (Chip on Submount) products
April 2010	Commenced mass production of infrared remote lasers
October 2010	Commenced mass production of power amplifiers
August 2011	Established subsidiary, eLaser Technologies Co., Ltd.
June 2012	Established subsidiary, GEM Services, Inc.
March 2013	Commenced mass production of green laser diodes
October 2013	Commenced mass production of EML (Electro-absorption Modulators Laser)
April 2014	Commenced mass production of 20G and 40G cloud computing AOC cables
April 2015	Established the Company's Hsinchu Science Park Branch
April 2016	Subsidiary GEM Services, Inc. listed in TWSE
August 2017	Commenced mass production of 100G transmit and receive sub-modules
June 2018	Commenced mass production of data center 100G transceiver modules
August 2018	Commenced mass production of 5G optical communication components
January 2019	Commenced trial mass production of 3D sensing light source module
March 2019	Commenced mass production of 28G DML optical communication components
April 2019	Commenced mass production of LR DWDM optical sub-module
January 2020	Commenced mass production of 50G DML optical communication components

August 2020	Commenced mass production of 56G EML COC
October 2020	Commenced mass production of CO_2 gas detection devices
November 2021	Commenced mass production of high-precision array 100G optical receiving module
October 2022	Commenced mass production of LiDAR ToF
December 2022	Established subsidiary, Centera Photonics Inc.

3. Corporate Governance Report

3.1 Organization

3.1.1 Organizational structure



3.1.2 Responsibilities and functions of Committees and major departments

3.1.2.1 Duties and Function of Functional Committee

Committee	Responsibilities
Audit Committee	1. The institution or amendment to the internal control policies. 2. Internal control policies' effectiveness evaluation. 3. The institution or amendment to the procedures for the acquisition or disposal of assets, derivative trade, loaning of funds, guarantee and endorsement in favor of a third party, and other aspects of materiality with significant financial and business effect. 4. Matters bearing on the personal interest of directors. 5. Material assets or derivatives trading. 6. Material loaning of funds, and provision of endorsements/guarantees. 7. Offering, issuance or acquiring equity securities through private placement. 8. The Auditing CPA's appointment, dismissal or remuneration. 9. The appointment and dismissal of a chief financial officer, chief accounting officer, or internal audit supervisor. 10. Annual financial statements signed or stamped by the Chairman, managerial officers, and account manager, and second-quarter financial statements audited and attested by CPAs. 11. Other major matters stipulated by the Company or the competent authority.
Compensation Committee	1. Prescribe and periodically review the performance review and remuneration policy, system, standards, and structure for directors and managerial officers. 2. Periodically evaluate and prescribe the remuneration of directors, and managerial officers.

3.1.2.2 Responsibilities and functions of major departments

Department	Responsibilities
Chairman's office	Formulate and implement business strategy and stipulate the content of the discussion and relevant information of the Board of Directors.
Auditing department	Evaluate and audit the design and implementation and the effectiveness of the operation process, the relevant compliance of laws and regulations, and provide improvement suggestions in a timely manner.
Safety and health department	Formulate and implement human resource management and organizational development and various management regulations with management, implementation and general administrative operations of labor safety and environmental sanitation.
Finance and accounting	Responsible for accounting operations, cost analysis, business results analysis, financial planning and capital procurement, tax management,

Department	Responsibilities
department	stock affairs.
IT and system department	Responsible for internal and external networks, computer hardware maintenance, development and maintenance of IT operation systems, evaluation, import and data maintenance of ERP operating systems.
Material management division	Responsible for market information analysis, planning and implementation of procurement, management and evaluation of suppliers, and import and export business.
Sales division	Plan and implement business goals, formulate marketing strategies, coordinate production and sales, and plan and implement domestic and foreign sales expansion, customer credit investigation and after-sales service, and sales management.
Technology division	Introduce new products and develop materials, new processes and equipment, product testing and improve production performance.
Production division	Responsible for capacity and production planning, scheduling, schedule management, on-site production process improvement, improvement of production efficiency and machine efficiency, factory facilities and machine installation and maintenance, etc.
Quality assurance division	Responsible for quality inspection and improvement, quality control report analysis and other related matters.
Project and product department	Responsible for project product introduction, new process development and production capacity planning.
Hsinchu science park branch	Responsible for new product development and planning.

3.2 Information of Directors, President, Vice Presidents, Managers, and the heads of various departments and branches

3.2.1 (1)Director Information

April 8, 2023;Unit of shares: 1,000 shares

Title (Note 1)	Nationality and Registry	Name	Gender/ Age	Date Elected	Term of Service	Date first elected (Note 2)	Shares held when elected		Shares Currently Held		Shares Currently Held by Spouse & Minors		Shareholding by Nominee Arrangement		Selected Education and Professional Qualification/Past Positions (Note 3)	Selected Current Positions at the Company and Other Companies	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark (Note 4)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	Taiwan	Chu-Liang, Cheng	Male 61-70	June 6, 2019	3	July 31, 2001	8,650,747	5.94%	8,650,747	5.94%	2,097,440	1.44%	0	0	Ph.D., Electrical Engineering, Rutgers University, USA LITE-ON Technology/ Deputy General Manager AT&T Bell Lab/ Researcher	Elite Advanced Laser Corporation/ Chairman and CSO GEM Services, Inc./ Chairman Mitsubishi Electric GEM Power Device(Hefei) Company Limited./ Vice Chairman eLaser Technologies Co., Ltd./ Chairman Centera Photonics Inc./ Chairman	Director	Tay-Jen, Chen	Spouse	
Vice Chairman	Taiwan	Wen-Hsing, Huang	Male 61-70	June 6, 2019	3	July 31, 2001 (Note 2)	560,000	0.38%	500,000	0.34%	0	0	0	0	BA., Electrical Engineering, Chung Yuan Christian University, Taiwan Foreshot Industrial Corporation/ Deputy General Manager LITE-ON Technology/ Director	Vice Chairman of the Company GEM Services, Inc./ Vice Chairman eLaser Technologies Co., Ltd./ Vice Chairman	None	None	None	
Director	Taiwan	Tay-Jen, Chen	Female 61-70	June 6, 2019	3	June 13, 2007	2,020,440	1.39%	2,097,440	1.44%	8,650,747	5.94%	0	0	Shih Chien University QC, Consolidate Graphics Inc.CA, USA	GEM Services, Inc./ Director Modern Women's Foundation/ Director eLaser Technologies Co., Ltd./ Director	Chairman	Chu-Liang, Cheng	Spouse	

Title (Note 1)	Nationality and Registry	Name	Gender/ Age	Date Elected	Term of Service	Date first elected (Note 2)	Shares held when elected		Shares Currently Held		Shares Currently Held by Spouse & Minors		Shareholding by Nominee Arrangement		Selected Education and Professional Qualification/Past Positions (Note 3)	Selected Current Positions at the Company and Other Companies	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark (Note 4)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	Taiwan	Tsong-Min, Liang	Male 61-70	June 6, 2019	3	June 25, 2013 (Note 2)	72,596	0.05%	72,596	0.05%	0	0	0	0	Master, NTU College of Management BA, Department of Power Mechanical Engineering, National Tsing Hua University LITE-ON Technology/ Director	Elite Advanced Laser Corporation/ Vice President	None	None	None	
Independent Director	Taiwan	Chi-Yu, Yang	Male 51-60	June 6, 2019	3	June 6, 2016	0	0	0	0	0	0	0	0	Master, Department of Financial, National Chengchi University CMOX Technology Co., Ltd./ CFO	LandMark Optoelectronics Corporation/ Director, CFO Advanced Power Electronics Corp./ Director	None	None	None	
Independent Director	Taiwan	Chin-Der, Ou	Male 71-80	June 6, 2019	3	June 6, 2019	0	0	0	0	0	0	0	0	Ph.D., Geotechnical Engineering, Case University	Century Development Corporation/ Director Asia Cement Corporation/ Director Good Shepherd Social Welfare Foundation/ Chairman Wenzao Ursuline University of Languages/ Director Shih Chien University/ Director RADIUM LIFE TECH CO., LTD./ Independent director	None	None	None	
Independent Director	Taiwan	Hun-Cheh, Chen	Male 61-70	June 29, 2022	3	June 29, 2022	402,142	0.28%	402,142	0.28%	0	0	0	0	BA, Department of Business Administration, Tunghai University JSW PACIFIC CORPORATION/ Supervisor	Economic Daily News/ Editorial board member	None	None	None	

Note 1:Major Shareholders of the Corporate Shareholders: None

Note 2:Director Wen-Hsing, Huang was first elected on July 31, 2001, dismissed on June 1, 2004, and took office on September 9, 2005 when he was re-elected.

Director Tsong-Min, Liang was first elected on June 25, 2013, dismissed on June 6, 2016, and took office on June 6, 2019 when he was re-elected.

Note 3: As for experience relevant to the current position, the title and responsibilities for work experience at a certified public accounting firm or an affiliated company preceding the current position shall be specified: None

Note 4: On December 22, 2022, the Board of Directors (on behalf of the shareholders' meeting) of eLaser Technologies Co., Ltd. approved the resolution of dissolution and liquidation. The alteration registration of dissolution was completed on January 10, 2023, and is in the process of liquidation.

Note 5: Chairman and President (or someone with an equivalent job responsibility, i.e. the highest ranking manager of the company) are not (1) the same person, (2) in a marital relationship with each other, or (3) within one degree of consanguinity.

3.2.1 (2)Major Shareholders of the Institutional Shareholders

April 8, 2023

Institutional Shareholder	Major Shareholders of the Institutional Shareholder
Not Applicable	

3.2.1 (3)Major Shareholders of the Company's major Institutional Shareholders

April 8, 2023

Institutional Shareholder	Major Shareholders of the Institutional Shareholder
Not Applicable	

3.2.1 (4)Professional expertise, the diversity policy and status of independence of the Board of Directors

1.Directors' Professional Qualifications and Independent Directors' Independence Status:

Criteria / Name	Professional Qualification and Experience	Independent Directors' Independence Status	Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director
Chairman Chu-Liang, Cheng	Dr. Chu-Liang, Cheng is currently the chairman of the Company. Joined the Board of Directors on July 31, 2001. He possesses leadership, operational judgment, risk management, and industry-related knowledge. He worked as a researcher at AT&T Bell Laboratories in New Jersey, USA, and as the director of optoelectronic chips at PCO , and as the vice president of Lite-On Technology, and received a Ph.D. in electrical engineering from Rutgers, The State University of New Jersey.	Does not meet any descriptions stated in Article 30 of the Company Act. Spouse with Director Tay-Jen, Chen	--
Vice Chairman Wen-Hsing, Huang	Mr. Wen-Hsing, Huang is currently the vice chairman of the Company. He joined the Board of Directors on July 31, 2001. He possesses leadership, operational judgment, risk management. rich industry-related knowledge and a BA in Electronic Engineering from Chung Yuan Christian University.	Does not meet any descriptions stated in Article 30 of the Company Act.	--

Criteria / Name	Professional Qualification and Experience	Independent Directors' Independence Status	Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director
Director Tay-Jen, Chen	Tay-Jen, Chen is currently a director of the Company and she joined the Board on June 13, 2007. Prior to this, Tay-Jen, Chen worked at Consolidate Graphics Inc., California, USA, and she possesses business judgment and BA from Shih Chien University.	Does not meet any descriptions stated in Article 30 of the Company Act. Spouse with Chairman Chu-Liang, Cheng	--
Director Tsong-Min, Liang	Mr. Tsong-Min, Liang is currently the vice president of the Company. He joined the Board of Directors on June 25, 2013. He possesses leadership, operational judgment, risk management and industry-related knowledge. He worked at Lite-On Technology as the director, and has a BA in Power Mechanical Engineering from National Tsing Hua University	Does not meet any descriptions stated in Article 30 of the Company Act.	--
Independent Director Chi-Yu, Yang	Mr. Chi-Yu, Yang is currently an independent director of the Company. He joined the Board of Directors on June 6, 2016. He is currently the director and CFO of LandMark Optoelectronics Corporation and the director of Advanced Power Electronics Corp. He has passed the R.O.C. CPA Examination, is an US Chartered Financial Analyst in the United States, and has extensive accounting and financial expertise. He possesses industry-related knowledge, and has a master's degree in financial management from National Chengchi University. None of the circumstances under the provisions of Article 30 of the Company Act is found.	1. Not employed by the Company or any of its affiliated companies. 2. Not a director, supervisor of the Company or any of its affiliated companies. 3. Does not hold more than 1% of the Company's outstanding shares in his/her own name or under the name of spouse, underage children, or any other person; nor is any party listed herein one of the ten largest natural person shareholders of the Company. 4. A spouse, relative within the second degree of kinship, or lineal relative within	--
Independent Director Chin-Der, Ou	Mr. Chin-Der, Ou is currently an independent director of the Company. He joined the Board of Directors on June 6, 2019. He is		1

Criteria / Name	Professional Qualification and Experience	Independent Directors' Independence Status	Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director
	currently a director of Asia Cement Corporation. Before that, he was the CEO and chairman of Taiwan High Speed Rail Corporation. He possesses rich industrial experience, relevant knowledge, and a Ph.D. in Geotechnical Engineering from Case University in the United States. None of the circumstances under the provisions of Article 30 of the Company Act is found.	the third degree of kinship, of a managerial officer under (1) or any of the persons stated in (2) and (3). 5. Not a director, supervisor or employee of an institutional shareholder directly holding more than 5% of the outstanding shares issued by the Company, or a director, supervisor or employee of an institutional shareholder who is among the top 5 shareholders, or a representative of an institutional shareholders appointed as the director or supervisor of the Company according to Paragraph 1 or 2, Article 27 of the Company Act. 6. Not a director, supervisor or employee of a company controlling over one half of the Company director seats or voting shares under one person. 7. Not a director, supervisor, or employee of a company or institution whose chairperson and president or equivalent role is	
Independent Director Hun-Cheh, Chen	Mr. Hun-Cheh, Chen is currently an independent director of the Company. He joined the Board of Directors on June 29, 2022. He is currently an editorial board member of the Economic Daily News. He possesses knowledge related to industry and finance, and none of the circumstances under the provisions of Article 30 of the Company Act is found.		--

Criteria / Name	Professional Qualification and Experience	Independent Directors' Independence Status	Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director
		same person or its spouse. 8. A director, supervisor, managerial officer, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the Company. 9. Not a professional or owner, partner, director, supervisor, managerial officer or the spouse of these roles of a sole proprietorship, partnership, company or institution that audits or provides related business, legal, financial, accounting services or consultation with service fees accumulating above NT$500,000 over the last two years for the Company or its affiliates; except for members of the Compensation Committee, public tender offer review committee or special committee for merger/consolidation and acquisition exercising powers according to the Securities and Exchange Act or the Business Mergers and Acquisitions Act or related laws or	

Criteria / Name	Professional Qualification and Experience	Independent Directors' Independence Status	Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director
		regulations. 10. No spouse or a relative within the second degree of kinship with other directors. 11. Does not meet any descriptions stated in Article 30 of the Company Act. 12. There is no government agency or a juristic person acts as a shareholder of the Company elected stipulated in Article 27 of the Company Act.	

2. Diversity Policy for Board Members:

To strengthen corporate governance and promote the development of the composition and structure of the Board of Directors and according to Article 21 of the Company's "Corporate Governance Principles": Diversification should considered in the composition of Board of Directors, except those who serve as company managers should not exceed one-third of the number of directors. Diversification policy shall be formulated based on operation, business model and development needs which should include but not limited to the following two major standards:

A. Basic requirements and values: Gender, age, nationality, and culture.

B. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, and technology), professional skills, and industry experience.

The Company's Board of Directors consists of 7 directors, including 4 general directors and 3 independent directors who have rich experience and expertise in finance, business and management. Currently, there are 7 directors, including 1 female director. The term of office of independent directors has not exceeded three terms, and all of them have adequate and diverse professional backgrounds. The goal of diversification has been achieved and the relevant implementation is as follows:

Implementation of the Diversity Policy for Board Members:

Name	Chu-Liang, Cheng	Wen-Hsing, Huang	Tay-Jen, Chen	Tsong-Min, Liang	Chi-Yu, Yang	Chin-Der, Ou	Hun-Cheh, Chen
Nationality	R.O.C	R.O.C	R.O.C	R.O.C	R.O.C	R.O.C	R.O.C
Gender	Male	Male	Female	Male	Male	Male	Male
Employed by eLaser	V			V			
Age	61-70	61-70	61-70	61-70	51-60	71-80	61-70
Tenure of Independent Director					3-9	3-9	1-3
Skills							
Business Management	V	V	V	V	V	V	V
Leadership and Decision-making	V	V	V	V	V	V	V
Industry Experience	V	V		V	V	V	V
Professional Knowledge and Experience							
Director Experience	V	V	V	V	V	V	V
Finance/Accounting					V		
Business Operation	V	V	V	V	V	V	V
Global Market Perspective	V	V	V	V	V	V	V
Risk Management	V	V	V	V	V	V	V

Management objectives and achievement of the Board Diversity Policy:

Management objectives	Implementation
Directors who concurrently serve as company managers should not exceed one-third of the total directors	Achieved
The term of office of independent directors does not exceed 3 terms	Achieved
Diversified professional background	Achieved

3. Independence of independent directors

The Company has 2 director with employee status, accounting for 28.5%; 3 independent directors, accounting for 42%. Except for Chairman Chu-Liang, Cheng and Director Tay-Jen, Chen who are spouses, the rest of the directors are not related within the second degree of kinship. According to the declaration of the independent directors, the list of shareholders and the employee roster have been inspected, and there is no such thing as himself, spouse, or relatives within the second degree (held under the name of another person) holding the Company’s shares. The Board has not received any remuneration for providing business, legal, financial, accounting, and other services to the Company or its affiliates in the past two years. In summary, the Board of Directors of the Company is independent.

3.2.2 President, Vice President, Assistant General Manager, and the heads of all the Company's Divisions and Branch units

April 8, 2023;Unit of shares: 1 shares

Title	Nationality	Name	Gender	Date Elected	Shares Currently Held		Shares Currently Held by Spouse & Minors		Shareholding by Nominee Arrangement		Selected Education and Professional Qualification/Past Positions	Selected Current Positions at the Company and Other Companies	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark (Note2)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
CSO	R.O.C	Chu-Liang, Cheng	Male	March 1, 2014	8,650,747	5.94%	2,097,440	1.44%	0	0	Ph.D., Electrical Engineering, Rutgers University, USA LITE-ON Technology/ Deputy General Manager	GEM Services, Inc./ Chairman eLaser Technologies Co., Ltd./ Chairman	None	None	None	
President	R.O.C	Tien-Tseng, Sung	Male	July 1, 2021	9,004	0.01%	0	0	0	0	MBA, University of Atlanta GEM Services, Inc./ Vice President	eLaser Technologies Co., Ltd./ Supervisor	None	None	None	
Vice President	R.O.C	Tien-Tseng, Sung	Male	April 1, 2011	72,596	0.05%	0	0	0	0	Master, NTU College of Management BA, Department of Power Mechanical Engineering, National Tsing Hua University LITE-ON Technology/ Director	None	None	None	None	
Vice President	R.O.C	Chen-Ching, Wu	Male	October 1, 2013	0	0	0	0	0	0	Master, Department of Shipping and Transportation Management, National Taiwan Ocean University LITE-ON Technology/ Engineer	None	None	None	None	
Subsidiary/ President	R.O.C	Kun-Chuan, Lin	Male	May 1, 2015	0	0	0	0	0	0	Ph.D., Institute of Electronics, National Yang Ming Chiao Tung University Visual Photonics Epitaxy Co., Ltd ,VPEC/ President and Chairman	Kun Hsin Technology Inc./ Chairman	None	None	None	
Subsidiaries/ Vice President	R.O.C	Chin-Hsiang, Liu	Male	May 18, 2015	0	0	0	0	0	0	Ph.D., Graduate Institute of Electrical Engineering, National Taiwan University Visual Photonics Epitaxy Co., Ltd ,VPEC/ Vice President of Marketing and Sales Division	None	None	None	None	
Assistant Manager	R.O.C	Li-Chiu, Tsai	Female	August 22, 2014	0	0	0	0	0	0	BA, Department of Accounting, Shin Chien University Deloitte & Touche/ Audit assistant manager Cipherlab Co., Ltd./ Finance and	None	None	None	None	

Title	Nationality	Name	Gender	Date Elected	Shares Currently Held		Shares Currently Held by Spouse & Minors		Shareholding by Nominee Arrangement		Selected Education and Professional Qualification/Past Positions	Selected Current Positions at the Company and Other Companies	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark (Note2)
											accounting supervisor					
Assistant Manager	R.O.C	Shih-En, Chen	Male	February 24, 2017	0	0	5,871	0.00%	0	0	BA, Mechanical Engineering, Chung Yuan Christian University Ultima Electronics Corporation/ Project Manager	None	None	None	None	
Audit Supervisor	R.O.C	Hsiang-Han, Tsai	Female	July 17, 2006	0	0	0	0	0	0	Master, Department of Accountancy, National Taipei University Vbest Electronics Ltd./ Audit Director Certified Internal Auditor	None	None	None	None	

Note 1: None of the managers of the Company hold the company's employee stock options (including themselves, spouse and minors and by nominee arrangement).

Note 2: Chairman and President (or someone with an equivalent job responsibility, i.e. the highest ranking manager of the company) are not (1) the same person, (2) in a marital relationship with each other, or (3) within one degree of consanguinity: None

3.3 Compensation to Directors, President and Vice Presidents in the latest year

3.3.1 Remuneration Paid to Directors and Independent Directors

Title/Name	Director's Remuneration								(A+B+C+D) as a % of Net Income		Compensation Earned by a Director Who is an Employee of the Company								(A+B+C+D+E+F+G) as a % of Net Income		Compensation Paid to Directors from Non-consolidated Affiliates or Parent Company
	Base Compensation (A) (Note 2)		Severance Pay and Pensions (B)		Compensation to Directors (C)		Allowances (D)				Base Compensation, Bonuses, and Allowances (E)		Severance Pay and Pensions (F)		Profit Sharing (G)						
	The company	From All Consolidated Entities	The company	From All Consolidated Entities	The company	From All Consolidated Entities	The company	From All Consolidated Entities	The company	From All Consolidated Entities	The company	From All Consolidated Entities	The company	From All Consolidated Entities	The company		From All Consolidated Entities		The company	From All Consolidated Entities	
															Cash	Stock	Cash	Stock			
Chairman (CSO) Chu-Liang, Cheng	4,200	11,400	0	0	3,500	23,000	90	140	4.06%	18.01%	2,095	2,095	0	0	3,000	0	3,000	0	6.72%	20.66%	-
Director(Vice chairman) Wen-Hsing, Huang	2,160	6,960	0	0	1,500	11,500	90	140	1.95%	9.70%	0	2,095	0	108	0	0	3,000	0	1.95%	12.41%	-

Director Tay-Jen, Chen Director (Vice President) Tsong-Min, Liang	0	0	0	0	3,000	4,500	180	230	1.66%	2.47%	3,065	3065	108	108	770	0	770	0	3.71%	4.52%	-
Independent Director Chi-Yu, Yang Independent Director Chin-Der, Ou Independent Director Hun-Cheh, Chen (Note 3) Independent Director Chun-Wei, Yeh (Note 4)	4,500	4,500	0	0	0	0	270	270	2.49%	2.49%	0	0	0	0	0	0	0	0	2.49%	2.49%	-

Note 1: Please describe the policy, system, standard, and structure of independent director remuneration, and describe the factors, including responsibilities, risks, and time invested, and their links to amounts of remuneration:

According to eLase’s Articles 27 of Incorporation, remuneration of directors of the company is determined by the board of directors by accepting the Compensation Committee's recommendations and taking into account of each director's participation in management of the company and contribution as well as the industry standards worldwide

Note 2: Remuneration paid to directors for their services from the Company, all consolidated entities, and the invested

Note 3: The re-election of the 9th Board of Directors was conducted in the Company’s general meeting of shareholders on June 29, 2022, and the term of office is from June 29, 2022 to June 28, 2025.

Note 4: The 9th independent directors was re-elected and dismissed on June 29, 2022.

Range of Remuneration to directors

	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	From All Consolidated Entities	The company	From All Consolidated Entities
NT$0 ~ NT$999,999	Hun-Cheh, Chen、Chun-Wei, Yeh、	Hun-Cheh, Chen、Chun-Wei, Yeh	Hun-Cheh, Chen、Chun-Wei, Yeh	Hun-Cheh, Chen、Chun-Wei, Yeh
NT$1,000,000 ~NT$1,999,999	Tay-Jen, Chen、Tsong-Min, Liang 、Chi-Yu, Yang、Chin-Der, Ou	Tsong-Min, Liang、Chi-Yu, Yang、Chin-Der, Ou	Tay-Jen, Chen、Chi-Yu, Yang Chin-Der, Ou	Chi-Yu, Yang、Chin-Der, Ou
NT$2,000,000~ NT$3,499,999	-	Tay-Jen, Chen	-	Tay-Jen, Chen
NT$3,500,000~ NT$4,999,999	Wen-Hsing, Huang	-	Wen-Hsing, Huang	-
NT$5,000,000~ NT$9,999,999	Chu-Liang, Cheng	-	Tsong-Min, Liang	Tsong-Min, Liang
NT$10,000,000~ NT$14,999,999	-	-	Chu-Liang, Cheng	-
NT$15,000,000~ NT$29,999,999	-	Wen-Hsing, Huang	-	Wen-Hsing, Huang
NT$30,000,000~ NT$49,999,999	-	Chu-Liang, Cheng	-	Chu-Liang, Cheng
NT$50,000,000~ NT$99,999,999	-	-	-	-
Over NT$100,000,000	-	-	-	-
Total	8	8	8	8

3.3.2 Remuneration of Supervisors

Not applicable. The company has established the Audit Committee on June 6, 2016.

3.3.3 Compensation Paid to Management Team

<table>
<tr><th rowspan="3">Title/ Name</th><th colspan="2">Salary (A)</th><th colspan="2">Severance Pay and Pensions (B) (Note1)</th><th colspan="2">Bonuses and Allowances (C)</th><th colspan="4">Employees' Profit Sharing Bonus (D) (Note2)</th><th colspan="2">Total Compensation (A+B+C+D) and Ratio of Total Compensation to Net Income (%)</th><th rowspan="3">Compensation Paid to Directors from the Invested Company Other than the Company's Subsidiary</th></tr>
<tr><th rowspan="2">The company</th><th rowspan="2">From All Consolidated Entities</th><th rowspan="2">The company</th><th rowspan="2">From All Consolidated Entities</th><th rowspan="2">The company</th><th rowspan="2">From All Consolidated Entities</th><th colspan="2">The company</th><th colspan="2">From All Consolidated Entities</th><th rowspan="2">The company</th><th rowspan="2">From All Consolidated Entities</th></tr>
<tr><th>Cash</th><th>Stock</th><th>Cash</th><th>Stock</th></tr>
<tr><td>CSO Chu-Liang, Cheng</td><td rowspan="5">13,803</td><td rowspan="5">13,803</td><td rowspan="5">432</td><td rowspan="5">432</td><td rowspan="5">750</td><td rowspan="5">750</td><td rowspan="5">7,860</td><td rowspan="5">0</td><td rowspan="5">7,860</td><td rowspan="5">0</td><td rowspan="5">11.91%</td><td rowspan="5">11.91%</td><td rowspan="5">-</td></tr>
<tr><td>President Tien-Tseng, Sung</td></tr>
<tr><td>Vice President Tsong-Min, Liang</td></tr>
<tr><td>Vice President Chen-Ching, Wu</td></tr>
<tr><td>Subsidiary/ President Kun-Chuan, Lin</td></tr>
</table>

Note 1: Pensions provided by law

Note 2: Employees' Profit Sharing Bonus (D) is an estimate.

Range of compensation to management executives

Range of compensation to management executives	Name of management executives	
	Total Compensation (A+B+C+D)	
	The company	From All Consolidated Entities
NT$0 ~ NT$999,999	-	-
NT$1,000,000 ~NT$1,999,999	-	-
NT$2,000,000~ NT$3,499,999	Kun-Chuan, Lin、Chen-Ching, Wu	Kun-Chuan, Lin、Chen-Ching, Wu
NT$3,500,000~ NT$4,999,999	Tsong-Min, Liang	Tsong-Min, Liang
NT$5,000,000~ NT$9,999,999	Chu-Liang, Cheng、Tien-Tseng, Sung	Chu-Liang, Cheng、Tien-Tseng, Sung
NT$10,000,000~ NT$14,999,999	-	-
NT$15,000,000~ NT$29,999,999	-	-
NT$30,000,000~ NT$49,999,999	-	-
NT$50,000,000~ NT$99,999,999	-	-
Over NT$100,000,000	-	-
Total	5	5

3.3.4 The Individual Remuneration Paid to each of its Top Five Management Personnel (listed individually by name and payment type): Not Applicable.

3.3.5 Employees' Profit Sharing Bonus Paid to Management Team

As of 2022 /Unit: NT$

Title	Name	Stock bonus	Cash bonus (Note1)	Total	As a % of net income
CSO	Chu-Liang, Cheng	0	9,540	9,540	4.97%
President	Tien-Tseng, Sung				
Vice President	Tsong-Min, Liang				
Vice President	Chen-Ching, Wu				
Subsidiary/ President	Kun-Chuan, Lin				
Subsidiary/ Vice President	Chin-Hsiang, Liu				
Assistant Manager	Li-Chiu, Tsai				
Assistant Manager	Shih-En, Chen				

Note 1: Cash bonus is an estimate.

3.3.6 Separately compare and describe total remuneration, as a percentage of net income paid by this company and by each other company included in the individual or consolidated financial statements during the last two years to directors, supervisors, president, and vice president, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure

Title	The company				From All Consolidated Entities			
	2021		2022		2021		2022	
	Total	As a % of net income	Total	As a % of net income	Total	As a % of net income	Total	As a % of net income
Directors	40,712	10.97%	28,528	14.87%	86,395	23.28%	76,881	40.08%
President/ Vice President	29,447	7.94%	22,845	11.91%	35,926	9.68%	22,845	11.91%
Net Icome	371,053	-	191,824	-	371,053	-	191,824	-

In 2022, the total directors' remuneration and the total remuneration of the Company in the financial report decreased, which was resulted by the decrease in the after-tax net profit of the Company and its subsidiaries.

The remuneration policies, standards, and packages, the procedure , for determining remuneration, and its linkage to operating performance and future risk exposure:

Amount and distribution method of directors' remuneration: The Company's directors' remuneration shall not exceed 3% based on the Articles of Association. The remuneration of directors who execute the business, the Compensation Committee reviews degree of their involvement in the Company's operation and value of contribution, linkage to the reasonableness and fairness of performance risks with the remuneration received, and makes recommendations to the Board of Directors after considering the Company's operating performance and general standard in the same industries.

Managerial personnel and employee remuneration: The Company's remuneration policy for managerial personnel and employees includes salary, various bonuses, and employee remuneration. The salary is determined based on the evaluation of Taiwan's human resources market, standards in the same industries, and the Company's remuneration and benefit policies; employee remuneration is allocated at 8% to 15% in accordance with the Articles of Association; year-end bonuses are issued based on the Company's operating performance and individual employee performance.

3.4 Implementation of Corporate Governance

3.4.1 Board of Directors Meeting Status:

The Board of Directors convened 9 meetings (A) in 2022. The directors' attendance status is as follows:

Title	Name (Note 1)	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) (Note 2)	Remark
Chairman	Chu-Liang, Cheng	9	0	100%	
Vice Chairman	Wen-Hsing, Huang	9	0	100%	
Director	Tay-Jen, Chen	9	0	100%	
Director	Tsong-Min, Liang	9	0	100%	
Independent Director	Chi-Yu, Yang	9	0	100%	
Independent Director	Hun-Cheh, Chen	6	0	100%	Note (1)
Independent Director	Chin-Der, Ou	9	0	100%	
Independent Director	Chun-Wei, Yeh	3	0	100%	Note (2)
Note (1): The re-election of the 9th Board of Directors was conducted in the Company's general meeting of shareholders on June 29, 2022, and the term of office is from June 29, 2022 to June 28, 2025. Note (2): The 9th independent directors was re-elected and dismissed on June 29, 2022.					

3.4.2 Annotations:

1. For the operation of the Board of Directors in any of the following circumstances, please specify the date, term, the contents of the proposals, the opinions of all independent directors, and the process of the opinions proposed by the independent directors:

   (1) Matters listed in the Securities and Exchange Act §14-3:

Audit Committee Meeting Date	Discussion	All independent directors' opinions and the Company's handling of the opinions	Resolution
March 24, 2022 22nd meeting of the 8th Board of Directors	1. Approved the 2021 effectiveness assessment of the internal control policies and the Internal Control Statement. 2. Approved the proposal to convene the 2022 shareholders' regular meeting. 3. Approved the proposal to replace the Company's CPA. 4. Approved the proposal of the Company's CPA independent assessment. 5. Approved the amendment of the Company's "Procedures for Acquisition and Disposal of Assets".	Approved by all independent directors	The issue was resolved by all present directors in full.

Audit Committee Meeting Date	Discussion	All independent directors' opinions and the Company's handling of the opinions	Resolution
November 11, 2022 4th meeting of the 9th Board of Directors	1. Approved the independent assessment report of the CPA. 2. Approved the proposal of the Company'' CPA remuneration.	Approved by all independent directors	The issue was resolved by all present directors in full.

(2)A record or documented declaration in a decision resolved by the Board of Directors: None.

2. When Directors abstain themselves for being a stakeholder in certain proposals, the name of the Directors, the content of the proposal, reasons for abstentions and the participation in voting should be stated:

Meeting date	Term	Significant decisions resolved	Implementation on avoiding conflicting interest
March 24, 2022 22nd meeting of the 8th Board of Directors	Board of Directors	[Proposal from Compensation Committee] Salary adjustment proposal of the Company's managers.	Director Tsong-Min, Liang recused himself according to the regulations after explaining the content of his interests and did not participate in the discussion and resolution of this proposal.
		[Proposal Year Compensation Committee] The Company's 2021 director remuneration.	Chairman Chu-Liang, Cheng, Director Wen-Hsing, Huang, Director Tay-Jen, Chen, and Director Tsung Ming, Liang recused themselves according to regulations after explaining the content of their interests and did not participate in the discussion and resolution of this proposal.
		[Proposal Year Compensation Committee] The Company's 2021 managerial staff remuneration.	Chairman Chu-Liang, Cheng, Director Wen-Hsing, Huang, and Director Tsong-Min, Liang recused themselves according to regulations after explaining the content of their interests and did not participate in the discussion and resolution of this proposal.
July 28, 2022 2nd meeting of the 9th Board of Directors	Board of Directors	[Proposal from Compensation Committee] Remuneration proposal of Mr. Chi-Yu, Yang, the 9th independent director.	Director Chi-Yu, Yang recused himself according to the regulations and did not participate in the discussion and resolution of this proposal. The rest of the present directors approved without objection.
		[Proposal from Compensation Committee] Remuneration proposal of Mr. Chin-Te, Ou, the 9th independent director.	Director Chin-Te, Ou recused himself according to the regulations and did not participate in the discussion and resolution of this proposal. The rest of the present directors approved without objection.

		[Proposal from Compensation Committee] Remuneration proposal of Mr. Han-Chieh, Chen, the 9th independent director.	Director Han-Chieh, Chen recused himself according to the regulations and did not participate in the discussion and resolution of this proposal. The rest of the present directors approved without objection.

3. TWSE/TPEx listed companies are required to disclose in its annual report how the board performance evaluation (or peer-evaluation) has been conducted each year, including information covering at least evaluation cycle, evaluation period, scope of evaluation, evaluation method, and what is to be evaluated.

The Company has established a performance evaluation system for the Board of Directors and the Board of Directors has approved the "Rules for Performance Evaluation of Board of Directors" on January 17, 2020 to self-motivate its members and improve the function of the Board of Directors. The internal board performance evaluation is carried out once a year where directors' self-evaluation and peer evaluation are regularly conducted and the evaluation results are regularly conducted and reviewed in the first quarter; the external board performance evaluation shall be conducted by an external independent professional institution or a panel of external experts and scholars at least once every three years and shall be completed before the end of the first quarter of the following year.

(1) Implementation of the 2022 internal board performance evaluation:

A. In the first quarter of 2023, the Company has completed the internal evaluation through questionnaires, and reported the relevant evaluation results to the Board of Directors on February 23, 2023.

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation content
Evaluation performed once a year	January 1, 2022 to December 31, 2022	Board of Directors	Internal board self-evaluation	1. Level of participation in the Company's operations 2. Improvement of board's/functional committee's decision quality 3. Board/functional committee composition. 4. Election and ongoing education of directors 5. Internal control
		Board members (self or peers)	Self-assessment	1. Director's awareness toward the Company's goals and missions 2. Director's awareness to duties 3. Level of participation in the Company's operations 4. Management and communication of internal relations 5. Professionalism and ongoing education of directors 6. Internal control
		Audit Committee	Self-evaluation of Audit Committee	1. Level of participation in the Company's operations 2. Responsibilities and

				duties of Audit Committee 3. Improve the decision-making quality of Audit Committee. 4. Composition of Audit Committee and selection of members 5. Internal control
		Compensation Committee	Self-evaluation of Compensation Committee	1. Level of participation in the Company's operations 2. Responsibilities and duties of Compensation Committee 3. Improve the decision-making quality of Compensation Committee. 4. Composition of Compensation Committee and selection of members

B. The results of the 2022 internal board performance evaluation are shown as follows:

Scope of evaluation	Assessment Result
Performance Evaluation of the Board of Directors	A. In 2022, the attendance rate of board meetings of all directors is 100%, and they communicated with CPA and audit supervisors regularly and irregularly. B. All directors fully understand the Company's core values and the characteristics and risks of the industry in which the Company operates, and hold board meetings at least once a quarter. C. The Board of Directors has established sufficient independent directors which complies with relevant regulations, and the composition of the Board of Directors is appropriate and has the expertise required for the decision-making process. D. The Company has established a rigorous and transparent director selection process, and the directors receive appropriate training hours each year. E. The directors understand and supervise the Company's accounting system, financial performance and financial reports, audit reports and the follow ups.
Performance evaluation for individual board member	A. The directors understand the Company's core values and the characteristics and risks of the industry in which the Company operates. B. The directors have fully understood the statutory obligations of the directors, and have complied with the obligation of confidentiality with respect to the Company's internal information obtained during the terms of directors. C. The attendance rate for directors at board meeting was 100%, and the directors have made specific suggestions on the proposals. D. The interaction between the directors and the management team is good with sufficient communication with other directors and CPA. E. The directors have the expertise required for the implementation of the Board of Directors' decisions, and receive appropriate training hours each year. F. The directors understand and supervise the Company's accounting system, financial performance and financial reports, audit reports and the follow ups.
Performance evaluation of Audit Committee	A. The average attendance rate of members of the Audit Committee in 2022 was 95% with 7 meetings held, and the Audit Committee held meetings at least once a quarter. B. The Audit Committee communicates with the CPA on a regular basis and regularly evaluates the independence and competence of the CPA. C. The meeting minutes properly recorded the discussion content, and the resolutions of the Audit Committee meetings are followed up properly. D. The members of the Audit Committee are appropriately composed and possess the expertise required for the decision-making process while maintaining their independence.

	E. The Audit Committee understands and supervises the Company's accounting system, financial performance and financial reports, audit reports and the follow ups.
Performance evaluation of Compensation Committee	A. The average attendance rate of members of the Compensation Committee in 2022 was 100%, and the Compensation Committee held general meetings. B. B. The Compensation Committee can timely, professionally and objectively put forward suggestions and submit them to the Board of Directors for discussion and decision-making. C. The meeting minutes of the Compensation Committee properly recorded the discussion content, and the resolutions of the Compensation Committee meetings are followed up properly. D. The members of the Compensation Committee are properly composed and possess the expertise required for the decision-making process while maintaining their independence.

C. Suggestions for improvement and future strengthening:

Item	Suggestions of the evaluation report	Expected measures of the Company
Scope of evaluation	None	None

(2) Implementation of the 2022 external board performance evaluation:

In July 2022, the Company appointed the Taiwan Corporate Governance Association to perform the 2022 external board performance evaluation (evaluation period of December, 2021 to November, 2022) on the 8 eight aspects of board composition, board guidance, board authority, board supervision, board communication, internal control and risk management, self-discipline of the board, and others by questionnaires and on-site interviews. The Taiwan Corporate Governance Association and evaluating experts were independent units that had no business dealings with the Company. It has issued a board performance evaluation report on January 18, 2023, and submitted the above-mentioned suggestions and expected measures to the Board of Directors on February 23, 2023. The relevant evaluation and measures are as follows:

A. Overall evaluation results:

1. Although it is the Company's first time to participate in the external board performance evaluation, the preparation of information and documents in all aspects is remarkable and worthy of high recognition. We encourage the Company to continue to participate in external evaluations on a regular basis in the future to improve the quality of corporate governance.
2. The Company and its subsidiary, GEM Services, also commissioned the Association to conduct board performance evaluation. The two companies are actively advancing in terms of corporate governance policies and guidelines, showing the dedication and focus that the Company's Board of Directors attaches to corporate governance.
3. The board members of the Company possess diverse professional knowledge and skills and the management team regularly reports to the functional committees and the Board of Directors regarding major issues of business operation. The Board of Directors and the management team interact smoothly, providing full functionality of the Board of Directors on authorization and supervision.
4. The audit supervisor of the Company reports to the Audit Committee/Board of Directors in a timely manner on existing or potential issues related to internal control, and actively provides audit case information, and fully presented the audit process. The Audit Committee/Board of Directors regularly tracks the improvement of internal control deficiencies to ensure the effectiveness of internal control. The independent directors communicate well with the audit supervisor, financial supervisor, and the CPA.

B. Suggestions for improvement and future strengthening:

Item	Suggestions of the evaluation report	Expected measures of the Company
1	Strategic guidance is one of the important functions of the Board of Directors. It is recommended that the Company consider arranging for all directors and senior management teams to participate in strategic discussions during annual regular meetings or other occasions, focusing on the medium and long-term development strategies and vision. The discussion can assist board members to understand the Company's operating conditions and industry information, strengthen mutual trust with the management team, and facilitate board members to guide and supervise the implementation of the Company's operating strategies.	The Company intends to arrange for all directors and senior management teams to participate in strategy discussions (including business plans, major capital expenditures, R&D plans, etc.), facilitating board members to guide and supervise the implementation of the Company's operating strategies.
2	To deepen and strengthen the goal and vision of the Company's sustainable development, it is recommended that the Board of Directors consider establishing relevant functional committees to coordinate the sustainable development strategies and risk management, formulate relevant policies and implementation goals, and provide effective supervision of the specific implementation plans of relevant departments, ensuring the Company’s top down, internal and external integration of various sustainable development strategies and actions, and establishing synergy.	Under the existing organization and operation, the Company will committee to formulating relevant policies, implementation goals, and establishing synergy in accordance with laws and regulations.
3	It is suggested that the Company formulates relevant policies such as the succession planning policy for senior managers as early as possible, and report the relevant mechanism and implementation to the Board of Directors in a timely manner, so that the Board of Directors and functional committees can perform their duties of supervising the effectiveness of succession training.	The Company is gradually assessing and planning the training and mechanism for the succession of senior managers according to the development vision. After the completion of the relevant succession policies, it will be submitted to the Board of Directors.
4	It is recommended that the Company upgrades the existing whistleblower mechanism and establish a direct link with the Audit Committee, such as setting up a communication channel to the Audit Committee on the website; or adjust the current communication channel so that the Audit Committee/independent directors can simultaneously receive report, further increase transparency and strengthen whistleblower mechanism.	The Company intends to set up an independent email address directly to the Audit Committee (audit_committee@elaser.com.tw).

4. Targets for strengthening of the functions of the board during the current and immediately preceding fiscal years (such as setting up an audit committee, improving information transparency):

(1)Establishment of independent directors:

Since 2016, the Company has set up independent directors and established an audit committee to strengthen the functions of the Board of Directors and improve corporate governance.

(2)Establishment of the Compensation Committee:

Since 2011, the Company has set up a Compensation Committee to evaluate the

Company's directors and managers' remuneration policy and system and make recommendations to the Board of Directors.

(3)Improve information transparency:

Since 2009, the Company has announced the financial report after the financial report is approved by the Board of Directors, so that financial and business information related to shareholders' equity can be disclosed in the most timely manner. This greatly improved the information transparency.

(4)The selection of directors adopts the nomination system with the single-vote cumulative election method to select the most professional board members through fair, just and open selection procedures.

3.4.2 Audit Committee Meeting Status:

1. The Company re-elected the 3rd audit committee on June 29, 2022.

(1)The Audit Committee convened 7 meetings (A) in 2022 and the participation of the independent director are shown below:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) 【B/A】	emark
Independent Director	Chi-Yu, Yang	7	0	100%	
Independent Director	Chin-Der, Ou	7	1	86%	
Independent Director	Hun-Cheh, Chen	5	0	100%	Note (1)
Independent Director	Chun-Wei, Yeh	2	0	100%	Note (2)
Note (1): The re-election of the 9th Board of Directors was conducted in the Company's general meeting of shareholders on June 29, 2022, and the term of office is from June 29, 2022 to June 28, 2025. Note (2): The 9th independent directors was re-elected and dismissed on June 29, 2022.					

(2)Annotations:

A. Resolutions related to Securities and Exchange Act §14-5 :

Meeting date (period)	Discussion	Independent directors' objections, reservations or major proposals	Results of Audit Committee resolutions	The Company's handling of the Audit Committee's opinion
March 24, 2022 15th meeting of the 2nd Audit Committee	1. Approved the proposal of the Company's 2021 consolidated business report, consolidated financial report and individual financial report. 2. Approved the proposal of the Company's 2021 earnings distribution. 3. Approved the proposal	None	Approved with the entire committee members present voting in favor.	Approved with the entire Board members present voting in favor.

Meeting date (period)	Discussion	Independent directors' objections, reservations or major proposals	Results of Audit Committee resolutions	The Company's handling of the Audit Committee's opinion
	of the Company's 2021 Internal Control Statement. 4. Approved the proposal to replace the Company's CPA. 5. Approved the proposal of the Company's CPA independent assessment.			
May 12, 2022 16th meeting of the 2nd Audit Committee	1. Approved the Consolidated Financial Report for the First Quarter of 2022.	None	Approved with the entire committee members present voting in favor.	Approved with the entire Board members present voting in favor.
August 12, 2022 2nd meeting of the 3rd Audit Committee	2. Approved the Consolidated Financial Report for the Second Quarter of 2022.	None	Approved with the entire committee members present voting in favor.	Approved with the entire Board members present voting in favor.
November 11, 2022 3rd meeting of the 3rd Audit Committee	1. Approved the Consolidated Financial Report for the Third Quarter of 2022. 2. Approved the independent assessment report of the CPA. 3. Approved the proposal of the Company's 2022 CPA remuneration.	None	Approved with the entire committee members present voting in favor.	Approved with the entire Board members present voting in favor.
November 28, 2022 4th meeting of the 3rd Audit Committee	1. Approved the proposal to authorize the Chairman to evaluate strategic investment projects and investment conditions.	None	Approved with the entire committee members present voting in favor.	Approved with the entire Board members present voting in favor.

B. There were no other resolutions which was not approved by the Audit Committee but was approved by two thirds or more of all directors in 2022: None

(3) There were no recusals of independent directors due to conflicts of interests in 2022.

(4) Descriptions of the communications between the independent directors, the internal auditors, and the independent auditors in 2022 (which should include the material items, channels, and results of the audits on the corporate finance and/or operations, etc.):

The Company holds regular and irregular communication meetings between independent directors, internal audit supervisors and CPA every year, and the internal audit supervisors and CPA communicate on the Company's financial reports and material business matters.

Date	Nature of Communication	Attendee	Communication Content	Results
November 11, 2022	Audit Committee	Independent Director Chi-Yu, Yang Independent Director Hun-Cheh, Chen Independent Director Chin-Der, Ou CPA Keng-Hsi, Chang Audit Supervisor Hsiang-Han, Tsai	1. Audit office report. 2. Risk assessment report on the annual project. 3. 2022 internal audit implementation report. 4. Compliance report.	Opinions of independent directors: None
November 11, 2022	Audit Committee	Independent Director Chi-Yu, Yang Independent Director Hun-Cheh, Chen Independent Director Chin-Der, Ou CPA Keng-Hsi, Chang Audit Supervisor Hsiang-Han, Tsai	1. 2022 Key Audit Matters (KAM) 2. 2022 remote audit of key subsidiaries.	Opinions of independent directors: None

2. The Company has established the Audit Committee on June 6, 2016.

3.4.3 Taiwan Corporate Governance Implementation as Required by Taiwan Financial Supervisory Commission

Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
1. Does Company follow "Taiwan Corporate Governance Implementation" to establish and disclose its corporate governance practices?	V		The Company formulates its Corporate Governance Best Practice Principles, establishes an effective corporate governance structure in accordance with relevant regulations and follows the following principles: 1.Protect the shareholders equity. 2.Strengthen the functions of the Board of Directors. 3.Respect the rights and interests of stakeholders. 4.Improve information transparency.	None
2. Shareholding structure and shareholders' Rights (1) Does Company have Internal Operation Procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If yes, has these procedures been implemented accordingly? (2) Does Company possess a list of major shareholders and beneficial owners of these major shareholders? (3) Has the Company built and executed a risk management system and "firewall" between the Company and its affiliates? (4)Has the Company established internal rules prohibiting insider trading on undisclosed information?	 V V V V		(1) The Company has dedicated personnel to handle shareholders' suggestions, doubts, disputes and litigation matters, and the spokesperson is currently the dedicated personnel. (2) The Company maintains close relationship with major shareholders, and understands the changes in major shareholders and their ultimate controllers on record dates such as annual shareholder meetings and earnings distribution. (3) The Company has established relevant internal control policies in compliance with laws and regulations. (4) The Company has established relevant norms in the Codes of Ethical Conduct.	None
3. Composition and Responsibilities of the Board of Directors				None

Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
(1)Has the Board of Directors established a diversity policy, set goals, and implemented them accordingly?	V		(1) The Company has formulated and implemented a Board diversity policy according to the "Procedures for Election of Directors" Diversification should be considered in the selection and overall composition of directors, and formulate a diversified policy based on the Company's operation, business model and development needs. The policy should include but not limited to the following two major aspects of the standard: 1. Basic requirements: Gender, age, nationality and culture shall be considered. 2. Professional knowledge and skills: professional background (such as legal, accounting, industry, finance, marketing and technology), professional skills and industry experience, etc. Board members should generally have the knowledge, skills, and experience necessary to perform their duties, and the overall abilities should be as follows: 1. Business judgment ability 2. Accounting and financial analysis ability capabilities. 3. Business management ability 4. Crisis management ability 5. Knowledge of the industry 6. An international market perspective. 7. Leadership ability 8. Decision making ability The Company's Board of Directors consists of 7 directors, including 4 general directors and 3 independent directors who have rich experience and expertise in finance, business and management. Please refer to page 18 for the implementation of the diversity policy of the Board of Directors of and the specific management objectives. The members of the Board of Directors have incorporated the	

<table>
<tr><th rowspan="2">Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Non-implementation and Its Reason(s)</th></tr>
<tr><th>Yes</th><th>No</th><th>Explanation</th></tr>
<tr><td></td><td></td><td></td><td>implementation of background diversities, and the implementation is as follows:
<table>
<tr><th>Name</th><th>Chu-Liang, Cheng</th><th>Wen-Hsing, Huang</th><th>Tay-Jen, Chen</th><th>Tsong-Min, Liang</th><th>Chi-Yu, Yang</th><th>Chin-Der, Ou</th><th>Hun-Cheh, Chen</th></tr>
<tr><td>Operating</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td></tr>
<tr><td>Financial</td><td></td><td></td><td></td><td></td><td>V</td><td></td><td></td></tr>
<tr><td>Management</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td></tr>
<tr><td>Risk/Crisis Management</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td></tr>
<tr><td>Industry Experience</td><td>V</td><td>V</td><td></td><td>V</td><td>V</td><td>V</td><td>V</td></tr>
<tr><td>Global Market Perspective</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td></tr>
<tr><td>Leadership Skill</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td></tr>
<tr><td>Strategic Decision-making</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td></tr>
</table></td><td></td></tr>
<tr><td>(2)Other than the Compensation Committee and the Audit Committee which are required by law, does the Company plan to set up other Board committees?</td><td>V</td><td></td><td>(2)The Company has established the Compensation Committee on December 19, 2011, and the Audit Committee on June 6, 2016. Other functional committees will be set up according to the actual needs of the Company.</td><td></td></tr>
<tr><td>(3) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis, reported the results of performance to the Board of Directors, and use the results as reference for directors' remuneration and renewal?</td><td>V</td><td></td><td>(3)The Company has approved the Rules for Performance Evaluation of Board of Directors on January 17, 2020, and conducted self- or peer evaluation of the Board of Directors since 2021. The evaluation was completed and reported on February 23, 2023. For the performance evaluation results of the Board of Directors in 2022, please refer to the operation of the Board of Directors in the corporate governance in this annual report.</td><td></td></tr>
<tr><td>(4) Does the Company regularly evaluate its external auditors'</td><td>V</td><td></td><td>(4) The Company evaluates the independence of CPA once a year and the latest assessment of the independent assessment report and the</td><td></td></tr>
</table>

Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
independence?			statement issued by the CPA/CPA firm was approved by the Audit Committee on November 11, 2022. It is then reported to the Board of Directors on November 11, 2022 to approve the CPA independent assessment. The Company's CPA independent assessment items are as follows: 1. Whether the CPA has served as a director of the Company or an affiliated company. 2. Whether the CPA is a shareholder of the Company or an affiliated company. 3. Whether the CPA is paid by the Company or an affiliated company. 4. Whether the CPA has confirmed that the CPA firm to which he/she operates has complied with the relevant independence norms. 5. Whether a former partner within one year of disassociating from the CPA firm joins the Company as a director, supervisor, or officer or is in a key position to exert significant influence over the auditing matter. 6. The CPA has never provided the Company with the audit service for consecutive 7 years. 7. Whether the CPA meets the requirements about independence referred to in the Statement of the Norm of Professional Ethics for Certified Public Accountant of the Republic of China No. 10 and provides a declaration of independence. According to the Company's evaluation, CPA Keng-Hsi, Chang and Chien-Hsin, Hsieh of Deloitte & Touche meet the independent evaluation standards where the independence	

Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
			between the CPA and the Company complies with the Certified Public Accountant Act, Norm of Professional Ethics for Certified Public Accountant, etc. Thus, they are qualified to serve as the Company's CPA. The CPA firm selected by the Company has strict requirements on the CPA independence. For example, the CPA shall be rotated at least once every 5 years. When the CPA firm replaces the CPA due to internal organizational considerations, the professionalism, integrity and independence of the new CPA will be evaluated by the Company, and submits it to the Board of Directors for resolution.	
4. Does the Company appoint competent and appropriate corporate governance personnel and corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors, assisting directors' compliance of law, handling matters related to board meetings and shareholders' meetings according to law, and recording minutes of board meetings and shareholders' meetings)?	V		The Company has set up a corporate governance unit, which consists of the following units: 1. Full-time unit: The Chairman Office is responsible for coordinating corporate governance-related affairs. 2. Part-time unit: Safety and health department and accounting Department are responsible for co-organizing. The main responsibilities of the corporate governance unit are to provide the information required by the directors to perform their duties, and to handle matters related to the Board meetings and shareholders' meeting in accordance with the regulations. The 2022 business execution is as follows: 1. The Company has consulted the opinions of all directors before the board meeting to arrange the agenda and notify all directors to attend the meeting and provide meeting materials seven days before the meeting, so that the directors can understand the content of the relevant issues and complete the minutes of the board meeting within 20 days after the meeting.	None

<table>
<tr><th rowspan="2">Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Non-implementation and Its Reason(s)</th></tr>
<tr><th>Yes</th><th>No</th><th>Explanation</th></tr>
<tr><td></td><td></td><td></td><td>2. The date of the shareholders' meeting is registered according to the legal deadline, prepared and the meeting notice, handbook and the meeting minutes are reported the before the deadline.
In accordance with the Corporate Governance Best Practice Principles, independent directors assist in arranging communication meetings when necessary, to communicate with CPA and internal audit supervisors to understand the Company's financial and business operations.</td><td></td></tr>
<tr><td>5. Has the Company established a means of communicating with its Stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions on corporate responsibilities?</td><td>V</td><td></td><td>The Company has a stakeholder page on the Company website with contact information to and communication channels established.
Company website: http://www.elaser.com.tw

Communication channels and response methods
Spokesperson: Tsung-Ming, Liang
Tel: (02)8245-6186 ext.2108
EMAIL：elaser@elaser.com.tw
Deputy Spokesperson: Ya-Lan, Chen
Tel: (02)8245-6186 ext.2226
EMAIL：elaser@elaser.com.tw</td><td>None</td></tr>
<tr><td>6. Has the Company appointed a professional registrar for its Shareholders' Meetings?</td><td>V</td><td></td><td>The Company has appointed Fubon Securities as registrar for our Shareholders' Meetings.</td><td>None</td></tr>
<tr><td>7. Information Disclosure
(1) Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status?
(2) Does the Company use other information disclosure channels</td><td>
V

V</td><td></td><td>(1)The Company's website has disclosed finance, business, and corporate governance related information.
Company website: http://www.elaser.com.tw

(2)The methods of the Company's information disclosure are as follows:</td><td>None</td></tr>
</table>

Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
(e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons webcasting investors conference etc.)?			1. In addition to the Chinese website, English and Japanese websites have been established. 2. The Company has a dedicated person responsible for the collection and disclosure of Company information. 3. The disclosure of the Company's material information is handled by the spokesperson and speaks on behalf of the Company. 4. The Company has set up spokespersons and acting spokespersons as a channel for information collection, disclosure, and external communication, and holds investor conferences every year to improve the information transparency. The relevant content of the investor conferences will be published on the Investor Relations/Shareholder Service of the Company's website (http://www.elaser.com.tw) and MOPS (https://mops.twse .com.tw/) for investors' reference beforehand.	
(3) Does the Company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline?		V	(3)The Company has not announced and reported its financial statements within two months after the end of a fiscal year, but has published and declared in advance the financial statements of Q1, Q2 and Q3 as well as status of monthly revenue. Please visit the Company's website (http://www.elaser.com.tw) and MOPS (https://mops.twse .com.tw/) for more detail.	
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk	V		1. Employee rights and employee care: Please refer to the description of labor-management relations in the business overview of this annual report. 2. Investor relations: the Company has set up a spokesperson and a spokesperson mailbox to handle shareholder suggestions. 3. Supplier relationship: The contract signed by the Company and the supplier includes compliance with the ethical management policy. If the counterparty of the transaction is involved in unethical conduct, the contract may be terminated or rescinded at	None

Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?			any time. 4. Rights of Stakeholders: Stakeholders may communicate with the Company in various ways to protect their rights. 5. Continuous education for directors: The Company notifies directors from time to time to participate in relevant professional knowledge continuous education courses. In 2022, the Company has complied with the training hours and training scope stipulated in the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies". 6. Implementation of risk management policies and risk measurement standards: The Company's risk management policy defines risks according to the Company's overall business plan. The policy sets up risk management mechanisms for early identification, accurate measurement, effective supervision, and rigorous control. Given the acceptable risk, the policy prevents possible losses and adjusts and improves best risk management practices constantly to reflect changes in the internal and external environments. The goal is to protect the interests of our employees, shareholders, partners, customers, and other stakeholders and to create more value and achieve optimal resource allocation for the company. 7. Implementation of customer policy: the Company maintains a stable and good relationship with customers for its profitability. 8. Liability insurance purchased by the Company for directors: The Company has purchased liability insurance for all directors from Fubon Insurance Co., Ltd. for the scope of business. The insurance period: October 23, 2022 to October 23, 2023 with a coverage of USD$8,000,000.	
9. The improvement status for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange Improvement status as follow:				

Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	

Type of Indicator	Item No.	Evaluation Indicator	Improvement status
Protect shareholders' rights and interests and treat all shareholders equally	1.9	Did the Company provide the English meeting notice 30 days before the day of AGM?	The English meeting notice were provided 30 days before the 2023 AGM.
	1.10	Did the Company provide the English versions of the meeting notice, meeting agenda handbook, and supplemental meeting materials 30 days prior to the day of the AGM?	The English shareholders meeting agenda were provided 30 days before the 2023 AGM.
	1.11	Did the Company provide the English annual report 7 days before the day of the AGM?	The English annual report was provided 7 days before the day of the 2023 AGM.
Strengthen the structure and operation of the Board of Directors	2.2	Did the Company adopt a board diversity policy and disclose the specific management objectives as well as the status of implementation of the diversity policy on the company's website and in the annual report?	The Company has established a board diversity policy, which is disclosed on the Company website (http://www.elaser.com.tw) and page 10 of the annual report.
	2.23	Have the rules adopted by the company for assessing the performance of the Board of Directors been passed by the board, with the express requirement that an external assessment be carried out at least once every three years, and has it furthermore carried out the assessment during the year being evaluated or the preceding two fiscal years, and disclosed the implementation status and assessment results on its website or in its annual report?	The Company's rules for board performance evaluation has been established and approved by the Board of Directors and internal and external evaluations have been carried out in 2022. The implementation status and evaluation results are disclosed on pages 18-21 of the annual report.
Improve information transparency	3.5	Did the Company provide the English annual financial report 7 days before the day of the 2023 AGM?	The English annual financial report was uploaded and disclosed 7 days before the day of the 2023 AGM.
Promoting sustainable development:	4.1	Did the company have a full-time (part-time) unit in charge of promoting sustainable development that, following the principle of materiality, conducted risk assessment on environmental, social, or corporate governance issues related to the Company's operations, and adopted relevant risk management policies or strategies, and did the Board of Directors oversee the promotion of sustainable development, and disclose it on the Company's website and in its annual report?	The Company have Chairman's Office as part-time unit in conjunction with other relevant internal units in charge of promoting sustainable development. Please refer to pages 34~41 for promotion of sustainable development.
	4.11	Did the company disclose the annual emissions of greenhouse gases (GHG), water consumption, and total weight of waste for the past 2 years?	The Company has disclosed the annual emissions of greenhouse gases (GHG), water consumption, and total weight of waste for the past 2 years. Please refer to page 36 to 37.
	4.17	Did the company disclose on its website or in its annual report or sustainability report the supplier management policies it adopted, and require suppliers to comply with the relevant provisions regarding issues such as environmental protection, occupational safety and health, or labor rights, and specify the status of implementation?	The Company complies with the "Responsible Business Alliance Code of Conduct" and has a third-party verification unit performing audits on whether the Company has implemented and evaluated the compliance of suppliers with relevant norms every two years. Please refer to page 41.

Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	

Priorities and measures for strengthening improvement:

Type of Indicator	Item No.	Evaluation Indicator	Improvement status
Protect shareholders' rights and interests and treat all shareholders equally	1.3	Did more than half of the directors and the audit committee convener attend the AGM in person, and did the company disclose in the minutes the names of those who attended?	More than half of the directors and the audit committee convener attended the 2023 AGM in person.
	1.15	Did the company adopt internal rules prohibiting insiders, including directors and employees, from using information not publicly disclosed in the market to trade securities, with content including (but not limited to) a prohibition against directors trading the company’s stock during a blackout period of 30 days before the publication of the company’s annual financial report and 15 days before the publication of each quarterly financial report, and were those internal rules and the status of their implementation disclosed on the company's website?	The Company has established the internal rules.
Strengthen the structure and operation of the Board of Directors	2.9	Has the company adopted succession planning for board members and key executives, and disclosed the operational status of such planning on its website and in its annual report?	The Company is gradually assessing and planning the training and mechanism for the succession of senior managers according to the development vision. After the completion of the relevant succession policies, it will be submitted to the Board of Directors. Please refer to page 21.
	2.21	Has the company appointed a company secretary and disclosed on the company's website and in its annual report the scope of the company secretary's authority and the status of the company secretary's continuing education?	The Company has appointed a governance officer before June 2023 according to the regulations.
	2.22	Has the company adopted risk management policies and procedures that have been passed by the board, and disclosed the scope of risk management, the corresponding organizational structure in place, and the status of risk management operations, and did it report to the board of directors on these at least once a year?	The Company will continue to evaluate and response according to the demand.
Improve information transparency	3.2	Did the company disclose material information in English and Chinese at the same time?	The Company will continue to evaluate and comply with the regulations of the competent authority and the need of the Company.
	3.6	Did the company disclose the interim financial reports in English within 2 months after the deadline for reporting of the Chinese version?	The Company will continue to evaluate and comply with the regulations of the competent authority and the need of the Company.
	3.18	Did the company website disclose information related to the company's finances, business and corporate governance?	The Company will continue to evaluate and response according to the demand.
Promoting sustainable development:	4.5	Does the company obtain third-party verification for the CSR report?	The Company will continue to evaluate and response according to the demand.
	4.6	Has the company formulated relevant management policies and procedures in accordance with international human rights conventions and disclosed on the	The Company will continue to evaluate and response according to the demand.

Item		Implementation Status			Non-implementation and Its Reason(s)
		Yes	No	Explanation	
		Company website and annual report?			
	4.12	Does the company formulate greenhouse gas reduction, water reduction or other waste management policies, including reduction goals, promotion measures and achievement status?		The Company will continue to evaluate and response according to the demand.	

Continuous Education/Training of directors in 2022:

Title	Name	Training date	Organizer	Course name	Training hours
Chairman	Chu-Liang, Cheng	July 14, 2022	Securities and Futures Institute	Global Risk Recognition-Opportunities and Challenges in the Next Decade	3
		July 21, 2022	Securities and Futures Institute	[Global Net Zero Emissions Response and Corporate ESG Actions]	3
Vice Chairman	Wen-Hsing, Huang	May 27, 2022	Corporate Governance Association in Taiwan	Create Sustainable Enterprise Competitiveness by Incorporating Climate Change	3
		June 28, 2022	Corporate Governance Association in Taiwan	Corporate governance 3.0 compliance in ESG field	3
Director	Tay-Jen, Chen	July 14, 2022	Securities and Futures Institute	Global Risk Recognition-Opportunities and Challenges in the Next Decade	3
		July 21, 2022	Securities and Futures Institute	[Global Net Zero Emissions Response and Corporate ESG Actions]	3
Director	Tsong-Min, Liang	May 27, 2022	Taiwan Institute of Directors	The Future of China-U.S. and the Response of the Board of Directors	3
		September 28, 2022	Chinese National Association of Industry and Commerce	Enterprise Sustainable Culture—Culture And Transformation of Directors and Shareholders and the Development of Family Offices in Asia	3
Independent Director	Chi-Yu, Yang	March 25, 2022	Accounting Research and Development Foundation	Task Force on Climate-related Financial Disclosures (TCFD) and Low-carbon Green New Value Model	3
		May 9, 2022	Accounting Research and Development Foundation	Seminar on the Latest Annual Profit-Seeking Enterprise Income Tax Declaration	3
Independent Director	Chin-Der, Ou	August 17, 2022	Taiwan Academy of Banking and Finance	Corporate Governance Forum - The Enlightenment of the Russo-Ukrainian War on Taiwan	3
		October 7, 2022	Securities and Futures Institute	Risks and Opportunities of Climate Change and Net-Zero Policies to Business	3
Independent Director	Hun-Cheh, Chen	July 26, 2022 to July 27, 2021	Securities and Futures Institute	Seminar on Directors and Supervisors (Including Independent Directors) and Corporate Governance Executive Practice - Taipei Session	12

3.4.4 Composition and operations of the Company's Compensation Committee

1. Information on the members of the Compensation Committee

(1)The Company's 5th Audit committee consists of three members as independent directors.

(2)The term of office of the committee members: June 29, 2022 to June 28, 2025.

(3) Information on the members of the Compensation Committee

<table>
<tr><th>Identity (Note 1)</th><th>Criteria
Name</th><th>Professional Qualification and Experience (Note 2)</th><th>Independence Status (Note3)</th><th>Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director</th></tr>
<tr><td>Independent Director (Convener)</td><td>Chi-Yu, Yang</td><td>Mr. Chi-Yu, Yang is currently an independent director of the Company. He joined the Board of Directors on June 6, 2016. He is currently the director and CFO of LandMark Optoelectronics Corporation and the director of Advanced Power Electronics Corp. He has passed the R.O.C. CPA Examination, is an US Chartered Financial Analyst in the United States, and has extensive accounting and financial expertise. He possesses industry-related knowledge, and has a master's degree in financial management from National Chengchi University. None of the circumstances under the provisions of Article 30 of the Company Act is found.</td><td rowspan="2">1. Not employed by the Company or any of its affiliated companies.
2. Not a director, supervisor of the Company or any of its affiliated companies.
3. Does not hold more than 1% of the Company's outstanding shares in his/her own name or under the name of spouse, underage children, or any other person; nor is any party listed herein one of the ten largest natural person shareholders of the Company.
4. A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under (1) or any of the persons stated in (2) and (3).
5. Not a director, supervisor or employee of an institutional shareholder directly</td><td>None</td></tr>
<tr><td>Independent Director</td><td>Chin-Der, Ou</td><td>Mr. Chin-Der, Ou is currently an independent director of the Company. He joined the Board of Directors on June 6, 2019. He is currently a director of Asia Cement Corporation. Before that, he was the CEO and chairman of Taiwan High Speed Rail Corporation. He possesses rich industrial experience, relevant knowledge, and a Ph.D. in Geotechnical Engineering from Case University in the United</td><td>1</td></tr>
</table>

Identity (Note 1)	Criteria / Name	Professional Qualification and Experience (Note 2)	Independence Status (Note3)	Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director
		States. None of the circumstances under the provisions of Article 30 of the Company Act is found.	holding more than 5% of the outstanding shares issued by the Company, or a director, supervisor or employee of an institutional shareholder who is among the top 5 shareholders, or a representative of an institutional shareholders appointed as the director or supervisor of the Company according to Paragraph 1 or 2, Article 27 of the Company Act. 6. Not a director, supervisor or employee of a company controlling over one half of the Company director seats or voting shares under one person. 7. Not a director, supervisor, or employee of a company or institution whose chairperson and president or equivalent role is same person or its spouse. 8. A director, supervisor, managerial officer, or shareholder holding 5% or more of the shares, of a	
Independent Director	Hun-Cheh, Chen	Mr. Hun-Cheh, Chen is currently an independent director of the Company. He joined the Board of Directors on June 29, 2022. He is currently an editorial board member of the Economic Daily News. He possesses knowledge related to industry and finance, and none of the circumstances under the provisions of Article 30 of the Company Act is found.		None

Identity (Note 1)	Criteria / Name	Professional Qualification and Experience (Note 2)	Independence Status (Note3)	Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director
			specified company or institution that has a financial or business relationship with the Company. 9. Not a professional or owner, partner, director, supervisor, managerial officer or the spouse of these roles of a sole proprietorship, partnership, company or institution that audits or provides related business, legal, financial, accounting services or consultation with service fees accumulating above NT$500,000 over the last two years for the Company or its affiliates; except for members of the Compensation Committee, public tender offer review committee or special committee for merger/consolidation and acquisition exercising powers according to the Securities and Exchange Act or the Business Mergers and Acquisitions Act or related laws or regulations. 10. No spouse or a relative within the second degree of kinship with other	

Identity (Note 1)	Criteria / Name	Professional Qualification and Experience (Note 2)	Independence Status (Note3)	Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director
			directors. 11. Does not meet any descriptions stated in Article 30 of the Company Act. 12. There is no government agency or a juristic person acts as a shareholder of the Company elected stipulated in Article 27 of the Company Act.	

2. Compensation Committee Meeting Status

(1)In 2022, the Compensation Committee held 4 (A) meetings. The qualifications and attendance of the members are as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) (B/A)	Remark
Convener	Chi-Yu, Yang	4	0	100%	
Committee	Chin-Der, Ou	4	0	100%	
Committee	Hun-Cheh, Chen	2	0	100%	Note (1)
Committee	Chun-Wei, Yeh	2	0	100%	Note (2)
Note (1): The re-election of the 9th Board of Directors was conducted in the Company's general meeting of shareholders on June 29, 2022, and the term of office is from June 29, 2022 to June 28, 2025. Note (2): The 9th independent directors was re-elected and dismissed on June 29, 2022.					

(2)Annotations:

A. In 2022 the Board of Directors adopted all recommendations of the Compensation Committee without modification.

B. There were no written or otherwise recorded resolutions on which any member of the Compensation Committee had a dissenting or qualified opinion.

C. Discussions and resolutions of the Compensation Committee and the handling of members' opinions:

Meeting date (period)	Discussion	Resolution	Handling of the opinions of the Compensation Committee
January 27, 2022 10th meeting of the 4th Compensation Committee	1. Approved the proposal for the special compensation payment proposal to Mr. Wen-Yi, Chien, the assistant manager of the project product department of the Company.	Approved by all Compensation Committees	Proposed to the Board of Directors for approval by all directors present.
March 24, 2022 11th meeting of the 4th Compensation Committee	1. Approved the [Proposal from Compensation Committee] the Company's 2021 director remuneration distribution. 2. Approved the [Proposal from Compensation Committee] the Company's 2021 director remuneration appropriation. 3. Approved the [Proposal from Compensation Committee] the Company's 2021 managerial staff remuneration distribution and bonus.	Approved by all Compensation Committees	Proposed to the Board of Directors for approval by all directors present.
July 28, 2022 2nd meeting of the 5th Compensation Committee	1. Approved the remuneration proposal of Mr. Chi-Yu, Yang, the 9th independent director of the Company. 2. Approved the remuneration proposal of Chin-Der, Ou, the 9th independent director of the Company. 3. Approved the remuneration proposal of Hun-Cheh, Chen, the 9th independent director of the Company. 4. Approved the proposal of vice chairman remuneration. 5. Approved the remuneration of the chairman remuneration.	Approved by all Compensation Committees	Proposed to the Board of Directors for approval by all directors present.

3.4.5 Sustainable Development Implementation Status as Required by the Taiwan Financial Supervisory Commission

Assessment Item	Implementation Status			Non-implementation Yes No Summary and Its Reason(s)
	Yes	No	Summary	
1. Does the Company have a governance structure for sustainability development and a dedicated (or ad-hoc) sustainable development organization with Board of Directors authorization for senior management, which is reviewed by the Board of Directors?	V		1. The Company follows the vision and mission of the ESG policy which is jointly implemented by the part-time unit of the Chairman's Office and other relevant internal units. The Board of Directors conducts effective supervision and management of sustainable development, environmental, social and corporate governance issues to ensure that all investors are treated fairly and to maintain shareholders' equity. In response to international trends, short-, medium-, and long-term goals are formulated with the sustainable strategies. 2. The representative of the implementation unit regularly provides the implementation status and greenhouse gas inventory plan and verification to the Board of Directors every quarter. The implementation of other promotional matters or the certifications obtained and other related documentations are collected and reported. The implementation unit serves as a cross-departmental communication platform for upper-lower integration and horizontal connection, and handles according to the division of labor, its functions and responsibilities. 3. The Board of Directors is responsible for tracking the progress of various promotion plans and compiling the implementation results of each promotion plan.	None
2. Does the Company follow materiality principle to conduct risk assessment for environmental, social and corporate governance topics related to company operation, and establish risk management related policy or strategy?	V		1. The Company has implemented corporate governance, promote the sustainable environment development, and protect social welfare. It has also formulated the "Procedures for Handling Material Information" and "Procedures for Ethical Management and Guidelines for Conduct" for the implementation of risk management policies. 2. The Company formulated relevant risk management policies or strategies based on the assessed risks, and they are shown as follows:	None

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Non-implementation Yes No Summary and Its Reason(s)</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>
<table>
<tr><th>Issues</th><th>Risk assessment</th><th>Description</th></tr>
<tr><td rowspan="3">Environment</td><td>Greenhouse gas emission management</td><td rowspan="3">1. Continuously monitor greenhouse gas and pollution emissions, reduce environmental loads to achieve sustainable management; reduce greenhouse gas emissions by 3% and reduce electricity consumption by 1% and water consumption by 0.05%.
2. There are 0 missing audits/penalties for energy-saving and environmental pollution incident.
3. Implement greenhouse gas inventory; it is expected to introduce ISO14064 in 2023.</td></tr>
<tr><td>Reduce environmental load</td></tr>
<tr><td>Energy saving</td></tr>
<tr><td rowspan="3">Society</td><td>Occupational health and safety</td><td rowspan="3">1. Continue to provide employees with complete education and training; achieve a participation rate of 90%.
2. Actively care about the health of employees and provide good health care knowledge; the execution rate of health service consultation is 90%, and regular health seminars are held every quarter.
3. Improve the extensiveness and accuracy of customer information and response efficiency; the 24H response rate of customer e-mail is 100%.</td></tr>
<tr><td>Employee benefits and salary</td></tr>
<tr><td>Customer relationship management</td></tr>
<tr><td rowspan="3">Corporate governance</td><td>Ethical corporate management and legal compliance</td><td rowspan="3">1. Implement the internal control policies to ensure that all personnel and operations of the Company comply with relevant laws and regulations.
2. Plan relevant training for directors and purchase director liability insurance to protect them from lawsuits or claims.
3. Establish various communication channels, communicate, and reduce opposition and misunderstanding. Establish relevant reporting methods in the investor page of the Company's website.</td></tr>
<tr><td>Strengthen the functions of directors</td></tr>
<tr><td>Stakeholder communication</td></tr>
</table>
</td><td>None</td></tr>
</table>

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Non-implementation Yes No Summary and Its Reason(s)</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>3. Environmental Topic
(1)Has the Company set an environmental management system designed to ndustry characteristics?</td><td>V</td><td></td><td>(1) The Company upholds the value of corporate environmental protection and complies with various environmental protection related laws and regulations:
<table><tr><td>The Company</td><td>The Company has established an environmental management system in accordance with ISO 14001 and maintains the third-party certification status.</td></tr><tr><td>GEM</td><td>All factories have obtained ISO14001 environmental management system certification.</td></tr></table></td><td rowspan="3">None</td></tr>
<tr><td>(2) Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact?</td><td>V</td><td></td><td>(2) The Company promotes various energy reduction measures and understands that it will take more effort and manpower to recover the environment, so it strictly abides by various environmental protection regulations.
The raw materials used by the Company complies with the EU RoHS directive. (GEM also complies with the EU's RoHS, REACH, and halogen-free regulations).
The goal in 2022 is to reduce the electricity consumption per unit product by 2%~3% compared with 2020. The goal is achieved as the electricity consumption was reduced by 374,745 kWh (2.14%) in 2022.</td></tr>
<tr><td>(3)Does the Company evaluate current and future climate change potential risks and opportunities and take measures related to climate related topics?</td><td>V</td><td></td><td>(3) Through environmental management, the Company manages the hazardous waste, energy consumption and noise generated during the manufacturing process to minimize the environmental impact.</td></tr>
</table>

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Non-implementation Yes No Summary and Its Reason(s)</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>(4) Does the Company collect data for greenhouse gas emissions, water usage and waste quantity in the past two years, and set greenhouse gas emissions reduction, water usage reduction and other waste management policies?</td><td>V</td><td></td><td>(4)The Company places great importance on the environment and cares for the earth in line with its operations. It monitors and records greenhouse gas emissions, water consumption, and weight of waste every year for effective environmental management and actively engages in sustainable activities. (The following information takes subsidiaries into account)

● Greenhouse gas emissions in the last two years: unit: metric tons CO2/year:

<table><tr><td></td><td>2021</td><td colspan="2">2022</td></tr><tr><td></td><td>Scope 2</td><td>Scope 1</td><td>Scope 2</td></tr><tr><td>The Company</td><td>12,358.14</td><td>137.68</td><td>9,095.11</td></tr><tr><td>GEM</td><td>39,309.24</td><td>NA</td><td>34,479.29</td></tr></table>
● Water consumption in the last two years: unit: metric tons/year

<table><tr><td></td><td>2021</td><td>2022</td></tr><tr><td>The Company</td><td>47,207</td><td>44,240</td></tr><tr><td>GEM</td><td>190,596</td><td>228,191</td></tr></table>
● Total weight of waste in the last two years: unit: metric tons/year

<table><tr><td></td><td>2021</td><td colspan="2">2022</td></tr><tr><td></td><td>Harmless +Hazardous</td><td>Harmless Substance</td><td>Hazardous Substance</td></tr><tr><td>The Company</td><td>46.63</td><td>35.1</td><td>0.326</td></tr><tr><td>GEM</td><td>1,536.4</td><td>1,260</td><td>292.7</td></tr></table></td><td>None</td></tr>
</table>

Assessment Item	Implementation Status			Non-implementation Yes No Summary and Its Reason(s)
	Yes	No	Summary	
			● As all, greenhouse gas emissions, water consumption and weight of waste of the Company and subsidiaries was less than 2021. Promotion of relevant energy-saving policy: A. Conduct waste classification and set up resource recycling. Continue to focus on energy conservation and efficient resource utilization, such as: adopt double-sided printing to reduce paper usage, recycle and process the toner cartridges of photocopiers and printers, and use environmentally friendly toner to achieve waste reduction and resource recycling. B. Promote water conservation.	
4. Social Topic (1) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles?	V		(1) 1. The Company stipulated work rules and related management regulations based on the "Labor Standards Act", "Act of Gender Equality in Employment" and human rights risk mitigation measures such as: anti-disciplinary/forced labor/prison labor management measures, anti-slavery and trafficking management measures, anti-discrimination and harassment management measures to protect the rights and interests of employees. The Company believes that every employee should be treated fairly and respected and promotes it in the annual education course. The number of participants is 501, The course duration is about 1.5 hours. At the same time, a complaint channel is provided to protect the rights and interests of employees where forced labor and violations of human rights have never occurred. 2. The Company complies with the “Responsible Business Alliance Code of Conduct” and is audited by a third-party verification unit every 2 years. The Responsible Business Alliance aims to establish a standardized social responsibility code of conduct in the global supply	None

Assessment Item	Implementation Status			Non-implementation Yes No Summary and Its Reason(s)
	Yes	No	Summary	
			chain of the electronics industry. The code of conduct consists of a series of basic norms, involving labor, human rights and recruitment, health and safety, environmental responsibility, management system and ethics. The verification us used as an important item for supplier selection and evaluation.	
(2) Has the Company established appropriately managed employee welfaremeasures (include salary and compensation, leave and others), and link operational performance or achievements with employee salary and compensation?	V		(2) 1. Employee remuneration: The Company has formulated relevant operating procedures and has a salary policy approved by the Compensation Committee and the Board of Directors, to ensure employees' reasonable remuneration and other benefits. The employee remuneration policy is determined based on personal ability, contribution to the Company, performance, professional competitiveness and consideration of the Company's operation results. The Articles of Association stipulates that if the Company makes profits in the fiscal year, it shall distribute employee remuneration at 8% to 15% of the profit in the fiscal year. Employee remuneration may be in stock or cash. 2. Employee benefits: The Company has set up an employee welfare committee and allocates a fixed amount of welfare funds every month to plan and provide high-quality benefits for employees, such as: employee travel subsidies, birthday gift certificates, wedding gifts, maternity allowances, funeral allowances. In addition, it provides benefits such as meal subsidies and free health check plans for employees. 3. Business performance reflected in employee remuneration: The Company participates in market salary surveys every year, and adjusts salary based on market levels, economic trends, and individual performance to maintain overall salary competitiveness. The average	None

Assessment Item	Implementation Status			Non-implementation Yes No Summary and Its Reason(s)
	Yes	No	Summary	
			salary increase in 2022 was 3%, of which the maximum was 7.5%.	
(3) Does the Company provide employees with a safe and healthy working environment, with regular safety and health training?	V		(3) 1. The Company has planned occupational safety and health managers in accordance with the regulations and they are responsible for occupational safety and health related matters; there is an emergency response team in the factory, which conducts fire protection and other emergency drills every year and ensures that employees are familiar with the use of fire protection and escape systems. From October 11 to October 13, 2022, a total of 501 people participated in the drill according to different classes (the total enrolled participants are 593 people). 2. Education and training for new employees: The Company helps new employees to know the working environment, management rules, work safety, related work content, professional working methods and requirements, labor laws, labor safety and health training, and product quality requirements, etc., and strengthen new employees' awareness of the environment, safety, and policies. 1-2 classes per week will be maintained in 2022, depending on the number of new employees, each class will have an average of 3 students. On-the-job personnel education and training: Regular training and advocacy on labor safety and environmental safety are held every year. The number of participants in 2022 was 593, and the actual number of participants was 501. The course was divided into 6 classes.	None

Assessment Item	Implementation Status			Non-implementation Yes No Summary and Its Reason(s)
	Yes	No	Summary	
			3. Employees are provided with free regular health checks, which are superior to occupational safety and health regulations. Night shift employees are regularly checked every year, while general employees and special operation operators are regularly checked according to regulations; In 2022, 615 employees received health checks, and 11 employees received the special health checks. 4. In accordance with the "Labor Health Protection Rules", the Company has full-time nursing staff to provide personal health guidance and consultation. On the other hand, regular occupational medicine specialists visit will be carried out to conduct hazard investigations and health assessments of various operations and provide improvement suggestions and medical consultations for the health of employees check. 5. To protect employees from harmful substances in the workplace and provide a healthy and comfortable working environment for workers, the Company performs working environment monitoring twice a year. 6. The Company has established a comprehensive fire protection system in accordance with fire protection regulations: including alarm system, fire water system, escape system, fire extinguisher, etc., and professional fire protection technicians are appointed to conduct fire safety inspections every year. 7. In 2022, there were 7 employee accidents, mostly traffic accidents during commute to and from work. A total of 7 people were injured, accounting for about 1.2% of the total number of employees. The Company has strengthened the awareness of other safety measures such as traffic safety, daily safety awareness and safe driving. This important awareness is emphasized to reduce the incidence of occupational accidents.	

Assessment Item	Implementation Status			Non-implementation Yes No Summary and Its Reason(s)
	Yes	No	Summary	
(4) Has the Company established effective career development trainingplans?	V		(4) 1. To enhance the professional ability of employees in various functions, the Company has planned complete functional training for managers and employees at all levels, including management courses for management positions, professional training for technical positions and general education laws/methods, etc., to guide employees to learn and grow through multiple learning methods, and cultivate key capabilities. In 2022, a total of 622 employees enrolled in trainings, with a total of 260 hours. 2. The Company improves the employee quality and competitiveness through education, training and performance evaluation, trains employees' professional skills, knowledge and ethic through education and training, and develops their potential through performance evaluation. Thus, employees can grow with the Company's performance, provide better performance, and improve the personal quality.	None
(5) Does the Company's product and service comply with related regulations and international rules for customers' health and safety, privacy, sales labelling and set policies to protect consumers' or customers' rights and consumer appeal procedures?	V		(5) 1. The Company attaches great importance to customer complaints, and formulates Procedures and Rules for Handling Customer Complaint where relevant departments shall immediately solve and communicate customer issues to ensure the customers' rights and interests. The Company's marketing and labeling of products and services comply with relevant laws and international standards.	None
(6) Does the Company set supplier management policy and request suppliers to comply with related standards on the topics of environmental, occupational safety and health or labor right, and their implementation status?			(6) 1. The Company has established relevant procurement guidelines and the acceptance and evaluation of new suppliers are conducted according to the regulations where only those who pass the evaluation can be included in the list of qualified suppliers. 2. The contract signed by the Company and the supplier includes compliance with the corporate social responsibility policies of both	None

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Non-implementation Yes No Summary and Its Reason(s)</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td>V</td><td></td><td>parties (including environmental protection, labor safety and health, labor rights), ethical corporate management policies, and violation polices for the suppliers where if there is a significant impact on the environment and society of the supply source community, the terms of the contract may be terminated or rescind at any time.
3. The Company complies with the “Responsible Business Alliance Code of Conduct” and has a third-party verification unit performing audits on whether the Company has implemented and evaluated the compliance of suppliers with relevant norms every two years.</td><td></td></tr>
<tr><td>5. Does the Company refer to international reporting rules or guidelines to publish Sustainability Report to disclose non-financial information of the Company? Has the said Report acquire third party verification or statement of assurance?</td><td>V</td><td></td><td>The Company compiles a Corporate Social Responsibility Report to disclose the implementation of corporate social responsibility and the key points in the annual report of the shareholders’ meeting. The plan is also disclosed on the Company’s website. The report has not yet obtained the assurance or guarantee opinion of the third-party certification unit.</td><td>None</td></tr>
<tr><td colspan="5">6. If the Company has established its sustainable development code of practice according to “Listed Companies Sustainable Development Code of Practice,” please describe the operational status and differences.
The Company compiles a Corporate Social Responsibility Report (has not obtained a third-party certification) to strengthen the implementation of corporate social responsibility. The Company inspects the implementation in accordance with the “Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and improves accordingly.So far, there has been no significant difference in implementation.</td></tr>
<tr><td colspan="5">7. Other important information to facilitate better understanding of the Company’s implementation of sustainable development:
The Company and National Tsing Hua University collaborated on industry-university cooperation to develop research and improve the education quality;
The Company also implements various environmental protection policies, strives to raise the awareness of environmental protection and social responsibility of all employees, and ensures that the products comply with environmental protection regulations.</td></tr>
</table>

Climate-related information for TWSE/TPEx listed companies

1. Implementation of climate-related information

Item	Performance
1. Describe the board's and management's oversight and governance of climate-related risks and opportunities. 2. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term. 3. Describe the financial impact of extreme climate events and transitions. 4. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the company's overall risk management. 5. Description of the scenario analysis used to assess resilience to climate change risks, including the critical input parameters, assumptions and considerations, analytical choices, and major financial impact. 6. Describe the content, and the indicators and goals used to identify and manage physical risk and transition risk for any transition plan for managing climate-related risks. 7. If internal carbon pricing is used as a planning tool, the pricing basis should be stated. 8. For any climate-related goals set, the scope of activities, scope of greenhouse gas emissions, planning schedule, annual progress and other information should be stated; if carbon offsets or renewable energy certificates (RECs) are used for the relevant goals, the source and quantity of carbon reduction credits or the quantity of RECs should be stated. 9. Greenhouse gas inventory and verification (Also in Table 1-1).	According to the law, this form will come into effect on January 1, 2024, so it is not applicable.

Table 1-1 Greenhouse gas inventory and verification

Information of the Company	According to the regulations of the Sustainable Development Roadmap for TWSE/TPEx-listed companies, the company shall disclose the following
□ Companies with a paid-in capital of NT$10 billion or more, companies in the steel or cement industries □ Companies with a paid-in capital of NT$5 billion to NT$10 billion ■ Companies with a paid-in capital of NT$5 billion or less	□ Parent company inventory □ Subsidiaries consolidated financial report inventory □ Parent company verification □ Subsidiaries consolidated financial report verification

Scope 1	Overall emission (tCO2e)	Intensity (tCO2e/ million NT) (Note 2)	Verification agency	Verification status and description (Note 3)
Parent company	According to the law, this form will come into effect on January 1, 2024, so it is not applicable.			
Subsidiaries				
...(Note 1)				
Total				
Scope 2	Overall emission (tCO2e)	Intensity (tCO2e/ million NT) (Note 2)	Verification agency	Verification status and description (Note 3)
Parent company	According to the law, this form will come into effect on January 1, 2024, so it is not applicable.			
Subsidiaries				
...(Note 1)				
Total				
Scope 3				

3.4.6 Taiwan Corporate Conduct and Ethics Implementation as Required by the Taiwan Financial Supervisory Commission

Assessment Items	Implementation Status			Non-implementation Yes No Summary and Its Reason(s)
	Yes	No	Summary	
1. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures (I) Has the Company established ethical corporate management policies approved by the board of directors and stated such policies and practices in its regulations and external documents and in the commitment made by the board of directors and senior management to actively implement such policies? (II) Has the Company established an assessment mechanism of risk from unethical behavior to regularly analyze and assess business activities with higher risk of involvement in unethical behavior and preventive programs for unethical behaviors containing at least the preventive measures stated in Paragraph 2, Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/TPEx-Listed Companies”? (III) Has the Company established in the preventive programs the operating procedures for unethical behavior prevention, penalties and grievance systems of breaching the guidelines for conduct, and implemented and	V V V		(I) The Company has formulated the “Ethical Corporate Management Best Practice Principles” and “Procedures for Ethical Management and Guidelines for Conduct”, and the Board of Directors and senior management shall follow these regulations. Company website: http://www.elaser.com.tw (II) The Company follows the management organization and internal control process, analyzes and evaluates the risks in the process of unethical behavior. It has also formulated the “Procedures for Ethical Management and Guidelines for Conduct”, which are based on preventive measures in accordance with the subparagraph of Paragraph 2, Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies”. It requires implementations for all relevant units (III) The Company has formulated the “Procedures for Ethical Management and Guidelines for Conduct” to define the plan to prevent unethical behaviors, including procedures, guidelines, punishment and complaint systems for violations. Take preventive measures for business activities with higher risks of ethical conducts.	None

Assessment Items	Implementation Status			Non-implementation Yes No Summary and Its Reason(s)
	Yes	No	Summary	
periodically review them?				
I. Proper enforcement of ethical corporate management (I) Does the Company have the integrity of the trade counterparty assessed and with the code of integrity expressed in the contract signed? (II) Has the Company established a dedicated (concurrent) unit to implement ethical corporate management under Board of Directors and report regularly (at least once a year) to BOD the status of implementation and supervision of ethical corporate management policies and preventive programs of unethical behavior? (III) Does the Company have developed policies to prevent conflicts of interest, provided adequate channel for communication, and substantiated the policies? (IV) Has the Company established an effective accounting system and an internal control system for the internal audit unit to establish related audit programs based on the results of risk assessment of involvement in unethical behavior to audit and prevent the compliance with the preventive programs of unethical behavior or hire a	V V V V		(I) The Company regularly evaluates the integrity of the trade counterparty, and clearly stipulates the terms of ethical conduct in the contract. (II) The Company designates the Chairman Office as a full-time unit to promote ethical corporate management, and regularly report its implementation to the Board of Directors. (III) The Company has developed policies to prevent conflicts of interest, provided adequate channel for communication, and substantiated the policies. (IV) The Company has established an accounting system and internal control policies based on the implementation of ethical corporate management, and the effectiveness of the operation is regularly reviewed by CPA and internal auditors.	Consistent with the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”

Assessment Items	Implementation Status			Non-implementation Yes No Summary and Its Reason(s)
	Yes	No	Summary	
CPA to perform the audit? (V) Has the Company organized ethical corporate management internal and external education and training programs on a regular basis?	V		(V) In 2022, the Company organized internal education and training on issues related to ethical corporate management. The theme of the course was: Ethical Corporate Management and Prevent Insider Trading Promotion.	
II. The operations of the Company's Report System (I) Does the Company have a specific report and reward system stipulated, a convenient report channel established and a responsible staff designated to handle the individual being reported? (II) Has the Company established standard operating procedures for investigating reported events, follow-up measures to be taken after the investigation was completed, and related confidentiality mechanisms? (III) Has the Company taken proper measures to protect the whistle-blowers from suffering any consequence of reporting an incident?	V V V		(I) The Company has formulated a specific reporting and reward system and established a reporting channel and a dedicated unit based on the Procedures for Ethical Management and Guidelines for Conduct. (II) The Company has established investigation procedures and a confidentiality mechanism based on the Procedures for Ethical Management and Guidelines for Conduct. (III) The Company adopts whistleblower protection measures in accordance with the Procedures for Ethical Management and Guidelines for Conduct.	Consistent with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"
III. Enhanced information disclosure Does the Company have the contents of ethical corporate management and its implementation disclosed on the website and MOPS?	V		Both the Company's website and the MOPS disclose information related to the Ethical Corporate Management Best Practice Principles. Company website: http://www.elaser.com.tw	Consistent with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"
IV. If the company has established corporate governance policies based on Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please describe any discrepancy between the policies and their implementation. There is no significant difference between the operation and the content of the Ethical Corporate Management Best Practice Principles that the				

Assessment Items	Implementation Status			Non-implementation Yes No Summary and Its Reason(s)
	Yes	No	Summary	
Company has formulated.				
V. Other important information to facilitate better understanding of the company's corporate conduct and ethics compliance practices (e.g., review the company's corporate conduct and ethics policy) The Company follows the competent authorities and corporate governance demand to regularly review and revise the relevant content of the Ethical Corporate Management Best Practice Principles.				

3.4.7 If the Company has established a Corporate Governance Best Practice Principles and related regulations, the inquiry method shall be provided

The Company has formulated Corporate Governance Best Practice Principles and related regulations shown in the following:

1. Parliamentary Procedure for the Shareholders Meeting
2. Procedures for Election of Directors
3. Rules of Procedure for Board of Directors Meetings
4. Rules Governing the Scope of Powers of Independent Directors
5. Audit Committee Charter
6. Compensation Committee Charter
7. Self-Evaluation or Peer Evaluation of the Board of Directors
8. Corporate Governance Best- Practice Principles
9. Codes of Ethical Conduct
10. Ethical Corporate Management Best Practice Principles
11. Procedures for Ethical Management and Guidelines for Conduct
12. Procedures for Handling Material Inside Information
13. Procedures for the Acquisition or Disposal of Assets
14. Procedures for Making of Endorsements/Guarantees
15. Procedures for Loaning Funds to Others

The Company has uploaded the content to the MOPS (https://mops.twse.com.tw/) in accordance with the regulations; inquiry about relevant content can be found under Corporate Governance of the MOPS, which is also disclosed on the Company's website: http://www.elaser.com.tw

3.4.8 Other significant information that helpful to better awareness of performance in corporate governance

1. The Company has established "Procedures for Handling Material Inside Information" as the basis for the Company's internal material information handling and disclosure mechanism for directors, managers and all employees to follow.
2. The Company continues to arrange senior executives to participate in corporate governance training courses.

3.4.9Internal Control System Execution Status

1. Statement of Internal Control System

Elite Advanced Laser Corporation

Statement of Internal Control System

Date: March. 23, 2023

Based on the findings of a self-assessment, Elite Advanced Laser Corporation (the Company) states thefollowing with regard to its internal control system during the year 2022:

1. the Company's Board of Directors and management are responsible for establishing, implementing, and maintaining an adequateinternal control system. Internal control system is designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency and regulatory compliance of our reporting, and compliance with applicable rulings, laws and regulations.

2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
3. the Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations").The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment,(2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each component also includes several items which can be found in the Regulations.
4. the Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, the Company believes that, on December 31, 2022, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency and regulatory compliance of reporting, and compliance with applicable rulings, laws and regulations.
6. This Statement is an integral part of the Company's annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement was passed by the Board of Directors in their meeting held on March 23, 2023, with none of the seven attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Elite Advanced Laser Corporation

Chairman: Chu-Liang, Cheng

President: Tien-Tseng, Sung

2. If CPA Was Engaged to Conduct a Special Audit of Internal Control System, Provide Its Audit Report: None.

3.4.10 The Listing of Penalties, Major Deficits, and State of Any Efforts to Make Improvements, Arising from Any Legal Penalties Imposed by Regulatory Authorities on the Company or Its Employees, or any Company Punishment toward Employees for Violating Internal Control Rules, Securities Prices, in 2022 and as of the Date of this Annual Report: None

3.4.11 Major Decisions of Shareholders' Meeting and Board Meetings, in 2022 and as of the Date of this Annual Report:

1. Major Resolutions of Shareholders' Meeting and Implementation Status

Date	Item	Major Resolutions	Implementation Status
June 29, 2022	Annual Shareholders's Meeting	1.Accepted the 2021 consolidated business report, consolidated financial report and individual financial report.	The resolution was approved.
		2.Accepted the distribution of 2021 earnings.	The resolution was approved, and the 2021 earnings distribution has been distributed to shareholders (ex-dividend date: July 24, 2022).
		3.Proposal for the amendment of the Articles of Association.	The resolution was approved passed and handled in accordance with the revised procedures.
		4.Proposal to the amendment of the "Procedures the Acquisition and Disposal of Assets".	The resolution was approved passed and handled in accordance with the revised procedures.
		5.Re-election of the 9th directors and independent directors.	List of elected 9th directors: Directors: Chu-Liang, Cheng, Wen-Hsing, Huang, Tsong-Min, Liang, Tay-Jen, Chen. Independent Director Chi-Yu, Yang, Chin-Der, Ou, Hun-Cheh, Chen
		6.Proposal to terminate non-competition restriction on new directors.	Resolution results have been made.

2. Major Resolutions of Board Meetings:

During 2022 and as of the date of this Annual Report, major resolutions approved at Board meetings are summarized below:

Date (period)	Major Resolutions
January 27, 2022 21st meeting for the 8th Board of Directors	1. Proposal to formulated the Company's 2022 business plan. 2. [Proposal from Compensation Committee] Proposal for the special compensation payment proposal to Mr. Wen-Yi, Chien, the assistant manager of the project product department of the Company.
March 24, 2022 22nd meeting of the 8th Board of Directors	1. Proposal for the Company's 2021 employee remuneration appropriation. 2. [Proposal from Compensation Committee] The Company's 2021 director remuneration appropriation. 3. [Proposal from Audit Committee] The Company's 2021 consolidated business report, consolidated financial report and individual financial report. 4. [Proposal from Audit Committee] The Company's 2021 earnings distribution. 5. [Proposal from Audit Committee] The Company's 2021 internal control policies effectiveness assessment and internal control statement. 6. Proposal to re-elect the 9th directors and independent directors of the Company. 7. Proposal to nominate and review candidates for the 9th directors and independent directors of the Company. 8. Proposal to lift the non-compete restrictions for the 9th directors. 9. Proposal to amend the Company's "Articles of Association". 10. [Proposal from Audit Committee] Amendment to the Company's "Procedures for Acquisition and Disposal of Assets". 11. Proposal to amend the Company's "Corporate Governance Best Practice Principles". 12. Proposal to convene the 2022 general meeting of shareholders. 13. [Proposal from Compensation Committee] The Company's 2021 managerial staff remuneration distribution and work bonus. 14. [Proposal from Compensation Committee] The Company's 2021 director remuneration distribution. 15. [Proposal from Compensation Committee] Salary adjustment recommendation for the managers.

Date (period)	Major Resolutions
May 12, 2022 23rd meeting of the 8th Board of Directors	1. [Proposal from Audit Committee] Consolidated financial report for the first quarter of 2022. 2. Proposal for the Company to formulate a schedule plan for greenhouse gas inventory and verification.
June 29, 2022 1st meeting of the 9th Board of Directors	1. Proposal for the election of a chairman 2. Proposal for the election of a vice chairman. 3. Proposal for the appointment of the audit committee members of the 3rd audit committee. 4. Proposal for the appointment of the Compensation Committee members of the 5th Compensation Committee.
July 28, 2022 2nd meeting of the 9th Board of Directors	1. [Proposal from Compensation Committee] Remuneration proposal of Mr. Chi-Yu, Yang, the 9th independent director of the Company. 2. [Proposal from Compensation Committee] Remuneration proposal of Mr. Chin-Der, Ou, the 9th independent director of the Company. 3. [Proposal from Compensation Committee] Remuneration proposal of Mr. Hun-Cheh, Chen, the 9th independent director of the Company. 4. [Proposal from Compensation Committee] Remuneration recommendation for the vice chairman of the Company. 5. [Proposal from Compensation Committee] Remuneration recommendation for the chairman of the Company.
August 12, 2022 3rd meeting of the 9th Board of Directors	1. [Proposal from Audit Committee] Consolidated financial report for the second quarter of 2022.
November 11, 2022 4th meeting of the 9th Board of Directors	1. [Proposal from Audit Committee] Consolidated financial report for the third quarter of 2022. 2. Proposal to formulate the Company’s 2023 internal audit plan. 3. Proposal to formulate the Company’s 2023 business plan. 4. [Proposal from Audit Committee] Independent assessment report of CPA. 5. [Proposal from Audit Committee] Remuneration recommendation for the CPA. 6. Proposal to obtain a financing line from the Shuanghe Branch of Taiwan Cooperative Bank. 7. Proposal to obtain a financing line from the Shuanghe Branch of Taiwan Cooperative Bank. 8. Proposal to obtain a financing line from the Taiwan

Date (period)	Major Resolutions
	Commercial Banking Division of CTBC Bank Co., Ltd. 9. Proposal to formulate the "Procedures for Handling Material Inside Information".
November 28, 2022 5th meeting of the 9th Board of Directors	1. [Proposal from Audit Committee] Recommendation to authorize the Chairman to evaluate strategic investment projects and investment conditions.
November 22, 2022 6th meeting of the 9th Board of Directors	1. [Proposal from Audit Committee] Recommendation for the Company to obtain securities.
February 23, 2023 7th meeting of the 9th Board of Directors	1. Proposal to amend the "Rules of Procedure for Shareholders Meetings". 2. Proposal to amend the "Rules of Procedure for Board of Directors Meetings". 3. Proposal to amend the "Corporate Governance Best Practice Principles". 4. Proposal to convene the 2023 general meeting of shareholders.
March 23, 2023 8th meeting of the 9th Board of Directors	1. Proposal for the 2022 employee remuneration appropriation. 2. [Proposal from Remuneration Committee] The 2022 director remuneration appropriation. 3. [Proposal from Audit Committee] The 2022 consolidated business report, consolidated financial report and individual financial report. 4. [Proposal from Audit Committee] The 2022 earnings distribution. 5. [Proposal from Audit Committee] 2022 annual internal control policies effectiveness assessment and declaration of internal control policies. 6. Amendment of Procedures for Self-assessment of Internal Controls 7. Amendment of the internal operating procedure the implementation dealing with transactions between the Company and group companies and stakeholders. 8. [Proposal from Remuneration Committee] Salary adjustment of managers.
May 11, 2023 9th meeting of the 9th Board of	1. [Proposal from Remuneration Committee] Consolidated financial report for the first quarter of 2023. 2. [Proposal from Remuneration Committee] The 2022

Date (period)	Major Resolutions
Directors	managerial staff remuneration distribution and work bonus. [Proposal from Remuneration Committee] The 2022 director remuneration.

3.4.12 Major Issues of Record or Written Statements Made by Any Director Dissenting to Important Resolutions Passed by the Board of Directors in 2022 and as of the Date of this Annual Report: None.

3.4.13 Resignation or Dismissal of Chairman, President, and Heads of Accounting, Finance, Internal Audit, Corporate Governance Officer and R&D in 2022 and as of the Date of this Annual Report: None.

3.5 Information Regarding the Company's Independent Auditor

3.5.1 Audit Fees

Unit: NT$ thousands

Accounting Firm	Name of CPA	CPA's Audit Period	Audit Fee	Non-audit Fee	Total	Remark
Deloitte & Touche	Keng-Hsi, Chang Chien-Hsin, Hsieh	01/01/2022-12/31/2022	2,480	540	3,020	Fees for tax agreement procedures and expenses for typing and printing

3.5.2 Replacement of accounting firm and the audit fees in the replacing years is less than that in the previous year:None

3.5.3 Audit fees were reduced by over 10% compared with the previous year:None

3.6 Changes in CPA:None

3.7 The Company's Chairman, Directors, Chief Executive Officer, Chief Financial Officer, and Managers in Charge of Its Finance and Accounting Operations Did Not Hold Any Positions within Independent Audit Firm or Its Affiliates in the Most Recent Year.

3.8 Net Change in Shareholding by Directors, Management and Shareholders with 10% Shareholdings or More:

3.8.1 Net Change in Shareholding:

Unit：Shares

Title	Name	2022		2023Q1	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman	Chu-Liang, Cheng	0	0	0	0
Vice Chairman	Wen-Hsing, Huang	(187,661)	0	0	0
Director&Vice President	Tsong-Min, Liang	0	0	0	0

Title	Name	2022		2023Q1	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Director	Tay-Jen, Chen	262,000	0	0	0
Independent Director	Chi-Yu, Yang	0	0	0	0
Independent Director	Chin-Der, Ou	0	0	0	0
Independent Director (Note 1)	Hun-Cheh, Chen	402,142	0	0	0
Independent Director (Note 2)	Chun-Wei,Yeh	0	0	0	0
President	Tien-Tseng, Sung	0	0	0	0
Subsidiary/ President	Kun-Chuan, Lin	0	0	0	0
Subsidiary/ Vice President	Chin-Hsiang, Liu	0	0	0	0
Vice President	Chen-Ching, Wu	0	0	0	0
Assistant Manager	Li-Chiu, Tsai	0	0	0	0
Assistant Manager	Shih-En, Chen	0	0	0	0

Note 1:The re-election of the 9th Board of Directors was conducted in the Company's general meeting of shareholders on June 29, 2022, and the term of office is from June 29, 2022 to June 28, 2025.

Note 2:The 9th independent directors was re-elected and dismissed on June 29, 2022.

3.8.2 Stock Trade with Related Party: None.

3.8.3 Stock Pledge with Related Party: None.

3.9 Related Party Relationship among the Company's 10 Largest Shareholders:

Name	Shares Held		Shares Held by Spouse & Minors		Shares Held in the Name of Others		Name of Others Name and Relationship between Shareholders		Remark
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Chu-Liang, Cheng	8,650,747	5.94%	2,097,440	1.44%	0	0	Tay-Jen, Chen	Spouse	-
Cathay Life Insurance Company, Ltd.	7,149,920	4.91%	0	0	0	0	-	-	-
Cathay Life Insurance Company, Ltd. Representative: Diao-Gui, Huang	0	0%	0	0	0	0	-	-	-
TransGlobe Life Insurance Inc.	4,100,800	2.81%	0	0	0	0	-	-	-
TransGlobe Life Insurance Inc. Representative: Teng-De,Peng	0	0%	0	0	0	0	-	-	-
Tay-Jen, Chen	2,097,440	1.44%	8,650,747	5.94%	0	0	Chu-Liang, Cheng	Spouse	-
Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds	1,828,349	1.26%	0	0	0	0	-	-	-

Name	Shares Held		Shares Held by Spouse & Minors		Shares Held in the Name of Others		Name of Others Name and Relationship between Shareholders		Remark
	Shares	%	Shares	%	Shares	%	Name	Relationship	
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1,811,862	1.24%	0	0	0	0	-	-	-
Norges Bank	1,769,469	1.21%	0	0	0	0	-	-	-
Zheng-Zhong,Yang	1,277,000	0.88%	0	0	0	0	-	-	-
An-Min,Xu	1,070,420	0.73%	0	0	0	0	-	-	-
Emerging Markets Core Equity Portfolio of DFA Investment Dimensions Group Inc.	983,320	0.67%	0	0	0	0	-	-	-

3.10 Long-term Investment Ownership:

March 31, 2023 Unit: shares/ %

Long-term Investment (Note)	Ownership by eLaser		Ownership by Directors, Managers and Directly/Indirectly Owned Subsidiaries		Total Ownership	
	Shares	%	Shares	%	Shares	%
GEM Services, Inc.	65,809,451	51.00%	1,379,800	1.07%	67,189,251	52.07%
Centera Photonics Inc.	22,5000,000	57.97%	500,000	129%	23,000,000	59.26%
eLaser Technologies Co., Ltd.	5,432,242	100%	0	0%	5,432,242	100%

Note: 1. investment are accounted by equity method

2. On December 22, 2022, the Board of Directors (on behalf of the shareholders' meeting) of eLaser Technologies Co., Ltd. approved the resolution of dissolution and liquidation. The alteration registration of dissolution was completed on January 10, 2023, and is in the process of liquidation.

4. Capital Overview

4.1 Capital and Shares

4.1.1Capitalization

1.Formation of capital

Unit: K shares,NT$ thousand

Year / month	Price of issue	Authorized capital		Paid-in capital		Remark		
		Quantity	Amount	Quantity	Amount	Sources of share capital	Paid in properties other than cash	Other
September 2000	NT$10	500	5,000	500	5,000	Company establishment	None	Note 1
November 2000	NT$10	5,000	50,000	5,000	50,000	Cash capital increase of NT$45,000 thousand	None	Note 2
August 2001	NT$10	49,500	495,000	49,500	495,000	Cash capital increase of NT$445,000 thousand	None	Note 3
August 2004	NT$25	90,000	900,000	60,800	608,000	Cash capital increase of NT$113,000 thousand	None	Note 4
January 2005	NT$10	90,000	900,000	65,750	657,500	NT$49,500 thousand of ordinary shares converted from employee share subscription warrant	None	Note 5
July 2005	NT$10	90,000	900,000	80,626	806,263	Employee bonus of NT$60,000 thousand and capitalization of retained earnings of NT$88,763 thousand	None	Note 6
May 2006	NT$10	130,000	1,300,000	90,710	907,103	Cash capital increase of NT$100,840 thousand	None	Note 7
August 2006	NT$10	130,000	1,300,000	103,349	1,033,498	Employee bonus of NT$17,543 thousand and capitalization of retained earnings of NT$108,852 thousand	None	Note 8
August 2007	NT$10	130,000	1,300,000	107,950	1,079,503	Employee bonus of NT$15,000 thousand and capitalization of retained earnings of NT$31,005 thousand	None	Note 9
August 2008	NT$10	130,000	1,300,000	112,839	1,128,388	Employee bonus of NT$16,500 thousand and capitalization of retained	None	Note 10

Year / month	Price of issue	Authorized capital		Paid-in capital		Remark		
		Quantity	Amount	Quantity	Amount	Sources of share capital	Paid in properties other than cash	Other
December 2008	NT$10	130,000	1,300,000	78,987	789,872	Cash capital decrease of NT$338,516 thousand	None	Note 11
March 2009	NT$10	130,000	1,300,000	76,642	766,422	Treasury stock cancelled for NT$23,450 thousand	None	Note 12
August 2015	NT$10	130,000	1,300,000	91,971	919,706	Capitalization of retained earnings of NT$153,284 thousand	None	Note 13
September 2016	NT$10	130,000	1,300,000	110,365	1,103,647	Capitalization of retained earnings of NT$183,941 thousand	None	Note 14
August 2017	NT$10	200,000	2,000,000	132,438	1,324,376	Capitalization of retained earnings of NT$220,729 thousand	None	Note 15
August 2018	NT$10	200,000	2,000,000	145,681	1,456,814	Capitalization of retained earnings of NT$132,438 thousand	None	Note 16

Note 1: Official Letter Ching-Shou-Chung-Tzu No. 089500267 on September 27, 2000.
Note 2: Official Letter Ching-Shou-Chung-Tzu No. 089519485 on November 2, 2000.
Note 3: Official Letter Ching (90) Shang-Tzu No. 09001305500 on August 10, 2001.
Note 4: Official Letter Ching-Shou-Shang-Tzu No. 09301148110 on August 12, 2004.
Note 5: Official Letter Chin-Kuan-Cheng-I-Tzu No. 0930136716 on August 26, 2004 and Official Letter Ching-Shou-Shang-Tzu No. 09401017460 on January 28, 2005.
Note 6: Official Letter Chin-Kuan-Cheng-I-Tzu No. 0940121392 on May 27, 2005 and Official Letter Ching-Shou-Shang-Tzu No. 09401127430 on July 13, 2005.
Note 7: Official Letter Chin-Kuan-Cheng-I-Tzu No. 0950107987 on March 13, 2006 and Official Letter Ching-Shou-Shang-Tzu No. 09501075740 on May 1, 2006.
Note 8: Official Letter Chin-Kuan-Cheng-I-Tzu No. 0950129440 on July 10, 2006 and Official Letter Ching-Shou-Shang-Tzu No. 09501177630 on August 11, 2006.
Note 9: Official Letter Chin-Kuan-Cheng-I-Tzu No. 0960032172 on June 26, 2007 and Official Letter Ching-Shou-Shang-Tzu No. 09601201200 on August 21, 2007.
Note 10: Official Letter Chin-Kuan-Cheng-I-Tzu No. 0970033329 on July 3, 2008 and Official Letter Ching-Shou-Shang-Tzu No. 09701208090 on August 19, 2008.
Note 11: Official Letter Chin-Kuan-Cheng-I-Tzu No. 0970059640 on November 17, 2008 and Official Letter Ching-Shou-Shang-Tzu No. 09701306420 on December 2, 2008.
Note 12: Official Letter Chin-Kuan-Cheng-San-Tzu No. 0970065750 on December 02, 2008 and Official Letter Ching-Shou-Shang-Tzu No. 09701306420 on March 27, 2009.
Note 13: Official Letter Chin-Kuan-Cheng-Fa-Tzu No. 1040025380 on July 6, 2015 and Official Letter Ching-Shou-Shang-Tzu No. 09701306420 on August 12, 2015.
Note 14: Approved by the Financial Supervisory Commission on June 14, 2016, and Official Letter Ching-Shou-Shang-Tzu No. 10501215230 on August 30, 2016.
Note 15: Approved by the Financial Supervisory Commission on June 20, 2017, and Official Letter Ching-Shou-Shang-Tzu No. 10601109950 on August 4, 2017.
Note 16: Approved by the Financial Supervisory Commission on June 28, 2018, and Official Letter Ching-Shou-Shang-Tzu No. 10701100410 on August 10, 2018.

2. Capital and Shares

March 31, 2023; Unit: shares, NT$

Type of Stock	Authorized capital			Remark
	Outstanding shares (Note)	Unissued shares	Total	
Common Stock	145,681,382	154,318,618	300,000,000	TWSE listed stock

Note: Shares outstanding refer to the shares counted according to the Company's book closure date for the 2023 shareholders' meeting according to the regulation (April 7, 2023).

3. Shelf Registration in Taiwan: None.

4.1.2 Composition of Shareholders

April 7, 2023

Composition of Shareholders	Government Agencies	Financial institutions	Persons from Mainland China	Other Juridical Persons	Foreign Institutions and Natural Persons	Domestic Natural Persons	Total
Number of Shareholders	0	7	1	187	109	43,250	43,554
Shares	0	11,500,254	1	2,153,294	12,410,018	119,617,815	145,681,382
%	0.00%	7.89%	0.00%	1.48%	8.52%	82.11%	100.00%

4.1.3 Distribution of Shareholding

1. Common Share

AS of April 7, 2023

Shareholding Range	Number of Shareholders	Shares	%
1 - 999	23,409	1,070,503	0.73%
1,000 - 5,000	15,637	32,736,321	22.47%
5,001 - 10,000	2,538	19,306,289	13.25%
10,001 - 15,000	742	9,333,985	6.41%
15,001 - 20,000	422	7,664,086	5.26%
20,001 - 30,000	366	9,160,155	6.29%
30,001 - 40,000	149	5,260,969	3.61%
40,001 - 50,000	87	3,993,848	2.74%
50,001 - 100,000	117	8,233,427	5.65%
100,001 - 200,000	45	6,142,846	4.22%
200,001 - 400,000	20	5,462,710	3.75%
400,001 - 600,000	9	4,524,904	3.11%
600,001 - 800,000	2	1,224,607	0.84%
800,001 - 1,000,000	2	1,810,725	1.24%

Shareholding Range	Number of Shareholders	Shares	%
Over 1,000,001	9	29,756,007	20.43%
Total	43,554	145,681,382	100.00%

2. Preferred Share: None.

4.1.4 Major Shareholders

April 7, 2023

	Shares	%
Chu-Liang, Cheng	8,650,747	5.94%
Cathay Life Insurance Company, Ltd.	7,149,920	4.91%
TransGlobe Life Insurance Inc.	4,100,800	2.81%
Tay-Jen, Chen	2,097,440	1.44%
Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds	1,828,349	1.26%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1,811,862	1.24%
Norges Bank	1,769,469	1.21%
Zheng-Zhong,Yang	1,277,000	0.88%
An-Min,Xu	1,070,420	0.73%
Emerging Markets Core Equity Portfolio of DFA Investment Dimensions Group Inc.	983,320	0.67%
Total	30,739,327	21.09%

4.1.5 Market Price, Net Worth, Earnings, and Dividends Per Common Share

Unit: shares, NT$

Item		Year	2021	2022	2023Q1(Note 5)
Market Price Per Share	Highest		71.40	57.50	43.05
	Lowest		48.00	34.00	36.25
	Average		58.98	44.06	40.55
Net Worth Per Share	Before distribution		27.71	27.25	26.96
	After distribution		25.91	(Note1)	-
Earnings Per Share	Weighted average shares		145,681,382	145,681,382	145,681,382
	Earnings per share		2.55	1.32	(0.28)
Dividends Per Share	Cash Dividend		1.8	0.5 (Note1)	-
	Stock Dividends	Stock Dividends Appropriated from Retained Earnings	-	-	-
		Stock Dividends Appropriated from Capital Reserve	-	-	-
	Accumulated Undistributed Dividends		-	-	-
Return on	Price/Earnings Ratio (Note 2)		23.13	33.38	-

Item	Year	2021	2022	2023Q1(Note 5)
Investment	Price/Dividend Ratio (Note 3)	32.77	88.12	-
	Cash Dividend Yield Rate (Note 4)	3.05%	1.13%	-

Note 1:Include the cash dividends for 2022 which were approved by Board of Directors on March 23, 2023.

Note 2:Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 3: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 4: Cash dividend Yield Rate= Cash Dividends per Share / Average Market Price

Note 5: Net Worth Per Share,Earnings Per Share and Weighted average shares have been reviewed,others was till March 31, 2023.

4.1.6 Dividend Policy and Distribution of Earnings

1.Dividend policy

The Company's dividend policy is to evaluate the company's future capital needs, financial structure, and earnings. As the Company is in the growth stage with the industry outlook and development trend changing rapidly, continuous investment, R&D and a sound financial structure are required to create a competitive advantage. Future earnings will be appropriately distributed in the form of stock dividends or cash dividends, depending on the Company's operation. The total amount of dividends shall be at least 5% of the distributable earnings for the current year, of which cash dividends shall not be less than 20% of the total dividends.

2. Status of expected dividend distribution at the shareholders meeting

The Company's 2022 earnings distribution in cash dividend was proposed the Board of Directors on March 22, 2023. A cash dividend of NT$72,840,691 and a cash dividend of NT$0.5 per share were proposed as the distributable earnings

4.1.7 Impact to 2023 Business Performance and EPS of Stock Dividend Distribution: Not applicable.

4.1.8 Employees' Profit Sharings and Directors' Compensation

1. The percentage or scope of remuneration for employees and directors as stated in the Articles of Association

If the Company makes a profit in the year, it shall allocate 8% to 15% as the remuneration of its employees, which shall be distributed in shares or in cash by resolution of the Board of Directors.

The Company shall allocate not more than 3% of the above profit as the remuneration of the directors, which shall be distributed in cash upon the resolution of the Board of Directors.

However, if the Company has accumulated losses, the Company shall have reserved a sufficient amount to offset its accumulated losses, and then distribute the employees and directors' remuneration in accordance with the previous ratio.

2. The basis for estimating the amount of employee and directors remuneration, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual dividend amount and the estimated figure, for the current period

The estimation of employee and director's remuneration is based on the distribution amount stipulated in the Articles of Association, and is calculated according to the estimated amount of the earnings distribution ratio stipulated in the Articles of Association. After the end of the year, if there is a major change in the distribution amount resolved by the Board of Directors, the change will be adjusted to the original annual expense. If there is still a change in the amount by the resolution date of the shareholders' meeting, it will be treated as a change in accounting estimate, and adjusted and recognized with the resolution of the shareholders' meeting. If the shareholders' meeting decides to adopt share distribution as employee compensation, the number of shares to be distributed is determined by the amount of resolution remuneration divided by the fair value of the stock which refers to the closing price on the day before the resolution of the shareholders' meeting (with considering of ex-rights and ex-dividends).

3. Compensation to be distributed as resolved in the board of directors

(1) Employee remuneration and director remuneration distributed in cash or shares:

Compensation to Employees - Stock: NT$0

Compensation to Employees - Cash: NT$34,000,000

Compensation to Directors: NT$8,000,000

There is no difference between the recognized amount of the employees' and directors' remuneration this year and the distribution amount in the resolution of the Board of Directors.

(2) The size of employee compensation as a percentage of the sum of the after-tax net income distributed in stocks for the current period and total employee profit-sharing compensation: Not Applicable.

4. Distribution of remuneration of employees and directors in previous year

Distribution of Earnings in 2021		The approved amount by Board of Directors	Actual distribution	Difference	Item
Employee stock compensation	Shares distributed (shares)	-	-	-	-
	Distributed amount (NT$)	-	-	-	-
	Distributed share price (NT$)	-	-	-	-
Employees' Profit Sharing (Cash)		55,500,000	55,500,000	-	-
Directors' Compensation (Cash)		15,500,000	15,500,000	-	-

There is no difference between the estimated and the the actual amounts subsequently paid.

4.1.9 Buyback of Common Stock: None

4.2 Issuance of Corporate Bonds: None.

4.3 Preferred Shares: None.

4.4 Issuance of Global Depositary Receipt: None.

4.5 Status of Employee Stock Option Plan

4.5.1 Issuance of Employee Stock Options: None.

4.5.2 Employee Stock Options Granted to Management Team and to Top 10 Employees: None.

4.6 Status of Employee Restricted Stock

4.6.1 Status of Employee Restricted Stock: None.

4.6.2 Employee Restricted Stock Granted to Management Team and to Top 10 Employees: None.

4.7 Status of New Share Issuance in Connection with Mergers and Acquisitions: None.

4.8 Funding Plans and Implementation

The Company has not issued or privately placed securities that has not been completed or has been completed within the last three years where the benefits have not yet recognized.

5. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

1. Major contents of the business operation undertaken:

   (1) Optical Information Products

   (2) Optical Communication Products

   (3) Power Semiconductor Products

2.Operation proportion (including subsidiaries)

Unit: NT$ thousands

Product	2022 Sales	%
Optical Information and Optical Communication Products	1,554,314	23%
Power Semiconductor Products	5,221,467	77%
Total	6,775,781	100%

3. The current merchandise (services) items of the Company

Currently, the Company's primary business is the R&D, production and manufacturing of high-precision optoelectronic products and power semiconductors, but also provides related product services:

   (1) Optical Information Products

   (2) Optical Communication Products

   (3) Power Semiconductor Products

4. New products (services) under development

   (1) high power laser diodes.

   (2) laser projection modules.

   (3)lasers and modules for 3D sensing.

   (4)automotive LiDar-related application components.

   (5) Expand the application of COS technology.

   (6) 5G mobile communication related components.

   (7) signal AOC cable for high speed computing

   (8) high-efficiency, high-voltage and multi-chip modular power management components.

   (9) GaN on silicon epitaxial wafers.

   (10) silicon base fiber splicing technologies.

   (11) high-speed multi-line assembly process.

   (12)transmission components of dense wavelength division multiplexing thermal control system.

5.1.2 Industry overview

1. Current status and development of the industry:

Laser diodes are optoelectronic components that use III-V on silicon compound technology to generate light energy through semiconductor energy gap. Technically, to improve efficiency and precisely control the movement of electrons and photons, epitaxial growth technology of multi-layer semiconductor thin film materials is used. At the same time, the resonant cavity is formed by etching and other chip processes to amplify light and form laser output.

In response to the increasing demand for multi-functional integrated, light, and compact consumer electronics products, power management efficiency improvement is very important under limited power or battery capacity, and power semiconductor components play a key role. At the same time, the Internet of Things, 5G and AI will drive the future growth of demand for power semiconductors and further create business opportunities and industry development.

(1) Optical laser diode

The application of optical laser diodes has slowly expanded from optical CD players to 3D sensing, automotive industry, and projectors. The application of optical laser in 3D sensing has been used in various products including autonomous driving and AR applications. It is currently in the productization stage with future market potential.

(2) Optical communication laser diode

Optical communication laser diode is mainly used in the transmission and reception of audio, data, and cable TV signal optical fiber communication. Optical communication laser diodes include optical source and optical detectors in active optical components. The commonly used optical emitters are divided into three categories, including Fabry-Perot (FP), Distributed FeedBack (DFB) and Vertical Cavity Surface Emitting Laser Diode (VCSEL). Common photodetectors are divided into Positive Intrinsic Negative (PIN-TIA) and Avalanche Photodiode Transimpedance Amplifier (APD-TIA).

The future demand for optical communication will increase with the expanding application of data center transmission, the popularization of the 5G mobile communication and the commercialization of the 6G mobile communication where multi-division of labor and bandwidth has also increased the requirements for high-precision product packaging and testing due to the increase in demand for digital high-definition audio-visual applications and radio frequency bands.

(3) Power Semiconductor

With the environmental protection and energy saving issues gaining more attention, energy-saving technology becomes one of the important development topics where consumer electronic products that emphasize low power consumption and power saving are becoming more popular, driving the stable and continuous growth and development of power semiconductors.

The application of the Internet of Things, 5G, and AI will also drive the continuous growth of power semiconductors and provide more profitable business opportunities through complex systems such as cloud computing, software platforms, and back-end services.

Industrial and automotive electronic chips have slowly become the market where semiconductor companies compete with increasing demand for industrial automation in programmable logic controllers, inverters, servo motors, low-voltage circuit breakers, and energy-saving auxiliary products. As a result, the automotive electronics is benefiting from the development of smart cars where applications such as car bodies and entertainment systems become more complex. Thus, the demand for semiconductor chips has increased significantly.

Power semiconductors are widely used components in oscillating circuits and switching circuits. Although some functions of power semiconductors can be integrated into integrated circuits, power semiconductors still play an indispensable role in high-power circuits, high-voltage circuits, low-noise circuits, and high-frequency circuits.

2. Association among the up-, mid- and down streams

The laser diodes industry is divided into upstream epitaxial wafer manufacturing, midstream die manufacturing, downstream packaging and testing, and subsystem applications based on the process. The laser diodes development in Taiwan started with downstream packaging applications, mainly in the production of laser pointers where the output has gradually shrunk due to the low entry barriers and price competition from Mainland China. In recent years, domestic laser diode manufacturers have developed towards the optical communication and other application markets and are gradually developing toward midstream and upstream R&D, hoping to seize the optical communication laser diode market through technological breakthroughs. Due to the need for fully automated production of optical communication laser diodes and the monopolized technology market by American and Japanese manufacturers, only a very small number of domestic manufacturers have mass production capabilities. As the Company has the ability of fully automatic production and testing, it has more advantages in the manufacture of optical laser diodes or optical communication laser diodes. For the application of laser diodes in data transmission, 5G mobile communication, 3D sensing, automotive industry and projectors, with the very high entry barrier in product packaging and testing integration, only a very few of the many international epitaxy and chip manufacturers can meet the specifications and achieve production, and their packaging and testing are outsourced to the Company.

The power semiconductor industry is divided into upstream discrete components and IC design companies, midstream discrete components and IC wafer manufacturers, and downstream discrete components and IC packaging and testing plants. The global industrial development is developing toward horizontal division of labor and professional OEM with a complete upstream, midstream, and downstream structure and a very high degree of industry linkage.

3. Product Development Trend

The application of laser diodes for 3D sensing has been widely used in various products such as in augmented reality (AR) applications for autonomous driving. It is currently in the productization stage with future market potential.

The optical communication industry is thriving under the global Fiber To The x (FTTx), communication base station, long-distance backbone network, and data center establishment, driven by the construction of communication networks in emerging countries and the upgrading of communication networks in developed countries. Telecom operators are taking advantage of the technological advantages of telecommunication networks to provide two-way, interactive, and high-definition video services with greater bandwidth, providing growth opportunities for the optical fiber communication components and equipment industry.

The requirements for the integration of power semiconductor components and the improvement of power conversion efficiency are bound to become the market mainstream. The product demand is moving toward smaller output voltage and extremely high current output drive capability, increased switching frequency, improved power conversion efficiency, and reduced losses during low voltage output transitions. The requirements of green and environmental protection, energy saving, and carbon reduction are the key global issues. Thus, the semiconductor packaging and testing industry will demonstrate an industry trend with a few major manufacturers with sufficient economic scale to maintain competitive advantages.

4. Product competition

In the global market, American, Japanese, and European optical laser diode manufacturers provide the most complete supply and development. The Company competes and collaborates with horizontal division of labor to ensure its core competitiveness and maintains good relationship with leading international manufacturers to jointly develop products and technologies. The Company has the mass production professional OEM capacity of optical high-power laser diode at a leading position in the OEM market. It is also leading in the future mass production capacity of new optical products.

The laser diodes optical communication has a global market. The Company provides joint product design and mass production, actively collaborates with international manufacturers, and introduces production with fully automated mass production technology, which results in a niche advantage in the market. The Company leads the world in market share and sales of advanced products and is one of the world's largest optical communication laser diode packaging and testing factories.

There are several competitors for power semiconductor components, but major international manufacturers still focus on the packaging and testing of microprocessors and general-purpose logic IC. Power semiconductor packaging and testing will inevitably have a crowding out effect under their overall production capacity allocation and scheduling. Thus, the Company specializes in focusing on power semiconductor packaging and testing services.

In addition, the Company strives to fulfill the corporate responsibility for sustainable operation where products and processes follow environmental protection requirements and applicability, logistics and supply chain support with other geographical advantages make the Company the trusted partner of leading manufacturers.

5.1.3 Technology & know-how and research & development in summary:

1. R&D expenditure in the latest year and up to the publication date of the annual report

Unit: NT$ thousand

Year / Item	2022	As of March 31, 2023
R&D expenses	142,626	42,871
Net operating revenue	6,775,781	1,262,932
% of R&D expenses to net revenue	2.10%	3.39%

2. Successfully developed technologies or products in the latest year and up to the publication date of the annual report

(1) High speed EML (Electro-absorption Modulators Laser).

(2) 400G optical module

(3) UVC LED.

(4) 3D sensor light source module

(5) Dense wavelength division multiplexing transmission component

(6) High power semiconductor SMD type products

(7) High power all around semiconductor products

(8) Copper sheet and aluminum pins soldering technology

(9) Multi-chip modular products

(10) High-power semiconductor single crystal and stacked crystal products

(11) Silicon photonics package process

(12) Optical fiber stripping/cutting/melting assembly process

5.1.4 Long and short-term business development programs

1. Short-term development plan

(1) R&D and product development strategy

A. Extend COS technology related products application

B. Research and development of high power laser diodes.

C. Research and development of laser projection modules.

D. Research and development of 3D sensor laser & module

E. Research and development of signal AOC cable for high speed computing

F. Research and development of high speed optical fiber communication module

G. Research and development of dense wavelength division multiplexing thermal control System transmission components

H. Research and development of LiDAR application components

I. Research and development of power semiconductor welding structure technology

J. Research and development of multi-chips module

(2) Production strategy

A. Research and develop improvement on TO-CAN process, improve process yield and efficiency.

B. Research and develop improvement on TOSA process, improve process yield and efficiency.

C. Research and develop improvement on COS process, improve process yield and efficiency.

D. Research and develop improvement on power semiconductor manufacturing process, improve process yield and efficiency.

(3) Marketing strategy

A. Establish high standards for quality and technology, and enhance international branding and popularity.

B. Establish and strengthen collaboration with international manufacturers to create opportunities for mutual benefit.

C. Participate in the project and investment of forward-looking products.

(4) Operation and financial strategies

A. Implement ISO9001, ISO14001, IATF16949 and other quality management systems.

B. Strengthen inventory control and supplier management.

C. Strengthen financial management and cost control to improve the ability to respond to risks and market fluctuations.

2. Long-term development plan

(1) R&D and product development strategy

A. Continue to introduce and cultivate R&D talents to strengthen R&D capabilities.

B. Research and development of high-end products based on precision packaging and testing.

C. Develop specialized process, high-quality multi-functional and competitive products.

(2) Production strategy

A. Continue to improve production efficiency and yield, reduce costs, and improve competitiveness.

B. Implement the “Elite Advanced Laser produces quality” concept, strengthen the ability and attitude of production employees, and create an efficient production culture.

(3) Marketing strategy

A. Collaborate with customers to develop new products and provide cost and quality advantages to create a win-win opportunity.

B. Develop new applications and new customers with process technology.

C. Continue to strengthen after-sales service and maintain positive interaction and trust with customers.

(4) Operation and financial strategies

A. Strengthen the people-oriented business philosophy and personnel training to improve the personnel and work quality.

B. Continue to develop the business with Ahead, Able, Agility, Accountable professionalism.

C. Lead the industry with R & D capabilities, mass production and professional technology.

D. Strengthen risk management, and implement a stable, efficient and flexible business philosophy.

5.2 Markets, production and marketing in summary

5.2.1 Market analyses

1. Sales (distribution) regions of key products (services)

Unit: NT$ thousand

Region		2022	
		Amount	%
Domestic sales		3,167,040	47%
Export	Asia	2,643,357	39%
	North America	787,601	12%
	Other	177,783	2%
Total		6,775,781	100%

2. Market share

The Company’s primary business is packaging and testing OEM services for laser diode and power semiconductor products. For laser diode products, Elite Advanced Laser Corporation is not only one of the top three packaging and testing foundries in the world, but its customers are mostly leading companies in the optical communication and optical information industries. The output of power semiconductor products is less than 1% of the global semiconductor market. However, as the Company focuses on power semiconductor packaging and testing services, it is relatively small compared to the overall industry chain, it is a limited information.

3.The future market supply and demand and growth potential

(1) Demand

In laser diode market, short wavelengths are mostly used in the application of optical information products, while long wavelengths are developed towards the optical communication market and high-energy light detection applications. Overall, optical communication laser diodes still have the potential to grow as countries upgrade their communication networks and expand cloud data processing centers; the application of sensing lasers is rapidly expanding. With the increase in the power of green lasers and the reduction in costs for micro-projectors, the demand for personal home products has increased greatly, and the demand are to be expected.

With the increase in power demand and the rising awareness of energy conservation for power semiconductor components, the importance for efficiency-related technologies has increased. The demand for power semiconductors in the automotive and industrial terminal markets is particularly strong. The automotive applications such as automotive power systems, entertainment systems, and advanced assisted driving systems will drive up the demand for power semiconductors significantly. Home control, automation, energy generation and distribution are the fastest growing applications in the industrial market, and the power generation and distribution, automation market also have a good forecast. The development of smart grid solutions, embedded systems for the Internet of Things and new 5G platforms has driven the rapid growth of power semiconductors in the industrial market.

(2) Supply

Major domestic packaging and testing manufacturers: Elite Advanced Laser Corporation, Arima Lasers Corporation, PCL Technologies (Taiwan) CO., LTD., LuxNet Corporation, TrueLight Corporation, Advanced Semiconductor Engineering, etc.

Major foreign packaging and testing manufacturers: Mitsubishi, Rohm, Coherent, Fabrinet, Wuhan Yusheng Optical Devices Co. Ltd, Zhongji Innolight Co., Ltd., etc.

4. Competitive niche

(1)The Company’s management and technical team has more than 20 years of industry experience. It is the earliest fully automatic laser diode production team in Taiwan, and it is now a world-renowned laser diode foundry.

(2)It can develop and design manufacturing process and machinery equipment with cost advantages.

(3)The Company’s main customers are world-renowned manufacturers with a strong customer base, and their leading positions in the global electronic or optoelectronic product market or the ability to formulate industry standard specifications will help to promote new products or new processes in the future.

(4)Develop new products with customers and maintain good collaboration and strategic partnerships.

5. Advantages and disadvantages of development and countermeasures

(1) Advantages

A. With the construction or upgrading of optical communication networks in various countries, coupled with cloud computing, optical communication will continue to grow in the future.

B. Although the use of laser diodes in assisted driving and projectors is in its infancy, it has market potential.

C. Use of laser diodes are increasing in sensing applications.

D. Major laser diode manufacturers will continue or increase the outsource of key components to OEMs.

E. It takes a long time for world-leading customers to verify new strategic partners, and most of the manufacturing processes and technical capabilities are developed by the

Company, forming a challenging entry barrier, and solidifying the Company's market leading position.

F. The product life cycle of power semiconductor is long with little impact from the business cycle fluctuations. The proportion of IDM manufacturers outsourcing manufacturing will continue to increase.

(2) Unfavorable factors

A. Lack of talent

In recent years, with the development of the semiconductor industry, the demand for engineers and technical personnel has increased sharply, resulting in unstable engineers and technical personnel employment with rising wages.

B. The optical communication industry in Mainland China is resourceful with economic of scale

The optical communication industry in Mainland China is not only the largest market in the world, but it also gradually develops to upstream market from modules and sub-modules to TO-CAN, chip, and epi. The industry is resourceful with economic of scale.

C. Price impacted by reduced prices of downstream products

With the increasing popularity of laser diode applications, its price will continue to drop. Manufacturers are facing increasingly stringent cost competition, causing the price of upstream materials-laser diodes to be reduced, which will affect the profits of laser diode packaging manufacturers.

D. Gradual increase in power semiconductor capital expenditure and rising raw material costs

Due to the increase in outsourcing orders from major IDM manufacturers, packaging and testing manufacturers have aggressively expanded their production capacity; coupled with rapid changes in packaging and testing technology which have gradually become higher-level manufacturing processes, the required capital expenditures have become increasingly large. The price of key raw materials for power semiconductor packaging and testing continues to rise, which has brought impact and challenges to the overall industry.

(3)Countermeasures

A. In addition to investing a large amount of R&D funds to cultivate talents every year, the Company implements people-oriented management and employee bonus policies to retain and recruit outstanding talents. The Company also encourages R&D personnel to further their education and participate in regular seminars and technical exchanges in the industry and universities. Thus, since the establishment of the Company, the turnover rate of R&D personnel has been low, and its R&D experience can be passed on and establish a solid technical foundation.

B. With the current consumer electronics market, it is an inevitable trend to see prices of various electronic products to drop. However, the Company focuses on its core competitiveness, strengthens the ability to design automated process equipment, continues to improve product quality and production efficiency, and expands the scale of mass production to reduce costs.

C. The Company actively develop new products in the fields of data centers, metaverses, laser projection modules, and smart driving. It and T1 customers continue to collaborate on R&D and focus on high-precision products. Through resource integration and R&D capabilities, collaboration and innovation, the Company continue its investment on the

R&D for advanced laser packaging technology.

D. In response to the gradual increase in power semiconductor capital expenditures, the Company continues to work with customers on the R&D for packaging and testing technologies. It observes the market demand, accurately and timely launches product technologies that meet customer demand, and carefully evaluates investment plans to reduce related investment and risks and maximize its operation return. The Company fully observes the relevant information on changes in raw materials and provides solutions such as alternatives and improved process technology to increase product yield, reduce the impact of rising costs, and maintain a stable and profitable competitiveness.

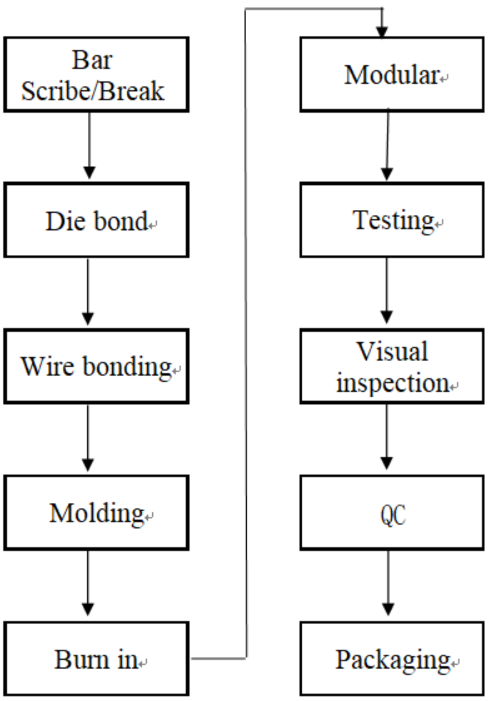
E. Closely observe the impact of industrial relocation, supply chain restructuring, and localization due to international trade conflicts and epidemics to respond to the changes. Furthermore, the Company's business strategy is to expand product application and capacity and develop potential long-term customers.

5.2.2 Manufacturing process and key purposes of our principal products

1. Key purposes of our principal products

Key products	Application
Optical laser	3D sensing, AR/VR, automotive laser headlights, laser printers, CD drives, automotive HUD, laser projectors, industrial high-power lasers
Optical communication laser	FTTH, TELECOM, DATACOM, CATV
Power semiconductor components	Computer products, handheld devices, automotive electronics, home appliances, industrial products

2.Production process



5.2.3 Supply status of major raw materials

Department	Major raw materials	Supplier	Supply status
Optical Information and Optical Communication Products	Die	Customers	Excellent
	Wire	Company T	Excellent
	Base	Company S/ Company H/ Company G	Excellent
	Metal cover	Company P/ Company S/ Company N/ Company G	Excellent
Power Semiconductor Products	Lead frame	Company A/ Company B/ Company C	Excellent

5.2.4 Major Suppliers and Customers

1. Major Customers

Unit: NT$ thousands

Item	2021				2022				2023Q1			
	Company	A mount	% of Net Sales	Relation with Issuer	Company	Amount	% of Net Sales	Relation with Issuer	Company	Amount	% of Net Sales	Relation with Issuer
1	Client AAO	841,720	12	-	Client AAO	1,115,607	16	-	Client AAO	256,994	20	-
2	Client X	764,303	11	-	Client X	546,558	8	-	Client X	28,241	2	-
3	Others	5,591,517	77	-	Others	5,113,616	76	-	Others	977,697	78	-
	Net Sales	7,197,540	100		Net Sales	6,775,781	100		Net Sales	1,262,932	100	

Note: Due to Client AAO increases in product demand at 2022.

2. Major Suppliers

Unit: NT$ thousands

Item	2021				2022				2023Q1			
	Company	Amount	% of Net Purchase	Relation with Issuer	Company	Amount	% of Net Purchase	Relation with Issuer	Company	Amount	% of Net Purchase	Relation with Issuer
1	Others	3,166,513	100	-	Others	2,635,608	100	-	Others	765,020	100	-
	Net Purchase	3,166,513	100		Net Purchase	2,635,608	100		Net Purchase	765,020	100	

Note: Not applicable as the Company's procurement from a single supplier does not exceed 10% of its total procurement in the last two calendar years.

5.2.5 Production in the Last Two Years

Unit: Capacity/Output (K pcs) Amount (NT$ thousands)

Year / Output	2021			2022		
	Capacity	Output	Amount	Capacity	Output	Amount
Optical Information and Optical Communication Products	49,814	34,748	2,161,291	49,814	18,098	1,750,701
Power Semiconductor Products	5,691,290	5,504,911	4,624,556	7,308,600	4,909,664	5,073,719
Total	5,741,104	5,539,659	6,785,847	7,329,020	4,927,762	6,824,420

5.2.6 Shipments and Sales in the Last Two Years

Unit: Shipments (thousand pcs) / Net Revenue (NT$ thousands)

Shipments and Sales / Year / Major Products	2021				2022			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Optical Information and Optical Communication Products	5,577	386,383	41,231	2,055,228	1,948	223,940	17,668	1,330,374
Power Semiconductor Products	3,890,707	2,749,497	1,614,204	2,006,432	3,396,286	2,943,100	1,513,378	2,278,367
Total	3,896,284	3,135,880	1,655,435	4,061,660	3,398,234	3,167,040	1,531,046	3,608,741

Note: The domestic and foreign revenue for the Company's 2022 optical information and optical communication products have decreased due to the decrease in respective market demand. The domestic and foreign sales of power semiconductor products also decreased; however, due to product optimization, the revenue has increased.

5.3 Human Resources

Unit: person/ %

Year		2021	2022	March 31, 2023
Number of employees	Administrative personnel	550	534	534
	R&D and technical personnel	781	736	740
	Operator	1,518	1,389	1,298
	Total	2,849	2,659	2,572
Average age		39	40.7	41.1
Average years of service		6.50	6.85	7.01
Academic qualification	Doctoral Degree	9	7	7
	Master’s Degree	62	63	64
	Bachelor’s Degree	1,026	986	960
	High school	1,252	1,147	1,092
	Below high school	500	456	449

5.4 Environmental Protection Expenditure

Any losses suffered by the Company in the latest year and up to the publication date of the annual report due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken: None

Response to the EU RoHS:

1. The Company's management measures in line with RoHS:

(1) The quality assurance department conducts the planning, and the procurement and R&D departments are responsible for the coordination.

(2) Formulate relevant document management regulations, and implement green product management and manufacturing.

2. RoHS Compliance:

(1) The Company's products have obtained the ISO14001 Environmental Management System certification.

(2) It complies with the relevant RoHS specification requirements.

5.5 Employee-employer relationship

5.5.1The Company Employee benefits, continuing education, training, retirement systems, and the status of their implementation, as well as the status of agreements between labor and management, and all measures aimed at preserving the rights and interests of employees

1.Employee benefits, continuous education and training

(1) Comprehensive labor insurance, health insurance, and group insurance

Employees of the Company will have labor insurance, national health insurance and other related benefits on the date of employment; the Company also purchases group insurance for employees' medical security; at the same time, it is available for immediate family members to participate at their own expense to ensure a comprehensive protection.

(2)Employee salary adjustment and bonus system

The Company uses performance as the standard for evaluating salary adjustments and considers the CPI fluctuations for appropriate salary adjustments.

The Company also distributes year-end bonuses for a fixed number of months for the livelihood of employees.

(3) Remuneration to employees and stock ownership

The Company has an employee stock option system and an employee remuneration system to allow employees to participate in the Company's operations, share in the growth and profits, and operating risks to increase employees' synergy and develop team spirit.

(4) Employee activity

In addition to the establishment of the employee welfare committee, the Company allocated a certain percentage of welfare funds at the time of establishment in accordance with its organizational regulations, and allocated a fixed percentage of welfare funds to the welfare committee from operating income every month for employee welfare activities.

Leisure-

The Company regularly organizes leisure activities such as tourism and family days to develop team bonding and team spirit.

Festivals-

To show the Company's gratitude towards the employees and celebrate the festivals, the Company has allowances for Labor Day, three Chinese festivals (Spring Festival, Dragon Boat Festival, and Mid-Autumn Festival), weddings and funerals, and employee birthdays; the Company also hold year-end lottery dinners to show appreciation to employees.

(5) Health examination

In addition to the statutory health examination items, the Company provides a number of free health examination items to meet the needs of employees.

(6) Employee continuous education and training

The new employees must first pass the pre-employment training course on their first day. During their tenure, they will receive professional and technical training according to different functions and business needs to strengthen the functions of employees and effectively improve the business performance and competitiveness of the Company.

The Company and its subsidiaries spent a total of NT$2,454 thousand on employee training in 2022, and the total number of participants was 27,305.

2 .Retirement system

The Company has established a labor pension supervisory committee and has formulated rules for the retirement of staff employees where participation qualification are full-time employees of the Company. In addition, in response to the implementation of the "Labor Pension Act" (hereinafter referred to as the new labor pension system) in July 2005, the Company has completed the reporting process, and regularly allocates pensions to the account designated by the Bureau of Labor Insurance every month in accordance with the regulations. For employees who choose the old labor pension system, two base units will be given for each full year of service according to their service years within 15 years (inclusive), and one base unit will be given for each additional year after the 15th year with a total limited to 45 base units. The average salary of the six months before retirement is approved as the basis for calculating the pension.

The Company's affiliated companies have formulated relevant measures for employee retirement in accordance with local regulations.

3. Labor-management agreement and various employee rights and interests protection measures:

The Company has always emphasized on people-oriented management with the concept of co-existence and team of labor and management. In addition to labor-management meetings, the communication of labor-management is handled through multiple channels, so the rights and interests of employees are protected, and both parties can communicate and work toward the same goal.

5.5.2 List any losses suffered by the Company in the latest year and up to the publication date of the annual report due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken.

Disposition dates	Disposition reference numbers	Articles of law violated	Substance of the legal violations	Penalty amount
April 14, 2022	Hsin-Pei-Fu-Lao-Chien-Tzu No. 1114740726	Paragraph 2, Article 32 of the Labor Standards Act	Working hours longer than the legal limit	120,000

April 14, 2022	Hsin-Pei-Fu-Lao-Chien-Tzu No. 11147407261	Paragraph 1, Article 36 of the Labor Standards Act	A worker shall have two regular days off every seven days. One day is a regular leave and the other one is a rest day.	120,000
March 6, 2023	Hsin-Pei-Fu-Lao-Chien-Tzu No. 1124655687	Paragraph 1, Article 23 of the Occupational Safety and Health Act	There should be one class-1 manager of occupational safety and health affairs, one occupational safety (health) management specialist and two occupational safety and health management personnel.	30,000

Countermeasures:

1. The Company continues to promote production automation and improve the efficiency of the production process to reduce the challenges of hiring manpower and increase the efficiency for production station arrangements.
2. Extended working hours and wages are paid in accordance with the Labor Standards Act.
3. There are external training, testing and certification for relevant internal employees to make up for the 2 vacancies of occupational safety and health management personnel.

5.6 ICT security management

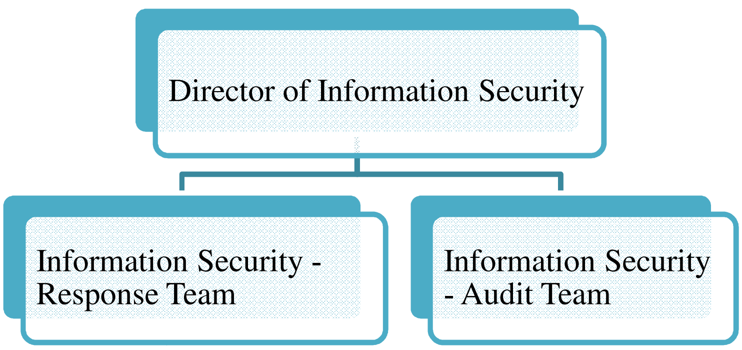
5.6.1 ICT security risk management framework, ICT security policy, specific management plan and the resources invested in the ICT security management, etc.

1. ICT security risk management framework

The IT department of the Company is responsible for the overall planning and implementation of relevant information security policies. After chairman approval, information security is regularly advocated, and information security education and training are implemented to enhance the information security awareness of all employees. It collects and improves the technology, product or program structure of the organization's information security management system, and the audit department conducts information security checks and confirmations on internal control policies and information security issues every year and evaluates the effectiveness and implementation of the internal control of the Company's information operations.

The Company has established a cross-departmental information security committee, assigned senior executives to serve as the information security director to lead information security management, and the audit department conducts annual internal control review of information security, and reports to the Board of Directors. In addition to reporting to the Board of Directors, it accepts external inspections every year, and regularly checks the compliance with the Company's system and adjusts in response to changes in the operating environment.

The Company's relevant information security organization structure is as follows:



2. ICT Security Policy

To strengthen and implement information security management, the Company has established relevant internal control management systems such as computer information system processing cycle and information security policy management methods. It also has established a reliable computerized operating environment for security and storage to protect the Company's data, system, equipment, and network security, safeguard the interests of the company and the sustainable operation of the information systems of each unit, and facilitate the promotion of ESG related matters. The Company expects all employees to jointly achieve the following goals.

(1) Responsible for the information security and education and training, and implementation for regular information security audit operations to ensure information security and implementation

(2) Responsible for information security operation and protection, confidentiality, and integrity of information assets

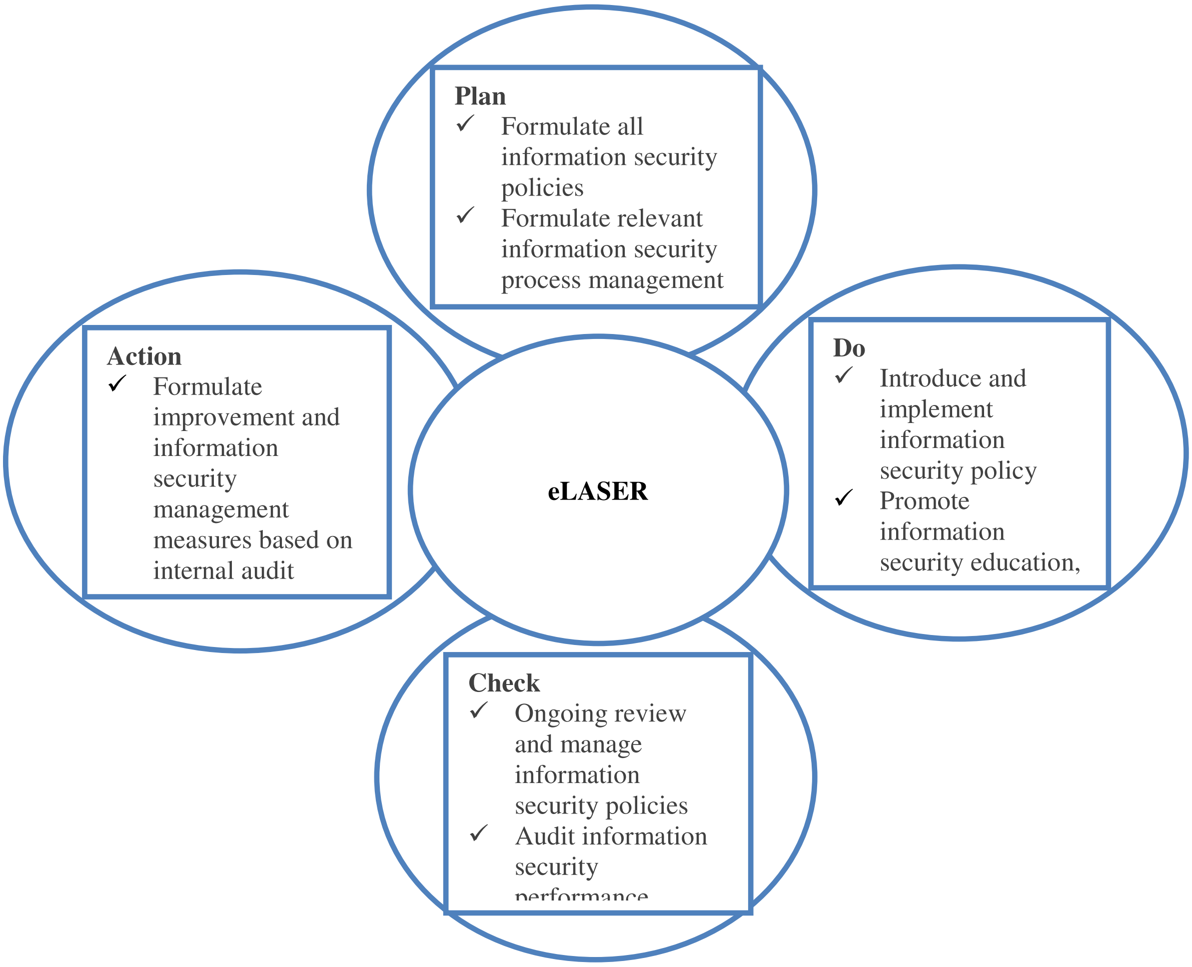
(3) Responsible for network management and security management to ensure continuous operation of the information system

(4) Responsible for system access control management, and strictly prevent unauthorized/ modification or use of data and systems

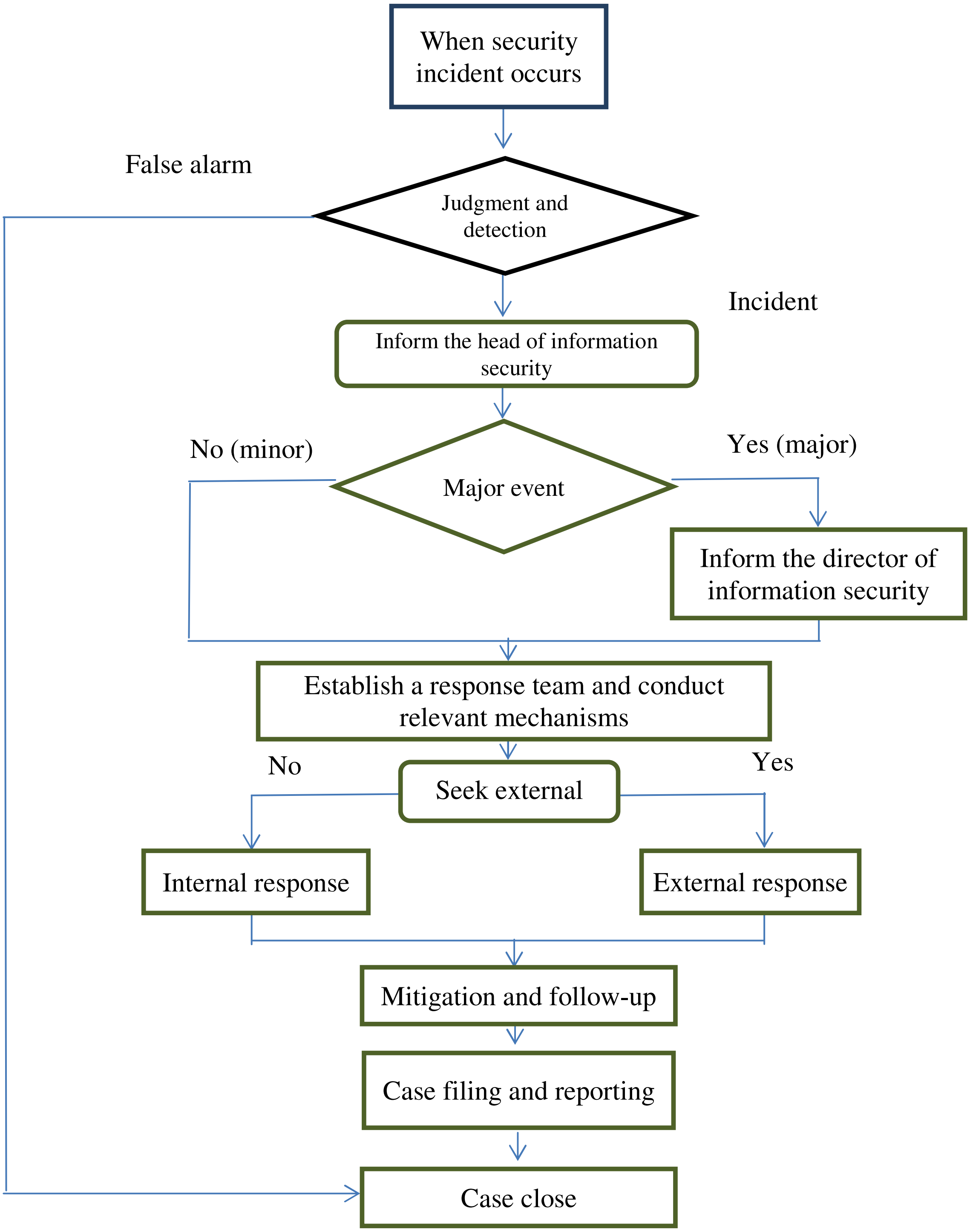
3. Specific management plan

Data backup	•Back up all important information system databases everyday •Set up daily back up for important files on file server
User Internet access control	•Adapt URL filtering for users who may link to websites with Trojan viruses, ransomware viruses or malicious programs. •Set provisions to prevent suspicious and abnormal online behaviors.
Firewall Protection	•Set relevant information security management principles •VPN management and application process control
Anti-virus/Anti-ransomware software	•Regularly update the anti-virus •Establish anti-virus/ anti-hacking mechanisms to reduce risks
Set up email security	•Anti-virus scans for unsafe attachment files. •Set principles for receiving/sending from abnormal domains

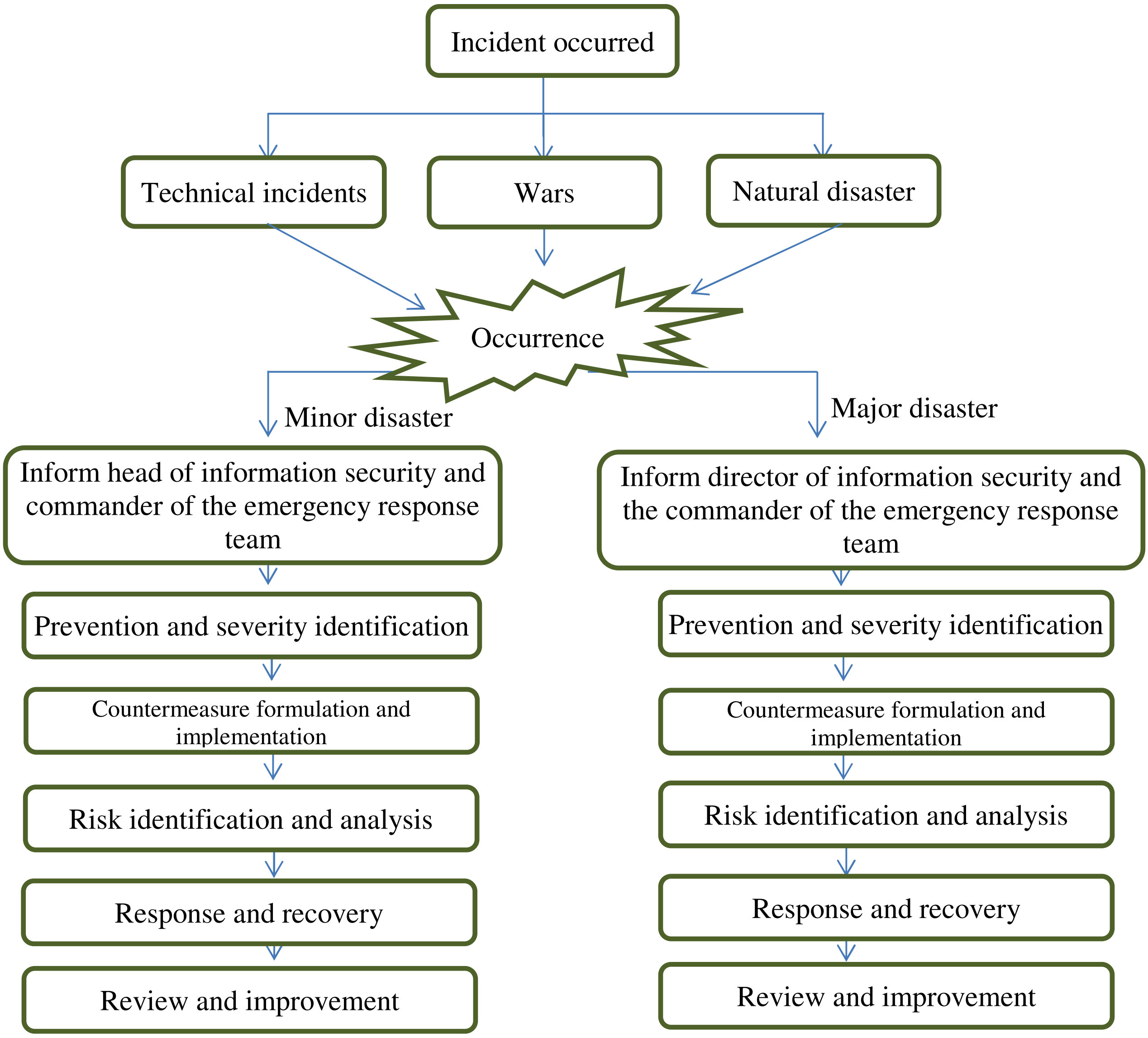
(1) Information security management process:



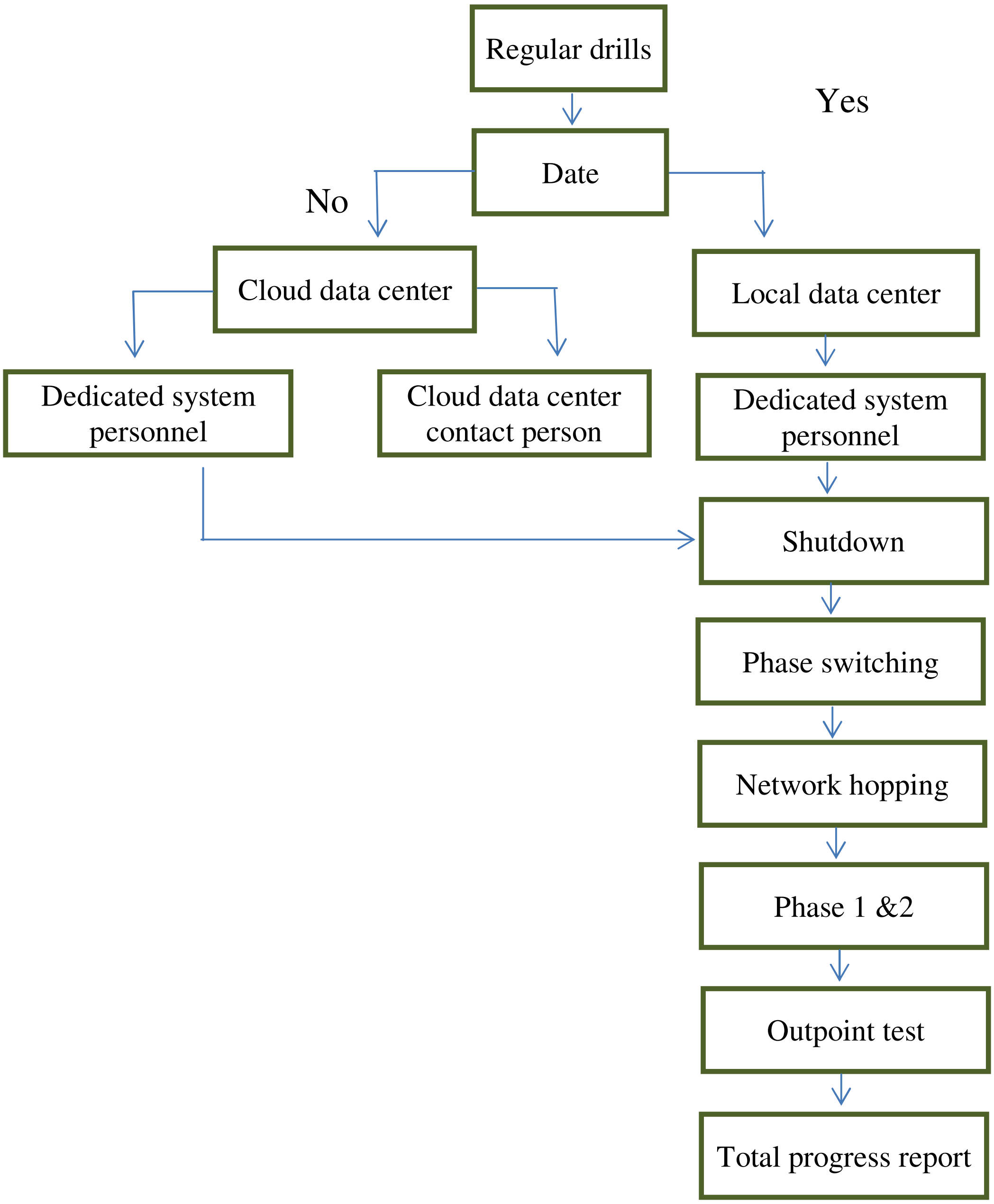
(2) Information security incident reporting process:



(3) Information security incident handling process:



(4) Regular drills and follow-up schedule for information security



4. Investment on information security

The Company invested approximately NT$850 thousand in 2022 to maintain the quality of information security management and ensure operational safety.

5.6.2 List the losses, possible impacts, and countermeasures from major ICT security incidents in the latest year and up to the publication date of the annual report. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.

Since the introduction of the [ICT Security Risk Management Framework], the Company has no major information security incidents that resulted in business loss. The information unit continues to implement the information security management policy objectives, and regularly implements recovery plan drills, is internally and externally audited every year to ensure the Company's important systems and data security.

5.7 Important contract

(List the contents that are still valid up to the publication date of the annual report)

Contract nature	Participants	Contract start and end dates	Main contents	Restrictive clauses
Supply/sales	Company N	The contract took effect on July 13, 2005, and it will continue to be valid until both parties propose to terminate the contract.	Manufacturing agreement	Duty of confidentiality
Supply/sales	Company Z	The contract took effect on June 28, 2006, and it will continue to be valid until both parties propose to terminate the contract.	Manufacturing agreement	Duty of confidentiality
Supply/sales	Company X	The contract took effect on June 30, 2014, and it will continue to be valid until both parties propose to terminate the contract.	Manufacturing agreement	Duty of confidentiality
Supply/sales	Company U	The contract took effect on April 1, 2015, and it will continue to be valid until both parties propose to terminate the contract.	Manufacturing agreement	Duty of confidentiality
Supply/sales	Company AAA	The contract took effect on January 1, 2016, and it will continue to be valid until both parties propose to terminate the contract.	Manufacturing agreement	Duty of confidentiality
Supply/sales	Company AAD	The contract took effect on February 1, 2016, and it will continue to be valid until both parties propose to terminate the contract.	Manufacturing agreement	Duty of confidentiality
Supply/sales	Company AAB	The contract took effect on March 1, 2016, and it will continue to be valid until both parties propose to terminate the contract.	Manufacturing agreement	Duty of confidentiality
Supply/sales	Company AAC	The contract took effect on May 1, 2016, and it will continue to be valid until both parties propose to terminate the contract.	Manufacturing agreement	Duty of confidentiality
Supply/sales	Company AAE	The contract took effect on June 7, 2017, and it will continue to be valid until both parties propose to terminate the contract.	Manufacturing agreement	Duty of confidentiality
Supply/sales	Company AAL	The contract took effect on December 14, 2018, and it will continue to be valid until both parties propose to terminate the contract.	Manufacturing agreement	Duty of confidentiality

Contract nature	Participants	Contract start and end dates	Main contents	Restrictive clauses
Supply/sales	Company AAI	The contract took effect on April 24, 2021, and it will continue to be valid until both parties propose to terminate the contract.	Manufacturing agreement	Duty of confidentiality
Supply/sales	Company AAT	The contract took effect on September 1, 2021, and it will continue to be valid until both parties propose to terminate the contract.	Manufacturing agreement	Duty of confidentiality
Supply/sales	Company AAS	The contract took effect on October 30, 2021, and it will continue to be valid until both parties propose to terminate the contract.	Manufacturing agreement	Duty of confidentiality
Supply/sales	Company AAU	The contract took effect on October 3, 2022, and it will continue to be valid until both parties propose to terminate the contract.	Manufacturing agreement	Duty of confidentiality

6. Financial Highlights and Analysis

6.1 Financial Highlights

6.1.1 Condensed Balance Sheet

1. Condensed Balance Sheet from 2018 to 2023Q1 (Consolidated)

Unit: NT$ thousands

Item \ Year		Financial information from 2018 to 2023Q1 (Note 1)					
		2018	2019	2020	2021	2022 (Note 3)	2023Q1
Current assets		4,734,576	4,349,484	4,375,260	4,595,982	4,626,832	4,286,129
Property, plant and equipment		2,981,724	3,008,185	3,149,548	4,362,364	4,670,386	4,927,737
Intangible assets		2,965	5,181	5,983	6,523	38,753	37,717
Other assets		662,743	514,384	776,226	966,998	850,036	458,101
Total assets		8,382,008	7,877,234	8,307,017	9,931,867	10,186,007	9,709,684
Current liabilities	Before distribution	1,992,027	1,690,005	2,023,912	2,680,263	2,570,265	2,466,578
	After distribution	2,429,071	1,835,686	2,227,866	2,942,489	Note 2	Note 2
Non-current liabilities		557,331	525,611	471,090	1,190,976	1,377,324	1,338,039
Total liabilities	Before distribution	2,549,358	2,215,616	2,495,002	3,871,239	3,947,589	3,804,617
	After distribution	2,986,402	2,361,297	2,698,956	4,133,465	Note 2	Note 2
Equity attributable to owners of the parent company		3,991,862	3,765,265	3,867,989	4,037,183	3,969,678	3,928,184
Capital stock		1,456,814	1,456,814	1,456,814	1,456,814	1,456,814	1,456,814
Capital surplus		442,843	442,843	452,272	452,272	452,294	452,304
Retained earnings	Before distribution	2,126,179	1,933,699	2,025,242	2,193,398	2,128,288	2,088,197
	After distribution	1,689,135	1,788,018	1,821,288	1,931,172	Note 2	Note 2
Others		(33,974)	(68,091)	(66,339)	(65,301)	(67,718)	(69,131)
Treasury stock		—	—	—	—	—	
Non-controlling interests		1,840,788	1,896,353	1,944,026	2,023,445	2,268,740	1,976,883
Total equity	Before distribution	5,832,650	5,661,618	5,812,015	6,060,628	6,238,418	5,905,067
	After distribution	5,395,606	5,515,937	5,608,061	5,798,402	Note 2	Note 2

Note 1: (1) The Company has invested in its subsidiary eLaser Technologies Co., Ltd. since August 2011; it has invested in its subsidiary GEM Services, Inc. since June 2012; it has invested in its subsidiary Centera Photonics Inc. since December 2022.
(2) The consolidated financial statements from 2018 to 2021 have been audited.
(3) The consolidated financial statements for the first quarter of 2023 have been reviewed.

Note 2: The Company's 2022 profit distribution proposal has not yet been approved with the resolution of the 2023 shareholders' meeting.

Note 3: The new standards are in effect as in January 1, 2023 and are applied retrospectively where the items affected by the previous financial statements on December 31, 2022 have been restated

2. Condensed Balance Sheet from 2018 to 2022 (Unconsolidated)

Unit: NT$ thousands

Item / Year		Financial information from 2018 to 2022 (Note 1)				
		2018	2019	2020	2021	2022
Current assets		1,386,413	979,142	1,139,176	1,132,533	803,584
Investments accounted for using equity method		2,038,597	2,097,089	2,079,011	2,181,644	2,517,612
Property, plant and equipment		1,741,249	1,620,156	1,569,968	1,925,280	1,729,769
Intangible assets		1,347	1,490	1,337	2,794	1,581
Other assets		186,835	164,372	257,123	117,171	107,986
Total assets		5,354,441	4,862,249	5,046,615	5,359,422	5,160,532
Current liabilities	Before distribution	819,448	608,832	716,568	652,661	409,498
	After distribution	1,256,492	754,513	920,522	914,887	Note 2
Non-current liabilities		543,131	488,152	462,058	669,578	781,356
Total liabilities	Before distribution	1,362,579	1,096,984	1,178,626	1,322,239	1,190,854
	After distribution	1,799,623	1,242,665	1,382,580	1,584,465	Note 2
Capital stock		1,456,814	1,456,814	1,456,814	1,456,814	1,456,814
Capital surplus		442,843	442,843	452,272	452,272	452,294
Retained earnings	Before distribution	2,216,179	1,933,699	2,025,242	2,193,398	2,128,288
	After dividend distribution	1,779,135	1,788,018	1,821,288	1,931,172	Note 2
Others		(33,974)	(68,091)	(66,339)	(65,301)	(67,718)
Total equity	Before distribution	3,991,862	3,765,265	3,867,989	4,037,183	3,969,678
	After distribution	3,554,818	3,619,584	3,664,035	3,774,957	Note 2

Note 1: The financial statements from 2018 to 2022 have been audited.

Note 2: The Company's 2022 profit distribution proposal has not yet been approved with the resolution of the 2023 shareholders' meeting.

6.1.2 Condensed Statement of Comprehensive Income

1. Condensed Statement of Comprehensive Income from 2018 to 2023Q1 (Consolidated)

Unit: NT$ thousands

Item \ Year	Financial information from 2018 to 2023Q1 (Note 1)					
	2018	2019	2020	2021	2022	2023Q1
Operating revenue	6,842,243	5,750,790	6,208,576	7,197,540	6,775,781	1,262,932
Gross profit	1,744,042	1,284,276	1,426,473	1,692,666	1,291,989	216,908
Income from operations	1,142,551	721,141	888,192	1,113,397	608,491	63,967
Non-operating income and expenses	235,220	48,349	(73,354)	(28,374)	294,185	(1,610)
Income before Income tax	1,377,771	769,490	814,838	1,085,023	902,676	62,357
Income from continuing operations	985,435	565,619	571,224	790,641	648,321	17,551
Gain(loss) from discontinued operations	—	—	—	—	—	—
Net income	985,435	565,619	571,224	790,641	648,321	17,551
Other comprehensive income (loss) for the year, net of income tax	(12,466)	(69,743)	(193)	4,205	(29)	(3,111)
Total comprehensive income	972,969	495,876	571,031	794,846	648,292	14,440
Net income attributable to						
owners of the parent company	390,282	326,393	330,342	419,588	456,497	(40,091)
non-controlling interests	588,451	210,447	238,976	374,011	194,699	57,642
Total comprehensive income attributable to						
owners of the parent company	588,451	210,447	238,976	374,011	194,699	(41,504)
non-controlling interests	384,518	285,429	332,055	420,835	453,593	55,944
Earnings per share (NT$)	4.09	1.64	1.65	2.55	1.32	(0.28)

Note 1: (1) The Company has invested in its subsidiary eLaser Technologies Co., Ltd. since August 2011; it has invested in its subsidiary GEM Services, Inc. since June 2012; it has invested in its subsidiary Centera Photonics Inc. since December 2022.

(2) The consolidated financial statements from 2018 to 2023 have been audited.

(3) The consolidated financial statements for the first quarter of 2023 have been reviewed.

2. Condensed Statement of Comprehensive Income from 2018 to 2022 (Unconsolidated)

Unit: NT$ thousands

Year / Item	Financial information from 2018 to 2022 (Note 1)				
	2018	2019	2020	2021	2022
Operating revenue	3,321,859	2,187,258	2,365,912	2,427,628	1,539,186
Gross profit	663,549	168,277	207,620	287,339	36,592
Income from operations	376,240	(78,775)	(38,121)	31,309	(262,903)
Non-operating income and expenses	218,913	347,237	345,805	432,043	499,081
Profit from continuing operations before tax	795,905	268,462	307,684	463,352	241,289
Income from continuing operations	595,153	239,226	240,882	371,053	241,824
Gain(loss) from discontinued operations	–	–	–	–	–
Net income	595,153	239,226	240,882	371,053	191,824
Other comprehensive income (loss) for the year, net of income tax	(6,702)	(28,779)	(1,906)	2,958	2,875
Total comprehensive income	588,451	210,447	238,976	374,011	194,699
Earnings per share (NT$)	4.09	1.64	1.65	2.55	1.32

Note 1: The financial statements of 2018 and 2022 have been audited.

6.1.3 Auditors' Opinions from 2018 to 2022

Year	CPA's firm	CPA	Audit Opinion	Reasons for changes
2018	Deloitte & Touche	Chung-Cheng, Chen; Chien-Hsin, Hsieh	An Unqualified opinion	None
2019	Deloitte & Touche	Chung-Cheng, Chen; Chien-Hsin, Hsieh	An Unqualified opinion	None
2020	Deloitte & Touche	Chung-Cheng, Chen; Chien-Hsin, Hsieh	An Unqualified opinion	None
2021	Deloitte & Touche	Keng-Hsi, Chang; Chien-Hsin, Hsieh	An Unqualified opinion	Internal job adjustment
2022	Deloitte & Touche	Keng-Hsi, Chang; Chien-Hsin, Hsieh	An Unqualified opinion	None

6.2 Financial Analysis

6.2.1 Financial Analysis from 2018 to 2023Q1 (Consolidated)

Item	Year	Financial Analysis from 2018 to 2023Q1 (Note 1)					
		2018	2019	2020	2021	2022 (Note 2)	2023Q1
Capital Structure Analysis	Debts Ratio (%)	30.41	28.13	30.03	38.98	38.66	39.18
	Long-term Fund to Property, Plant and Equipment (%)	214.09	205.68	199.49	166.23	162.71	146.99
Liquidity Analysis	Current Ratio (%)	237.68	257.37	216.18	171.48	180.01	173.77
	Quick Ratio (%)	216.79	233.20	190.50	142.43	150.84	145.73
	Times Interest Earned (Times)	512.99	136.12	205.37	256.18	113.29	25.15
Operating Performance Analysis	Average Collection	5.07	5.05	5.58	5.60	5.74	5.34
	Days Sales Outstanding	71.99	72.27	65.41	65.17	63.58	68.35
	Average Inventory	11.58	12.01	12.21	11.48	8.93	6.38
	Average Payment	6.12	5.36	5.54	5.48	5.64	5.43
	Average Inventory	31.51	30.39	29.89	31.79	40.87	57.21
	Property, Plant and Equipment Turnover	2.57	1.92	2.02	1.92	1.50	1.05
	Total Assets Turnover	0.82	0.73	0.75	0.72	0.67	0.13
Profitability Analysis	Return on Total Assets (%)	12.32	7.02	7.10	8.71	6.51	0.79
	Return on Equity attributable to Shareholders of the Parent (%)	17.42	9.84	9.96	13.32	10.53	1.16
	Pre-tax Income to Paid-in Capital Ratio	94.57	52.82	55.93	74.48	61.96	17.12
	Net Margin (%)	14.40	9.84	9.20	10.98	9.55	1.39
	Basic Earnings Per Share (NT$)	4.09	1.64	1.65	2.55	1.32	(0.28)
Cash Flow	Cash Flow Ratio (%)	87.37	63.30	58.16	46.74	74.72	3.44
	Cash Flow Adequacy Ratio	165.96	143.23	131.11	101.74	115.54	113.91

Item \ Year		Financial Analysis from 2018 to 2023Q1 (Note 1)					
		2018	2019	2020	2021	2022 (Note 2)	2023Q1
	Cash Flow Reinvestment Ratio (%)	11.09	4.00	7.88	6.81	11.05	0.73
Leverage	Operating Leverage	1.42	1.80	1.67	1.59	2.36	4.43
	Financial Leverage	1.00	1.01	1.00	1.00	1.01	1.01

Analysis of deviation of 2022 vs. 2021 over 20%:

1. Times Interest Earned (Times)↓：The decrease was mainly due to lower income.
2. Average Inventory Turnover (Times) ↓：The decrease was mainly due to lower inventory.
3. Average Inventory Turnover Days↑：The increase was mainly due to lower sales
4. Property, Plant and Equipment Turnover (Times)↓：The decrease was mainly due to lower sales。
5. Return on Total Assets (%)↓：The decrease was mainly due to lower income.
6. Return on Equity attributable to Shareholders of the Parent (%)↓：The decrease was mainly due to lower income.
7. Basic Earnings Per Share (NT$) ↓：The decrease was mainly due to lower income.
8. Cash Flow Ratio (%)↑：mainly due to increase in cash provided by operating activities.
9. Cash Flow Reinvestment Ratio↑：mainly due to increase in cash provided by operating activities.
10. Operating Leverage↑：The decrease was mainly due to lower income.

Note 1: (1) The Company has invested in its subsidiary eLaser Technologies Co., Ltd. since August 2011; it has invested in its subsidiary GEM Services, Inc. since June 2012; it has invested in its subsidiary Centera Photonics Inc. since December 2022.
(2)The consolidated financial statements from 2018 to 2023 have been audited.
(3)The consolidated financial statements for the first quarter of 2023 have been reviewed.

Note 2: The new standards are in effect as in January 1, 2023 and are applied retrospectively where the items affected by the previous financial statements on December 31, 2022 have been restated

6.2.2 Financial Analysis from 2018 to 2022 (Unconsolidated)

Item \ Year		Financial Analysis from 2018 to 2022 (Note 1)				
		2018	2019	2020	2021	2022
Capital Structure Analysis	Debts Ratio (%)	25.45	22.56	23.35	24.67	23.08
	Long-term Fund to Property, Plant and Equipment (%)	260.44	262.53	275.80	244.47	274.66
Liquidity Analysis	Current Ratio (%)	169.19	160.82	158.98	173.53	196.24
	Quick Ratio (%)	144.57	122.24	113.83	120.31	118.37

Item	Year	Financial Analysis from 2018 to 2022 (Note 1)				
		2018	2019	2020	2021	2022
	Times Interest Earned (Times)	296.77	87.77	127.51	126.30	52.33
Operating Performance Analysis	Average Collection Turnover (Times)	5.38	5.04	6.23	6.55	5.76
	Days Sales Outstanding	67.84	72.42	58.58	55.72	63.36
	Average Inventory Turnover (Times)	9.14	8.94	8.96	9.19	7.72
	Average Payment Turnover (Times)	7.21	6.29	6.85	7.06	7.34
	Average Inventory Turnover Days	39.93	40.82	40.73	39.71	47.27
	Property, Plant and Equipment Turnover (Times)	1.91	1.35	1.51	1.26	0.89
	Total Assets Turnover (Times)	0.62	0.45	0.47	0.45	0.30
Profitability Analysis	Return on Total Assets (%)	11.54	4.73	4.90	7.19	3.72
	Return on Equity attributable to Shareholders of the Parent (%)	15.23	6.17	6.31	9.39	4.79
	Pre-tax Income to Paid-in Capital Ratio (%)	54.63	18.43	21.12	31.81	(17.70)
	Net Margin (%)	17.92	10.94	10.18	15.28	12.46
	Basic Earnings Per Share (NT$)	4.09	1.64	1.65	2.55	1.32
Cash Flow	Cash Flow Ratio (%)	96.47	1.94	25.16	29.63	4.42
	Cash Flow Adequacy Ratio (%)	116.4	92.08	78.47	48.60	43.49
	Cash Flow Reinvestment Ratio (%)	7.65	-8.5	0.68	-0.24	(4.40)
Leverage	Operating Leverage	1.69	-2.47	-5.77	9.6	(0.10)

Item \ Year		Financial Analysis from 2018 to 2022 (Note 1)				
		2018	2019	2020	2021	2022
	Financial Leverage	1.01	0.96	0.94	1.13	0.98

Analysis of deviation of 2022 vs. 2021 over 20%:

1. Times Interest Earned (Times) ↓ ：The decrease was mainly due to lower income.
2. Property, Plant and Equipment Turnover (Times) ↓ ：The decrease was mainly due to lower sales.
3. Total Assets Turnover (Times) ↓ ：The decrease was mainly due to lower sales.
4. Return on Total Assets (%) ↓ ：The decrease was mainly due to lower income.
5. Return on Equity attributable to Shareholders of the Parent (%) ↓ ：The decrease was mainly due to lower income.
6. Pre-tax Income to Paid-in Capital Ratio (%) ↓ ：The decrease was mainly due to lower income.
7. Basic Earnings Per Share (NT$) ↓ ：The decrease was mainly due to lower income.
8. Cash Flow Adequacy Ratio (%) ↓ ：Mainly due to decrease in cash provided by operating activities.
9. Cash Flow Reinvestment Ratio (%) ↑ ：Mainly due to decrease in cash provided by operating activities and increase in cash equivalents.
10. Operating Leverage ↓ ：The decrease was mainly due to lower sales。

Note 1: The consolidated financial statements from 2018 to 2023 have been audited.

Glossary:

1. Capital Structure Analysis
   (1) Debt Ratio = Total Liabilities / Total Assets
   (2) Long-term Fund to Property, Plant and Equipment Ratio = (Shareholders' Equity + Noncurrent Liabilities) / Net Property, Plant and Equipment
2. Liquidity Analysis
   (1) Current Ratio = Current Assets / Current Liabilities
   (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities
   (3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses
3. Operating Performance Analysis
   (1) Average Collection Turnover = Net Sales / Average Trade Receivables (including Accounts Receivable and Notes Receivable originated from operation)
   (2) Days Sales Outstanding = 365 / Average Collection Turnover
   (3) Average Inventory Turnover = Cost of Sales / Average Inventory
   (4) Average Payment Turnover = Cost of Sales / Average Trade Payables (including Accounts Payable and Notes Payable originated from operation)
   (5) Average Inventory Turnover Days = 365 / Average Inventory Turnover
   (6) Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment
   (7) Total Assets Turnover = Net Sales / Average Total Assets
4. Profitability Analysis
   (1) Return on Total Assets = (Net Income + Interest Expenses * (1 - Effective Tax Rate)) / Average Total Assets
   (2) Return on Equity Attributable to Shareholders of the Parent = Net Income Attributable to

Shareholders of the Parent / Average Equity Attributable to Shareholders of the Parent

(3) Pre-tax Income to Paid-in Capital Ratio = Income before Tax / Paid-in Capital

(4) Net Margin = Net Income / Net Sales

(5) Earnings Per Share = (Net Income Attributable to Shareholders of the Parent - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding

5. Cash Flow

(1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities

(2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend

(3) Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Property, Plant and Equipment + Long-term Investments + Other Noncurrent Assets + Working Capital)

6. Leverage

(1) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations

(2) Financial Leverage = Income from Operations / (Income from Operations - Interest Expenses)

6.3 Audit Committee's Review Report

Elite Advanced Laser Corporation

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2022 Business Report, Financial Statements, and proposal for allocation of yearly earnings. The CPA firm of Deloitte & Touche was retained to audit eLaser's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and quarterly earnings allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of Elite Advanced Laser Corporation. According to relevant requirements of the Securities and Exchange Act and the Company Law, we hereby submit this report.

Elite Advanced Laser Corporation

Chairman of the Audit Committee: Chi-Yu, Yang

March 23, 2023

6.4 Consolidated Financial Statements and Independent Auditors' Report

ELITE ADVANCED LASER CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements for the Years Ended December 31, 2022 and 2021 and Independent Auditors' Report

REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of Elite Advanced Laser Corporation as of and for the year ended December 31, 2022, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, "Consolidated Financial Statements". In addition, the information required to be disclosed in the consolidated financial statements is included in the consolidated financial statements. Consequently, Elite Advanced Laser Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

ELITE ADVANCED LASER CORPORATION
By

Chu-Liang, Cheng
Chairman
March 23, 2023

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Elite Advanced Laser Corporation

Opinion

We have audited the accompanying consolidated financial statements of Elite Advanced Laser Corporation and its subsidiaries (the "Group"), which comprise the consolidated balances sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and of cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key audit matters of the Group's consolidated financial statements for the year ended December 31, 2022 is as follows:

<u>The veracity of the sales revenue of specific customers</u>

The Group's operating income in 2022 was NT$6,775,781 thousand, a decrease of 6% from 2021. Among them, customers with transaction of a material amount with on-going growth for 48% of the overall operating income, which has a significant impact on consolidated financial statements. Thus, we have considered sales authenticity related to the aforementioned specific customers as a key audit matter in the consolidated financial statements in 2022. Please refer to Note 4 (16) of the Consolidated Financial Statements for the description of the income recognition policy.

Our audit procedures for this include:

1. By understanding the relevant internal control systems and operating procedures of the sales transaction cycle, we design the internal control auditing procedures according to the veracity of the sales revenue and confirm and evaluate the relevant internal control procedure during the sales transactions for whether the design and implementation are effective.
2. We obtain the list of the above-mentioned customers in 2022, and evaluate whether their relevant background, transaction amount, credit line and company size are reasonable.
3. We select samples from the above-mentioned customer sales details, examine the sales slips, customs declarations, bills of lading, sales invoices, post-period collections, and post-period major sales returns to confirm the veracity of the sales revenue.

Other Matter

We have also audited the parent company only financial statements of Elite Advanced Laser Corporation as of and for the years ended December 31, 2022 and 2021, on which we have issued an unqualified audit opinion.

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

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

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

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that most significance in the audit of the consolidated financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the reviews resulting in this independent auditors' review report are Keng-Hsi, Chang and Chien-Hsin, Hsieh.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 23, 2023

Notice to Readers

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

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

ELITE ADVANCED LASER CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

		December 31, 2022		December 31, 2021	
Code	ASSETS	Amount	%	Amount	%
	CURRENT ASSETS				
1100	Cash and cash equivalents (Notes 4 and 6)	$ 2,542,423	25	$ 2,071,077	21
1136	Financial assets at amortized cost - Current (Notes 4, 5, 7, 8 and 36)	12,500	-	-	-
1140	Current contract assets (Notes 4, 5 and 24)	151,762	2	209,458	2
1150	Notes receivable (Notes 4, 5, 9 and 24)	-	-	20,245	-
1170	Accounts receivable (Notes 4, 5, 9 and 24)	986,290	10	1,328,772	13
1180	Accounts receivable due from related parties (Notes 4, 5, 24 and 35)	9,583	-	8,717	-
1200	Other receivables (Notes 4, 5 and 9)	164,211	2	177,486	2
1210	Accounts receivable due from related parties (Notes 4, 5 and 35)	43	-	110	-
1220	Current tax asset (Notes 4 and 26)	10,086	-	1,674	-
130X	Inventories (Notes 4 and 10)	527,241	5	472,483	5
1410	Prepayments (Note 18)	222,693	2	305,960	3
11XX	Total current assets	4,626,832	46	4,595,982	46
	NON-CURRENT ASSETS				
1540	Financial assets at amortized cost - Non-current (Notes 4, 5, 7, 8 and 36)	741	-	-	-
1550	Investments accounted for using equity method (Notes 4 and 12)	101,489	1	88,869	1
1600	Property, plant and equipment (Notes 4, 13, 29 and 36)	4,670,386	46	4,362,364	44
1755	Right-of-use assets (Notes 4 and 14)	154,230	1	172,661	2
1760	Investment property (Notes 4 and 15)	57,214	1	64,529	-
1805	Goodwill (Notes 4 and 16)	32,577	-	-	-
1821	Intangible assets (Notes 4 and 17)	6,176	-	6,523	-
1840	Deferred tax assets (Notes 4 and 26)	96,860	1	67,985	1
1990	Other non-current assets (Notes 4, 5, 9 and 18)	423,071	4	572,954	6
15XX	Total non-current assets	5,542,744	54	5,335,885	54
1XXX	TOTAL	$10,169,576	100	$ 9,931,867	100
Code	LIABILITIES AND EQUITY				
	CURRENT LIABILITIES				
2100	Short-term borrowings (Notes 4, 19 and 36)	$ 71,170	1	$ -	-
2130	Current contract liabilities (Notes 4, 24 and 35)	16,019	-	28,134	-
2170	Accounts payable	874,883	9	1,066,263	11
2180	Accounts payable to related parties (Notes 4 and 35)	1,907	-	-	-
2200	Other payables (Notes 20 and 32)	1,199,217	12	1,163,815	12
2220	Other payable to related parties (Notes 4 and 35)	15,014	-	-	-
2230	Current tax liabilities (Notes 4 and 26)	128,967	1	171,053	2
2250	Current provisions (Notes 4 and 21)	36,419	-	34,123	-
2280	Current lease liabilities (Notes 4 and 14)	42,745	-	35,670	-
2300	Other current liabilities (Note 20)	146,192	2	98,151	1
2320	Long-term borrowings due within 1 year (Notes 4, 19 and 36)	37,732	-	83,054	1
21XX	Total current liabilities	2,570,265	25	2,680,263	27
	NON-CURRENT LIABILITIES				
2540	Long-term borrowings (Notes 4, 19 and 36)	367,268	4	275,936	3
2570	Deferred tax liabilities (Notes 4 and 26)	348,313	4	325,885	3
2580	Lease liabilities (Notes 4 and 14)	73,709	1	96,164	1
2640	Net defined benefit liabilities (Notes 4 and 22)	31,562	-	37,712	-
2670	Others (Notes 20, 32 and 35)	540,041	5	455,279	5
25XX	Total non-current liabilities	1,360,893	14	1,190,976	12
2XXX	Total liabilities	3,931,158	39	3,871,239	39
	EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 23)				
	Capital stock				
3110	Common stock	1,456,814	14	1,456,814	15
3200	Capital Surplus	452,294	5	452,272	5
	Retained earnings				
3310	Legal reserve	773,432	7	736,221	7
3320	Special reserve	65,301	1	66,339	1
3350	Unappropriated earnings	1,289,555	13	1,390,838	14
3300	Total retained earnings	2,128,288	21	2,193,398	22
3400	Others	(67,718)	(1)	(65,301)	(1)
31XX	Total equity attributable to owners of the Company	3,969,678	39	4,037,183	41
36XX	NON-CONTROLLING INTERESTS (Notes 4, 23, 28 and 31)	2,268,740	22	2,023,445	20
3XXX	Total equity	6,238,418	61	6,060,628	61
	TOTAL	$10,169,576	100	$ 9,931,867	100

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

ELITE ADVANCED LASER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

		2022		2021	
Code		Amount	%	Amount	%
	OPERATING REVENUE (Notes 4, 24 and 35)				
4100	Sales Revenue	$ 6,469,775	95	$ 6,799,765	94
4800	Other Operating revenue	306,006	5	397,775	6
4000	Total revenue	6,775,781	100	7,197,540	100
	OPERATING COSTS (Notes 10, 25, 29 and 35)				
5110	Cost of goods sold	(5,449,641)	(80)	(5,456,380)	(76)
5800	Other operating costs	(34,151)	(1)	(48,494)	(1)
5000	Total operating costs	(5,483,792)	(81)	(5,504,874)	(77)
5900	GROSS PROFIT	1,291,989	19	1,692,666	23
	OPERATING EXPENSES (Notes 4, 9, 24, 25 and 28)				
6100	Selling and distribution expense	(42,439)	(1)	(44,165)	(1)
6200	General and administrative	(440,494)	(7)	(376,568)	(5)
6300	Research and development	(142,626)	(2)	(149,862)	(2)
6450	Expected credit impairment loss	(26,458)	-	(8,674)	-
6000	Total operating expenses	(652,017)	(10)	(579,269)	(8)
6500	OTHER GAINS AND LOSSES (Notes 4, 13 and 25)	(31,481)	-	-	-
6900	INCOME FROM OPERATIONS	608,491	9	1,113,397	15
	NON-OPERATING INCOME AND EXPENSES (Notes 4, 12, 25 and 35)				
7100	Interest income	16,972	1	6,146	-
7010	Other income	15,030	-	12,956	-
7020	Other gains and losses	255,587	4	(54,188)	-
7050	Finance costs	(8,039)	-	(4,252)	-
7060	Share of profit of associates accounted for using equity method	14,635	-	10,964	-
7000	Total non-operating income and expenses	294,185	5	(28,374)	-
7900	INCOME BEFORE INCOME TAX	$ 902,676	14	$ 1,085,023	15
7950	INCOME TAX EXPENSES (Notes 4 and 26)	(254,355)	(4)	(294,382)	(4)
8200	NET INCOME	648,321	10	790,641	11

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Code		2022 Amount	2022 %	2021 Amount	2021 %
	OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 22, 23 and 26)				
8310	Items that will not be reclassified subsequently to profit or loss:				
8311	Remeasurement of defined benefit obligation	6,615	-	2,400	-
8349	Income tax expense related to item that will not be reclassified subsequently	(1,323)	-	(480)	-
8360	Items that will not be reclassified subsequently to profit or loss				
8361	Exchange differences arising on translation of foreign operations	(5,925)	-	2,544	-
8399	Income tax profit (expense) related to items that will be reclassified subsequently	604	-	(259)	-
8300	Other comprehensive income(loss) for the period, net of income tax	(29)	-	4,205	-
8500	TOTAL COMPREHENSIVE INCOME	$ 648,292	10	$ 794,846	11
	NET INCOME ATTRIBUTABLE TO				
8610	Owners of the Company	$ 191,824	3	$ 371,053	5
8620	Non-controlling interests	456,497	7	419,588	6
8600		$ 648,321	10	$ 790,641	11
	TOTAL COMPREEHENSIVE INCOME ATTRIBUTABLE TO				
8710	Owners of the Company	$ 194,699	3	$ 374,011	5
8720	Non-controlling interests	453,593	7	420,835	6
8700		$ 648,292	10	$ 794,846	11
	EARNINGS PER SHARE (Note 27)				
	From continuing operations				
9710	Basic earnings per share	$ 1.32		$ 2.55	
9810	Diluted earnings per share	$ 1.31		$ 2.51	

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

ELITE ADVANCED LASER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

		Equity attributable to owners of the Company								
				Retained earnings			Other equity			
Code		Capital stock	Capital surplus	Legal capital reserve	Special capital reserve	Unappropriated earnings	Foreign currency translation reserve	Total	Non-controlling interests	Total equity
A1	BALANCE AT JANUARY 1, 2021	$ 1,456,814	$ 452,272	$ 712,499	$ 68,091	$ 1,244,652	($ 66,339)	$ 3,867,989	$ 1,944,026	$ 5,812,015
	Distribution of 2020 earnings (Note 23)									
B1	Legal capital reserve	-	-	23,722	-	(23,722)	-	-	-	-
B3	Special capital reserve	-	-	-	(1,752)	1,752	-	-	-	-
B5	Cash dividends to shareholders	-	-	-	-	(203,954)	-	(203,954)	-	(203,954)
		-	-	23,722	(1,752)	(225,924)	-	(203,954)	-	(203,954)
M5	Difference between consideration received and the carrying amount of subsidiaries' net assets during actual acquisitions (Notes 23 and 31)	-	-	-	-	(863)	-	(863)	863	-
D1	Net income in 2021	-	-	-	-	371,053	-	371,053	419,588	790,641
D3	Other comprehensive income (loss) in 2021, net of income tax	-	-	-	-	1,920	1,038	2,958	1,247	4,205
D5	Total comprehensive income (loss) in 2021	-	-	-	-	372,973	1,038	374,011	420,835	794,846
O1	Cash dividends issued from subsidiaries (Note 23)	-	-	-	-	-	-	-	(284,571)	(284,571)
O1	Decrease in non-controlling interests (Notes 23 and 31)	-	-	-	-	-	-	-	(57,708)	(57,708)
Z1	BALANCE AT DECEMBER 31, 2021	1,456,814	452,272	736,221	66,339	1,390,838	(65,301)	4,037,183	2,023,445	6,060,628
	Distribution of 2021 earnings (Note 23)									
B1	Legal capital reserve	-	-	37,211	-	(37,211)	-	-	-	-
B3	Special capital reserve	-	-	-	(1,038)	1,038	-	-	-	-
B5	Cash dividends to shareholders	-	-	-	-	(262,226)	-	(262,226)	-	(262,226)
		-	-	37,211	(1,038)	(298,399)	-	(262,226)	-	(262,226)
M7	Changes in percentage of ownership interests in subsidiaries (Notes 23, 25 and 28)	-	22	-	-	-	-	22	-	22
D1	Net income in 2022	-	-	-	-	191,824	-	191,824	456,497	648,321
D3	Other comprehensive income (loss) in 2022, net of income tax	-	-	-	-	5,292	(2,417)	2,875	(2,904)	(29)
D5	Total comprehensive income (loss) in 2022	-	-	-	-	197,116	(2,417)	194,699	453,593	648,292
O1	Cash dividends issued from subsidiaries (Note 23)	-	-	-	-	-	-	-	(347,809)	(347,809)
O1	Increase in non-controlling interests (Notes 23, 25 and 28)	-	-	-	-	-	-	-	139,511	139,511
Z1	BALANCE AT DECEMBER 31, 2022	$ 1,456,814	$ 452,294	$ 773,432	$ 65,301	$ 1,289,555	($ 67,718)	$ 3,969,678	$ 2,268,740	$ 6,238,418

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

ELITE ADVANCED LASER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

Code		2022	2021
	CASH FLOWS FROM OPERATING ACTIVITIES		
A10000	Income before income tax	$ 902,676	$ 1,085,023
A20010	Adjustments for:		
A20100	Depreciation expense	801,627	654,815
A20200	Amortization expense	4,546	3,826
A20300	Expected credit impairment loss	26,458	8,674
A20900	Finance costs	8,039	4,252
A21200	Interest income	(16,972)	(6,146)
A21900	Stock option compensation cost of subsidiary	37	-
A22300	Share of profit of associates accounted for using the equity method	(14,635)	(10,964)
A22500	Gains (losses) on disposal of property, plant and equipment	(2,846)	4,597
A23500	Impairment loss on property, plant and equipment	31,481	-
A23700	Impairment loss on non-financial assets	32,241	33,682
A24100	Loss (gain) on foreign exchange, net	(158,510)	38,113
A29900	Liability provisions	2,962	5,916
A29900	Profit from lease modification	(19)	(25)
A29900	Reversal of deferred revenue	-	(53,259)
A30000	Changes in operating assets and liabilities		
A31125	Contract assets	32,963	(23,836)
A31130	Notes receivables	13,309	(9,417)
A31150	Accounts receivable	303,786	(157,216)
A31160	Accounts receivable due from related parties	(734)	(701)
A31180	Other receivables	14,698	(11,637)
A31200	Inventories	113,713	(174,480)
A31230	Prepayments	100,192	(118,925)
A32125	Contract liabilities	(19,844)	(4,298)
A32150	Accounts payable	(254,453)	122,715
A32160	Accounts payable to related parties	1,918	-
A32180	Other payables	(814)	48,776
A32200	Liability provisions	(666)	(9,588)
A32230	Other current liabilities	(1,157)	(3,864)
A32240	Net defined benefit liabilities	465	389

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Code		2022	2021
A33000	Net cash generated by operating activities	1,920,461	1,426,422
A33100	Interest received	15,753	6,649
A33300	Interest paid	($ 8,061)	($ 4,064)
A33500	Income taxes paid	(311,872)	(176,295)
AAAA	Net cash generated from operating activities	1,616,281	1,252,712
	CASH FLOWS FROM INVESTING ACTIVITIES		
B02200	Net cash inflow from acquisition of subsidiaries (Note 30)	42,163	-
B02700	Acquisition of property, plant and equipment	(520,544)	(1,194,165)
B02800	Disposal of property, plant and equipment	12,302	40,169
B03700	Increase in refundable deposits	(355)	(933)
B03800	Decrease in refundable deposits	612	1,830
B04400	Decrease in other receivables - from related parties	68	45
B04500	Acquisition of intangible assets	(1,336)	(4,389)
B05350	Acquisition of right-of-use assets	-	(37)
B07100	Increase in prepayments for equipment	(402,692)	(505,322)
B07600	Dividends received	3,398	3,376
BBBB	Net cash used in investing activities	(866,384)	(1,659,426)
	CASH FLOWS FROM FINANCING ACTIVITIES		
C01600	Long-term loan	405,000	300,000
C01700	Repay long-term loan	(358,990)	(38,010)
C03000	Guarantee deposits received	178,352	545,630
C03100	Guarantee deposits refunded	(89)	(1,172)
C04020	Repayment of the principal portion of lease liabilities	(39,021)	(40,638)
C04500	Dividends to owners of the Company	(262,226)	(203,954)
C05400	Acquisition of the subsidiaries equity	-	(57,708)
C05800	Cash dividends to non-controlling interests	(347,749)	(284,526)
C05800	Cash-refunding capital reduction of non-controlling interest shares	(713)	-
CCCC	Net cash generated by (used in) financing activities	(425,436)	219,622
DDDD	EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS	146,885	(39,427)
EEEE	NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	471,346	(226,519)
E00100	CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,071,077	2,297,596
E00200	CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,542,423	$ 2,071,077

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

ELITE ADVANCED LASER CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Amount In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. GENERAL

   a. Elite Advanced Laser Corporation (the "Company" or "eLaser") was established in New Taipei City in September 2000 and started operation in September of the same year. The registered capital of establishment was $5,000 thousand. After years of capital increase and decrease, the current total capital is $1,456,814 thousand. eLaser's business affairs consists of 1. optical information and optical communication products; 2. power semiconductor packaging and testing.

   b. eLaser's stock has been listed on the Taiwan Stock Exchange since April 2006.

   c. eLaser has no ultimate parent company due to dispersed shareholding.

   d. The consolidated financial statements are expressed in New Taiwan Dollars, eLaser's functional currency.

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

   The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors on March 23, 2023.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING

   a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

      The initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have a significant effect on the accounting policies of eLaser and its subsidiaries (collectively as "the Group").

b. Applicable FSC - approved IFRSs in 2023

New IFRS	Effective date issued by IASB
Amendments to IAS 1 - Disclosure of Accounting Policies	January 1, 2023 (Note 1)
Amendments to IAS 8 - Definition of Accounting Estimates	January 1, 2023 (Note 2)
Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023 (Note 3)

Note 1: This amendment applies for annual reporting periods beginning after January 1, 2023.

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

Note 3: Except for the recognition of deferred tax on temporary differences in lease and decommissioning obligations on January 1, 2022, the amendment applies to transactions occurring after January 1, 2022.

1) Amendments to IAS 1 - Disclosure of Accounting Policies

The amendments stipulate that the Group should determine the material accounting policy information that should be disclosed according to the definition of materiality. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements The amendments and descriptions:

- The Group is not required to disclose accounting policy information related to immaterial transactions, other events or circumstances that is immaterial.
- The Group may judge the relevant accounting policy information to be material due to the nature of the transaction, other event or circumstance, even if the amount is immaterial.
- Not all accounting policies relating to material transactions, other events or conditions are themselves material.

In addition, an accounting policy is likely to be considered material to its financial statements if that accounting policy relates to material transactions, other events or conditions and:

(1) was changed during the reporting period because the entity was required to or chose to change its policy and this change resulted in a material change to the amounts included in the financial statements;

(2) was chosen from one or more alternatives in an IFRS Standard;

(3) was developed in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" in the absence of an IFRS Standard that specifically applies;

(4) relates to an area for which an entity is required to make significant judgments or assumptions in applying an accounting policy; or

(5) applies the requirements of an IFRS Standard in a way that reflects the entity's specific circumstances, for example, by explaining how the requirements of a Standard are applied to the facts and circumstances of a material class of transactions, other events or conditions.

2) Amendments to IAS 8 - Definition of Accounting Estimates

The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". When applying accounting policies, the Group may be required to measure financial statement items by monetary amounts that cannot be directly observed but must be estimated, and therefore must use a measurement technique or to develop an accounting estimate for this purpose. The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

As of the date the accompanying consolidated financial statements were authorized for issue, the Group has assessed and concluded that no significant impact from the application of other standards and interpretations to the Group's consolidated financial position and consolidated financial performance.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New, revised or amended standards and interpretations	Effective date issued by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	NA
Amendments to IFRS 16 - Lease 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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the R.O.C. 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 consolidated financial statements shall prevail.

a. Statement of compliance

The consolidated financial statement has been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs endorsed and issued by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for the net defined benefit liability recognized at the present value of the defined benefit obligation less the fair value of the plan assets.

Fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value is observable and its significance:

1) Level 1 Inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
2) Level 2 Inputs: inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly (including market-corroborated data).
3) Level 3 Inputs: unobservable inputs and are used when relevant observable inputs are not available.

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;
2) Assets expected to be realized within 12 months after the reporting period; and
3) Cash and cash equivalents unless the asset is restricted from being exchange or used to settle a liability for at last 12months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;
2) Liabilities due to be settled within 12 months after the reporting period, and
3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

This consolidated financial statement incorporate the financial statement of eLaser and the entities (subsidiaries) controlled by the Group. Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into the Group. Transactions between entities, account balances, profit and losses have been fully eliminated in preparing the consolidated financial statements. 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.

For details of subsidiaries, shareholding ratio and business activities, please refer to Note 11 and Table 4 and Table 5 of Note 39.

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interest' proportionate share of the recognized amounts of the acquiree's identifiable net assets.

As the measurement of the identifiable assets acquired and liabilities assumed due to the business combination has not been completed, it is recognized as provisions on the balance sheet date because the measurement of the identifiable assets acquired, and the liabilities assumed by the business combination has not yet been completed. Retrospective adjustments are made or additional assets or liabilities on acquisitions is recognized in subsequent measurement periods to reflect new information acquired about facts and circumstances existing at the acquisition date.

f. Foreign currencies

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (foreign currency) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Exchange differences arising on monetary items or on translating monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purpose of presenting consolidated financial statements, the financial statements of the Company's foreign operations (including subsidiaries, associates or branches in other countries that use currencies that are different from the currency of the Company) that are prepared using functional currencies which are different from the currency of the Company are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

In a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to the non-controlling interests of the subsidiary and is not recognized in profit or loss.

g. Inventories

Inventories include raw materials, supplies, work in progress and finished goods and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. The Group's inventory is recorded at standard cost during daily operation and adjusted to approximate weighted-average cost at the end of the reporting period.

h. Investments in associates

An associate is an entity over which the Group has significant influence and which is not subsidiary.

The Group adopts the equity method when accounting for investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of the equity of associates.

The entire carrying amount of an investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

i. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at costs less accumulated depreciation and accumulated impairment losses.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately portion with a straight-line method over their useful lives. The Group shall review the estimated useful life, residual value and depreciation method at least at each financial year-end, and the impact of changes in accounting estimates shall be applied prospectively.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

j. Investment property

Investment property is property (including right-of-use assets that meet the definition of investment property) held to earn rentals or for capital appreciation or both.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized using the straight-line method.

Property, plant and equipment and right-of-use assets is transferred to investment property at the carrying amount at the end of owner-occupation.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

k. Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group’s cash-generating unit or groups of cash-generating units (referred to as cash-generating units) that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

l. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

m. Impairment of property, plant and equipment, right-of-use assets, investment property and intangible assets other than goodwill

The Group assess at the date of statement property, plant and equipment, right-of-use assets, investment property and intangible assets (other than goodwill) for whether there is any indication of impairment. If there is any indication that an asset may be impaired, the recoverable amount shall be estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the cash-generating unit to which the asset belongs. If groups of assets can be allocated to cash-generating units on a reasonable and consistent basis, they will be allocated to individual cash-generating units; otherwise, they will be allocated to the smallest group of cash-generating units that can be allocated on a reasonable and consistent basis.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset or a cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. (net of amortization or depreciation) A reversal of an impairment loss is recognized immediately in profit or loss.

n. Financial instruments

Financial assets and liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and liabilities are initially recognized at fair values. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

Regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

(1) Measurement categories

The types of financial assets held by the Group are financial assets at amortized cost.

<u>Financial assets measured at amortized cost</u>

Financial assets that meet the following conditions are subsequently at amortized cost:

(i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes receivable at amortized cost, accounts receivable (including related parties), other receivables (including related parties; excluding income tax refund receivables), overdue receivables and refundable deposit, are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

(i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

(ii) Financial asset that is not credit impaired on purchase or origination but has subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when significant financial difficulty of the issuer or the borrower; breach of contract; it is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or the disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits and certificates of deposits investments with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

(2) Impairment of financial assets and contract assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable, other receivables and deposits) and contract assets at amortized cost.

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables and contract assets. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Group considers the following situations as indication that a financial asset is in default (without taking into account any collateral held by the Group):

(i) Internal or external information show that the debtor is unlikely to pay its creditors.

(ii) Financial asset is more than 180 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

(3) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset to another entity.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

2) Financial liabilities

(1) Subsequent measurement

Financial liabilities are measured at amortized cost using the effective interest method, except where the recognition of interest on short-term payables is not material.

(2) Derecognition of financial liabilities

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

o. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Warranties

The warranty obligation to ensure that the product conforms to the agreed specifications is recognized when the relevant product is recognized as revenue based on the management’s best estimate of the expense required to settle the obligations of the Group.

p. Revenue recognition

When a performance obligation is satisfied, the Group shall recognize as revenue the amount of the transaction price that is allocated to that performance obligation.

Operating revenue

1) Service revenue

Revenue from packaging and testing

The Group’s packaging service creates or enhances an asset that the customer controls as the asset is created or enhanced; the customer simultaneously receives and consumes the benefits from the testing services provided by the Group’s performance as the Group performs.

The relevant revenue will be transferred to the customer with the promised goods or services, and the sales revenue will be recognized when the performance obligations are met over time. The revenue received before meeting the above-mentioned performance obligations are recognized as contract liabilities.

2) other services revenue

Other service revenue is recognized as revenue when the service contract conditions are met in accordance with the relevant contract when the economic benefits are likely to flow into the Group and the revenue can be measured reliably. The revenue received before meeting the above-mentioned performance obligations are recognized as contract liabilities.

q. Lease

The Group assesses whether the contract is a lease on the contract establishment date.

1) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

When the Group subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Group, as a lessee, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for by applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

The right-of-use asset is initially measured at cost (including the original measurement amount of the lease liability and the lease payment paid before the lease commencement date), and subsequently measured at the cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Right-of-use assets shall be recognized separately in the consolidated balance sheet.

The lessee shall depreciate the right-of-use asset on a straight-line basis from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. liabilities shall be recognized separately in the consolidated balance sheet.

r. Borrowing costs

Borrowing costs are recognized in profit or loss in the period in which they are incurred.

s. Government grant

A government grant is not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to it, and that the grant will be received.

Government grants related to income are recognized in other income on a systematic basis over the periods in which the Group recognizes as expenses the related costs that the grants intend to compensate. Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as a deduction from the carrying amount of the related assets and recognized as a reduced depreciation or amortization charge in profit or loss over the contract period or useful lives of the related assets.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs shall be recognized in profit or loss of the period in which it becomes receivable.

t. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the rendered services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost, past service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

u. Share-based payment arrangements

1) Employee stock options

Equity-settled share-based benefits to employees are measured by the fair value of the equity instrument on the grant date.

Employee stock options are based on the fair value of equity instruments on the grant date and the best estimated amount expected to be acquired. Expenses are recognized on a straight-line basis during the acquired period, and capital surplus - employee stock options is adjusted at the same time. If it is immediately acquired on the grant date, the full amount of the fee shall be recognized on the grant date. When the Group issues employee stock options at cash capital increase, the date of notification to the employees shall be the grant date.

The Group revises the estimated number of expected vested employee stock options on each balance sheet date. If there is a revision to the original estimated quantity, the influence number is recognized as profit and loss, so that the accumulated expenses reflect the revised estimate, and the capital surplus - employee stock options is relatively adjusted.

2) Option to vendor/consultant

Equity-settled share-based benefits to non-employees are measured by the fair value of the goods or services received. The fair value of goods or services received by the Group is recognized as an expense when the it obtains the goods or when the counterparty provides services where the capital surplus- stock options will be adjusted at the same time.

v. Taxation

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

1) Current income tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for as income tax in the year the stockholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and loss deductible that it is probable that taxable profits will be available against which those deductible temporary differences and loss deductible can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and such temporary differences are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

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

When the Group adopts accounting policies, the management must make relevant judgments, estimates and assumptions based on experience and other relevant factors for the information that is not easily obtained from other sources. Actual results may differ from estimates.

The Group will take the recent global development of the COVID-19 epidemic and the possible impact on the economic environment into consideration of major accounting estimates such as cash flow estimates, growth rates, discount rates, and profitability. The management will continue to review the estimates and the basic assumptions. If the revision to the estimate affects only the current period, it will be revised and recognized in the current period; if the revision to the estimate affects both the current period and future periods, it will be revised and recognized in the current period and future periods.

Main sources of uncertainty in estimates and assumptions

Estimated impairment of financial assets and contract assets

The estimated impairment of notes receivable, accounts receivable, uncollectible receivables, other receivables, contract assets and Investments in debt instruments is based on the Group's assumptions about the loss given default and probability of default. The Company takes experience, current market conditions and forward-looking information into account to develop assumptions and inputs for impairment assessments. Please refer to Note 8, Note 9 and Note 24 for the key assumptions and inputs used. If the actual future cash flow is less than the Company's expectations, there may be significant impairment losses.

6. CASH AND CASH EQUIVALENTS

	December 31, 2022	December 31, 2021
Cash on hand and working fund	$ 1,519	$ 427
Demand deposit in banks	2,004,046	1,716,170
Cash equivalent (Investments with original maturities of less than 3 months)		
Bank fixed deposit	536,858	354,480
	$ 2,542,423	$ 2,071,077

As of December 31, 2022 and 2021, the interest rate ranges for bank deposits were 0.01% to 4.60%, and 0.001% to 0.34%, respectively.

7. FINANCIAL ASSETS AT AMORTIZED COSTS

	December 31, 2022	December 31, 2021
Current		
Restricted assets – demand deposit (1)	$ 12,500	$ -
Non-current		
Restricted assets – time deposit (2)	$ 741	$ -

a. As of December 31, 2022, the restricted demand deposit interest rate was 0.425% per annum.

b. As of December 31, 2022, the restricted time deposit interest rate was 1.44% per annum.

c. For credit risk management and impairment assessment related to financial assets measured at amortized cost, please refer to Note 8.

d. For pledge of financial assets at amortized cost, please refer to Note 36.

e. The Group acquired subsidiaries on December 24, 2022, and transferred them to financial assets at amortized cost - current and non-current NT$12,500 thousand and NT$741 thousand, please refer to Note 30.

8. CREDIT RISK MANAGEMENT OF INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments were classified at amortized cost (including current and non-current).

	December 31, 2022	December 31, 2021
At amortized cost		
Gross carrying amount	$ 13,241	$ -

	December 31, 2022	December 31, 2021
Loss allowances	-	-
Net carrying amount	$ 13,241	$ -

The Group adopts the policy to invest only in debt instruments issued by creditworthy entities. The Group continues to track changes in the credit risk of the invested debt instruments, and reviews other information such as significant information of the debtor to assess whether the credit risk of the debt instrument investment has increased significantly since the original recognition.

To mitigate credit risk, the management of the Group will collect relevant information to assess the default risk of debt instrument investment. The Group gives appropriate internal ratings with reference to publicly available financial information.

The Group considers the debtor's historical record, current market conditions and business outlook to measure the 12-month expected credit loss or lifetime expected credit loss of the debt investment paid. As of December 31, 2022, the Group assessed that it was not necessary to report expected credit losses for debt investment paid.

9. NOTES RECEIVABLES, ACCOUNT RECEIVABLES, UNCOLLECTIBLE RECEIVABLES AND OTHER RECEIVABLES

	December 31, 2022	December 31, 2021
Notes receivables		
At amortized cost		
Total amount	$ -	$ 20,245
Less: Loss allowances	-	-
	$ -	$ 20,245
Resulting from operating activities	$ -	$ 20,245
Accounts receivable		
At amortized cost		
Total amount	$ 987,082	$ 1,336,041
Less: Loss allowances	(792)	(7,269)
	$ 986,290	$ 1,328,772
Uncollectible receivables		
At amortized cost		
Total amount	$ 6,936	$ -
Less: Loss allowances	(6,936)	-
	$ -	$ -
Other receivables		

	December 31, 2022	December 31, 2021
OEM collection and payment	$ 149,927	$ 161,109
Income tax refund receivable	10,277	12,607
Interest receivable	1,271	52
Scrap receivable	13	920
Others	2,723	2,798
	$ 164,211	$ 177,486

a. Notes receivables

When determining the recoverability of notes receivable, the Group considers any changes in the quality of notes receivable from the original credit date to the balance sheet date. The Group continues to monitor and refer to the counterparty's past default records and analyze its current financial position to assess whether the credit risk of the notes receivables has increased significantly since the original recognition and to measure expected credit losses. In 2022, due to the default of the customer uSenlight Corporation, the Group set the customer's expected credit loss rate as 100%. As of December 31, 2022, the Group has recognized the full amount of $6,936 thousand for the aforesaid defaulted notes receivable and transferred to uncollectible receivable (accounted for other non-current assets).

The aging analysis of notes receivable is as follows:

	December 31, 2022	December 31, 2021
Not past due	$ -	$ 20,245

The above is an aging analysis based on days overdue.

Movement of the loss allowance for notes receivable

	2022	2021
Balance, beginning of period	$ -	$ -
Impairment losses	6,936	-
Uncollectible receivable transferred	(6,936)	-
Balance, end of period	$ -	$ -

b. Accounts receivable

The Group's average credit period for commodity sales is 30 to 90 days, and the collection policy does not add interest to overdue accounts receivable. When determining the recoverability of accounts receivable, the Group considers any changes in the quality of notes receivable from the original credit date to the balance sheet date. Experience shows that most accounts receivable are recovered well.

To mitigate credit risk, the management of the Group performs credit limit determination, credit approval and other monitoring procedures for each counterparty to ensure appropriate actions have been taken to recover overdue accounts receivable. In addition, the Group will review the recoverable amount of accounts receivable one by one on the balance sheet date to ensure the unrecoverable accounts receivable are recognized as impairment losses. Accordingly, the management of the Group believes that the credit risk of the Group has been significantly reduced.

The Group recognizes loss allowance for accounts receivable based on lifetime expected credit losses. Lifetime expected credit losses are calculated using a provision matrix, which considers experience, current market conditions and business outlook. As the Group's credit loss experience shows that there is no significant difference in the provision matrix of different customer groups, the provision matrix does not further differentiate customer groups, and only sets the expected credit loss rate based on the number of days overdue for accounts receivable.

If there is evidence that the counterparty is facing serious financial difficulties and the Group cannot reasonably expect the recoverable amount, the Group will write off the relevant accounts receivable, but will continue to pursue account recovery, and the amount recovered due to pursuit and recovery will be recognized in profit or loss.

The Group measures the loss allowance of accounts receivable according to the provision matrix as follows:

December 31, 2022

	Not past due	Past due within 60 days	Past due 61~90 days	Past due 91~120 days	Past due Over 120 days	Total
Expected credit loss rate	0%～0.72%	0%～13.2%	0%～9.29%	0%～14.25%	0%～100%	
Total amount	$ 923,273	$ 58,949	$ 4,306	$ 4	$ 550	$ 987,082
Loss allowance (lifetime expected credit losses)	(102)	(66)	(377)	(1)	(246)	(792)
Amortized cost	$ 923,171	$ 58,883	$ 3,929	$ 3	$ 304	$ 986,290

December 31, 2021

	Not past due	Past due within 60 days	Past due 61~90 days	Past due 91~120 days	Past due Over 120 days	Total
Expected credit loss rate	0.0004%~0.04%	0.0021%~11.3%	0.04%~21.48%	0.35%~29.72%	32.35%~100%	
Total amount	$ 1,256,286	$ 61,978	$ 6,503	$ 9,857	$ 1,417	$ 1,336,041
Loss allowance (lifetime expected credit losses)	(618)	(336)	(423)	(4,873)	(1,019)	(7,269)
Amortized cost	$ 1,255,668	$ 61,642	$ 6,080	$ 4,984	$ 398	$ 1,328,772

Movements of the loss allowance for accounts receivable

	2022	2021
Balance, beginning of period	$ 7,269	$ 15,366
Provision	-	4,641
Acquired by business combinations (Note 1)	77	-
Write-offs (Note 2)	-	(12,739)
Reversal	(6,563)	-
Effect of exchange rate changes	9	1
Balance, end of period	$ 792	$ 7,269

Note 1: The Group acquired the subsidiary on December 24, 2022, and transferred into accounts receivable of NT$7,210 thousand and loss allowance of NT$77 thousand, please refer to Note 30.

Note 2: In 2021, the Group assessed that the overdue accounts receivable could not be recovered, so it wrote off the relevant accounts receivable and loss allowance.

Uncollectible receivables

The Group recognizes loss allowance for uncollectible receivable based on lifetime expected credit losses. Lifetime expected credit losses considers experience, current market conditions and business outlook. As of December 31, 2022, all overdue receivables have exceeded 180 days, and the expected credit loss rate was 100%.

Movements of the loss allowance for uncollectible receivable

	2022	2021
Balance, beginning of period	$ -	$ -
Transferred from notes receivable in the current period	6,936	-
Balance, end of period	$ 6,936	$ -

c. Other receivables

The Group accounts for other receivables such as OEM collection and payment, income tax refund receivable, interest receivable and unrecovered amount from the sale of scraps. The Group's policy is to only conduct business with customers with good credit. The Group continues to track and refer to the past default records of the counterparty and analyze its current financial position to assess whether the credit risk of other receivables has increased significantly since the original recognition and to measure the expected credit loss. If there is evidence that the counterparty has signs of default or the recoverable amount cannot be reasonably expected due to termination of the contract, the Group will write off the relevant other receivables, but will continue to pursue recovery where the amount recovered will be recognized in profit or loss.

Movements of the loss allowance for other receivables

	2022	2021
Balance, beginning of period	$ -	$ 23,963
Write-offs (Note)	-	(23,963)
Balance, end of period	$ -	$ -

Note: In 2021, the Group assessed that other receivables overdue could not be recovered, so it wrote off related other receivables and loss allowance.

10. INVENTORIES

	December 31, 2022	December 31, 2021
Finished goods	$ 36,258	$ 36
Work in process	75,334	-
Raw materials	410,051	456,474
Inventory in transit	5,598	15,973
	$ 527,241	$ 472,483

The nature of cost of goods sold is as follows:

	2022	2021
Cost of inventories sold	$ 5,408,410	$ 5,413,410
Lease cost	8,990	9,288
Inventory loss (reversal of write-down of inventories)	32,241	33,682
	$ 5,449,641	$ 5,456,380

The Group acquired the subsidiary on December 24, 2022, and transferred into the inventory of NT$273,721 thousand and the allowance for inventory valuation and obsolescence losses of NT$78,080 thousand, please refer to Note 30.

11. SUBSIDIARY COMPANY

a. Subsidiaries included in the consolidated financial statements

The subsidiaries included in the consolidated financial statements were as follows:

Investment Company	Subsidiary	Main Activities	% of Ownership December 31, 2022	% of Ownership December 31, 2021	Remark
eLaser	eLaser Technologies Co., Ltd.	Manufacture and sales of electronic parts	100%	100%	Notes 3 and 5
eLaser	Centera Photonics Inc.	Manufacture and sales of electronic parts	57.97%	-%	Note 6
eLaser	GEM Services, Inc.	Holding company business	51%	51%	Note 1
GEM Services, Inc.	GEM Electronics Company Limited	Holding company business	100%	100%	Note 1
GEM Services, Inc.	GEM Tech Ltd.	Sales of electronic parts	100%	100%	Note 1
GEM Electronics Company Limited	GEM Electronics (Shanghai) Co., Ltd.	Manufacture and sales of electronic parts	100%	100%	Note 2
GEM Electronics (Shanghai) Co., Ltd.	GEM Electronics (Hefei) Co., Ltd.	Manufacture and sales of electronic parts, factory leasing	100%	100%	Notes 2 and 4

Note 1: The main business risk is currency risk.

Note 2: The main business risks are political risks and currency risks faced by government decrees and the changes between Taiwan and Mainland China.

Note 3: On February 8, 2021, eLaser approved a resolution of the Board of Directors to acquire non-controlling interests of 1,805 thousand shares of eLaser Technologies Co., Ltd. at a transaction price of $57,708 thousand. The share ratio was increased to 100%, and the transaction was completed on March 12, 2021.

Note 4: GEM Electronics (Shanghai) Co., Ltd. was approved by the Board of Directors on February 17, 2021, to participate in the cash capital increase of GEM Electronics (Hefei) Co., Ltd. to invest RMB 50,000 thousand which was completed on March 11, 2021.

Note 5: eLaser Technologies Co., Ltd. was approved for dissolution and liquidation at the shareholders' meeting exercised by the Board of Directors on December 22, 2022, and completed the registration of cancellation on January 10, 2023, and is in the process of liquidation.

Note 6: The Company's Board of Directors approved on December 22, 2022, and purchased 57.97% of the shares of Centera Photonics Inc. for

NT$225,000 thousand, a total of 22,500,000 shares. The reference date of the share exchange was December 24, 2022. Please refer to Note 30 of the Consolidated Financial Statement.

b. Information on subsidiaries with material non-controlling interests

	% of Non-controlling interests	
Subsidiary	December 31, 2022	December 31, 2021
GEM Services, Inc.	49%	49%
Centera Photonics Inc.	42.03%	-%

Please refer to Table 4 for the country information of the principal business site and company registration.

	Net income(loss) distribution to non-controlling interests		Non-controlling interests	
Subsidiary	2022	2021	December 31, 2022	December 31, 2021
GEM Services, Inc.	$ 455,893	$ 420,444	$ 2,128,625	$ 2,023,445
Centera Photonics Inc.	$ 604	$ -	$ 140,115	$ -

The consolidated financial information for the following subsidiaries has been prepared at balances before intercompany transactions are eliminated:

GEM Services, Inc.

	December 31, 2022	December 31, 2021
Current assets	$ 3,279,230	$ 3,386,237
Non-current assets	3,635,114	3,291,085
Current liabilities	(1,991,013)	(2,026,408)
Non-current liabilities	(579,522)	(521,742)
Equity	$ 4,343,809	$ 4,129,172
Equity attributable to:		
Owners of the Company	$ 2,215,184	$ 2,105,727
Non-controlling interests	2,128,625	2,023,445
	$ 4,343,809	$ 4,129,172

	2022	2021
Revenue	$ 5,221,467	$ 4,755,929
Net income	$ 930,323	$ 857,985
Other comprehensive income	(5,925)	2,544
Total comprehensive income	$ 924,398	$ 860,529
Net income attributable to:		
Owners of the Company	$ 474,430	$ 437,541
Non-controlling interests	455,893	420,444
	$ 930,323	$ 857,985

	2022	2021
Total comprehensive income attributable to		
Owners of the Company	$ 471,409	$ 438,838
Non-controlling interests	452,989	421,691
	$ 924,398	$ 860,529
Cash flow		
From operating activities	$ 1,588,337	$ 1,048,230
From investing activities	(841,788)	(1,176,283)
From financing activities	(562,705)	(66,967)
Effect of exchange rate changes	137,144	(29,405)
Net cash generated (used in)	$ 320,988	($ 224,425)
Dividends to non-controlling interests		
GEM Services, Inc.	$ 347,749	$ 284,526

Centera Photonics Inc.

	December 31, 2022
Current assets	$ 501,359
Non-current assets	35,732
Current liabilities	(203,665)
Non-current liabilities	(34)
Equity	$ 333,392
Equity attributable to:	
Owners of the Company	$ 332,788
Non-controlling interests	604
	$ 333,392

	Acquisition date to December 31, 2022
Revenue	$ 15,254
Net income	$ 1,437
Other comprehensive income	-
Total comprehensive income	$ 1,437
Net income attributable to:	
Owners of the Company	$ 833
Non-controlling interests	604
	$ 1,437
Total comprehensive income attributable to	
Owners of the Company	$ 833

	Acquisition date to December 31, 2022
Non-controlling interests	604
	$ 1,437

Cash flow	
From operating activities	$ 9,448
From investing activities	(239)
From financing activities	(4,081)
Effect of exchange rate changes	88
Net cash generated	$ 5,216

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in associates

	December 31, 2022	December 31, 2021
Associates that are not individually material		
Mitsubishi Electric GEM Power Device (Hefei) Co., Ltd.	$ 101,489	$ 88,869

Shareholding and voting rights of the Group in the associates at the balance sheet date are as follows:

			% of Ownership	
Name of Company	Main Activities	Location	December 31, 2022	December 31, 2021
Mitsubishi Electric GEM Power Device (Hefei) Co., Ltd.	Production, design, packaging and testing of power management electronic accessories	Hefei City, Anhui Province, China	20%	20%

Aggregate information of associates that are not individually material

	2022	2021
Attributable to the Group		
Net income	$ 14,635	$ 10,964
Other comprehensive income	-	-
Total comprehensive income	$ 14,635	$ 10,964

Share of profit of associates accounted for using equity method is recognized based on the financial statements of the associates that have been audited by independent auditor during the same period.

13. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2022	December 31, 2021
Assets used by the Company	$ 4,670,386	$ 4,362,364
Assets subject to operating leases	-	-
	$ 4,670,386	$ 4,362,364

a. Assets used by the Group

	Land	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Leasehold improvements	Miscellaneous equipment	Property under construction and equipment to be inspected	Total
Cost									
Balance at January 1, 2022	$ 743,384	$ 664,703	$ 6,004,593	$ 10,484	$ 66,793	$ 105,177	$ 124,113	$ 925,928	$ 8,645,175
Acquired by business combinations (Note 30)	-	-	49,897	-	800	3,960	41,037	-	95,694
Additions	-	61,777	179,332	-	3,602	72,122	7,445	180,872	505,150
Reclassification (Note)	-	312,003	1,259,837	-	1,954	-	654	(1,019,712)	554,736
Disposal	-	(25,310)	(491,494)	-	(1,479)	-	(44,498)	-	(562,781)
Effect of exchange rate changes	-	829	11,069	59	853	(412)	2,149	25,070	39,617
Balance at December 31, 2022	$ 743,384	$ 1,014,002	$ 7,013,234	$ 10,543	$ 72,523	$ 180,847	$ 130,900	$ 112,158	$ 9,277,591
Accumulated depreciation and impairment									
Balance at January 1, 2022	$ -	$ 256,041	$ 3,807,536	$ 6,682	$ 52,469	$ 63,202	$ 96,881	$ -	$ 4,282,811
Acquired by business combinations (Note 30)	-	-	35,320	-	800	3,960	28,875	-	68,955
Depreciation expense	-	43,156	663,533	1,456	5,893	18,660	13,718	-	746,416
Impairment losses	-	-	31,481	-	-	-	-	-	31,481
Disposal	-	(25,310)	(482,040)	-	(1,479)	-	(44,496)	-	(553,325)
Effect of exchange rate changes	-	2,052	26,368	50	750	(45)	1,692	-	30,867
Balance at December 31, 2022	$ -	$ 275,939	$ 4,082,198	$ 8,188	$ 58,433	$ 85,777	$ 96,670	$ -	$ 4,607,205
Carrying amount at December 31, 2022	$ 743,384	$ 738,063	$ 2,931,036	$ 2,355	$ 14,090	$ 95,070	$ 34,230	$ 112,158	$ 4,670,386
Cost									
Balance at January 1, 2021	$ 571,180	$ 546,158	$ 5,477,224	$ 10,504	$ 64,602	$ 122,661	$ 139,241	$ 224,659	$ 7,156,229
Additions	172,204	105,121	508,835	-	7,897	387	11,204	702,486	1,508,134
Reclassification (Note)	-	-	419,581	-	119	-	5,831	-	425,531
Disposal	-	(6,060)	(393,801)	-	(5,521)	(17,871)	(31,471)	-	(454,724)
Transfers to investment property	-	(210,112)	-	-	-	-	-	-	(210,112)
Assets for operational leasing	-	230,448	-	-	-	-	-	-	230,448
Effect of exchange rate changes	-	(852)	(7,246)	(20)	(304)	-	(692)	(1,217)	(10,331)
Balance at December 31, 2021	$ 743,384	$ 664,703	$ 6,004,593	$ 10,484	$ 66,793	$ 105,177	$ 124,113	$ 925,928	$ 8,645,175
Accumulated depreciation and impairment									
Balance at January 1, 2021	$ -	$ 250,541	$ 3,640,989	$ 4,956	$ 53,001	$ 63,872	$ 96,023	$ -	$ 4,109,382
Disposal	-	(6,060)	(354,577)	-	(5,521)	(12,329)	(31,471)	-	(409,958)
Transfers to investment property	-	(150,628)	-	-	-	-	-	-	(150,628)
Assets for operational leasing	-	137,579	-	-	-	-	-	-	137,579
Depreciation expense	-	25,366	528,703	1,742	5,242	11,659	32,755	-	605,467
Effect of exchange rate changes	-	(757)	(7,579)	(16)	(253)	-	(426)	-	(9,031)
Balance at December 31, 2021	$ -	$ 256,041	$ 3,807,536	$ 6,682	$ 52,469	$ 63,202	$ 96,881	$ -	$ 4,282,811
Carrying amount at December 31, 2021	$ 743,384	$ 408,662	$ 2,197,057	$ 3,802	$ 14,324	$ 41,975	$ 27,232	$ 925,928	$ 4,362,364

Note: It was transferred from other non-current assets - prepaid equipment.

Due to the impact of the industry and market environment, the sales of the Group did not meet expectations. After evaluation, the future cash generated will be reduced, resulting in the recoverable amount being less than the carrying amount. Thus, impairment losses of $31,841 thousands were recognized in 2022. The recoverable amount of the machinery and equipment is determined based on the value in use, and the Group used discount rate of 17.16% in its impairment as of December 31, 2022. The impairment loss is included in other gains and losses in the statement of comprehensive income.

Depreciation expense is accrued on a straight-line basis for the following economic life:

Buildings	
Main building	20 to 50 years
Building improvement	10 to 20 years
Machinery and equipment	3 to 15 years
Transportation equipment	5 years
Office equipment	3 to 7 years
Leasehold improvements	2.5 to 10 years
Miscellaneous equipment	2 to 10 years

Please refer to Note 36 for the amount of property, plant and equipment pledged as collateral.

b. Assets subject to operating leases

	Buildings
Cost	
Balance at January 1, 2021	$ 231,676
Transfers to assets used by the Group	(230,448)
Effect of exchange rate changes	(1,228)
Balance at December 31, 2021	$ -
Accumulated depreciation and impairment	
Balance at January 1, 2021	$ 128,975
Transfers to assets used by the Group	(137,579)
Depreciation expense	9,288
Effect of exchange rate changes	(684)
Balance at December 31, 2021	$ -
Carrying amount at December 31, 2021	$ -

No impairment losses were recognized or reversed for 2022 and 2021.

The Group leases out the buildings under operational leasing for a period of 6 years. At the end of the lease period, the lessee will not have the purchase price option to acquire the real estate.

Depreciation expense is accrued on a straight-line basis for the following economic life:

Buildings	
Factory main building	20 years
Building improvement	10 to 20 years

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31, 2022	December 31, 2021
Carrying amount		
Land (Note)	$ 40,442	$ 40,942
Buildings	108,256	129,857
Office equipment	5,532	1,862
	$ 154,230	$ 172,661

	2022	2021
Addition of right-of-use assets	$ 23,055	$ 94,387
Depreciation of right-of-use assets		
Land	$ 1,148	$ 1,262
Buildings	44,616	37,743
Office equipment	1,075	1,055
	$ 46,839	$ 40,060

Note: For the land use right in mainland China, the Group has obtained the Land Use Certificates for State Owned Land, and the lease period is 50 years.

A lease agreement was signed on December 31, 2021 for part of the land leased by the Company located in Hefei, Anhui Province, China, which is sub-leased to Mitsubishi Electric GEM Power Device (Hefei) Co., Ltd. under operational leasing from January 1, 2022. The relevant right-of-use assets are presented as investment properties please refer to Note 15. The relevant amount of the above right-of-use assets does not include the right-of-use assets that meet the definition of investment properties.

Except for the above-mentioned additions, recognition of depreciation expenses and transfer of investment properties, there was no impairment of the right-of-use assets for the Group in 2022 and 2021.

b. Lease liabilities

	December 31, 2022	December 31, 2021
Carrying amounts		
Current portion	$ 42,745	$ 35,670
Non-current portion	$ 73,709	$ 96,164

Ranges of discount rates for lease liabilities are as follows:

	December 31, 2022	December 31, 2021
Buildings	0.99%～4.35%	0.99%～4.35%
Office equipment	0.99%～4.35%	0.99%～4.35%

c. Important lease activities and terms

The lease period of the buildings and office equipment leased by the Group is 1 to 10 years. Among them, the rent of the building is adjusted according to the fluctuation of the price indices and the terms are reviewed during the lease period. At the end of the lease period, the Group has no bargain purchase price option to purchase the leased buildings and office equipment.

d. Other lease information

	2022	2021
Expense relating to short-term leases	($ 6,271)	($ 511)
Total cash outflow for leases	($ 49,067)	($ 42,148)

The Group has chosen to apply the recognition exemption to building leases that qualify as short-term leases and will not recognize the related right-of-use assets and lease liabilities.

15. INVESTMENT PROPERTY

	Buildings	Right-of-use assets - Land	Total
Cost			
Balance at January 1, 2022	$ 210,112	$ 5,461	$ 215,573
Effect of exchange rate changes	3,288	85	3,373
Balance at December 31, 2022	$ 213,400	$ 5,546	$ 218,946
Accumulated depreciation and impairment			
Balance at January 1, 2022	$ 150,628	$ 416	$ 151,044
Depreciation expense	8,231	141	8,372
Effect of exchange rate changes	2,310	6	2,316
Balance at December 31, 2022	$ 161,169	$ 563	$ 161,732
Carrying amount at December 31, 2022	$ 52,231	$ 4,983	$ 57,214

	Buildings	Right-of-use assets - Land	Total
Cost			
Balance at January 1, 2021	$ -	$ -	$ -
From property, plant and equipment/right-of-use assets	210,112	5,461	215,573
Balance at December 31, 2021	$ 210,112	$ 5,461	$ 215,573
Accumulated depreciation and impairment			
Balance at January 1, 2021	$ -	$ -	$ -
From property, plant and equipment/right-of-use assets	150,628	416	151,044
Balance at December 31, 2021	$ 150,628	$ 416	$ 151,044
Carrying amount at December 31, 2021	$ 59,484	$ 5,045	$ 64,529

The right-of-use assets in the investment property is the subleasing of the leased land located in Hefei City, Anhui Province, China to Mitsubishi Electric GEM Power Device (Hefei) Co., Ltd. under operational leasing.

The lease term of the investment property is 5 years with an option to extend the lease term for 2 years. The lessees do not have purchase options to acquire the assets at the expiration of the lease periods.

The maturity analysis of operating lease payments receivable from the investment property is as follows:

	December 31, 2022	December 31, 2021
Year 1	$ 48,232	$ 47,489
Year 2	48,232	47,489
Year 3	48,232	47,489
Year 4	48,232	47,489
Year 5	-	47,489
	$192,928	$237,445

The Group implements a general risk management policy to reduce the residual risk of the leased buildings and right-of-use assets upon expiry of the lease term.

Investment properties are depreciated on a straight-line basis over the following economic life:

Buildings	
Factory main building	20 years
Right-of-use assets - Land	50 years

The fair value of the investment properties is measured by the independent appraisal company Anhui Huateng Property Assessment Office as a Level 3 input on the balance sheet date. The evaluation is based on market evidence of similar property transaction prices and the cash flow method, and the important unobservable input used include discount rate. The fair value obtained from the evaluation is as follows:

	December 31, 2022	December 31, 2021
Fair value	$283,872	$299,771

The above fair value measurement has taken into account the uncertainty of the impact of the subsequent development of the COVID-19 epidemic on market fluctuations.

16. GOODWILL

	2022	2021
Cost		
Balance, beginning of period	$ -	$ -
Acquired by business combinations in the current period (Note 30)	32,577	-
Balance, end of period	$ 32,577	$ -
Accumulated impairment losses		
Balance, beginning of period	$ -	$ -
Impairment losses recognized in the current period	-	-
Balance, end of period	$ -	$ -
Balance, end of year	$ 32,577	$ -

The Group's investment cost of acquiring Centera Photonics Inc. above the net value of identifiable assets and liabilities on the acquisition date are recognized as goodwill.

The Group conducts an impairment assessment on the recoverable amount of goodwill at the end of the reporting period, and does not recognize any impairment loss of goodwill using the value in use as the calculation basis for the recoverable amount.

17. INTANGIBLE ASSETS

	Computer Software
Cost	
Balance at January 1, 2022	$ 12,095
Additions	1,336
Acquired by business combinations (Note 30)	3,323
Disposal	(3,682)
Effect of exchange rate changes	140
Balance at December 31, 2022	$ 13,212
Accumulated amortization and impairment	
Balance at January 1, 2022	$ 5,572
Amortization expense	4,546
Acquired by business combinations (Note 30)	533
Disposal	(3,682)
Effect of exchange rate changes	67
Balance at December 31, 2022	$ 7,036
Carrying amount at December 31, 2022	$ 6,176
Cost	
Balance at January 1, 2021	$ 9,092
Additions	4,389
Disposal	(1,352)
Effect of exchange rate changes	(34)
Balance at December 31, 2021	$ 12,095
Accumulated amortization and impairment	
Balance at January 1, 2021	$ 3,109
Amortization expense	3,826
Disposal	(1,352)
Effect of exchange rate changes	(11)
Balance at December 31, 2021	$ 5,572
Carrying amount at December 31, 2021	$ 6,523

Amortization expenses are accrued on a straight-line basis over the economic life:

Computer Software	1 to 5 years

18. OTHER ASSETS

	December 31, 2022	December 31, 2021
Current		
Prepayments		
Tax credit	$ 200,801	$ 267,445
Others	21,892	38,515
	$ 222,693	$ 305,960

	December 31, 2022	December 31, 2021
Non-current		
Prepayments for equipment	$ 412,434	$ 563,007
Refundable deposits paid (Note)	10,637	9,947
Uncollectible receivables	6,936	-
	430,007	572,954
Less: Loss allowances	(6,936)	-
	$ 423,071	$ 572,954

The Group acquired the subsidiary on December 24, 2022, and transferred in prepayment of NT$13,978 thousand, prepaid equipment payments of NT$560 thousand and refundable deposit of NT$833 thousand, please refer to Note 30.

Note: The Group considers the debtor's historical record, current market conditions and business outlook to measure the 12-month expected credit loss or lifetime expected credit loss of the refundable deposit paid. As of December 31, 2022 and 2021, the Group assessed that it was not necessary to report expected credit losses for refundable deposits paid.

19. BORROWINGS

a. Short-term borrowings

	December 31, 2022	December 31, 2021
Secured borrowings (Note 36)		
Bank borrowings (Note)	$ 71,170	$ -

The Group acquired the subsidiary on December 24, 2022, and transferred short-term bank loans of NT$71,170 thousand, please refer to Note 30.

Note: Among them, the used amount of NT$25,000 thousand is guaranteed by the Taiwan SMEG. The interest rate of the bank loan was 2.16% to 2.75% as of December 31, 2022.

b. Long-term bank borrowings

	December 31, 2022	December 31, 2021
Secured borrowings (Note 36)		
Bank borrowings	$ 405,000	$ 358,990
Less: Current portion	(37,732)	(83,054)
Long-term bank loans	$ 367,268	$ 275,936

The borrowings of the Group include:

	Due date	Material terms	December 31, 2022 Amount	December 31, 2022 Effective rate %	December 31, 2021 Amount	December 31, 2021 Effective rate %
Floating rate loan						
Taiwan Cooperative Bank						
Secured loans for land and buildings	February 3, 2028	The loan amount of $135,000 thousand is divided into 84 monthly installments starting March 2021 where the interest is paid monthly in the first year, and the principal and interest are amortized monthly starting March 2022. (Early repayment in January 2022).	$ -	-	$ 135,000	0.99
Secured loans for land and buildings	March 9, 2028	The loan amount of $135,000 thousand is divided into 84 monthly installments starting April 2021 where the interest is paid monthly in the first year, and the principal and interest are amortized monthly starting April 2022. (Early repayment in February 2022).	-	-	135,000	0.99
Machinery and equipment secured loans	October 23, 2023	The loan amount of $97,000 thousand is divided into 36 monthly installments starting November 2020 where the interest is paid monthly in the first year, and the principal and interest are amortized monthly starting November 2021. (Early repayment in December 2022).	-	-	88,990	0.99
Secured loans for land and buildings	January 26, 2029	The loan amount of $135,000 thousand is divided into 84 monthly installments starting February 2022 where the interest is paid monthly in the first year, and the principal and interest are amortized monthly starting February 2023.	135,000	1.49	-	-
Secured loans for land and buildings	February 25, 2029	The loan amount of $135,000 thousand is divided into 84 monthly installments starting March 2022 where the interest is paid monthly in the first year, and the principal and interest are amortized monthly starting March 2023.	135,000	1.49	-	-
Secured loans for land and buildings	December 19, 2029	The loan amount of $135,000 thousand is divided into 84 monthly installments starting January 2023 where the interest is paid monthly in the first year, and the principal and interest are amortized monthly starting January 2024.	135,000	1.49	-	-
			405,000		358,990	
Less: Current portion			(37,732)		(83,054)	
Balance of long-term bank loans			$ 367,268		$ 275,936	

20. OTHER LIABILITIES

	December 31, 2022	December 31, 2021
Current		
Other payables		
Payable for equipment (Note 32)	$ 540,105	$ 554,118
Salaries payable and bonus	401,021	371,673
OEM collection and payment	80,756	75,860
Insurance premium	50,762	40,465
Processing fee	19,820	-
Pension	20,317	18,294
Repair and maintenance expense	6,080	11,571
Professional service fee	7,179	6,142
Contract service payment	1,277	2,554
Business tax	2,303	2,346
Payable for capital reduction (Note 32)	-	713
Interest	176	212
Dividends payable (Note 32)	171	111
Others	69,250	79,756
	$ 1,199,217	$ 1,163,815
Other current liabilities		
Guarantee deposit - payments received to retain capacity (Note)	$ 143,542	$ 95,002
Others	2,650	3,149
	$ 146,192	$ 98,151
Non-current		
Guarantee deposits and margins received		
Payments received to retain capacity (Note)	$ 526,626	$ 442,006
Others (Note 35)	13,415	13,273
	$ 540,041	$ 455,279

The Group acquired the subsidiary on December 24, 2022, and transferred NT$62,076 thousand to other payables and NT$ 645 thousand to receipts under custody, please refer to Note 30.

Note: To expand the production capacity in response to the increase in customer demand, the Group has signed a production capacity agreement with its customers and collected a production capacity deposit which the customers can offset the payment for shipments in phases during the production capacity guarantee period according to the conditions stipulated in the agreement.

21. PROVISIONS

	December 31, 2022	December 31, 2021
Current		
Warranties	$ 36,419	$ 34,123

	2022	2021
Balance, beginning of period	$ 34,123	$ 37,795
Additions	2,962	5,916
Usage	(666)	(9,588)
Balance, end of period	$ 36,419	$ 34,123

The warranties provision for liabilities is the present value of the best estimate of the future economic outflows due to the warranties obligations by the management of the Group according to the contract for the sale of goods. This estimate is based on historical warranties and adjusted by taking into account new raw materials, changes in the process or other factors that affect product quality.

22. RETIREMENT BENEFIT PLANS

a. Determuned contribution plans

eLaser, eLaser Technologies Co., Ltd., Centera Photonics Inc., and GEM Tech Ltd., Taiwan Branch of the Group adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Group makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the subsidiaries of the Group in Mainland China are enrolled in the pension system operated by the local location government. These subsidiaries are required to contribute a specified percentage of payroll to fund the pension system. The Group's obligation to this government-operated pension system is only to contribute the specified amount.

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the "Labor Standards Act" is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the Supervisory Committee of Business Entities' Labor Retirement Reserve. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, if the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, Elite Advanced Laser Corporation is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor; the Company has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31, 2022	December 31, 2021
Present value of defined benefit obligation	$ 52,193	$ 56,783
Fair value of plan assets	(20,631)	(19,071)
Deficit	31,562	37,712
Net defined benefit liabilities	$ 31,562	$ 37,712

Movements in net defined benefit liabilities (asset) were as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (asset)
Balance at January 1, 2022	$ 56,783	($ 19,071)	$ 37,712
Service cost			
Current service cost	623	-	623
Interest expense (income)	356	(122)	234
Recognized in profit or loss	979	(122)	857
Remeasurement			
Return on plan assets (excluding the amounts included in net interest)	-	(1,494)	(1,494)
Actuarial (profit) loss - changes in financial assumptions	(1,773)	-	(1,773)
Actuarial (profit) loss - experience adjustment	(3,348)	-	(3,348)
Recognized in other comprehensive income	(5,121)	(1,494)	(6,615)
Contributions from the employer	-	(392)	(392)
Benefits paid	(448)	448	-
Balance at December 31, 2022	$ 52,193	($ 20,631)	$ 31,562
Balance at January 1, 2021	$ 58,489	($ 18,766)	$ 39,723
Service cost			

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (asset)
Current service cost	633	-	633
Interest expense (income)	219	(71)	148
Recognized in profit or loss	852	(71)	781
Remeasurement			
Return on plan assets (excluding the amounts included in net interest)	$ -	($ 268)	($ 268)
Actuarial (profit) loss - changes in demographic assumptions	1,200	-	1,200
Actuarial (profit) loss - changes in financial assumptions	(1,062)	-	(1,062)
Actuarial (profit) loss - experience adjustment	(2,270)	-	(2,270)
Recognized in other comprehensive income	(2,132)	(268)	(2,400)
Contributions from the employer	-	(392)	(392)
Benefits paid	(426)	426	-
Balance at December 31, 2021	$ 56,783	($ 19,071)	$ 37,712

Through the defined benefit plans under the "Labor Standards Act", the Company is exposed to the following risks:

1) Investment risk: The investment is conducted at the discretion of the Bureau of Labor Funds, Ministry of Labor or under the mandated management which is invested in domestic and foreign equity and debt securities, bank deposits, etc. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31, 2022	December 31, 2021
Discount rate	1.125%	0.625%
Expected rates of salary increase	3.00%	3.00%

If possible reasonable changes in each of the significant actuarial assumptions occur and all other assumptions remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	December 31, 2022	December 31, 2021
Discount rate		
Increase by 0.25%	($ 843)	($ 1,039)
Decrease by 0.25%	$ 871	$ 1,078
Expected rates of salary increase		
Increase by 0.25%	$ 844	$ 1,039
Decrease by 0.25%	($ 821)	($ 1,008)

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31, 2022	December 31, 2021
Expected contributions to the plan for the next year	$ 392	$ 392
Average duration of the defined benefit obligation	6.5 years	7.3 years

23. EQUITY

a. Capital stock

Common stock

	December 31, 2022	December 31, 2021
Authorized shares (in thousands)	300,000	300,000
Authorized capital	$ 3,000,000	$ 3,000,000
Issued and paid shares (in thousands)	145,681	145,681
Issued capital (NTD in thousand)	$ 1,456,814	$ 1,456,814

The authorized shares include 10,000 thousand shares allocated for the exercise of employee stock options.

A holder of issued common shares with par value of NT$10 per share is entitled to vote and to receive dividends.

b. Capital surplus

	December 31, 2022	December 31, 2021
May be used to offset a deficit, distributed as cash dividends or transferred to capital (Note 1)		
Additional paid-in capital	$ 322,130	$ 322,130
Treasury stocks	6,420	6,420
	$ 328,550	$ 328,550
May only be used to offset a deficit		
From share of changes in equities of subsidiaries (Note 2)	$ 123,744	$ 123,722

Note 1: Such capital surplus can be used to offset a deficit, in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or stock dividends up to a certain percentage of eLaser's paid-in capital.

Note 2: This capital surplus is the amount of equity transaction impact recognized due to changes in the Company's equity when the Company does not subscribe to the subsidiary's equity in proportion to its shareholding, or the adjusted amount recognized by eLaser using the equity method to recognize the subsidiary's capital surplus.

c. Retained earnings and dividend policy

On June 29, 2022, eLaser's shareholders' meeting approved a resolution to amend the earnings distribution policy of the Articles of Association.

In accordance with eLaser's earnings distribution policy in the revised Articles of Association, if there is a surplus after the annual financial report, eLaser will pay taxes and make up for previous annual deficit and add items other than the after-tax net profit to the undistributed earnings for the current period. Also, 10% of legal reserve shall be set aside and if necessary, the special reserve shall be set aside in accordance with relevant laws or regulations, and the accumulated undistributed earnings of the previous year shall be added as the distributable surplus, which shall be reserved by the Board of Directors according to operation capital demand and distributed in accordance with the earnings distribution proposal submitted to the shareholder's meeting for resolution. When the net amount of other equity deductions accumulated in the previous period is set aside as a special reserve, if the undistributed earnings in the previous period is insufficient to be set aside, items other than after-tax net profit plus after-tax net profit for the current period are included in the undistributed earnings for the current period. eLaser's dividend policy is to evaluate the eLaser's future capital needs, financial structure, and earnings. As eLaser is in the growth stage with the industry outlook and development trend changing rapidly, continuous investment, R&D and a sound financial structure are required to create a competitive advantage. Future earnings will be appropriately distributed in the form of stock dividends or cash dividends, depending on eLaser's operation. The total amount of dividends shall be at least 5% of the distributable earnings for the current year, of which cash dividends shall not be less than 20% of the total dividends.

According to the provisions of the earnings distribution policy of eLaser's Articles of Association before the amendment, if there is a surplus after the annual final accounts, the tax shall be paid according to the law and the losses of the previous years shall be made up, and then 10% of the statutory surplus reserve shall be allocated. When necessary, the special reserve shall be withdrawn or reversed in accordance with the law. The accumulated undistributed earnings of the previous year are added as distributable surplus, which is reserved by the Board of Directors according to operational needs, and a surplus distribution proposal is drawn up and submitted to the shareholders' meeting for distribution. eLaser's dividend policy is to evaluate the eLaser's future capital needs, financial structure, and earnings. As eLaser is in the growth stage with the industry outlook and development trend changing rapidly, continuous investment, R&D and a sound financial structure are required to create a competitive advantage. Future earnings will be appropriately distributed in the form of stock dividends or cash dividends, depending on eLaser's operation. The total amount of dividends shall be at least 5% of the distributable earnings for the current year, of which cash dividends shall not be less than 20% of the total dividends. Please refer to Note 25 (9) Employee

Remuneration and Director Remuneration for the employees and directors remuneration policy stipulated in the Articles of Association of the Company.

According to Article 237 of eLaser Act of the Republic of China, Act, when allocating surplus profits after having paid all taxes and dues, shall first set aside 10% of said profits as legal reserve. Where such legal reserve amounts to the total paid-in capital, this provision shall not apply. The legal reserve can be used to make up for losses. When the Company has no losses, the portion of the legal reserve exceeding 25% of the total paid-in capital can be allocated in cash in addition to being accounted as share capital.

eLaser set aside the special reserve in accordance with the Official Letter Chin-Kuan-Cheng-Fa-Tzu No. 1090150022 and "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs".

eLaser held regular shareholders' meetings on June 29, 2022 and July 22, 2021, and the resolutions were passed respectively to approve the 2021 and 2020 annual earnings distribution proposals as shown below:

	2021	2020
Legal reserve	$ 37,211	$ 23,722
Special reserve	($ 1,038)	($ 1,752)
Cash dividends	$262,226	$ 203,954
Cash dividend per share (NT$)	$ 1.8	$ 1.4

On March 22, 2023, the Company's Board of Directors proposed the 2022 earnings distribution as follows:

	2022
Legal reserve	$ 19,712
Special reserve	$ 2,417
Cash dividends	$ 72,841
Cash dividend per share (NT$)	$ 0.5

The 2022 earnings distribution plan is yet to be resolved at the shareholders' meeting which is expected to be held on June 6, 2023.

d. Special capital reserve

	2022	2021
Balance, beginning of period	$ 66,339	$ 68,091
(Reversal of) Reduction of other equity items	(1,038)	(1,752)
Balance, end of period	$ 65,301	$ 66,339

e. Others

Exchange differences on translation of foreign financial statements:

	2022	2021
Balance, beginning of period	(\$ 65,301)	(\$ 66,339)
Recognized in the current period		
Foreign operations – foreign currency translation differences	(3,021)	1,297
Related tax	604	(259)
Other comprehensive income	(2,417)	1,038
Balance, end of period	(\$ 67,718)	(\$ 65,301)

f. Non-controlling interests

	2022	2021
Balance, beginning of period	\$ 2,023,445	\$ 1,944,026
Net income	456,497	419,588
Other comprehensive income		
Foreign operations – foreign currency translation differences	(2,904)	1,247
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	863
Cash dividend issued from subsidiaries	(347,809)	(284,571)
Remuneration to employees of subsidiaries (Note 28)	15	(57,708)
Non-controlling interests from acquiring subsidiaries (Note 30)	139,496	-
Balance, end of period	\$ 2,268,740	\$ 2,023,445

24. Revenue

	2022	2021
Revenue from contracts with customers		
Packaging and testing	\$ 6,376,553	\$ 6,728,759
Other Operating revenue		
Others (Note 35)	399,228	468,781
	\$ 6,775,781	\$ 7,197,540

a. Detail of customer contracts

1) Packaging and testing

The customer contract signed by the Group includes two performance obligations of packaging and testing services. The customer pays the contract transaction price after obtaining the packaged or tested product. Since the time interval between the transfer of labor services and the customer's payment is less than a year, the significant financial component of the contract transaction price will not be adjusted. The stand-alone selling prices for packaging and testing services are determined using the expected cost plus a margin approach and are used to allocate the transaction price to each performance obligation.

2) other services

The other service contracts signed by the Group are for the electroplating processing services, building leasing services, and installation and testing services of production equipment contracted to the Group, and the transaction prices of the services are negotiated in accordance with these contracts.

b. Contract balance

	December 31, 2022	December 31, 2021	Balance as of January 1, 2021
Notes receivable (Note 9)	$ -	$ 20,245	$ 10,828
Accounts receivable (Note 9)	986,290	1,328,772	1,171,258
Accounts receivable due from related parties (Note 35)	9,583	8,717	8,059
	$ 995,873	$ 1,357,734	$ 1,190,145
Contract assets			
Packaging and testing	$ 190,216	$ 221,788	$ 198,630
Less: Loss allowances	(38,454)	(12,330)	(8,425)
	$ 151,762	$ 209,458	$ 190,205
Contract liabilities			
Packaging and testing	$ 16,019	$ 28,134	$ 32,432

The Group acquired the subsidiary on December 24, 2022, and transferred contract liabilities of NT$7,671 thousand, please refer to Note 30.

Changes in contract assets and contract liabilities are due to the difference between the timing of meeting performance obligations and the timing of payment. Other major changes are as follows:

	2022	2021
Contract assets		
Balance at beginning of the period transfers to accounts receivable	($ 220,550)	($ 186,068)

The Group recognizes loss allowance for contract assets based on lifetime expected credit losses. The average process duration of the packaging and testing service contracts signed by the Group is 20 to 30 days. When determining the possibility of obtaining an unconditional right of payment for contract assets in the future, the policy adopted by the Group refers to the default record of the counterparty's past accounts receivable and considers the contracts that are still under obligations on the balance sheet date, examines each contract for stagnation, and recognizes the loss allowance for contract assets according to the expected credit losses during the duration. If there is evidence that the obligation of the contract have been stagnant for more than 30 days, the Group will recognize the loss allowance at full amount, but will continue to pursuit the stagnation of the contract, and carry out the obligation when the stagnation has been eliminated. If there is evidence that the counterparty has signs of breach of contract or is facing serious financial difficulties where the recoverable amount cannot be reasonably estimated, the Group will directly write off the relevant contract assets and loss allowance, but will continue to pursue for recovery. The amount recovered by the pursuit will be recognized in profit or loss.

	December 31, 2022	December 31, 2021
Expected credit loss rate	20%	6%
Total amount	$ 190,216	$ 221,788
Loss allowance (lifetime expected credit losses)	(38,454)	(12,330)
	$ 151,762	$ 209,458

Movements of the loss allowance for contract assets

	2022	2021
Balance, beginning of period	$ 12,330	$ 8,425
Add: Impairment losses for the current period	26,085	4,033
Less: Write-off in the current period (Note)	-	(121)
Exchange differences on translation of foreign currency	39	(7)

	2022	2021
Balance, end of period	$ 38,454	$ 12,330

Note: In 2021, the Group assessed the unrecoverable accounts receivable of some customers where the contracts had been terminated, so the related contract assets and loss allowance were written off.

The amount recognized as revenue in the current year from the contract liabilities at the beginning of the period and the performance obligations that have been satisfied in the previous period is as follows:

	2022	2021
Contract liabilities at the beginning of the period	$ 23,560	$ 13,583

c. Detail of customer contracts

Please refer to Note 40 for detailed revenue information.

25. NET PROFIT FROM CONTINUING OPERATION

a. Other income and (losses)

	2022	2021
Impairment loss on property, plant and equipment	$ 31,481	$ -

b. Interest income

	2022	2021
Bank deposit	$ 16,972	$ 6,146

c. Other income

	2022	2021
Government subsidy	$ 5,521	$ 4,713
Others	9,509	8,243
	$ 15,030	$ 12,956

d. Other gains and losses

	2022	2021
Gains (losses) on disposal of property, plant and equipment	$ 2,846	($ 4,597)
Foreign exchange gains(losses)	253,433	(47,963)
Gains from lease modification	19	25
Others	(711)	(1,653)
	$ 255,587	($ 54,188)

e. Finance costs

	2022	2021
Bank loans interest	$ 4,250	$ 3,253
Interest expense on lease liability	3,775	999
Interest on borrowings from related parties (Note 35)	14	-
	$ 8,039	$ 4,252

f. Depreciation and amortization

	2022	2021
Depreciation expenses summarized by function		
Cost of revenue	$ 741,968	$ 602,136
Operating expenses	59,659	52,679
	$ 801,627	$ 654,815
Amortization expenses summarized by function		
Cost of revenue	$ 581	$ 803
Operating expenses		
General and administrative expense	3,885	2,580
Research and development expense	80	443
	$ 4,546	$ 3,826

g. Direct operating expenses of investment property

	2022	2021
Lease revenue		
Depreciation expense	$ 8,372	$ -
Others	618	-
	$ 8,990	$ -

h. Employee benefits expenses

	2022	2021
Share-based payment		
Equity-settled (Note 28)	$ 37	$ -
Post-employment benefits		
Determined contribution plans	138,056	118,822
Defined benefit plans (Note 22)	857	781
	138,950	119,603
Others	1,865,865	1,708,762
Total employee benefits expenses	$ 2,004,815	$ 1,828,365
Summarized by function		
Cost of revenue	$ 1,579,488	$ 1,450,698
Operating expenses	425,327	377,667
	$ 2,004,815	$ 1,828,365

i. Remuneration to the employees and directors

According to the Articles of Association, eLaser allocates 8% to 15% of the employee's remuneration and no more than 3% of the director's remuneration according to the pre-tax profit before deducting the employee' and director's remuneration in the current year.

Employee remuneration and director remuneration in 2022 and 2021 were approved by the Board of Directors on March 22, 2023 and March 24, 2022 as follows:

Estimated ratio

	2022	2021
Remuneration to employees	12%	10.39%
Compensation to directors	2.82%	2.90%

Amount

	2022	2021
	Cash	Cash
Remuneration to employees	$ 34,000	$ 55,500
Compensation to directors	$ 8,000	$ 15,500

If there is still a change in the amount after the annual consolidated financial statement is approved, it will be treated as a change in accounting estimates and adjusted and recorded in the following year.

There is no significant difference between the aforementioned approved amounts and the amounts charged against earnings of 2021 and 2020, respectively.

The information about the appropriations of the Company's remuneration to employees and directors in 2022 and 2021 is available at the Market Observation Post System website.

j. Foreign exchange gains and losses

	2022	2021
Foreign currency exchange gains	$ 548,832	$ 156,523
Foreign currency exchange losses	(295,399)	(204,486)
Net gains (losses)	$ 253,433	($ 47,963)

26. INCOME TAX

a. Income tax expense recognized in profit or loss

Income tax expense consisted of the following:

	2022	2021
Current income tax		
Recognized in the current period	$ 261,873	$ 272,584
Levied undistributed surplus earnings	3,686	565
Income tax adjustments on prior years	(4,185)	(13,476)
	261,374	259,673
Deferred income tax		
Recognized in the current period	(7,019)	34,709
Income tax expense recognized in profit or loss	$ 254,355	$ 294,382

A reconciliation of income before income tax and income tax expenses recognized in profit or loss was as follows:

	2022	2021
Income before income tax	$ 902,676	$ 1,085,023
Income tax expense calculated at the statutory rate (20%)	$ 180,535	$ 217,005
Nondeductible expenses in determining taxable income	1,420	22,693
Tax exempt income	(298)	(17,383)
Levied undistributed surplus earnings	3,686	565
Unrecognized deductible temporary differences/ loss	(38,230)	(5,207)

	2022	2021
deduction		
Effect of different tax rates applicable to consolidated entities	119,642	98,028
Adjustments for prior years' tax	(4,185)	(13,476)
Investment credits	(8,215)	(7,843)
Income tax expense recognized in profit or loss	$ 254,355	$ 294,382

b. Income tax recognized in other comprehensive income

	2022	2021
Deferred income tax		
Recognized in the current period		
- Remeasurement of defined benefit plans	$ 1,323	$ 480
- Foreign operations – foreign currency translation differences	(604)	259
	$ 719	$ 739

c. Current tax assets and liabilities

	December 31, 2022	December 31, 2021
Current tax asset		
Income tax refund receivable	$ 10,086	$ 1,674
Current tax liabilities		
Income tax payable	$ 128,967	$ 171,053

d. Deferred tax assets and liabilities

Changes in deferred tax assets and liabilities are as follows:

2022

Deferred tax assets	Balance, beginning of period	Recognized in profit or loss	Recognized in other comprehensive income	Exchange difference	Balance, end of period
Temporary difference					
Inventory loss (reversal of write-down of inventories)	$ 6,153	$ 10,149	$ -	$ -	$ 16,302
Defined benefit retirement plan	5,866	-	(1,323)	-	4,543
Unrealized exchange loss	904	6,989	-	-	7,893
Allowance for losses - accounts receivable	2,674	458	-	(45)	3,087
Impairment loss on property, plant and equipment	-	6,296	-	-	6,296
Unrealized pension expense	923	93	-	-	1,016
Difference between consideration and carrying amount of subsidiaries acquired or disposed	9,900	-	-	-	9,900
Exchange differences on translating the financial	16,325	-	604	-	16,929

	Balance, beginning of period	Recognized in profit or loss	Recognized in other comprehensive income	Exchange difference	Balance, end of period
statements of foreign operations					
Allowance for losses - contract assets	2,506	5,267	-	8	7,781
Employee compensation payable	15,909	(1,044)	-	255	15,120
Unrealized sales allowance	-	168	-	-	168
Lease income tax effect	-	545	-	(4)	541
Others	6,825	459	-	-	7,284
	$ 67,985	$ 29,380	($ 719)	$ 214	$ 96,860
Deferred tax liabilities					
Temporary difference					
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	$ 293,021	$ 22,495	$ -	$ -	$ 315,516
Changes in subsidiaries' ownership	28,482		-	-	28,482
Revenue from contracts with customers	3,153	(660)	-	53	2,546
Unrealized exchange profit	1,229	526	-	14	1,769
	$ 325,885	$ 22,361	$ -	$ 67	$ 348,313

2021

	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Exchange difference	Balance, end of period
Deferred tax assets					
Temporary difference					
Inventory loss (reversal of write-down of inventories)	$ 8,803	($ 2,650)	$ -	$ -	$ 6,153
Defined benefit retirement plan	6,346	-	(480)	-	5,866
Unrealized exchange loss	761	143	-	-	904
Allowance for losses - accounts receivable	3,267	(593)	-	-	2,674
Unrealized pension expense	845	78	-	-	923
Difference between consideration and carrying amount of subsidiaries acquired or disposed	9,900	-	-	-	9,900
Deferred tax assets					
Exchange differences on translating the financial statements of foreign operations	$ 16,584	$ -	($ 259)	$ -	$ 16,325
Allowance for losses - contract assets	1,614	891	-	1	2,506
Allowance for losses - other receivables	4,793	(4,793)	-	-	-
Employee compensation payable	13,720	2,265	-	(76)	15,909
Unrealized sales allowance	313	(313)	-	-	-
Others	7,560	(735)	-	-	6,825
	$ 74,506	($ 5,707)	($ 739)	($ 75)	$ 67,985
Deferred tax liabilities					
Temporary difference					
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	$ 264,741	$ 28,280	$ -	$ -	$ 293,021
Changes in subsidiaries' ownership	28,482	-	-	-	28,482
Revenue from contracts with customers	808	2,349	-	(4)	3,153

	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Exchange difference	Balance, end of period
Unrealized exchange profit	2,856	(1,627)	-	-	1,229
	$ 296,887	$ 29,002	$ -	($ 4)	$ 325,885

e. Deductible temporary difference and unused loss deduction amount not recognized in the consolidated balance sheet

	December 31, 2022	December 31, 2021
Deductible temporary difference		
Unrealized asset impairment loss	$ 146,099	$ 166,837
Inventory loss (reversal of write-down of inventories)	78,080	46,541
Unrealized exchange loss	-	201
Allowance for losses - accounts receivable	77	-
Others	-	2,437
	$ 224,256	$ 216,016
Loss deduction		
Expired in 2022	$ -	$ 44,192
Expired in 2023	43,379	40,224
Expired in 2025	7,082	-
Expired in 2026	51,189	5,391
Expired in 2027	51,882	-
Expired in 2028	71,733	-
Expired in 2029	94,744	-
Expired in 2030	100,936	11,261
Expired in 2031	133,910	14,014
Expired in 2032	75,380	-
	$ 630,235	$ 115,082

f. Income tax assessments

The Company's tax returns for all years through 2020 have been assessed by the tax authorities and there is no significant difference between the approved number and the filed number. The Company had no pending tax litigation as of December 31, 2022.

27. EARNINGS PER SHARE

	2022	2021
Basic EPS	$ 1.32	$ 2.55
Diluted EPS	$ 1.31	$ 2.51

EPS is computed as follows:

Net income

	2022	2021
Net income attributable to owners of the Company	$ 191,824	$ 371,053
Net income used to calculate basic earnings per share	$ 191,824	$ 371,053
Effects of all dilutive potential common shares:		
Subsidiaries' stock option	-	(1,880)
Net profit used to calculate diluted earnings per share	$ 191,824	$ 369,173

Common shares

Unit: thousand shares

	2022	2021
Weighted average number of common shares used to calculate basic EPS	145,681	145,681
Effects of all dilutive potential common shares:		
Remuneration to employees	1,175	1,120
Weighted average number of common shares used to calculate diluted EPS	146,856	146,801

If the Group can choose to pay employee remuneration in shares or cash, when calculating diluted EPS, assumed that employee remuneration will be issued in shares, the weighted average number of outstanding shares shall be included in the potentially dilutive common shares to calculate the diluted EPS. When calculating the diluted EPS before deciding on the number of shares for employee remuneration in the following year, the potentially dilutive common shares will also be considered.

28. SHARE-BASED PAYMENT ARRANGEMENTS

a. The subsidiary GEM Services, Inc. has issued a share option plan in 2000

On February 28, 2000, the GEM Services, Inc. approved the proposal of its Board of Directors to issue the share option plan. The share option plan has been revised several times since the issuance, and the total amount of shares issued was 6,722 thousand units. The plan is granted to employees of the GEM Services, Inc. and its 100%-owned subsidiaries and those who provide services to the GEM Services, Inc. and its subsidiaries and meet certain conditions. The above-mentioned share option plan grants those who meet certain conditions to exercise the share options in a certain schedule and proportion in one year after obtaining the stock warrant. The duration of the above-mentioned warrants is ten years. After ten years, the unexercised share options shall be deemed to be waived, and the warrantee shall no longer claim his or her share option. Among the issued share option of GEM Services, Inc., there were 200 thousand units expired on June 27, 2021, and all lapsed due to non-exercise.

The relevant information of 2021 stock option is as follows:

	2021			
	Employee stock option (in thousands)	Weighted average strike price (USD)	Other option (in thousands)	Weighted average strike price (USD)
Circulation at the beginning of the period	-	$ -	200	$ 1.250
Expired in the current period	-	-	(200)	1.250
Circulation at the end of the period	-	-	-	-
Exercisable at the end of the period	-	-	-	-
Weighted average fair value of the stock options in the current period (NTD)	$ -		$ -	

The stock options granted by GEM Services, Inc. on June 28, 2011 are the related remuneration costs of the stock warrant recognized at the fair value (calculated according to the Black-Scholes evaluation model). The parameters used in the relevant evaluation model are as follows:

		June 28, 2011
Evaluation parameters for non-employees:	Share price on grant day (NTD)	USD 1.040
	Exercise price (NTD)	USD 1.250
	Expected volatility	48.34%
	Expected life	10 years
	Expected dividend rate	0.00%
	Risk-free interest rate	1.89%

b. The subsidiary Centera Photonics Inc. has issued a share option plan in 2018 Centera Photonics Inc. was approved by the Board of Directors on May 17, 2018 to issue 2,000 thousand units of employee stock warrant, and each unit subscribed for 1 common share. The total number of common shares to be for this stock warrant was 2,000 thousand shares, and the grantees are limited to the employees of Centera Photonics Inc. According to the warrant exercise rules, warrant holders can exercise a certain proportion of warrants granted after half a year, one year and one and a half years after the issuance respectively. The duration of the warrants is 7 years, and each share and the subscription price is NT$10, with a total of 2,000 thousand units. Authorized by the Board of Directors, the chairman decided to issue 599 thousand units, 713 thousand units and 289 thousand units on May 20, 2019, November 12, 2019 and May 24, 2021 respectively. As of December 31, 2022, the outstanding shares are 548,000 units.

Information relating to issued employee stock options is as follows:

	Acquisition date to December 31, 2022	
Employee stock option	Unit (thousand)	Weighted average exercise price (NT$)
Outstanding on acquisition date	548	$ 10
Offered in the period from the acquisition date	-	-
Exercised in the period from the acquisition date	-	-
Circulation at the end of the period	548	40

Employee stock option	Acquisition date to December 31, 2022 Unit (thousand)	Weighted average exercise price (NT$)
Exercisable at the end of the period	434	
Weighted average fair value of the stock options in the period from the acquisition date (NT$)	$ -	

Information relating to outstanding employee stock options is as follows:

	December 31, 2022
Exercise price (NT$)	$ 40
Weighted average remaining contractual life (years)	4.56 years

The employee stock options granted by the Group on May 24, 2021, November 12, 2019, and May 20, 2019 adopt the Black-Scholes evaluation model, and the input values used in the evaluation model are as follows:

	May 24, 2021	November 12, 2019	May 20, 2019
Share price on grant day	NT$4.75	NT$4.98	NT$5.73
Exercise price	NT$10	NT$10	NT$10
Expected volatility	39.66%	32.18%	32.08%
Duration	4.3 years	4.3 years	4.3 years
Expected dividend rate	0%	0%	0%
Risk-free interest rate	0.1689%	0.5758%	0.5546%

The expected volatility is based on the historical stock price volatility of the same industry, and the annualized standard deviation is obtained based on the duration of the option.

The remuneration cost recognized from the acquisition date to December 31, 2022 was NT$37 thousand.

29. GOVERNMENTS SUBSIDY

The facilities purchased by GEM Electronics (Hefei) Co., Ltd., a subsidiary of the Group, was approved for a subsidy of $5,224 thousand by the local government in October 2019 after meeting the subsidy conditions set by the Official Letter He-Ching-Hsin-Tsung-He No.185 (2019) of the local government in May, 2019.

The building constructed by GEM Electronics (Hefei) Co., Ltd., a subsidiary of the Group, was approved for a subsidy of NT$7,674 thousand by the local government in

March 2021 after meeting the subsidy conditions set by the No.6 (2020) of the Government of Hefei Municipality February, 2021.

The building constructed and facilities purchased by GEM Electronics (Hefei) Co., Ltd., a subsidiary of the Group, was approved for a subsidy of $31,190 thousand by the local government in July 2022 after meeting the subsidy conditions set by the No.8 (2021) of the Government of Hefei Municipality March, 2022.

This amount has been deducted from the relevant asset's carrying amount and carried forward to profit or loss over the asset's economic life by reducing the depreciation expense. As of December 31, 2022 and 2021, the depreciation expenses were reduced $2,148 thousand and $894 thousand, respectively.

30. BUSINESS COMBINATIONS

a. Subsidiaries acquired

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Centera Photonics Inc.	Manufacture and sales of electronic parts	December 24, 2022	57.97%	$ 225,000

b. Consideration transferred

	Centera Photonics Inc.
Cash	$ 225,000

c. Assets acquired and liabilities assumed at the date of acquisition

	Centera Photonics Inc.
Current assets	
Cash and cash equivalents	$ 267,163
Financial assets measured at amortized cost - Current	12,500
Accounts receivable	7,133
Inventories	195,641
Prepayments	13,978
Non-current assets	
Financial assets measured at amortized cost - Non-current	741
Property, plant and equipment	26,739
Intangible assets	2,790
Other non-current assets	1,393
Current liabilities	
Short-term bank loans	(71,170)

Contract liabilities	(7,671)
Accounts payable	(54,597)
Other payables	(62,076)
Other current liabilities	(645)
	$ 331,919

d. Non-controlling interests

The non-controlling interest in Centera Photonics Inc. (42.03% of total equity) is measured based on the identifiable net assets on the acquisition date and the shareholding ratio of the non-controlling interest.

e. Goodwill arising on an acquisition of a business

	Centera Photonics Inc.
Consideration Transferred	$ 225,000
Add: Non-controlling interest (42.03% of Centera Photonics Inc.'s total equity)	139,496
Less: Fair value of identifiable net assets acquired	(331,919)
Goodwill arising on an acquisition of a business	$ 32,577

The difference between the investment cost and the net equity value of the Group's acquisition of Centera Photonics Inc. is recognized as provisions on the balance sheet date because the measurement of the identifiable assets acquired, and the liabilities assumed by the business combination has not yet been completed. Retrospective adjustments are made or additional goodwill on acquisitions is recognized in subsequent measurement periods to reflect new information acquired about facts and circumstances existing at the acquisition date.

f. Net cash inflow on acquisition of subsidiary

	Centera Photonics Inc.
Consideration paid in cash	($ 225,000)
Add: Cash and cash equivalents on acquisition of subsidiaries, assets and operations	267,163
	$ 42,163

g. Impact of acquisition on the results of the Group

Starting from the acquisition date, the operating results from the acquired company are as follows:

	Centera Photonics Inc.
Revenue	$ 15,254
Net income	$ 1,437

31. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

eLaser purchased the outstanding shares of eLaser Technologies Co., Ltd. in March 2021, and eLaser's shareholding ratio in eLaser Technologies Co., Ltd. increased to 100%.

Since the above transactions did not change eLaser's control over these subsidiaries, they are treated as equity transactions.

	2021
	eLaser Technologies Co., Ltd.
Cash consideration paid	($ 57,708)
The carrying amount of the subsidiary's net assets is calculated based on the change in relative equity and the non-controlling interests that should be transferred - acquisition of subsidiary equity	56,845
Equity transaction difference	($ 863)
Equity transaction difference adjustments	
Retained earning - difference between consideration received and the carrying amount of subsidiaries' net assets during actual acquisitions	($ 863)

32. CASH FLOW INFORMATION

a. Non-cash transaction

The Group conducted the following non-cash investment and financing activities in 2022 and 2021:

1) As of December 31, 2022 and 2021, the purchase price of unpaid properties, plant and equipment acquired by the Group were $540,105 thousand and $554,118 thousand respectively, and were accounted as other payables.

2) Subsidiary GEM Services, Inc. as of December 31, 2022 and 2021, had announced cash dividends NT$171 thousand and NT$111 thousand respectively that have not been distributed and are listed under other payables.

3) Subsidiary eLaser Technologies Co., Ltd. decided to reduce capital in cash at the extraordinary general meeting of shareholders on October 5, 2020. As of

December 31, 2022 and 2021, there were NT$0 thousand and NT$713 thousand respectively that have not been returned and are listed under other payables.

4) Subsidiary GEM Services, Inc. signed a production capacity guarantee agreement with the customer and offset the security deposit by offsetting the payment according to the conditions stipulated in the contract. In 2022, NT$45,449 thousand offset the security deposit by offsetting accounts receivable.

b. Reconciliation of liabilities arising from financing activities

2022

	Balance as of January 1, 2022	Financing Cash Flow	Non-cash changes							December 31, 2022
			Lease addition	Lease modification	Subsidiaries acquired	Finance costs	Foreign Exchange Movement	Payment refund	Others	
Short-term bank loans	$ -	$ -	$ -	$ -	$ 71,170	$ -	$ -	$ -	$ -	$ 71,170
Other receivables - related parties	-	-	-	-	15,014	-	-	-	-	15,014
Long-term bank loans	358,990	46,010	-	-	-	-	-	-	-	405,000
Guarantee deposits and margins received	550,281	178,263	-	-	-	-	488	(45,449)	-	683,583
Lease liabilities	131,834	(39,021)	23,055	(1,004)	-	3,775	1,590	-	(3,775)	116,454
	$1,041,105	$ 185,252	$ 23,055	($ 1,004)	$ 86,184	$ 3,775	$ 2,078	($ 45,449)	($ 3,775)	$1,291,221

2021

	Balance as of January 1, 2021	Financing Cash Flow	Non-cash changes					December 31, 2021
			Lease addition	Lease modification	Finance costs	Foreign Exchange Movement	Other Changes	
Long-term bank loans	$ 97,000	$ 261,990	$ -	$ -	$ -	$ -	$ -	$ 358,990
Guarantee deposits and margins received	5,859	544,458	-	-	-	(36)	-	550,281
Lease liabilities	80,312	(40,638)	94,350	(2,023)	999	(167)	(999)	131,834
	$ 183,171	$ 765,810	$ 94,350	($ 2,023)	$ 999	($ 203)	($ 999)	$ 1,041,105

33. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of equity (i.e. issued capital, capital surplus, retained earnings and other equity).

The Group is not subject to any externally imposed capital requirements.

34. FINANCIAL INSTRUMENTS

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

The management of the Group considers that the carrying amounts of financial instruments in the consolidated financial statements that are not measured at fair value approximate their fair values.

b. Categories of financial instruments

	December 31, 2022	December 31, 2021
Financial assets		
Amortized cost (Note 1)	$ 3,716,151	$ 3,603,747
Financial liabilities		
Amortized cost (Note 2)	2,106,032	2,706,460

Note 1: Including cash and cash equivalents, financial assets measured at amortized cost, note receivable, accounts receivable (including related parties), other receivables (including related parties; excluding income tax refund receivable), uncollectible receivables and refundable deposits and other financial assets.

Note 2: Including financial liabilities measured at amortized cost such as short-term borrowings, accounts payable (including related parties), other payables (including related parties; excluding salaries and bonuses payable, insurance premiums payable, pensions payable, business taxes payable and dividends payable), long-term borrowings and guarantee deposit.

c. Financial risk management objectives and policies

The major financial instruments of the Group include cash and cash equivalents, receivables, payables, lease liabilities and borrowings. Among the financial instruments held by the Group, financial risks related to operations include market risk (including exchange rate risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

The main financial risks borne by the Group's operating activities are the exchange rate risk (see (1) below) and the interest rate risk (see (2) below).

(1) Foreign currency risk

The Group is engaged in foreign currency-denominated sales and purchase transactions, thus causing the Group to be exposed to exchange rate risk. The Group regularly evaluates the net risk position of the sales amount and cost amount denominated in non-functional currency, and adjusts the cash holding position of the non-functional currency accordingly to achieve hedging.

For the carrying amounts of monetary assets and liabilities of the Group denominated in non-functional currencies on the balance sheet date (including those monetary items denominated in non-functional currencies that have been eliminated in the consolidated financial statements), please refer to Note 38.

<u>Sensitivity analysis</u>

The Group is mainly affected by fluctuations in the exchange rates of USD, JPY and NTD.

The table below details the sensitivity analysis of the Group when the exchange rate of each functional currency of each entity against each relevant foreign currency increases/decreases by 1%. 1% is the sensitivity rate used when reporting exchange rate risk within the Group to key management, and also represents management’s assessment of the reasonably possible range of changes in foreign currency exchange rates. Sensitivity analysis only includes foreign currency monetary items in circulation which is translated at the end of the period with a 1% exchange rate adjustment.

When foreign currency monetary items are net assets, a positive number in the table below means that when the functional currency of each consolidated entity depreciates by 1% relative to each related currency (mainly USD, JPY and NTD), the pre-tax net profit or equity will increase by a number of the same amount; when the functional currency of each consolidated entity appreciates by 1% relative to each relevant currency, its impact on pre-tax net profit or equity will be a negative number of the same amount.

	The impact of USD		The impact of JPY		The impact of NTD	
	2022	2021	2022	2021	2022	2021
Gains or (losses)	$ 17,142 (i)	$ 16,718 (i)	$ 3 (ii)	($ 189)(ii)	($ 1,376)(iii)	($ 1,261)(iii)

(i) Mainly from the Group’s USD-denominated cash and cash equivalents, receivables, and payables that were in circulation on the balance sheet date without cash flow hedging.

The Group's sensitivity to the USD exchange rate increased in the current period, which was due to the decrease in payables denominated in USD.

(ii) Mainly from the Group's JPY-denominated cash and cash equivalents, receivables, and payables that were in circulation on the balance sheet date without cash flow hedging.

The Group's sensitivity to the JPY exchange rate decreased in the current period, which was due to the decrease in payables denominated in JPY.

(iii) Mainly from the Group's NTD-denominated payables that were still in circulation on the balance sheet date without cash flow hedging.

The Group's sensitivity to the NTD exchange rate increased in the current period, which was due to the increase in payables denominated in NTD.

(2) Interest rate risk

Interest rate risk exposure is incurred due to the bank deposits, lease liabilities and borrowings within the Group include fixed and floating interest rates.

The carrying amounts of financial assets and financial liabilities of the Group subject to interest rate risk exposure on the balance sheet date are as follows:

	December 31, 2022	December 31, 2021
Fair value interest rate risk		
- Financial assets	$ 537,599	$ 354,480
- Financial liabilities	131,454	131,834
Cash flow interest rate risk		
- Financial assets	2,016,546	1,716,170
- Financial liabilities	476,170	358,990

Sensitivity analysis

The sensitivity analysis below is based on the interest rate exposure of non-derivative instruments at the balance sheet date. The analysis for floating rate liabilities assumes that the amounts of the liabilities outstanding at the balance sheet date were all outstanding during the reporting period. The rate of change used in reporting interest rates within the Group to key management is a 1% increase or decrease in interest rates, which represents management's assessment of the reasonably possible range of changes in interest rates.

If interest rates increased/decreased by 1% when all other variables are held constant, the Group's net profit before tax in 2022 and 2021 will increase/decrease by NT$15,404 thousand and NT$13,572 thousand respectively, mainly due to the risk of interest rate changes arising from the interest-bearing bank deposits and bank loans at floating rates.

The Group's sensitivity to interest rates increased in the current period, which is due to the increase in bank deposits with floating interest rates.

2) Credit risk

Credit risk refers to the risk that the counterparty defaults on its contractual obligations resulting in financial losses to the Group. As of the balance sheet date, the maximum credit risk exposure of the Group that may result in financial losses due to the counterparty's failure to perform its obligations is from the carrying amount of financial assets recognized in the consolidated balance sheet.

The policy adopted by the Group is to transact with reputable counterparties and to obtain adequate guarantees to mitigate the risk of financial loss due to default when necessary. The Group rates major customers by creating complete customer profiles, using publicly available financial and non-financial information, and referring to past transaction records with the Group. The Group continuously monitors the credit exposure and the credit rating of the counterparty and controls the credit exposure through the counterparty's credit limit which is reviewed and approved annually by the responsible supervisor.

The Group continuously evaluates the financial status of customers with accounts receivable and contract assets and reviews the recoverable amounts of accounts receivable and contract assets to ensure that unrecoverable accounts receivable and contract assets have been properly set aside for impairment losses. When necessary, receipts in advance will be adopted as a transaction term to reduce credit risk. Thus, the credit risk on accounts receivable and contract assets is expected to be limited.

The credit risk of the Group is concentrated in the top five customers. As of December 31, 2022 and 2021, the ratio for the total amount of accounts receivable and total contract assets came from the top five customers were 54% and 44%, respectively.

3) Liquidity risk

The Group manages and maintains a sufficient position of cash and cash equivalents to support the operations and mitigate the impact of fluctuations in cash flow. The management of the Group supervises the use of the bank's financing amount and ensures compliance with the terms of the loan agreement.

Bank loans are an important source of liquidity for the Group. Please refer to the description of (2) Financing amount for the unused financing amount of the Group as of December 31, 2022 and 2021.

(1) Liquidity and interest rate risk for non-derivative financial liabilities

The analysis of the remaining contractual maturity of non-derivative financial liabilities is based on the earliest date on which the Group may be required to repay, and is prepared based on the undiscounted cash flows of financial liabilities (including principal and estimated interest). The maturity analysis of other non-derivative financial liabilities is prepared according to the agreed repayment date.

For interest cash flows paid at floating rates, the undiscounted interest amount is derived based on the average lending rate on the balance sheet date.

December 31, 2022

	Less than 1 month	1 - 3 months	3 - 12 months	1 - 5 years	More than 5 years
Non-derivative financial liabilities					
Non-interest bearing liabilities	$ 338,032	$ 518,554	$ 745,032	$ 13,415	$ -
Floating rate instrument	71,724	6,365	36,678	283,619	103,261
Fixed rate instrument	15,053	-	-	-	-
Lease liabilities	9,312	2,171	33,849	65,050	11,406
	$ 434,121	$ 527,090	$ 815,559	$ 362,084	$ 114,667

December 31, 2021

	Less than 1 month	1 - 3 months	3 - 12 months	1 - 5 years	More than 5 years
Non-derivative financial liabilities					
Non-interest bearing liabilities	$ 351,241	$ 547,373	$ 993,688	$ 455,279	$ -
Floating rate instrument	4,305	10,434	71,529	226,309	56,027
Lease liabilities	9,301	1,144	28,738	85,450	14,633
	$ 364,847	$ 558,951	$ 1,093,955	$ 767,038	$ 70,660

(2) Financing amount

	December 31, 2022	December 31, 2021
Unsecured loans		
- Utilized	$ -	$ -
- Unutilized	630,000	630,000
	$ 630,000	$ 630,000
Secured loans		
- Utilized	$ 476,170	$ 358,990
- Unutilized	153,830	293,010
	$ 630,000	$ 652,000

35. RELATED PARTY TRANSACTIONS

Transactions, account balances, income and expenses between eLaser and its subsidiaries (which are related parties of eLaser) are all eliminated upon consolidation, thus not disclosed in this note. Unless disclosed in other notes, the transactions between the Group and other related parties are as follows.

a. Related party name and categories

Related Party Name	Related Party Categories
Mitsubishi Electric GEM Power Device (Hefei) Co., Ltd.	Associate
Chen-Chi, Liao	Substantive related party

b. Operating revenue

Item	Related Party Categories	2022	2021
Electroplating services	Associate	$ 93,222	$ 71,006
Lease revenue	Associate	$ 47,807	$ 47,085
Lease and other services	Associate	$ 6,719	$ 13,281

There is no other comparable transaction of the same sales price and conditions of the related parties. The income from electroplating services is determined by the cost-plus pricing, and the payment terms are monthly T/T 45 days. The lease income is based on the contract signed according to the general market conditions, and the rent is collected on a monthly basis; the other service income is collected on a monthly basis according to the contract content.

c. Purchase

Related Party Categories	2022	2021
Associate	$ 1,955	$ -

The transaction price refers to the market and is negotiated by both parties. The payment terms are monthly T/T 30 days, and the price is not significantly different from that of ordinary purchases.

d. Contract liabilities

Categories/ Related party	December 31, 2022	December 31, 2021
Associate		
Mitsubishi Electric GEM Power Device (Hefei) Co., Ltd.	$ 3,961	$ -

e. Receivables from related parties

Item	Related Party Categories	December 31, 2022	December 31, 2021
Accounts receivable due from related parties	Associate	$ 9,583	$ 8,717
Other receivables - related parties	Associate	$ 43	$ 110

The outstanding receivables from related parties are not overdue, and no guarantee has been received. The amount receivable from related parties in 2022 and 2021 has not been recognized as loss provision.

f. Payables to related parties

Item	Related Party Categories	December 31, 2022	December 31, 2021
Accounts payable - related parties	Associate	$ 1,907	$ -
Other receivables - related parties (interest)	Substantive related party	$ 14	$ -

The outstanding payables to related parties were unsecured.

g. Lease agreement

Operation lease/ sublease

The Group leases the buildings and subleases the land use rights related to the buildings to its associate, Mitsubishi Electric GEM Power Semiconductor (Hefei) Co., Ltd., for a lease period of 5 to 6 years. The rent is signed according to the general market condition which is paid monthly. At the end of the lease period, the lessee will not have the purchase price option to acquire the real estate. As of December 31, 2022 and 2021, the total lease payments to be received in the future are as follows:

	December 31, 2022	December 31, 2021
Year 1	$ 48,232	$ 47,489
Year 2	48,232	47,489
Year 3	48,232	47,489
Year 4	48,232	47,489
Year 5	-	47,489
	$192,928	$237,445

The lease income recognized in 2022 and 2021 was NT$47,807 thousand and NT$47,085 thousand respectively.

h. Borrowings from related parties

	2022		2021		
Categories/ Related party	Highest balance	December 31, 2022	Highest balance	December 31, 2021	Balance as of January 1, 2021
Other receivables - related parties					
Substantive related party Chen-Chi, Liao	$ 15,00	$ 15,000	$ -	$ -	$ -

Interest expense

Related Party Categories	2022	2021
Substantive related party	$ 356	$ -

The interest rate of the Group’s borrowing from related parties is 4.2%, and it is an unsecured loan

i. Other related party transactions

Item	Related Party Categories	December 31, 2022	December 31, 2021
Guarantee deposits and margins received	Associate	$ 1,708	$ 1,682

j. Remuneration for key managerial officers

	2022	2021
Short-term employee benefits	$ 129,278	$ 133,902
Post-employment benefits	864	725
Share-based payment	7	-
	$ 130,149	$ 134,627

The remuneration of directors and other key managerial officers is determined by the Remuneration Committee in accordance with individual performance and market trends.

36. PLEDGED ASSETS

The following assets have been provided as collateral for financing borrowings and customs guarantees for imported raw materials:

	December 31, 2022	December 31, 2021
Pledged demand deposits (financial assets measured at amortized cost - current)	$ 12,500	$ -
Pledged term deposits (financial assets measured at amortized cost - non-current)	741	-
Self-owned land	358,403	358,403
Net amount of property and building	107,746	110,256
Net amount of machinery and equipment	-	94,849
	$ 479,390	$ 563,508

37. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The unrecognized commitments of the Group are as follows:

Unit: Foreign currency (In thousands)

	December 31, 2022	December 31, 2021
Acquisition of property, plant and equipment		
RMB	$ 3,188	$ 41,923

	December 31, 2022	December 31, 2021
NTD	$ 4,486	$ 24,021
USD	$ 1,139	$ 6,694

38. EXCHANGE RATE INFORMATION OF FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

The following information was summarized according to the foreign currencies other than the functional currency of the Group. The exchange rates disclosed were used to translate the foreign currencies into the functional currency. The significant financial assets and liabilities denominated in foreign currencies were as follows:

December 31, 2022

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Foreign currency assets			
Monetary items			
USD	$ 57,224	30.7100 (USD: NTD)	$ 1,757,356
USD	45,497	6.9646 (USD: RMB)	1,397,206
JPY	125,795	0.2324 (JPY: NTD)	29,235
Foreign currency liabilities			
Monetary items			
USD	37,994	30.7100 (USD: NTD)	1,166,809
USD	8,906	6.9646 (USD: RMB)	273,505
JPY	124,576	0.2324 (JPY: NTD)	28,951
NTD	53,784	0.0326 (NTD: USD)	53,784
NTD	83,856	0.2268 (NTD: RMB)	83,856

December 31, 2021

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Foreign currency assets			
Monetary items			
USD	$ 77,368	27.6800 (USD: NTD)	$ 2,141,536
USD	45,621	6.3757 (USD: RMB)	1,262,779
JPY	208,521	0.2405 (JPY: NTD)	50,149
Foreign currency liabilities			
Monetary items			
USD	47,364	27.6800 (USD: NTD)	1,311,039
USD	15,227	6.3757 (USD: RMB)	421,477
JPY	287,234	0.2405 (JPY: NTD)	69,080
NTD	48,266	0.0361 (NTD: USD)	48,266
NTD	77,876	0.2303 (NTD: RMB)	77,876

The Group's foreign exchange gains and losses (realized and unrealized) in 2022 and 2021 were NT$253,433 thousand and (NT$47,963) respectively. Due to the wide variety of foreign currency transactions and functional currencies of the Group, it is not possible to disclose exchange gains and losses and significant impact for each currency.

39. ADDITIONAL DISCLOSURES

a. Following are the additional disclosures required by the Securities and Futures Bureau for the Group:

   1) Financings provided: None
   2) Endorsement/guarantee provided: None
   3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures): None
   4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: None
   5) Acquisition of individual real estate properties at costs of at least NT$300 million or 20% of the paid-in capital: None
   6) Disposal of individual real estate properties 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 of at least NT$100 million or 20% of the paid-in capital: See Table 1 attached;
   8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: See Table 2 attached;
   9) Information about the derivative financial instruments transaction: None
   10) Others: The business relationship between the parent and the subsidiaries and significant transactions between them: See Table 3 attached;

b. Information on investees (excluding information on investment in Mainland China): See Table 4 attached;

c. Information on investment in mainland China:

   1) The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits/losses of investee, ending balance, amount received as dividends from the investee, and the limitation on investee: See Table 5 attached.

2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gains or losses, and other related information which is helpful to understand the impact of investment in mainland China on financial reports:

   (1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: See Table 1 and Table 3 attached.

   (2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: None

   (3) The amount of property transactions and the amount of the resultant gains or losses: None

   (4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None

   (5) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: None

   (6) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: (Note 35)

d. The notes appended to the consolidated financial statements of the affiliates shall disclose for the affiliates as a whole in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises:

1) The names of subordinate companies, a description of their relationship with the controlling company, the nature of their business, and the controlling company's shareholding or capital contribution ratio in each. (Note 11, Tables 4 and 5)

2) Increases, decreases, or changes in the subordinate companies included in the current consolidated financial statements of the affiliates. (Note 11)

3) The names and shareholding or capital contribution ratios of subordinate companies not listed in the current consolidated financial statements for affiliates and the reasons they are not included in the consolidated statements. None

4) The adjustment method and treatment adopted if the opening and closing dates of the subordinate company's accounting year are different from those

of the controlling company. None

5) An explanation of any differences in accounting policies between the subordinate companies and the controlling company. The method and substance of adjustments adopted in the event of any non-conformity with the Generally Accepted Accounting Principles of the Republic of China. None

6) Special operational risks of overseas subordinate companies, such as exchange rate fluctuations. (Note 11)

7) Statutory or contractual restrictions on distribution of earnings by the various affiliates. (Note)

8) Amortization methods and period for consolidated borrowings (loans). None

9) Other matters of significance or explanations that would contribute to the fair presentation of the consolidated financial statements of the affiliates. None

Note: The Articles of Association of GEM Electronics (Shanghai) Co., Ltd. and GEM Electronics (Hefei) Co., Ltd. stipulate that reserve funds, employee rewards and benefit funds shall be withdrawn from the profits after income tax, and the specific ratio shall be in accordance with the Company Act and other relevant laws and regulations of Mainland China. Profit shall not be distributed before the loss of the previous year is made up, and the undistributed profit of the previous year may be included in the profit distribution of the current year.

e. The notes to the consolidated financial statements for affiliates shall disclose the below-listed particulars for the controlling company and subordinate company respectively in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises:

1) Transactions that have been eliminated between the controlling company and subordinate companies or between subordinate companies. See Table 3 attached;

2) Information regarding financing, endorsements, and guarantees. None

3) Information regarding trading in derivative products. None

4) Significant contingent matters. None

5) Major subsequent events: None

6) Names of bills and securities held, and their quantities, cost, market value (or net par value if a bill or security does not have a market value), shareholding or capital contribution ratio, description of any pledges, and the highest amount of shareholding or capital contribution during the period. (Tables 4 and 5)

7) Other matters of significance or explanations that would contribute to the fair presentation of the consolidated financial statements of the affiliates. None

f. When subsidiaries hold shares in the parent, the names of the subsidiaries and the shareholdings, amounts, and reasons shall be separately presented. None

g. Information on major shareholders: List of all shareholders with ownership of 5 percent or greater showing the names and the number of shares and percentage of ownership held by each shareholder: See Table 6 attached.

40. SEGMENTS INFORMATION

Information provided to the operation decision maker to allocate resources and measure segment performance, focusing on each type of product or service delivered or provided. The reportable segments of the Company are the optoelectronics industry and the semiconductor segment.

The operation decision maker regards the subsidiaries in optoelectronics industry and semiconductor foundry and sales in each region as individual operating segments, but when preparing financial statements, the Group considers the following factors and aggregates these operating segments as a single segment:

1. Similar product properties and process;
2. Similar product pricing strategy and sales model.

a. Revenue and operation results from each department

The revenue and operating results of the Group's continuing operation are analyzed as follows according to the reportable segment:

	Revenue from Each Segment		Profit and Loss from Each Segment	
	2022	2021	2022	2021
Optoelectronics industry	$ 1,554,314	$ 2,441,611	($ 217,534)	$ 83,204
Semiconductor	5,221,467	4,755,929	865,204	1,085,733
Total of continuing operations	$ 6,775,781	$ 7,197,540	647,670	1,168,937
Headquarters management cost and compensation to			(39,179)	(55,540)

	Revenue from Each Segment		Profit and Loss from Each Segment	
	2022	2021	2022	2021
directors				
Interest income			16,972	6,146
Other income			15,030	12,956
Other gains and losses			255,587	(54,188)
Finance costs			(8,039)	(4,252)
Share of profit of subsidiaries and joint ventures accounted for using equity method			14,635	10,964
Income before income tax			$ 902,676	$ 1,085,023

The segment revenue reported above is generated from transactions with external customers.

Segment profit and loss refers to the profit earned by each segment, excluding the apportionable headquarters management costs and compensation to directors, interest income, other income, other profits and losses, financial costs, share of profits and losses of affiliates and joint ventures accounted using the equity method, and income tax cost. This measured amount is provided to the decision maker for the purpose of allocating resources to segments and measuring their performance.

b. Segment total assets and liabilities

	December 31, 2022	December 31, 2021
Segment assets		
Optoelectronics industry	$ 3,195,173	$ 3,208,295
Semiconductor	6,755,331	6,555,097
Uncollected assets	219,072	168,475
Consolidated total assets	$ 10,169,576	$ 9,931,867
Segment liabilities		
Optoelectronics industry	$ 491,713	$ 581,207
Semiconductor	2,470,995	2,434,104
Uncollected liabilities	968,450	855,928
Consolidated total liabilities	$ 3,931,158	$ 3,871,239

For the purpose of monitoring segment performance and allocating resources between segments:

1) All assets were allocated to reportable segments other than investments using the equity method, refundable deposit and current and deferred income tax assets. Assets used jointly by reportable segments were allocated on the basis of the revenues earned by individual reportable segments; and

2) all liabilities were allocated to reportable segments other than borrowings and other financial liabilities. Liabilities for which reportable segments are jointly liable were allocated in proportion to segment assets.

c. Other segment information

Other information reviewed by the chief operating decision maker or are otherwise regularly provided to the chief operating decision maker:

	Depreciation and amortization		Increase in non-current assets in the current period (Note)	
	2022	2021	2022	2021
Optoelectronics industry	$ 257,388	$ 271,510	$ 97,650	$ 629,943
Semiconductor	548,785	387,131	986,627	1,402,498
	$ 806,173	$ 658,641	$ 1,084,277	$ 2,032,441

Note: Non-current assets include property, plant and equipment, right-of-use assets and other intangible assets.

d. Revenue from major products and services

The Group's revenues from continuing operations from its major products and services are shown below.

	2022	2021
Optical Communication and Optical Information Products	$ 1,554,314	$ 2,441,611
Semiconductor products	5,221,467	4,755,929
	$ 6,775,781	$ 7,197,540

e. Region

The Group operates in two regions - Taiwan and China.

The Group's revenue from continuing operations from external customers by location of operations and non-current assets was detailed below:

	Revenue from external customers		Non-current assets	
	2022	2021	December 31, 2022	December 31, 2021
Taiwan	$ 5,401,558	$ 5,940,348	$ 3,693,428	$ 3,846,851
China	1,374,223	1,257,192	1,640,330	1,322,233
	$ 6,775,781	$ 7,197,540	$ 5,333,758	$ 5,169,084

Non-current assets exclude investments using the equity method, refundable deposit and deferred income tax assets.

f. Information about major customers

Single customers contributing 10% or more to the Group's revenue were as follows:

Name	2022	2021
AC	$ 1,115,607	$ 841,720
X	546,558	764,303
	$ 1,662,165	$ 1,606,023

ELITE ADVANCED LASER CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2022

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Table 1

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction		Notes/ Accounts Payable or Receivable		Remark
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
GEM Electronics (Shanghai) Co., Ltd.	GEM Tech Ltd., Taiwan Branch	Subsidiary to subsidiary	Sales	($ 1,624,144)	(65%)	Net 90 days from invoice date	—	—	$ 488,823	79%	Notes 1, 2 and 4
GEM Tech Ltd., Taiwan Branch	GEM Electronics (Shanghai) Co., Ltd.	"	Purchase	1,624,144	57%	"	—	—	(488,823)	(85%)	Notes 1, 2 and 4
	GEM Electronics (Hefei) Co., Ltd.	"	Purchase	1,208,754	43%	"	—	—	(86,244)	(15%)	Notes 1, 2 and 4
GEM Electronics (Hefei) Co., Ltd.	GEM Tech Ltd., Taiwan Branch	"	Sales	(1,208,754)	(70%)	"	—	—	86,244	61%	Notes 1, 2 and 4
	Mitsubishi Electric GEM Power Device (Hefei) Co., Ltd.	Subsidiaries to affiliates	Sales	(147,748)	(9%)	Electroplating services: monthly T/T 45 days; Lease and other services: collected on a monthly basis.	—	—	9,583	7%	Notes 2 and 3

Note 1: The transaction price is determined by the cost-plus pricing.

Note 2: There is no unrealized profit or loss for this period.

Note 3: The income from electroplating services is determined by the cost-plus method; the lease income is based on the contract signed according to the general market conditions; the income from other services is based on the content of the contract.

Note 4: It has been consolidated and written off in the preparation of this consolidated financial statement.

ELITE ADVANCED LASER CORPORATION AND SUBSIDIARIES

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

DECEMBER 31, 2022

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Table 2

Company Name	Related Party	Nature of Relationships	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period (Note 1)	Allowance for Bad Debts
					Amount	Action Taken		
GEM Electronics (Shanghai) Co., Ltd.	GEM Tech Ltd., Taiwan Branch	Subsidiary to subsidiary	Accounts receivable $ 488,823	3.38	$ -	—	$ 374,950	$ -

Note 1: Amount recovered from January 1 to March 22, 2023.

Note 2: It has been consolidated and written off in the preparation of this consolidated financial statement.

ELITE ADVANCED LASER CORPORATION AND SUBSIDIARIES

THE BUSINESS RELATIONSHIP BETWEEN THE PARENT AND THE SUBSIDIARIES AND SIGNIFICANT TRANSACTIONS BETWEEN THEM:

FOR THE YEAR ENDED DECEMBER 31, 2022

(Amounts in Thousands of New Taiwan Dollars)

Table 3

No.	Company Name	Counterparty	Nature of Relationship	Transaction Details			
				Financial Statements Item	Amount (Note 1)	Terms	% of Total (Note 2)
1	eLaser	Centera Photonics Inc.	Note 3 (1)	Accounts receivable due from related parties	$ 31,705	-	-
2	GEM Services, Inc.	eLaser	Note 3 (2)	Earnings Distribution	361,952	-	4%
3	GEM Electronics (Shanghai) Co., Ltd.	GEM Tech Ltd., Taiwan Branch	Note 3 (3)	Sales Revenue	1,624,144 (Note 4)	Net 90 days from invoice date	24%
				Accounts receivable due from related parties	488,823	-	5%
				Contract assets - related parties	39,586	-	-
4	GEM Electronics (Hefei) Co., Ltd.	GEM Tech Ltd., Taiwan Branch	Note 3 (3)	Sales Revenue	1,208,754 (Note 4)	Net 90 days from invoice date	18%
				Accounts receivable due from related parties	86,244	-	1%
5	GEM Tech Ltd.	GEM Services, Inc.	Note 3 (3)	Remittance of earnings	884,504	-	9%

The business relationship between the parent and the subsidiaries:

eLaser, eLaser Technologies Co., Ltd., Centera Photonics Inc., and GEM Electronics (Shanghai) Co., Ltd. are engaged in the manufacture and sale of electronic parts; GEM Electronics (Hefei) Co., Ltd. is engaged in the manufacture and sale of electronic parts and plant leasing; GEM Tech Ltd., Taiwan Branch and GEM Tech Ltd. are engaged in sales of electronic components; GEM Services, Inc. and GEM Electronics Company Limited are holding companies.

Note 1: This table discloses information on one-way transactions only, which have been written off in the preparation of the consolidated financial statements.

Note 2: The calculation of the ratio of the transaction amount to the consolidated total revenue or total assets is calculated by the closing balance for the consolidated total assets if it is an asset-liability account or calculated by the accumulated amount for the consolidated total revenue if it is a profit and loss account

Note 3: Relationship to the counterparty:

(1) Parent company to subsidiary

(2) Subsidiary to parent company

(3) Subsidiary to subsidiary

Note 4: There is no unrealized profit or loss for this period.

ELITE ADVANCED LASER CORPORATION AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)

FOR THE YEAR ENDED DECEMBER 31, 2022

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise) Table 4

Investment Company	Investee	Location	Main Business	Original Investment Amount (Note 1)		Holding of Investment at the End of the Period Balance as of December 31, 2022			Net Income (Losses) of the Investee	Share of Profits/Losses (Note 4)	Share price/net value per share (NT$)	Remark
				December 31, 2022	December 31, 2021	Shares	Percentage of Ownership (Note 3)	Carrying Amount (Note 3)				
eLaser	eLaser Technologies Co., Ltd.	Taiwan	Manufacture and sales of electronic parts	$ 81,996	$ 81,996	5,432,242	100%	$ 76,573	$ 657	$ 657	$ 14	Notes 2, 6, 7 and 9
	Centera Photonics Inc.	Taiwan	Manufacture and sales of electronic parts	225,000	-	22,500,000	57.97%	225,855	(139,219)	833	8.6	Notes 2, 6, 8 and 9
	GEM Services, Inc.	Cayman Islands	Holding company business	568,965	568,965	65,809,451	51%	2,215,184	930,323	474,429	68.2	Notes 2, 6 and 10
GEM Services, Inc.	GEM Electronics Company Limited	British Virgin Islands	Holding company business	-	-	100	51%	1,290,977	316,561	161,435	25,315,079	Notes 2, 6 and 9
	GEM Tech Ltd.	Samoa	Sales of electronic parts	18,202	18,202	606,091	51%	874,436	635,358	324,009	2,829	Notes 2, 6 and 9

Note 1: The original investment amount does not include the investment amount of the investee company before the date of acquisition.

Note 2: The relevant investment profit and loss recognition are based on the financial statements of the investee company audited by accountants during the same period.

Note 3: The carrying amount held at the end of the period is based on the shareholding ratio of eLaser at the end of the period.

Note 4: The investment profit (loss) recognized in the current period is based on the weighted average shareholding ratio of eLaser.

Note 5: Please refer to Table 5 for relevant information on investment in Mainland China.

Note 6: The highest capital investment does not change in this period, and there is no pledge.

Note 7: eLaser Technologies Co., Ltd. was approved for dissolution and liquidation at the shareholders' meeting exercised by the Board of Directors on December 22, 2022, and completed the registration of cancellation on January 10, 2023, and is in the process of liquidation.

Note 8: In December 2022, the Company acquired 22,500,000 outstanding shares of the subsidiary Centera Photonics Inc. (57.97% equity) at a price of NT$225,000 thousand.

Note 9: Refers to the net value per share.

Note 10: Refers to the closing price.

ELITE ADVANCED LASER CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 31, 2022

(Amounts in Thousands of New Taiwan Dollars/ foreign currency)

Table 5

1. Name of the investee company in Mainland China, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, current profit or loss, recognized investment gains or losses, carrying amount of the investment, and repatriated investment gains:

Investee company in China	Main Business	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022	Percentage of Ownership %	Net Income(Losses) of the Investee Company	Share of Profits/Losses	Carrying amount as of December 31, 2022	Accumulated Inward Remittance of Earnings as of December 31, 2022
					Outflow	Inflow						
GEM Electronics (Shanghai) Co., Ltd. (Note 4)	Manufacture and sales of electronic parts	$ 2,118,990 (USD 69,000) (Note 5)	Reinvested by GEM Electronics Company Limited (Note 1(2))	$ -	$ -	$ -	$ -	51%	$ 316,561	$ 161,435 (Note 2(2) 2.)	$ 1,290,977	$ -
GEM Electronics (Hefei) Co., Ltd. (Note 4)	Manufacture and sales of electronic parts, factory leasing	1,924,770 (RMB 436,511)	Reinvested by GEM Electronics (Shanghai) Co., Ltd. (Note 1(3))	-	-	-	-	51%	154,417	78,747 (Note 2(2) 2.)	540,169	-
Mitsubishi Electric GEM Power Device (Hefei) Co., Ltd.	Production, design, packaging and testing of power management electronic accessories	153,550 (USD 5,000)	Reinvested by GEM Electronics (Shanghai) Co., Ltd. (Note 1(3))	-	-	-	-	10.2%	73,176	7,464 (Note 2(2) 1.)	51,756	-

Note 1: There are three types of investment methods, and they indicated below:

(1) Directly conduct investment in China.

(2) Reinvestment in Mainland China through a third regional company (GEM Electronics Company Limited).

(3) Other methods. (reinvestment through GEM Electronics (Shanghai) Co., Ltd.).

Note 2: Share of Profits/Losses

(1) It shall be indicated If it is under preparation without investment profit or loss.

(2) The basis for recognition of investment gains and losses is divided into the following three types, which should be indicated.

1. Financial statements audited by an international accounting firm that has a cooperative relationship with an accounting firm of Republic of China.
2. Financial statements audited by the certified accounting firm by the parent company in Taiwan.
3. Based on the financial statements of the invested company that have not been audited by accountants during the same period.

Note 3: Relevant figures in this table should be denominated in New Taiwan Dollars.

Note 4: It has been written-off in the preparation of these consolidated financial statements.

Note 5: Part of it is reinvested with surplus funds from the third region.

Note 6: The highest capital investment of Elite Advanced Laser Corporation and subsidiaries in the above table does not change in this period, and there is no pledge.

2. Upper limit on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$ - (USD -)	$ -	$ 3,743,051

Note 1: eLaser originally applied for an investment case of indirectly investing USD 9,000 thousand in GEM Electronics (Shanghai) Co., Ltd. in Mainland China according to the Official Letter Ching-Shen-Erh-Tzu No. 10100160030 dated May 16, 2012, and later, on August 15, 2013, the investment purpose of the case was changed to an overseas investment, which was approved by Official Letter Ching-Shen-Erh-Tzu No. 10200310550.

Note 2: eLaser originally applied for an indirect investment of USD 2,750 thousand in GEM Electronics (Hefei) Co., Ltd. in Mainland China according to the Official Letter Ching-Shen-Erh-Tzu No. 10100160040 dated May 16, 2012, and later, on August 15, 2013, the investment purpose of the case was changed to an overseas investment, which was approved by Official Letter Ching-Shen-Erh-Tzu No. 10200310550.

ELITE ADVANCED LASER CORPORATION

INFORMATION ON MAJOR SHAREHOLDERS

December 31, 2022

Table 6

Shareholders	Shares	
	Total Shares Owned	Ownership Percentage
Chu-Liang, Cheng	8,650,747	5.94%

Note: Major shareholders are defined as shareholders with more than 5% collective holding interest in common and preferred shares that have been delivered via book entry (including treasury stocks), as shown in the records of TDCC on the final business day of the current quarter. Share capital, as shown in the financial statements, may differ from the number of shares that have been delivered via book entry due to differences in the preparation basis.

6.5 Financial Statements and Independent Auditors' Report

ELITE ADVANCED LASER CORPORATION

Financial Statements for the Years Ended December 31, 2022 and 2021 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Elite Advanced Laser Corporation:

Opinion

We have audited the accompanying financial statements of Elite Advanced Laser Corporation (the "Company"), which comprise the balances sheets as of December 31, 2022 and 2021, and the statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statement section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

<u>The veracity of the sales revenue of specific customers</u>

The Company's operating income in 2022 was NT$1,539,186 thousand, a decrease of 37% from 2021. Among them, customers with transaction of a material amount with on-going growth for 38% of the overall operating income, which has a significant impact on financial statements. Thus, we have considered sales authenticity related to the aforementioned specific customers as a key audit matter in the financial statements in 2022. Please refer to Note 4 (12) of the Financial Statements for the description of the income recognition policy.

<u>The sales authenticity to specific customer of a subsidiary accounted for using the equity method</u>

Subsidiary GEM Services, Inc.'s operating income in 2022 was NT$5,221,467 thousand. However, the sales revenue of specific customers with a relatively large revenue growth accounted for about 59% of the operating income, which has a significant impact on financial statements. Thus, we have considered sales authenticity related to the aforementioned specific customers as a key audit matter in the financial statements in 2022.
Our accounting procedures on the sales revenue of the above-mentioned specific customers and the sales revenue of specific customers of the subsidiary accounted for using the equity method include:

1. By understanding the relevant internal control systems and operating procedures of the sales transaction cycle, we design the internal control auditing procedures according to the veracity of the sales revenue and confirm and evaluate the relevant internal control procedure during the sales transactions for whether the design and implementation are effective.
2. We obtain the list of the above-mentioned customers in 2022, and evaluate whether their relevant background, transaction amount, credit line and company size are reasonable.

3. We select samples from the above-mentioned customer sales details, examine the sales slips, customs declarations, bills of lading, sales invoices, post-period collections, and post-period major sales returns to confirm the veracity of the sales revenue.

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

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

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

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and

obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended

December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the reviews resulting in this independent auditors' review report are Keng-Hsi, Chang and Chien-Hsin, Hsieh.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 23, 2023

Notice to Readers

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

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

ELITE ADVANCED LASER CORPORATION

BALANCE SHEETS

DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

		December 31, 2022		December 31, 2021	
Code	ASSETS	Amount	%	Amount	%
	CURRENT ASSETS				
1100	Cash and cash equivalents (Notes 4 and 6)	$ 219,815	4	$ 342,926	6
1140	Current contract assets (Notes 4, 5, 19 and 27)	63,437	1	83,811	2
1150	Notes receivable (Notes 4, 5, 7 and 19)	-	-	20,245	-
1170	Accounts receivable (Notes 4, 5, 7 and 19)	154,606	3	321,809	6
1180	Accounts receivable due from related parties (Notes 4, 5, 19 and 27)	31,705	1	-	-
1200	Other receivables (Notes 4, 5 and 7)	15,142	-	16,416	-
130X	Inventories (Notes 4 and 8)	133,490	3	183,770	4
1410	Prepayments (Note 13)	185,389	4	163,556	3
11XX	Total current assets	803,584	16	1,132,533	21
	NON-CURRENT ASSETS				
1550	Investments accounted for using equity method (Notes 4 and 9)	2,517,612	49	2,181,644	41
1600	Property, plant and equipment (Notes 4, 10, 27 and 28)	1,729,769	33	1,925,280	36
1755	Right-of-use assets (Notes 4 and 11)	44,001	1	39,300	1
1780	Intangible assets (Notes 4 and 12)	1,581	-	2,794	-
1840	Deferred tax assets (Notes 4 and 21)	58,023	1	43,117	1
1990	Other non-current assets (Notes 4, 7 and 13)	5,962	-	34,754	-
15XX	Total non-current assets	4,356,948	84	4,226,889	79
1XXX	TOTAL	$ 5,160,532	100	$ 5,359,422	100
Code	LIABILITIES AND EQUITY				
	CURRENT LIABILITIES				
2130	Current contract liabilities (Notes 4 and 19)	$ 4,322	-	$ 18,995	-
2170	Accounts payable	156,886	3	252,620	5
2200	Other payables (Notes 15 and 24)	162,394	3	224,637	4
2230	Current tax liabilities (Notes 4 and 21)	31,973	1	60,816	1
2250	Current provisions (Notes 4 and 16)	6,419	-	4,123	-
2280	Current lease liabilities (Notes 4 and 11)	7,734	-	5,825	-
2320	Long-term borrowings due within 1 year (Notes 4, 14 and 28)	37,732	1	83,054	2
2300	Other current liabilities (Note 15)	2,038	-	2,591	-
21XX	Total current liabilities	409,498	8	652,661	12
	NON-CURRENT LIABILITIES				
2540	Long-term borrowings (Notes 4, 14 and 28)	367,268	7	275,936	5
2570	Deferred tax liabilities (Notes 4 and 21)	345,733	7	322,075	6
2580	Lease liabilities (Notes 4 and 11)	36,773	1	33,835	1
2640	Net defined benefit liabilities (Notes 4 and 17)	31,562	-	37,712	1
2670	Other non-current liabilities (Notes 15 and 27)	20	-	20	-
25XX	Total non-current liabilities	781,356	15	669,578	13
2XXX	Total liabilities	1,190,854	23	1,322,239	25
	EQUITY (Notes 4 and 18)				
	Capital stock				
3110	Common stock	1,456,814	28	1,456,814	27
3200	Capital Surplus	452,294	9	452,272	8
	Retained earnings				
3310	Legal reserve	773,432	15	736,221	14
3320	Special reserve	65,301	1	66,339	1
3350	Unappropriated earnings	1,289,555	25	1,390,838	26
3300	Total retained earnings	2,128,288	41	2,193,398	41
3400	Others	(67,718)	(1)	(65,301)	(1)
3XXX	Total equity	3,969,678	77	4,037,183	75
	TOTAL	$ 5,160,532	100	$ 5,359,422	100

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

ELITE ADVANCED LASER CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

		2022		2021	
Code		Amount	%	Amount	%
	OPERATING REVENUE (Notes 4, 19 and 27)				
4100	Sales Revenue	$ 1,295,357	84	$ 2,093,260	86
4800	Other Operating revenue	243,829	16	334,368	14
4000	Total revenue	1,539,186	100	2,427,628	100
	OPERATING COSTS (Notes 8, 20 and 27)				
5110	Cost of goods sold	(1,470,806)	(96)	(2,091,819)	(86)
5800	Other operating costs	(31,788)	(2)	(48,470)	(2)
5000	Total operating costs	(1,502,594)	(98)	(2,140,289)	(88)
5900	GROSS PROFIT	36,592	2	287,339	12
	OPERATING EXPENSES (Notes 7, 19 and 20)				
6100	Selling and distribution expense	(23,756)	(1)	(26,110)	(1)
6200	General and administrative	(121,844)	(8)	(124,737)	(5)
6300	Research and development	(88,351)	(6)	(101,967)	(5)
6450	Expected credit impairment loss	(28,952)	(2)	(3,216)	-
6000	Total operating expenses	(262,903)	(17)	(256,030)	(11)
6500	Other gains and losses (Notes 4, 10 and 20)	(31,481)	(2)	-	-
6900	Net operating income (loss)	(257,792)	(17)	31,309	1
	NON-OPERATING INCOME AND EXPENSES (Notes 4, 20 and 27)				
7100	Interest income	573	-	85	-
7010	Other income	2,659	-	4,133	-
7020	Other gains and losses	24,631	2	3,974	-
7050	Finance costs	($ 4,701)	-	($ 3,698)	-
7070	Share of the other comprehensive (loss) income of subsidiaries accounted for using the equity method	475,919	31	427,549	18
7000	Total non-operating income and expenses	499,081	33	432,043	18
7900	INCOME BEFORE INCOME TAX	241,289	16	463,352	19
7950	INCOME TAX EXPENSE (Notes 4 and 21)	(49,465)	(3)	(92,299)	(4)

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Code		2022 Amount	%	2021 Amount	%
8200	NET INCOME	191,824	13	371,053	15
	OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 17, 18 and 21)				
8310	Items that will not be reclassified subsequently to profit or loss:				
8311	Remeasurement of defined benefit obligation	6,615	-	2,400	-
8349	Income tax benefit (expense) item that will not be reclassified subscquently	(1,323)	-	(480)	-
8360	Items that will not be reclassified subsequently to profit or loss				
8361	Exchange differences arising on translation of foreign operations	(3,021)	-	1,297	-
8399	Income tax profit (expense) related to items that will be reclassified subsequently	604	-	(259)	-
8300	Other comprehensive income (loss), net of tax	2,875	-	2,958	-
8500	TOTAL COMPREHENSIVE INCOME	$ 194,699	13	$ 374,011	15
	EARNINGS PER SHARE (Note 22)				
9710	Basic earnings per share	$ 1.32		$ 2.55	
9810	Diluted earnings per share	$ 1.31		$ 2.51	

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

ELITE ADVANCED LASER CORPORATION

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

				Retained earnings			Other equity	
Code		Capital stock	Capital surplus	Legal capital reserve	Special capital reserve	Unappropriated earnings	Foreign currency translation reserve	Total equity
A1	BALANCE AT JANUARY 1, 2021	$ 1,456,814	$ 452,272	$ 712,499	$ 68,091	$ 1,244,652	($ 66,339)	$ 3,867,989
	Distribution of 2020 earnings (Note 18)							
B1	Legal capital reserve	-	-	23,722	-	(23,722)	-	-
B3	Special capital reserve	-	-	-	(1,752)	1,752	-	-
B5	Cash dividends to shareholders	-	-	-	-	(203,954)	-	(203,954)
		-	-	23,722	(1,752)	(225,924)	-	(203,954)
M5	Difference between consideration received and the carrying amount of subsidiaries' net assets during actual acquisitions (Note 23)	-	-	-	-	(863)	-	(863)
D1	Net income for the year ended December 31, 2021	-	-	-	-	371,053	-	371,053
D3	Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	1,920	1,038	2,958
D5	Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	372,973	1,038	374,011
Z1	BALANCE AT DECEMBER 31, 2021	1,456,814	452,272	736,221	66,339	1,390,838	(65,301)	4,037,183
	Distribution of 2021 earnings (Note 18)							
B1	Legal capital reserve	-	-	37,211	-	(37,211)	-	-
B3	Special capital reserve	-	-	-	(1,038)	1,038	-	-
B5	Cash dividends to shareholders	-	-	-	-	(262,226)	-	(262,226)
		-	-	37,211	(1,038)	(298,399)	-	(262,226)
M7	Changes in subsidiaries' ownership (Note 18)	-	22	-	-	-	-	22
D1	Net income for the year ended December 31, 2022	-	-	-	-	191,824	-	191,824
D3	Other comprehensive income (loss) for the year ended December 31 2022, net of income tax	-	-	-	-	5,292	(2,417)	2,875
D5	Total comprehensive income (loss) for the year ended December 31 2022	-	-	-	-	197,116	(2,417)	194,699
Z1	BALANCE AT DECEMBER 31, 2022	$ 1,456,814	$ 452,294	$ 773,432	$ 65,301	$ 1,289,555	($ 67,718)	$ 3,969,678

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

ELITE ADVANCED LASER CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

Code		2022	2021
	CASH FLOWS FROM OPERATING ACTIVITIES		
A10000	Income before income tax	$ 241,289	$ 463,352
A20010	Adjustments for:		
A20100	Depreciation expense	251,168	267,912
A20200	Amortization expense	1,971	1,489
A20300	Expected credit impairment loss	28,952	3,216
A20900	Finance costs	4,701	3,698
A21200	Interest income	(573)	(85)
A22400	Share of the other comprehensive (loss) income of subsidiaries accounted for using the equity method	(475,919)	(427,549)
A22500	Losses on disposal of property, plant and equipment	-	4,597
A23500	Impairment loss on property, plant and equipment	31,481	-
A23700	Impairment loss recognized on non-financial assets	27,211	14,708
A24100	Losses(gains) on foreign exchange, net	(13,379)	10,099
A29900	Liability provisions	2,296	3,639
A29900	Gains from lease modification	(19)	(23)
A29900	Reversal of deferred revenue	-	(53,259)
A30000	Changes in operating assets and liabilities		
A31125	Contract assets	(5,352)	9,956
A31130	Notes receivables	13,309	(9,417)
A31150	Accounts receivable	172,961	50,970
A31160	Accounts receivable due from related parties	(31,705)	-
A31180	Other receivables	1,274	8,036
A31200	Inventories	23,069	11,302
A31230	Prepayments	(21,833)	(49,853)
A32125	Contract liabilities	(14,673)	1,403
A32150	Accounts payable	(96,778)	(103,014)
A32180	Other payables	(46,802)	(2,385)
A32200	Provisions	-	(7,311)
A32230	Other current liabilities	(553)	223
A32240	Net defined benefit liabilities	465	389
A33000	Net cash generated by operating activities	92,561	202,093
A33100	Interest received	573	85

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Code		2022	2021
A33300	Interest paid	($ 4,775)	($ 3,510)
A33500	Income taxes paid	(70,275)	(7,875)
AAAA	Net cash generated from operating activities	18,084	190,793
	CASH FLOWS FROM INVESTING ACTIVITIES		
B02200	Net cash outflow from acquisition of subsidiary (Note 9)	(225,000)	-
B02700	Acquisition of property, plant and equipment	(62,692)	(537,737)
B02800	Disposal of property, plant and equipment	-	38,884
B03800	Decrease in refundable deposits	263	425
B04500	Acquisition of intangible assets	(758)	(2,946)
B05350	Acquisition of right-of-use assets	-	(37)
B07100	Increase in prepayments for equipment	(3,311)	(13,035)
B07600	Dividends from subsidiaries	361,952	383,058
BBBB	Net cash inflows (outflows) from investing activities	70,454	(131,388)
	CASH FLOWS FROM FINANCING ACTIVITIES		
C01600	Long-term borrowings	405,000	300,000
C01700	Repay long-term borrowings	(358,990)	(38,010)
C03100	Guarantee deposits refunded	-	(573)
C04020	Repayment of the principal portion of lease liabilities	(7,832)	(9,990)
C04500	Dividends to owners of the Company	(262,226)	(203,954)
C05400	Acquisition of the subsidiaries equity	-	(57,708)
CCCC	Net cash used in financing activities	(224,048)	(10,235)
DDDD	EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS	12,399	(9,686)
EEEE	NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(123,111)	39,484
E00100	CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	342,926	303,442
E00200	CASH AND CASH EQUIVALENTS, END OF YEAR	$ 219,815	$ 342,926

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

ELITE ADVANCED LASER CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. GENERAL

   a. Elite Advanced Laser Corporation (the “Company” to as “eLaser”) was established in New Taipei City in September 2000 and started operation in September of the same year. The registered capital of establishment was $5,000 thousand. After years of capital increase and decrease, the current total capital is $1,456,814 thousand. eLaser’s business affairs consists of 1. optical information and optical communication products; 2. power semiconductor packaging and testing.
   b. eLaser’s stock has been listed on the Taiwan Stock Exchange since April 2006.
   c. eLaser has no ultimate parent company due to dispersed shareholding.
   d. The financial statements are expressed in New Taiwan Dollars, the Company’s functional currency.

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

   The financial statements were approved by the Company’s Board of Directors on March 23, 2023.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING

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

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

b. Applicable FSC - approved IFRSs in 2023

New, revised or amended standards and interpretations	Effective date issued by IASB
Amendments to IAS 1 - Disclosure of Accounting Policies	January 1, 2023 (Note 1)
Amendments to IAS 8 - Definition of Accounting Estimates	January 1, 2023 (Note 2)
Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023 (Note 3)

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

Note 2: The amendment will be applicable to changes to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of annual reporting periods beginning after January 1, 2023.

Note 3: Except for the recognition of deferred tax on temporary differences in lease and decommissioning obligations on January 1, 2022, the amendment applies to transactions occurring after January 1, 2022.

1) Amendments to IAS 1 - Disclosure of Accounting Policies

The amendments stipulate that the Company should determine the material accounting policy information that should be disclosed according to the definition of materiality. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements The amendments and descriptions:

- The Company is not required to disclose accounting policy information related to immaterial transactions, other events or circumstances that is immaterial.
- The Company may judge the relevant accounting policy information to be material due to the nature of the transaction, other event or circumstance, even if the amount is immaterial.
- Not all accounting policies relating to material transactions, other events or conditions are themselves material.

In addition, an accounting policy is likely to be considered material to its financial statements if that accounting policy relates to material transactions, other events or conditions and:

(1) was changed during the reporting period because the entity was required to or chose to change its policy and this change resulted in a material change to the amounts included in the financial statements;

(2) was chosen from one or more alternatives in an IFRS Standard;

(3) was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS Standard that specifically applies;

(4) relates to an area for which an entity is required to make significant judgments or assumptions in applying an accounting policy; or

(5) applies the requirements of an IFRS Standard in a way that reflects the entity’s specific circumstances, for example, by explaining how the requirements of a Standard are applied to the facts and circumstances of a material class of transactions, other events or conditions.

2) Amendments to IAS 8 - Definition of Accounting Estimates

The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. When applying accounting policies, the Company may be required to measure financial statement items by monetary amounts that cannot be directly observed but must be estimated, and therefore must use a measurement technique or to develop an accounting estimate for this purpose. The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

As of the date the financial statements were authorized for issue, the Company has assessed and concluded that no significant impact from the application of other standards and interpretations to the Company’s financial position and financial performance.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective date announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	NA
Amendments to IFRS 16 - Lease 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

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

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

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company' 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

This financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

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

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

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

When preparing the Company's financial statements, the Company used the equity method to account for its investments in subsidiaries, associates and joint ventures. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the company's financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries and associates, the share of other comprehensive income of subsidiaries and associates and the related equity items, as appropriate, in the parent company only financial statements.

c. Criteria for classifying assets and liabilities into current and non-current.

Current assets:

1) Assets held primarily for the purpose of trading;
2) Assets expected to be realized within 12 months after the reporting period; and
3) Cash and cash equivalents (unless the asset is to be used for an exchange or to settle a liability, or otherwise remains restricted, at more than 12 months after the reporting period).

Current liabilities:

1) Liabilities held primarily for the purpose of trading;
2) Liabilities expected to be settled within 12 months of the reporting period, and
3) Liabilities for which Company does not have an unconditional right to defer

settlement for at least 12 months after the reporting period.

Current assets or current liabilities other than those stated above are classified as non-current assets or liabilities.

d. Foreign currencies

In preparing the Company's financial statements, transactions in currencies other than the Company's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purpose of presenting financial statements , the financial statements of the Company's foreign operations (including subsidiaries, associates and branches in other countries) that are prepared using functional currencies which are different from the currency of the Company are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income

e. Inventories

Inventories include raw materials, supplies and finished goods and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. The Company's inventory is recorded at standard cost during daily operation and adjusted to approximate weighted-average cost at the end of the reporting period.

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the share of other equity of subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of loss of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further loss, if any.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years.

Profit or loss resulting from downstream transactions between subsidiaries is eliminated in full in the financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only to the extent of interests in the subsidiaries that are not related to the Company.

g. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

The depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Impairment of property, plant and equipment, right-of-use assets and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets, , to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

(1) Measurement categories

The types of financial assets held by the Company are financial assets at amortized cost .

<u>Financial assets at amortized cost</u>

Financial assets that meet following conditions are subsequently measured at amortized cost:

(i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes receivable at amortized cost, accounts receivable (including related parties), other receivables (excluding income tax refund receivables), overdue receivables and refundable deposit, are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

(i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

(ii) Financial asset that is not credit impaired on purchase or origination but has subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when significant financial difficulty of the issuer or the borrower; breach of contract; it is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or the disappearance of an active market for that financial asset because of financial difficulties.

(2) Impairment of financial assets and contract assets

On each balance sheet date, the Company evaluates the impairment loss of financial assets (including accounts receivable, other receivables and deposits) and contract assets measured at amortized cost based on expected credit losses.

The Company always recognizes lifetime expected credit losses (ECLs) for trade receivables and contract assets. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Company considers the following situations as indication that a financial asset is in default (without taking into account any collateral held by the Company):

(i) Internal or external information show that the debtor is unlikely to pay its creditors.

(ii) Financial asset is more than 180 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

(3) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

2) Financial liabilities

(1) Subsequent measurement

Financial liabilities are measured at amortized cost using the effective interest method, except where the recognition of interest on short-term payables is not material.

(2) Derecognition of financial liabilities

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

k. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Warranties

The warranty obligation to ensure that the product conforms to the agreed specifications is recognized when the relevant product is recognized as revenue based on the management’s best estimate of the expense required to settle the obligations of the Company.

l. Revenue recognition

The Company identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

Operating revenue

1) Service revenue

Revenue from packaging and testing

The Company’s packaging service creates or enhances an asset that the customer controls as the asset is created or enhanced; the customer simultaneously receives and consumes the benefits provided by the Company’s performance as the Company performs

The relevant revenue will be transferred to the customer with the promised goods or services, and the sales revenue will be recognized when the performance obligations are met over time. The revenue received before meeting the above-mentioned performance obligations are recognized as contract liabilities.

2) Other service revenue

Other service revenue is recognized as revenue when the service contract conditions are met in accordance with the relevant contract when the economic benefits are likely to flow into the Company and the revenue can be measured reliably. The revenue received before meeting the above-mentioned performance obligations are recognized as contract liabilities.

m. Lease

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

1) The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

2) The Company as lessee

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

The right-of-use asset is initially measured at cost (including the original measurement amount of the lease liability and the lease payment paid before the lease commencement date), and subsequently measured at the cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Right-of-use assets shall be recognized separately in the balance sheet.

The lessee shall depreciate the right-of-use asset on a straight-line basis from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Lease liabilities are measured at the present value of the lease payments including fixed payments and variable lease payments which depend on an index or a rate. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

Subsequently, the lease liability is measured on an amortized cost basis using the effective interest method, and the interest expense is amortized over the lease term. When there is a change in a lease term, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities shall be recognized separately in the balance sheet.

n. Borrowing costs

Borrowing costs are recognized in profit or loss in the period in which they are incurred.

o. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Post-employment benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost, past service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company’s defined benefit plans. Net defined benefit assets cannot exceed present value of the plan’s returned contributions or possible decrease in future contributions.

p. Taxation

Income tax expense is the sum of the tax currently payable and deferred tax.

1) Current income tax

The Company determines the current income (loss) in accordance with the laws and regulations formulated by the income tax reporting jurisdiction, and calculates the payable (recoverable) income tax accordingly.

According to the Income Tax Act, an additional tax on unappropriated earnings is provided for as income tax in the year the stockholders approve to retain earnings.

Adjustments of prior years’ tax liabilities are added to or deducted from the current year’s tax provision.

2) Deferred income tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and such temporary differences are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

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

In the application of the Company's accounting policies, management is required to make judgments, estimations, and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Company will take the recent development of the COVID-19 epidemic and the possible impact on the economic environment into consideration of major accounting estimates such as cash flow estimates, growth rates, discount rates, and profitability. The management will continue to review the estimates and the basic assumptions. If the revision to the estimate affects only the current period, it will be revised and recognized in the current period; if the revision to the estimate affects both the current period and future periods, it will be revised and recognized in the current period and future periods.

Key sources of estimation and uncertainty

Estimated impairment of financial assets and contract assets

The estimated impairment of notes receivables, account receivables, uncollectible receivables, other receivables and contract assets is based on the Company's assumptions about the loss given default and probability of default. The Company takes experience, current market conditions and forward-looking information into account to develop assumptions and inputs for impairment assessments. Please refer to Note 7 and Note 19 for the key assumptions and inputs used. If the actual future cash flow is less than the Company's expectations, there may be significant impairment losses.

6. CASH AND CASH EQUIVALENTS

	December 31, 2022	December 31, 2021
Cash on hand and working fund	$ 100	$ 100
Demand deposit in banks	219,715	342,826
	$ 219,815	$ 342,926

As of December 31, 2022 and 2021, the interest rate ranges for bank deposits were 0.001% to 1.15%, and 0.001% to 0.2%, respectively.

7. NOTES RECEIVABLES, ACCOUNT RECEIVABLES, UNCOLLECTIBLE RECEIVABLES AND OTHER RECEIVABLES

	December 31, 2022	December 31, 2021
Notes receivables		
At amortized cost		
Total amount	$ -	$ 20,245
Less: Loss allowances	-	-
	$ -	$ 20,245
Resulting from operating activities	$ -	$ 20,245
Accounts receivable		
At amortized cost		
Total amount	$ 154,613	$ 328,011
Less: Loss allowances	(7)	(6,202)
	$ 154,606	$ 321,809
Uncollectible receivables		
At amortized cost		
Total amount	$ 6,936	$ -

Less: Loss allowances	(6,936)	-
	$ -	$ -

Other receivables		
Income tax refund receivable	$ 9,579	$ 12,607
OEM collection and payment	5,255	1,761
Others	308	2,048
	$ 15,142	$ 16,416

a. Notes receivables

When determining the recoverability of notes receivable, the Company considers any changes in the quality of notes receivable from the original credit date to the balance sheet date. The Company continues to monitor and refer to the counterparty's past default records and analyze its current financial position to assess whether the credit risk of the notes receivables has increased significantly since the original recognition and to measure expected credit losses. In 2022, due to the default of the customer uSenlight Corporation, the Company set the customer's expected credit loss rate as 100%. As of December 31, 2022, the Company has recognized the full allowance of losses of $6,936 thousand for the aforesaid defaulted notes receivable and transferred to uncollectible receivable (accounted for other non-current assets).

The aging analysis of notes receivable is as follows:

	December 31, 2022	December 31, 2021
Not past due	$ -	$ 20,245

The above is an aging analysis based on days overdue.

Movement of the loss allowance for notes receivable

	2022	2021
Balance, beginning of period	$ -	$ -
Impairment losses	6,936	-
Uncollectible receivable transferred	(6,936)	-
Balance, end of period	$ -	$ -

b. Accounts receivable

The Company's average credit period for commodity sales is 30 to 90 days, and the collection policy does not add interest to overdue accounts receivable. When determining the recoverability of accounts receivable, the Company considers any changes in the quality of notes receivable from the original credit date to the balance sheet date. Experience shows that most accounts receivable are recovered well.

To mitigate credit risk, the management of the Company performs credit limit determination, credit approval and other monitoring procedures for each counterparty to ensure appropriate actions have been taken to recover overdue accounts receivable. In addition, the Company will review the recoverable amount of accounts receivable one by one on the balance sheet date to ensure the unrecoverable accounts receivable are recognized as impairment losses. Accordingly, the management of the Company believes that the credit risk of the Company has been significantly reduced.

The Company recognizes loss allowance for accounts receivable based on lifetime expected credit losses. Lifetime expected credit losses are calculated using a provision matrix, which considers experience, current market conditions and business outlook. As the Company's credit loss experience shows that there is no significant difference in the provision matrix of different customer groups, the provision matrix does not further differentiate customer groups, and only sets the expected credit loss rate based on the number of days overdue for accounts receivable.

If there is evidence that the counterparty is facing serious financial difficulties and the Company cannot reasonably expect the recoverable amount, the Company will write off the relevant accounts receivable, but will continue to pursue account recovery, and the amount recovered due to pursuit and recovery will be recognized in profit or loss.

The Company measures the loss allowance of accounts receivable according to the provision matrix as follows:

December 31, 2022

	Not past due	Past due within 60 days	Past due 61~90 days	Past due 91~120 days	Past due Over 120 days	Total
Expected credit loss rate	0.0022%	0.06%~0.19%	0.49%	1.52%	7.29%~100%	
Total amount	$ 135,627	$ 18,876	$ 110	$ -	$ -	$ 154,613
Loss allowance (lifetime expected credit losses)	-	(5)	(2)	-	-	(7)
Amortized cost	$ 135,627	$ 18,871	$ 108	$ -	$ -	$ 154,606

December 31, 2021

	Not past due	Past due within 60 days	Past due 61~90 days	Past due 91~120 days	Past due Over 120 days	Total
Expected credit loss	0.04%	0.89%~3.06%	7.94%	17.91%	41.01%~100%	

rate						
Total amount	$ 309,032	$ 8,337	$ -	$ 9,857	$ 785	$ 328,011
Loss allowance (lifetime expected credit losses)	(338)	(206)	-	(4,873)	(785)	(6,202)
Amortized cost	$ 308,694	$ 8,131	$ -	$ 4,984	$ -	$ 321,809

Movements of the loss allowance for accounts receivable

	2022	2021
Balance, beginning of period	$ 6,202	$ 6,227
Provision	-	4,512
Reversal	(6,195)	-
Write-offs (Note)	-	(4,537)
Balance, end of period	$ 7	$ 6,202

Note: In 2021, the Company assessed that the overdue accounts receivable could not be recovered, so it wrote off the relevant accounts receivable and loss allowance.

Uncollectible receivables

The Company recognizes loss allowance for uncollectible receivable based on lifetime expected credit losses. Lifetime expected credit losses considers experience, current market conditions and business outlook. As of December 31, 2022, all overdue receivables have exceeded 180 days, and the expected credit loss rate was 100%.

Movements of the loss allowance for uncollectible receivable

	2022	2021
Balance, beginning of period	$ -	$ -
Add: Transferred from notes receivable in the current period	6,936	-
Balance, end of period	$ 6,936	$ -

c. Other receivables

The other receivables listed are mainly income tax refund receivables and OEM collection and payment. The Company's policy is to only trade with creditworthy counterparties. The Company continues to monitor and refer to the counterparty's past default records and analyze its current financial position to assess whether the credit risk of other receivables has increased significantly since the original recognition and to measure expected credit losses. As of December 31, 2022 and 2021, the Company assessed other receivables without the need to report expected credit losses.

8. INVENTORIES

	December 31, 2022	December 31, 2021
Finished goods	$ -	$ 36
Raw materials	127,892	167,761
Inventory in transit	5,598	15,973
	$ 133,490	$ 183,770

The nature of cost of goods sold is as follows:

	2022	2021
Cost of inventories sold	$ 1,443,595	$ 2,077,111
Inventory loss (reversal of write-down of inventories)	27,211	14,708
	$ 1,470,806	$ 2,091,819

9. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31, 2022	December 31, 2021
Investments in subsidiaries		
eLaser Technologies Co., Ltd.	$ 76,573	$ 75,916
Centera Photonics Inc.	225,855	-
GEM Services, Inc.	2,215,184	2,105,728
	$ 2,517,612	$ 2,181,644

	% of Ownership	
	December 31, 2022	December 31, 2021
eLaser Technologies Co., Ltd.	100%	100% (Note 1)
Centera Photonics Inc.	57.97% (Note 2)	-
GEM Services, Inc.	51%	51%

Note 1: On February 8, 2021, eLaser approved a resolution of the Board of Directors to acquire non-controlling interests of 1,805 thousand shares of eLaser Technologies Co., Ltd. at a transaction price of $57,708 thousand. The share ratio was increased to 100%, and the transaction was completed on March 12, 2021.

Note 2: The Company's Board of Directors approved on December 22, 2022, and purchased 57.97% of the shares of Centera Photonics Inc. for NT$225,000 thousand, a total of 22,500,000 shares. The reference date of the share exchange is December 24, 2022. Please refer to Note 30 to the Company's 2022 consolidated financial statement.

For the details of the investments indirectly held by the Company, please refer to Tables 3 and 4.

The calculation of the investments accounted for using the equity method and the share of profit or loss and other comprehensive income of the investments were based on the subsidiaries' audited financial statements in 2022 and 2021.

10. PROPERTY, PLANT AND EQUIPMENT

Assets used by the Company

	Land	Buildings	Machinery and equipment	Office equipment	Leasehold improvements	Miscellaneous equipment	Total
Cost							
Balance at January 1, 2022	$ 743,384	$ 486,920	$1,437,991	$ 10,720	$ 105,177	$ -	$2,784,192
Additions	-	13,119	31,382	2,800	-	-	47,301
Reclassification (Note)	-	-	31,840	-	-	-	31,840
Disposal	-	(6,797)	(224,577)	(1,465)	-	-	(232,839)
Balance at December 31, 2022	$ 743,384	$ 493,242	$1,276,636	$ 12,055	$ 105,177	$ -	$2,630,494
Accumulated depreciation and impairment							
Balance at January 1, 2022	$ -	$ 124,816	$ 667,697	$ 3,197	$ 63,202	$ -	$ 858,912
Disposal	-	(6,797)	(224,577)	(1,465)	-	-	(232,839)
Impairment losses	-	-	31,481	-	-	-	31,481
Depreciation expense	-	24,481	205,202	2,737	10,751	-	243,171
Balance at December 31, 2022	$ -	$ 142,500	$ 679,803	$ 4,469	$ 73,953	$ -	$ 900,725
Carrying amount at December 31, 2022	$ 743,384	$ 350,742	$ 596,833	$ 7,586	$ 31,224	$ -	$ 1,729,769
Cost							
Balance at January 1, 2021	$ 571,180	$ 389,165	$1,305,448	$ 7,002	$ 120,496	$ 21,468	$2,414,759
Additions	172,204	103,815	234,295	6,450	387	-	517,151
Reclassification (Note)	-	-	139,374	-	-	-	139,374
Disposal	-	(6,060)	(241,126)	(2,732)	(15,706)	(21,468)	(287,092)
Balance at December 31, 2021	$ 743,384	$ 486,920	$1,437,991	$ 10,720	$ 105,177	$ -	$2,784,192
Accumulated depreciation and impairment							
Balance at January 1, 2021	$ -	$ 109,934	$ 651,596	$ 3,795	$ 63,053	$ 16,413	$ 844,791
Disposal	-	(6,060)	(201,902)	(2,732)	(11,449)	(21,468)	(243,611)
Depreciation expense	-	20,942	218,003	2,134	11,598	5,055	257,732
Balance at December 31, 2021	$ -	$ 124,816	$ 667,697	$ 3,197	$ 63,202	$ -	$ 858,912
Carrying amount at December 31, 2021	$ 743,384	$ 362,104	$ 770,294	$ 7,523	$ 41,975	$ -	$1,925,280

Note: It was transferred from other non-current assets - prepaid equipment.

Due to the impact of the industry and market environment, the sales of the Company did not meet expectations. After evaluation, the future cash generated will be reduced, resulting in the recoverable amount being less than the carrying amount. Thus, impairment losses of $31,481 thousands were recognized in 2022. The recoverable amount of the machinery and equipment is determined based on the value in use, and the Company adopts the discount rate of 17.16% in its impairment in 2022. The impairment loss is included in other gains and losses in the statement of comprehensive income.

Depreciation expense is accrued on a straight-line basis for the following economic life:

Buildings	
Main building	50 years
Building improvement	5 to 10 years
Machinery and equipment	3 to 10 years
Office equipment	3 years
Leasehold improvements	9 to 10 years
Miscellaneous equipment	2 years

Please refer to Note 28 for the amount of property, plant and equipment pledged as collateral.

11. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31, 2022	December 31, 2021
Carrying amount		
Buildings	$ 39,825	$ 37,624
Office equipment	4,176	1,676
	$ 44,001	$ 39,300

	2022	2021
Addition of right-of-use assets	$ 13,683	$ 1,974
Depreciation of right-of-use assets		
Buildings	$ 7,183	$ 9,384
Office equipment	814	796
	$ 7,997	$ 10,180

Except for the above-mentioned additions and recognition of depreciation expenses, there was no impairment of the right-of-use assets for the Company in 2022 and 2021.

b. Lease liabilities

	December 31, 2022	December 31, 2021
Carrying amounts		
Current portion	$ 7,734	$ 5,825
Non-current portion	$ 36,773	$ 33,835

Ranges of discount rates for lease liabilities are as follows:

	December 31, 2022	December 31, 2021
Buildings	0.99%~1.23%	0.99%
Office equipment	0.99%~1.36%	0.99%

c. Important lease activities and terms

The lease period of the buildings and office equipment leased by the Company is 1 to 10 years. Among them, the rent of the building is adjusted according to the fluctuation of the price indices and the terms are reviewed during the lease period. At the end of the lease period, the Company has no bargain purchase price option to purchase the leased buildings and office equipment.

d. Other lease information

	2022	2021
Expense relating to short-term leases	($ 95)	$ -
Total cash outflow for leases	($ 8,402)	($ 10,435)

The Company has chosen to apply the recognition exemption to building leases that qualify as short-term leases and will not recognize the related right-of-use assets and lease liabilities.

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

	December 31, 2022	December 31, 2021
Lease commitments	$ -	$ 9,062

12. INTANGIBLE ASSETS

	Computer Software
Cost	
Balance at January 1, 2022	$ 3,912
Additions	758
Disposal	(1,072)
Balance at December 31, 2022	$ 3,598
Accumulated amortization and impairment	
Balance at January 1, 2022	$ 1,118
Amortization expense	1,971
Disposal	(1,072)
Balance at December 31, 2022	$ 2,017
Carrying amount at December 31, 2022	$ 1,581
Cost	
Balance at January 1, 2021	$ 2,318
Additions	2,946
Disposal	(1,352)
Balance at December 31, 2021	$ 3,912

Accumulated amortization and impairment	
Balance at January 1, 2021	$ 981
Amortization expense	1,489
Disposal	(1,352)
Balance at December 31, 2021	$ 1,118
Carrying amount at December 31, 2021	$ 2,794

Amortization expenses are accrued on a straight-line basis over the economic life:

Computer Software	1 to 2 years

13. OTHER ASSETS

	December 31, 2022	December 31, 2021
Current		
Prepayments		
Tax credit	$ 175,501	$ 157,260
Others	9,888	6,296
	$ 185,389	$ 163,556
Non-current		
Prepayments for equipment	$ 4,747	$ 33,276
Refundable deposits paid (Note)	1,215	1,478
Uncollectible receivables (Note 7)	6,936	-
Less: Loss allowances	(6,936)	-
	$ 5,962	$ 34,754

Note: The Company considers the debtor's historical record, current market conditions and business outlook to measure the 12-month expected credit loss or lifetime expected credit loss of the refundable deposit paid. As of December 31, 2022 and 2021, the Company assessed that it was not necessary to report expected credit losses for refundable deposits paid.

14. BORROWINGS

Long-term bank borrowings

	December 31, 2022	December 31, 2021
Secured borrowings (Note 28)		
Bank borrowings	$ 405,000	$ 358,990
Less: Current portion	(37,732)	(83,054)
Long-term bank loans	$ 367,268	$ 275,936

The borrowings of the Company include:

	Due date	Material terms	December 31, 2022 Amount	December 31, 2022 Effective rate %	December 31, 2021 Amount	December 31, 2021 Effective rate %
Floating rate loan						
Taiwan Cooperative Bank						
Secured borrowings for land and buildings	February 3, 2028	The loan amount of $135,000 thousand is divided into 84 monthly installments starting March 2021 where the interest is paid monthly in the first year, and the principal and interest are amortized monthly starting March 2022. (Early repayment in January 2022).	$ -	-	$ 135,000	0.99
Secured borrowings for land and buildings	March 9, 2028	The loan amount of $135,000 thousand is divided into 84 monthly installments starting April 2021 where the interest is paid monthly in the first year, and the principal and interest are amortized monthly starting April 2022. (Early repayment in February 2022).	-	-	135,000	0.99
Machinery and equipment secured borrowings	October 23, 2023	The loan amount of $97,000 thousand is divided into 36 monthly installments starting November 2020 where the interest is paid monthly in the first year, and the principal and interest are amortized monthly starting November 2021. (Early repayment in December 2022).	-	-	88,990	0.99
Secured borrowings for land and buildings	January 26, 2029	The loan amount of $135,000 thousand is divided into 84 monthly installments starting February 2022 where the interest is paid monthly in the first year, and the principal and interest are amortized monthly starting February 2023.	135,000	1.49	-	-
Secured borrowings for land and buildings	February 25, 2029	The loan amount of $135,000 thousand is divided into 84 monthly installments starting March 2022 where the interest is paid monthly in the first year, and the principal and interest are amortized monthly starting March 2023.	135,000	1.49	-	-
Secured borrowings for land and buildings	December 19, 2029	The loan amount of $135,000 thousand is divided into 84 monthly installments starting January 2023 where the interest is paid monthly in the first year, and the principal and interest are amortized monthly starting January 2024.	135,000	1.49	-	-
			405,000		358,990	
Less: Current portion			(37,732)		(83,054)	
Balance of long-term bank borrowings			$ 367,268		$ 275,936	

15. OTHER LIABILITIES

	December 31, 2022	December 31, 2021
Current		
Other payables		
Salaries payable and bonus	$ 108,461	$ 139,577
Payable for equipment (Note 24)	12,669	28,060
Repair and maintenance expense	6,080	11,571
Insurance premium	7,710	9,309
OEM collection and payment	6,497	2,842
Pension	4,396	5,222
Professional service fee	3,743	3,619
Interest	138	212
Others	12,700	24,225

	December 31, 2022	December 31, 2021
	$ 162,394	$ 224,637
Other liabilities		
Receipts under custody	$ 2,032	$ 2,590
Temporary receipts	6	1
	$ 2,038	$ 2,591
Non-current		
Other liabilities		
Guarantee deposits (Note 27)	$ 20	$ 20

16. PROVISIONS

	December 31, 2022	December 31, 2021
Current		
Warranties	$ 6,419	$ 4,123

	2022	2021
Balance, beginning of period	$ 4,123	$ 7,795
Additions	2,296	3,639
Usage	-	(7,311)
Balance, end of period	$ 6,419	$ 4,123

The warranties provision for liabilities is the present value of the best estimate of the future economic outflows due to the warranties obligations by the management of the Company according to the contract for the sale of goods. This estimate is based on historical warranties and adjusted by taking into account new raw materials, changes in the process or other factors that affect product quality.

17. RETIREMENT BENEFIT PLANS

a. Determined contribution plans

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the "Labor Standards Act" is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. if the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor; the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31, 2022	December 31, 2021
Present value of defined benefit obligation	$ 52,193	$ 56,783
Fair value of plan assets	(20,631)	(19,071)
Deficit	31,562	37,712
Net defined benefit liabilities	$ 31,562	$ 37,712

Movements in net defined benefit liabilities (asset) were as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (asset)
Balance at January 1, 2022	$ 56,783	($ 19,071)	$ 37,712
Service cost			
Current service cost	623	-	623
Interest expense (income)	356	(122)	234
Recognized in profit or loss	979	(122)	857
Remeasurement			
Return on plan assets (excluding the amounts included in net interest)	$ -	($ 1,494)	($ 1,494)
Actuarial loss - changes in financial assumptions	(1,773)	-	(1,773)
Actuarial loss - experience adjustment	(3,348)	-	(3,348)
Recognized in other comprehensive income	(5,121)	(1,494)	(6,615)
Contributions from the employer	-	(392)	(392)
Benefits paid	(448)	448	-
Balance at December 31, 2022	$ 52,193	($ 20,631)	$ 31,562

Balance at January 1, 2021	$ 58,489	($ 18,766)	$ 39,723
Service cost			
Current service cost	633	-	633
Interest expense (income)	219	(71)	148
Recognized in profit or loss	852	(71)	781
Remeasurement			
Return on plan assets (excluding the amounts included in net interest)	-	(268)	(268)
Actuarial profit - changes in demographic assumptions	1,200	-	1,200
Actuarial loss - changes in financial assumptions	(1,062)	-	(1,062)
Actuarial loss - experience adjustment	(2,270)	-	(2,270)
Recognized in other comprehensive income	(2,132)	(268)	(2,400)
Contributions from the employer	-	(392)	(392)
Benefits paid	(426)	426	-
Balance at December 31, 2021	$ 56,783	($ 19,071)	$ 37,712

Through the defined benefit plans under the "Labor Standards Act", the Company is exposed to the following risks:

1) Investment risk: The investment is conducted at the discretion of the Bureau of Labor Funds, Ministry of Labor or under the mandated management which is invested in domestic and foreign equity and debt securities, bank deposits, etc. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31, 2022	December 31, 2021
Discount rate	1.125%	0.625%
Expected rates of salary increase	3.00%	3.00%

If possible reasonable changes in each of the significant actuarial assumptions occur and all other assumptions remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	December 31, 2022	December 31, 2021
Discount rate		
Increase by 0.25%	($ 843)	($ 1,039)
Decrease by 0.25%	$ 871	$ 1,078
Expected rates of salary increase		
Increase by 0.25%	$ 844	$ 1,039
Decrease by 0.25%	($ 821)	($ 1,008)

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31, 2022	December 31, 2021
Expected contributions to the plan for the next year	$ 392	$ 392
Average duration of the defined benefit obligation	6.5 years	7.3 years

18. EQUITY

a. Capital stock

Common stock

	December 31, 2022	December 31, 2021
Authorized shares (in thousands)	300,000	300,000
Authorized capital (NTD in thousands)	$ 3,000,000	$ 3,000,000
Issued and paid shares (in thousands)	145,681	145,681
Issued capital (NTD in thousands)	$ 1,456,814	$ 1,456,814

The authorized shares include 10,000 thousand shares allocated for the exercise of employee stock options.

A holder of issued common shares with par value of NT$10 per share is entitled to vote and to receive dividends.

b. Capital surplus

	December 31, 2022	December 31, 2021
May be used to offset a deficit, distributed as cash dividends or transferred to capital (Note 1)		
Additional paid-in capital	$ 322,130	$ 322,130
Treasury stocks	6,420	6,420
	$ 328,550	$ 328,550
May only be used to offset a deficit		
From share of changes in equities of subsidiaries (Note 2)	$ 123,744	$ 123,722

Note 1: Such capital surplus can be used to offset a deficit, in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or stock dividends up to a certain percentage of eLaser's paid-in capital.

Note 2: This capital surplus is the amount of equity transaction impact recognized due to changes in the Company's equity when the Company does not subscribe to the subsidiary's equity in proportion to its shareholding, or the adjusted amount recognized by eLaser using the equity method to recognize the subsidiary's capital surplus.

c. Retained earnings and dividend policy

On June 29, 2022, eLaser's shareholders' meeting approved a resolution to amend the earnings distribution policy of the Articles of Association.

In accordance with eLaser's earnings distribution policy in the revised Articles of Association, if there is a surplus after the annual financial report, eLaser will pay taxes and make up for previous annual deficit and add items other than the after-tax net profit to the undistributed earnings for the current period. Also, 10% of legal reserve shall be set aside and if necessary, the special reserve shall be set aside in accordance with relevant laws or regulations, and the accumulated undistributed earnings of the previous year shall be added as the distributable surplus, which shall be reserved by the Board of Directors according to operation capital demand and distributed in accordance with the earnings distribution proposal submitted to the shareholder's meeting for resolution. When the net amount of other equity deductions accumulated in the previous period is set aside as a special reserve, if the undistributed earnings in the previous period is insufficient to be set aside, items other than after-tax net profit plus after-tax net profit for the current period are included in the undistributed earnings for the current period. eLaser's dividend policy is to evaluate the eLaser's future capital needs, financial structure, and earnings. As eLaser is in the growth stage with the industry outlook and development trend changing rapidly, continuous investment, R&D and a sound financial structure are required to create a competitive advantage. Future earnings will be appropriately distributed in the form of stock dividends or cash dividends, depending on eLaser's operation. The total amount of dividends shall be at least 5% of the distributable earnings for the current year, of which cash dividends shall not be less than 20% of the total dividends.

According to the provisions of the earnings distribution policy of eLaser's Articles of Association before the amendment, if there is a surplus after the annual final accounts, the tax shall be paid according to the law and the losses of the previous years shall be made up, and then 10% of the statutory surplus reserve shall be allocated. When necessary, the special reserve shall be withdrawn or reversed in accordance with the law. The accumulated undistributed earnings of the previous year are added as distributable surplus, which is reserved by the Board of Directors according to operational needs, and a surplus distribution proposal is drawn up and submitted to the shareholders' meeting for distribution. eLaser's dividend policy is to evaluate the eLaser's future capital needs, financial structure, and earnings. As eLaser is in the growth stage with the industry outlook and development trend changing rapidly, continuous investment, R&D and a sound financial structure are required to create a competitive advantage. Future earnings will be appropriately distributed in the form of stock dividends or cash dividends, depending on eLaser's operation. The total amount of dividends shall be at least 5% of the distributable earnings for the current year, of which cash dividends shall not be less than 20% of the total dividends. Please refer to Note 20 (8) Employee Remuneration and Director Remuneration for the employees and directors remuneration policy stipulated in the Articles of Association of the Company.

According to Article 237 of eLaser Act of the Republic of China, Act, when allocating surplus profits after having paid all taxes and dues, shall first set aside 10% of said profits as legal reserve. Where such legal reserve amounts to the total paid-in capital, this provision shall not apply. The legal reserve can be used to make up for losses. When the Company has no losses, the portion of the legal reserve exceeding 25% of the total paid-in capital can be allocated in cash in addition to being accounted as share capital.

eLaser set aside the special reserve in accordance with the Official Letter Chin-Kuan-Cheng-Fa-Tzu No. 1090150022 and "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs".

eLaser held regular shareholders' meetings on June 29, 2022 and July 22, 2021, and the resolutions were passed respectively to approve the 2021 and 2020 annual earnings distribution proposals as shown below:

	2021	2020
Legal reserve	$ 37,211	$ 23,722
Special reserve	($ 1,038)	($ 1,752)
Cash dividends	$262,226	$203,954
Cash dividend per share (NT$)	$ 1.8	$ 1.4

On March 22, 2023, the Company's Board of Directors proposed the 2022 earnings distribution as follows:

	2022
Legal reserve	$ 19,712
Special reserve	$ 2,417
Cash dividends	$ 72,841
Cash dividend per share (NT$)	$ 0.5

The 2022 earnings distribution plan is yet to be resolved at the shareholders' meeting which is expected to be held on June 6, 2023.

d. Special capital reserve

	2022	2021
Balance, beginning of period	$ 66,339	$ 68,091
(Reversal of) Reduction of other equity items	(1,038)	(1,752)
Balance, end of period	$ 65,301	$ 66,339

e. Others

Exchange differences on translation of foreign financial statements:

	2022	2021
Balance, beginning of period	($ 65,301)	($ 66,339)
Recognized in the current period		
Foreign operations – foreign currency translation differences	(3,021)	1,297
Related tax	604	(259)
Other comprehensive income	(2,417)	1,038
Balance, end of period	($ 67,718)	($ 65,301)

19. Revenue

	2022	2021
Revenue from contracts with customers		
Packaging and testing (Note 27)	$ 1,295,357	$ 2,093,260
Other Operating revenue		
Others (Note 27)	243,829	334,368
	$ 1,539,186	$ 2,427,628

a. Detail of customer contracts

1) Packaging and testing

The customer contract signed by the Company includes two performance obligations of packaging and testing services. The customer pays the contract transaction price after obtaining the packaged or tested product. Since the time interval between the transfer of labor services and the customer's payment is less than a year, the significant financial component of the contract transaction price will not be adjusted. The stand-alone selling prices for packaging and testing services are determined using the expected cost plus a margin approach and are used to allocate the transaction price to each performance obligation.

2) Other service revenue

Other service contracts signed by the Company are from the customers contracting the Company to install and test its production equipment, and the transaction price of the services is negotiated in accordance with the contract.

b. Contract balance

	December 31, 2022	December 31, 2021	Balance as of January 1, 2021
Notes receivable (Note 7)	$ -	$ 20,245	$ 10,828
Accounts receivable	154,606	321,809	375,762

(Note 7)			
Accounts receivable due from related parties	31,705	-	-
	$ 186,311	$ 342,054	$ 386,590
Contract assets			
Packaging and testing	$ 92,348	$ 84,511	$ 94,322
Less: Loss allowances	(28,911)	(700)	(1,996)
	$ 63,437	$ 83,811	$ 92,326
Contract liabilities			
Packaging and testing	$ 4,322	$ 18,995	$ 17,592

Changes in contract assets and contract liabilities are due to the difference between the timing of meeting performance obligations and the timing of payment. Other major changes are as follows:

	2022	2021
Contract assets		
Balance at beginning of the period transfers to accounts receivable	($ 84,473)	($ 94,310)

The Company recognizes loss allowance for contract assets based on lifetime expected credit losses. The average process duration of the packaging and testing service contracts signed by the Company is 20 to 30 days. When determining the possibility of obtaining an unconditional right of payment for contract assets in the future, the policy adopted by the Company refers to the default record of the counterparty's past accounts receivable and considers the contracts that are still under obligations on the balance sheet date, examines each contract for stagnation, and recognizes the loss allowance for contract assets according to the expected credit losses during the duration. If there is evidence that the obligation of the contract have been stagnant for more than 30 days, the Company will recognize the loss allowance at full amount, but will continue to pursuit the stagnation of the contract, and carry out the obligation when the stagnation has been eliminated.

	December 31, 2022	December 31, 2021
Expected credit loss rate	31%	1%
Total amount	$ 92,348	$ 84,511
Loss allowance (lifetime expected credit losses)	(28,911)	(700)

	2022	2021
	$ 63,437	$ 83,811

Movements of the loss allowance for contract assets

	2022	2021
Balance, end of period	$ 700	$ 1,996
Add: Impairment losses for the current period	28,211	-
Less: Reversal of impairment loss for the current period	-	(1,296)
Balance, end of period	$ 28,911	$ 700

The amount recognized as revenue in the current year from the contract liabilities at the beginning of the period and the performance obligations that have been satisfied in the previous period is as follows:

	2022	2021
Contract liabilities at the beginning of the period	$ 16,666	$ 13,248

20. NET PROFIT FROM CONTINUING OPERATION

a. Other income and (losses)

	2022	2021
Impairment loss on property, plant and equipment	$ 31,481	$ -

b. Interest income

	2022	2021
Bank deposit	$ 573	$ 85

c. Other income

	2022	2021
Lease revenue (Note 27)	$ 162	$ 734
Others (Note 27)	2,497	3,399
	$ 2,659	$ 4,133

d. Other gains and losses

	2022	2021
Foreign exchange gains	$ 25,059	$ 7,151
Losses on disposal of property, plant and equipment	-	(4,597)
Gains from lease modification	19	23
Others (Note 27)	(447)	1,397
	$ 24,631	$ 3,974

e. Finance costs

	2022	2021
Bank loans interest	$ 4,226	$ 3,253
Interest expense on lease liability	475	445
	$ 4,701	$ 3,698

f. Depreciation and amortization

	2022	2021
Depreciation expenses summarized by function		
Cost of revenue	$ 233,432	$ 249,110
Operating expenses	17,736	18,802
	$ 251,168	$ 267,912
Amortization expenses summarized by function		
Cost of revenue	$ 416	$ 588
Operating expenses		
General and administrative expense	1,475	458
Research and development expense	80	443
	$ 1,971	$ 1,489

g. Employee benefits expenses

	2022	2021
Post-employment benefits		
Determined contribution plans	$ 17,001	$ 19,430
Defined benefit plans (Note 17)	857	781
	17,858	20,211
Others	487,924	583,538
Total employee benefits expenses	$ 505,782	$ 603,749
Summarized by function		
Cost of revenue	$ 340,837	$ 417,147
Operating expenses	164,945	186,602
	$ 505,782	$ 603,749

h. Remuneration to the employees and directors

According to the Articles of Association, eLaser allocates 8% to 15% of the employee's remuneration and no more than 3% of the director's remuneration according to the pre-tax profit before deducting the employee' and director's remuneration in the current year.

Employee remuneration and director remuneration in 2022 and 2021 were approved by the Board of Directors on March 22, 2023 and March 24, 2022 as follows:

Estimated ratio

	2022	2021
Remuneration to employees	12%	10.39%
Compensation to directors	2.82%	2.90%

Amount

	2022	2021
	Cash	Cash
Remuneration to employees	$ 34,000	$ 55,500
Compensation to directors	$ 8,000	$ 15,500

If there is still a change in the amount after the annual financial statement is approved, it will be treated as a change in accounting estimates and adjusted and recorded in the following year.

There is no significant difference between the aforementioned approved amounts and the amounts charged against earnings of 2021 and 2020, respectively.

The information about the appropriations of the Company's remuneration to employees and directors in 2022 and 2021 is available at the Market Observation Post System website.

i. Foreign exchange gains and losses

	2022	2021
Foreign currency exchange gains	$ 60,492	$ 34,436
Foreign currency exchange losses	(35,433)	(27,285)
Net gains	$ 25,059	$ 7,151

21. INCOME TAX

a. Income tax expense recognized in profit or loss

Income tax expense consisted of the following:

	2022	2021
Current income tax		
Recognized in the current period	$ 41,191	$ 66,048
Levied undistributed surplus earnings	3,686	565
Income tax adjustments on prior years	(3,445)	(4,059)
	41,432	62,554
Deferred income tax		

	2022	2021
Recognized in the current period	8,033	29,745
Income tax expense recognized in profit or loss	$ 49,465	$ 92,299

A reconciliation of accounting profit and income tax expenses is as follows:

	2022	2021
Income before income tax	$ 241,289	$ 463,352
Income tax expense calculated at the statutory rate	$ 48,258	$ 92,670
Nondeductible expenses in determining taxable income	1,264	20,506
Tax exempt income	(298)	(17,383)
Levied undistributed surplus earnings	3,686	565
Adjustments for prior years' tax	(3,445)	(4,059)
Income tax expense recognized in profit or loss	$ 49,465	$ 92,299

b. Income tax recognized in other comprehensive income

	2022	2021
Deferred income tax		
Recognized in the current period		
- Remeasurement of defined benefit plans	$ 1,323	$ 480
- Foreign operations – foreign currency translation differences	(604)	259
	$ 719	$ 739

c. Current tax assets and liabilities

	December 31, 2022	December 31, 2021
Current tax liabilities		
Income tax payable	$ 31,973	$ 60,816

d. Deferred tax assets and liabilities

Changes in deferred tax assets and liabilities are as follows:

2022

	Balance, beginning of period	Recognized in profit or loss	Recognized in other comprehensive income	Balance, end of period
Deferred tax assets				
Temporary difference				
Inventory loss (reversal of write-down of inventories)	$ 6,153	$ 2,146	$ -	$ 8,299
Defined benefit retirement plan	5,866	-	(1,323)	4,543
Unrealized exchange loss	313	531	-	844
Allowance for losses - accounts receivable	2,672	458	-	3,130
Unrealized pension expense	923	93	-	1,016

Impairment loss on property, plant and equipment	-	6,296	-	6,296
Difference between consideration and carrying amount of subsidiaries acquired or disposed	9,900	-	-	9,900
Exchange differences on translating the financial statements of foreign operations	16,325	-	604	16,929
Allowance for losses - contract assets	140	5,642	-	5,782
Others	825	459	-	1,284
	$ 43,117	$ 15,625	($ 719)	$ 58,023
Deferred tax liabilities				
Temporary difference				
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	$ 293,021	$ 22,495	$ -	$ 315,516
Changes in subsidiaries' ownership	28,482	-	-	28,482
Unrealized exchange profit	572	1,163	-	1,735
	$ 322,075	$ 23,658	$ -	$ 345,733

2021

	Balance, beginning of period	Recognized in profit or loss	Recognized in other comprehensive income	Balance, end of period
Deferred tax assets				
Temporary difference				
Inventory loss (reversal of write-down of inventories)	$ 8,331	($ 2,178)	$ -	$ 6,153
Defined benefit retirement plan	6,346	-	(480)	5,866
Unrealized exchange loss	649	(336)	-	313
Allowance for losses - accounts receivable	1,681	991	-	2,672
Unrealized pension expense	845	78	-	923
Difference between consideration and carrying amount of subsidiaries acquired or disposed	9,900	-	-	9,900
Exchange differences on translating the financial statements of foreign operations	16,584	-	(259)	16,325
Allowance for losses - contract assets	400	(260)	-	140
Others	1,560	(735)	-	825
	$ 46,296	($ 2,440)	($ 739)	$ 43,117
Deferred tax liabilities				
Temporary difference				
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	$ 264,741	$ 28,280	$ -	$ 293,021
Changes in subsidiaries' ownership	28,482	-	-	28,482
Unrealized exchange profit	1,547	(975)	-	572
	$ 294,770	$ 27,305	$ -	$ 322,075

e. Income tax assessments

The Company's tax returns for all years through 2020 have been assessed by the tax authorities and there is no significant difference between the approved number and the filed number. The Company had no pending tax litigation as of December 31, 2022

22. EARNINGS PER SHARE

	2022	2021
Basic EPS	$ 1.32	$ 2.55
Diluted EPS	$ 1.31	$ 2.51

EPS is computed as follows:

Net income

	2022	2021
Net income	$ 191,824	$ 371,053
Net Income used to calculate basic earnings per share	$ 191,824	$ 371,053
Effects of all dilutive potential common shares:		
Subsidiaries' stock option	-	(1,880)
Net profit used to calculate diluted earnings per share	$ 191,824	$ 369,173

Common shares

Unit: thousand shares

	2022	2021
Weighted average number of common shares used to calculate basic EPS	145,681	145,681
Effects of all dilutive potential common shares:		
Remuneration to employees	1,175	1,120
Weighted average number of common shares used to calculate diluted EPS	146,856	146,801

If the Company can choose to pay employee remuneration in shares or cash, when calculating diluted EPS, assumed that employee remuneration will be issued in shares, the weighted average number of outstanding shares shall be included in the potentially dilutive common shares to calculate the diluted EPS. When calculating the diluted EPS before deciding on the number of shares for employee remuneration in the following year, the potentially dilutive common shares will also be considered.

23. PARTIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES WITHOUT CHANGE OF CONTROL

eLaser purchased the outstanding shares of eLaser Technologies Co., Ltd. in March 2021, and eLaser's shareholding ratio in eLaser Technologies Co., Ltd. increased to 100%.

Since the above transactions did not change eLaser's control over these subsidiaries, they are treated as equity transactions. For the description of partial acquisition or disposal of subsidiaries, please refer to Note 31 of the Company's 2022 consolidated financial statements.

24. CASH FLOW INFORMATION

a. Non-cash transaction

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

As of December 31, 2022 and 2021, the purchase price of unpaid properties, plant and equipment acquired by the Company were $12,669 thousand and $28,060 thousand respectively, and were accounted as other payables.

b. Reconciliation of liabilities arising from financing activities

2022

	Balance as of January 1, 2022	Financing Cash Flow	Non-cash changes: Lease addition	Non-cash changes: Disposal	Non-cash changes: Finance costs	Others	December 31, 2022
Long-term bank loans	$ 358,990	$ 46,010	$ -	$ -	$ -	$ -	$ 405,000
Guarantee deposits and margins received	20	-	-	-	-	-	20
Lease liabilities	39,660	(7,832)	13,683	(1,004)	475	(475)	44,507
	$ 398,670	$ 38,178	$ 13,683	($ 1,004)	$ 475	($ 475)	$ 449,527

2021

	Balance as of January 1, 2021	Financing Cash Flow	Non-cash changes: Lease addition	Non-cash changes: Lease modification	Non-cash changes: Finance costs	Others	December 31, 2021
Long-term bank loans	$ 97,000	$ 261,990	$ -	$ -	$ -	$ -	$ 358,990
Guarantee deposits and margins received	593	(573)	-	-	-	-	20
Lease liabilities	49,539	(9,990)	1,937	(1,826)	445	(445)	39,660
	$ 147,132	$ 251,427	$ 1,937	($ 1,826)	$ 445	($ 445)	$ 398,670

25. CAPITAL RISK MANAGEMENT

The Company conducts capital management to ensure it continues to operate, and maximizes shareholder returns with the best mix of debt and equity.

The Company's capital structure consists of net debt (i.e., borrowings minus cash and cash equivalents) and equity (i.e., share capital, capital surplus, retained earnings and other equity items).

The Company is not subject to any externally imposed capital requirements.

26. FINANCIAL INSTRUMENTS

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

The management of the Company considers that the carrying amounts of financial instruments in the consolidated financial statements that are not measured at fair value approximate their fair values.

b. Categories of financial instruments

	December 31, 2022	December 31, 2021
Financial assets		
Amortized cost (Note 1)	$ 412,904	$ 690,267
Financial liabilities		
Amortized cost (Note 2)	603,733	682,159

Note 1: Including cash and cash equivalents, note receivable, accounts receivable (including related parties), other receivables (excluding income tax refund receivable), uncollectible receivables and refundable deposits and other financial assets.

Note 2: Including financial liabilities measured at amortized cost such as accounts payable, other payables (excluding salaries payable and bonuses, insurance premium payable, pension payable), long-term borrowings and guarantee deposit.

c. Financial risk management objectives and policies

The major financial instruments of the Company include cash and cash equivalents, receivables, payables, lease liabilities and borrowings. Among the financial instruments held by the Company, financial risks related to operations include market risk (including exchange rate risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

The main financial risks borne by the Company's operating activities are the exchange rate risk (see (1) below) and the interest rate risk (see (2) below).

(1) Foreign currency risk

The Company is engaged in foreign currency-denominated sales and purchase transactions, thus causing the Company to be exposed to exchange rate risk. The Company regularly evaluates the net risk position of the sales amount and cost amount denominated in non-functional currency, and adjusts the cash holding position of the non-functional currency accordingly to achieve hedging.

For the carrying amounts of monetary assets and liabilities of the Company denominated in non-functional currencies on the balance sheet date, please refer to Note 30.

Sensitivity analysis

The Company is mainly affected by fluctuations in the exchange rates of USD and JPY.

The table below details the sensitivity analysis when the exchange rate of each functional currency (NTD) of each entity against each relevant foreign currency increases/decreases by 1%. 1% is the sensitivity rate used when reporting exchange rate risk within the Company to key management, and also represents management's assessment of the reasonably possible range of changes in foreign currency exchange rates. Sensitivity analysis only includes foreign currency monetary items in circulation which is translated at the end of the period with a 1% exchange rate adjustment.

When foreign currency monetary items are net assets, a positive number in the table below means that when the NTD depreciates by 1% relative to each related currency (mainly USD and JPY), the pre-tax net profit or equity will increase by a number of the same amount; when the NTD appreciates by 1% relative to each relevant currency, its impact on pre-tax net profit or equity will be a negative number of the same amount.

	The impact of USD		The impact of JPY	
	2022	2021	2022	2021
Gains or	$ 1,048 (i)	$ 2,884 (i)	$ 3 (ii)	($ 161)(ii)

(losses)

(i) Mainly from the Company's USD-denominated cash and cash equivalents, receivables, and payables that were in circulation on the balance sheet date without cash flow hedging.

The Company's sensitivity to the USD exchange rate decreased in the current period, which was due to the decrease in receivables denominated in USD.

(ii) Mainly from the Company's JPY-denominated cash and cash equivalents, receivables, and payables that were in circulation on the balance sheet date without cash flow hedging.

The Company's sensitivity to the JPY exchange rate decreased in the current period, which was due to the decrease in payables denominated in JPY.

(2) Interest rate risk

Interest rate risk exposure is incurred due to the bank deposits, lease liabilities and borrowings within the Company include fixed and floating interest rates.

The carrying amounts of financial assets and financial liabilities of the Company subject to interest rate risk exposure on the balance sheet date are as follows:

	December 31, 2022	December 31, 2021
Fair value interest rate risk		
- Financial assets	$ -	$ -
- Financial liabilities	44,507	39,660
Cash flow interest rate risk		
- Financial assets	219,715	342,826
- Financial liabilities	405,000	358,990

Sensitivity analysis

The sensitivity analysis below is based on the interest rate exposure of non-derivative instruments at the balance sheet date. The analysis for floating rate liabilities assumes that the amounts of the liabilities outstanding at the balance sheet date were all outstanding during the reporting period. The rate of change used in reporting interest rates within the Company to key management is a 1% increase or decrease in interest rates, which represents management's assessment of the reasonably possible range of changes in interest rates.

If interest rates increased/decreased by 1% when all other variables are held constant, the Company's profit before tax in 2022 and 2021 will increase/decrease by ($1,853) thousand and (NT$162) thousand respectively, mainly due to the risk of interest rate changes arising from the interest-bearing bank deposits and bank loans at floating rates.

The Company's sensitivity to interest rates increased in the current period, which is due to the increase in net liabilities with floating interest rates.

2) Credit risk

Credit risk refers to the risk that the counterparty defaults on its contractual obligations resulting in financial losses to the Company. As of the balance sheet date, the maximum credit risk exposure of the Company that may result in financial losses due to the counterparty's failure to perform its obligations is from the carrying amount of financial assets recognized in the balance sheet.

The policy adopted by the Company is to transact with reputable counterparties and to obtain adequate guarantees to mitigate the risk of financial loss due to default when necessary. The Company rates major customers by creating complete customer profiles, using publicly available financial and non-financial information, and referring to past transaction records with the Company. The Company continuously monitors the credit exposure and the credit rating of the counterparty and controls the credit exposure through the counterparty's credit limit which is reviewed and approved annually by the responsible supervisor.

The Company continuously evaluates the financial status of customers with accounts receivable and contract assets and reviews the recoverable amounts of accounts receivable and contract assets to ensure that unrecoverable accounts receivable and contract assets have been properly set aside for impairment losses. When necessary, receipts in advance will be adopted as a transaction term to reduce credit risk. Thus, the credit risk on accounts receivable and contract assets is expected to be limited.

The credit risk of the Company is concentrated in the top five customers. As of December 31, 2022 and 2021, the ratio for the total amount of accounts receivable and total contract assets came from the top five customers were 57% and 60%, respectively.

3) Liquidity risk

The Company manages and maintains a sufficient position of cash and cash equivalents to support the operations and mitigate the impact of fluctuations in cash flow. The management of the Company supervises the use of the bank's financing amount and ensures compliance with the terms of the loan agreement.

Bank loans are an important source of liquidity for the Company. Please refer to the description of (2) Financing amount for the unused financing amount of the Company as of December 31, 2022 and 2021.

(1) Liquidity and interest rate risk for non-derivative financial liabilities

The analysis of the remaining contractual maturity of non-derivative financial liabilities is based on the earliest date on which the Company may be required to repay, and is prepared based on the undiscounted cash flows of financial liabilities (including principal and estimated interest). The maturity analysis of other non-derivative financial liabilities is prepared according to the agreed repayment date.

For interest cash flows paid at floating rates, the undiscounted interest amount is derived based on the average lending rate on the balance sheet date.

December 31, 2022

	Less than 1 month	1 - 3 months	3 - 12 months	1 - 5 years	More than 5 years
Non-derivative financial liabilities					
Non-interest bearing liabilities	$ 84,941	$ 87,467	$ 26,305	$ 20	$ -
Floating rate instrument	504	6,365	36,678	283,619	103,261
Lease liabilities	685	1,371	6,122	27,161	11,406
	$ 86,130	$ 95,203	$ 69,105	$ 310,800	$ 114,667

December 31, 2021

	Less than 1 month	1 - 3 months	3 - 12 months	1 - 5 years	More than 5 years
Non-derivative financial liabilities					
Non-interest bearing liabilities	$ 129,629	$ 150,934	$ 42,586	$ 20	$ -
Floating rate instrument	4,305	10,434	71,529	226,309	56,027
Lease liabilities	503	1,006	4,529	20,298	14,633
	$ 134,437	$ 162,374	$ 118,644	$ 246,627	$ 70,660

(2) Financing amount

	December 31, 2022	December 31, 2021
Unsecured loans		
- Utilized	$ -	$ -
- Unutilized	630,000	630,000
	$ 630,000	$ 630,000
Secured loans		
- Utilized	$ 405,000	$ 358,990
- Unutilized	150,000	293,010
	$ 555,000	$ 652,000

27. RELATED PARTY TRANSACTIONS

Unless disclosed in other notes, the transactions between the Company and other related parties are as follows.

a. Related party name and categories

Related Party Name	Relationship
eLaser Technologies Co., Ltd.	Subsidiary company
GEM Services, Inc.	Subsidiary company
GEM Tech Ltd., Taiwan Branch	Subsidiary company
Centera Photonics Inc.	Subsidiary (starting from December 24, 2022)

b. Operating revenue

Item	Related Party Categories	2022		2021
Sales Revenue	Subsidiary company	$ 165	(Note)	$ 10
Other operating revenue - other service revenue	Subsidiary company	$ -		$ 37

Note: In 2022, the Company's transaction revenue was NT$41,228 thousand, of which the amount generated from the Company's acquisition date to December 31, 2022 was NT$165 thousand.

The Company's transaction terms for sales transactions with related parties and other service revenue are cost-plus pricing and T/T 30-60 days payment where the price is not significantly different from general sales.

c. Purchase

Related Party Categories	2022	2021
Subsidiary company	$ -	$ 5,213

The Company's purchase terms for subsidiaries are cost-plus pricing and T/T 30 days payment where the price is not significantly different from general purchases.

d. Contract assets

Related Party Categories	December 31, 2022	December 31, 2021
Subsidiary company	$ 2,285	$ -

At the end of the period, the contract performance obligations of the contract asset related parties have not stagnated for more than 30 days. In 2022 and 2021, the contract assets generated by related parties were not provisioned for losses.

e. Receivables from related parties

Item	Categories/ Related party	December 31, 2022	December 31, 2021
Accounts receivable due from related parties	Subsidiary company		
	Centera Photonics Inc.	$ 31,705	$ -

The outstanding receivables from related parties are not overdue, and no guarantee has been received. The amount receivable from related parties in 2022 and 2021 has not been recognized as loss provision.

f. Acquisition of property, plant and equipment

	Trading price	
Categories/ Related party	2022	2021
Subsidiary company		
eLaser Technologies Co., Ltd.	$ -	$ 52,328

g. Lease agreement

Operation lease

The Company leases the right to use of its building to subsidiary, GEM Tech Ltd., Taiwan Branch, for a lease period of 1-10 years. At the end of the lease period, the lessee will not have the purchase these price option to acquire the real estate. As of December 31, 2022 and 2021, the total lease payments to be received in the future are NT$108 thousand and NT$478 thousand respectively. The lease income recognized in 2022 and 2021 was NT$162 thousand and NT$734 thousand respectively.

h. Other related party transactions

Item	Categories/ Related party	December 31, 2022	December 31, 2021
Guarantee deposits and margins received	Subsidiary company		
	GEM Tech Ltd., Taiwan Branch	$ 20	$ 20

Item	Categories/ Related party	2022	2021
Other income - other	Subsidiary company		
(Service revenue)	Subsidiary company	$ -	$ 300
Other income - other	Subsidiary company		
(Compensation to directors)	GEM Services, Inc.	$ 1,500	$ 1,500
Other gains and losses -	Subsidiary company		
Others (income from sale of amortized assets)	GEM Tech Ltd., Taiwan Branch	$ -	$ 1,397

i. Remuneration for key managerial officers

	2022	2021
Short-term employee benefits	$ 38,747	$ 55,031
Post-employment benefits	432	509
	$ 39,179	$ 55,540

The remuneration of directors and other key managerial officers is determined by the Remuneration Committee in accordance with performance and market trends.

28. PLEDGED ASSETS

The following assets have been provided as collateral for financing:

	December 31, 2022	December 31, 2021
Self-owned land	$ 358,403	$ 358,403
Net amount of property and building	107,746	110,256
Net amount of machinery and equipment	-	94,849
	$ 466,149	$ 563,508

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The unrecognized commitments of the Company are as follows:

Unit: Foreign currency (In thousands)

	December 31, 2022	December 31, 2021
Acquisition of property, plant and equipment		
NTD	$ 3,188	$ 24,021
USD	$ 57	$ 143

30. EXCHANGE RATE INFORMATION OF FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

The following information was summarized according to the foreign currencies other than the functional currency of the Company. The exchange rates disclosed were used to translate the foreign currencies into the functional currency. The significant financial assets and liabilities denominated in foreign currencies were as follows:

December 31, 2022

	Foreign Currencies (In Thousands)	Exchange Rate		Carrying Amount
Foreign currency assets				
Monetary items				
USD	$ 7,627	30.710	(USD: NTD)	$ 234,240
JPY	125,795	0.2324	(JPY: NTD)	29,235
Foreign currency liabilities				
Monetary items				
USD	4,215	30.710	(USD: NTD)	129,441
JPY	124,576	0.2324	(JPY: NTD)	28,951

December 31, 2021

	Foreign Currencies (In Thousands)	Exchange Rate		Carrying Amount
Foreign currency assets				
Monetary items				
USD	$ 16,481	27.680	(USD: NTD)	$ 456,207
JPY	208,521	0.2405	(JPY: NTD)	50,149
Foreign currency liabilities				
Monetary items				
USD	6,064	27.680	(USD: NTD)	167,855
JPY	275,634	0.2405	(JPY: NTD)	66,290

The significant (realized and unrealized) foreign exchange gains (losses) were as follows:

	2022		2021	
Foreign currencies	Exchange Rate	Net exchange gains (losses)	Exchange Rate	Net exchange gains (losses)
USD	29.805(USD: NTD)	$ 20,019	28.009(USD: NTD)	($ 3,071)
JPY	0.2275 (JPY: NTD)	5,020	0.2554 (JPY: NTD)	10,222
		$ 25,039		$ 7,151

31. ADDITIONAL DISCLOSURES

a. Following are the additional disclosures required by the Securities and Futures Bureau for the Company:

1) Financings provided: None
2) Endorsement/guarantee provided: None
3) Marketable securities held (excluding investments in subsidiaries and associates): None
4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: None
5) Acquisition of real estate properties at costs of at least NT$300 million or 20% of the paid-in capital: None
6) Disposal of real estate properties 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 of at least NT$100 million or 20% of the paid-in capital: See Table 1 attached;
8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: See Table 2 attached;
9) Information about the derivative financial instruments transaction: None

b. Information on investees (excluding information on investment in Mainland China): See Table 3 attached;

c. Information on investment in mainland China:

1) Name of the investee company in Mainland China, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, income (losses) of the investee and share of profits/losses of investee for the current period, carrying amount of investee at the end of the period, repatriated investment gains and the investment limit in Mainland China. See Table 4 attached;

2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gains or losses, and other related information which is helpful to understand the impact of investment in mainland China on financial reports:

(1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: See Table 1 attached;

(2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: None

(3) The amount of property transactions and the amount of the resultant gains or losses: None

(4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None

(5) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: None

(6) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: None

d. Information on major shareholders: List of all shareholders with ownership of 5 percent or greater showing the names and the number of shares and percentage of ownership held by each shareholder: See Table 5 attached.

ELITE ADVANCED LASER CORPORATION

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Table 1

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction		Notes/ Accounts Payable or Receivable		Remark
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
GEM Electronics (Shanghai) Co., Ltd.	GEM Tech Ltd., Taiwan Branch	Subsidiary to subsidiary	Sales	($ 1,624,144)	(65%)	Net 90 days from invoice date	—	—	$ 488,823	79%	Notes 1 and 2
GEM Tech Ltd., Taiwan Branch	GEM Electronics (Shanghai) Co., Ltd.	"	Purchase	1,624,144	57%	"	—	—	(488,823)	(85%)	Notes 1 and 2
	GEM Electronics (Hefei) Co., Ltd.	"	Purchase	1,208,754	43%	"	—	—	(86,244)	(15%)	Notes 1 and 2
GEM Electronics (Hefei) Co., Ltd.	GEM Tech Ltd., Taiwan Branch	"	Sales	(1,208,754)	(70%)	"	—	—	86,244	61%	Notes 1 and 2
	Mitsubishi Electric GEM Power Device (Hefei) Co., Ltd.	Subsidiaries to affiliates	Sales	(147,748)	(9%)	Electroplating services: monthly T/T 45 days; Lease and other services: collected on a monthly basis.	—	—	9,583	7%	Notes 2 and 3

Note 1: The transaction price is determined by the cost-plus pricing.

Note 2: There is no unrealized profit or loss for this period.

Note 3: The income from electroplating services is determined by the cost-plus method; the lease income is based on the contract signed according to the general market conditions; the income from other services is based on the content of the contract.

ELITE ADVANCED LASER CORPORATION

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

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Table 2

Company Name	Related Party	Nature of Relationships	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period (Note 1)	Allowance for Bad Debts
					Amount	Action Taken		
GEM Electronics (Shanghai) Co., Ltd.	GEM Tech Ltd., Taiwan Branch	Subsidiary to subsidiary	Accounts receivable $ 488,823	3.38	$ -	—	$ 374,950	$ -

Note 1: Amount recovered from January 1 to March 22, 2023.

ELITE ADVANCED LASER CORPORATION

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)

FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Table 3

Investment Company	Investee	Location	Main Business	Original Investment Amount (Note 1)		Holding of Investment at the End of the Period Balance as of December 31, 2022			Net Income (Losses) of the Investee	Share of Profits/Losses (Note 4)	Remark
				December 31, 2022	December 31, 2021	Shares	Percentage of Ownership (Note 3)	Carrying Amount (Note 3)			
eLaser	eLaser Technologies Co., Ltd.	Taiwan	Manufacture and sales of electronic parts	$ 81,996	$ 81,996	5,432,242	100%	$ 76,573	$ 657	$ 657	Notes 2 and 6
	Centera Photonics Inc.	Taiwan	Manufacture and sales of electronic parts	225,000	-	22,500,000	57.97%	225,855	(139,219)	833	Notes 2 and 7
	GEM Services, Inc.	Cayman Islands	Holding company business	568,965	568,965	65,809,451	51%	2,215,184	930,323	474,429	Note 2
GEM Services, Inc.	GEM Electronics Company Limited	British Virgin Islands	Holding company business	-	-	100	51%	1,290,977	316,561	161,435	Note 2
	GEM Tech Ltd.	Samoa	Sales of electronic parts	18,202	18,202	606,091	51%	874,436	635,358	324,009	Note 2

Note 1: The original investment amount does not include the investment amount of the investee company before the date of acquisition.

Note 2: The relevant investment profit and loss recognition are based on the financial statements of the investee company audited by accountants during the same period.

Note 3: The carrying amount held at the end of the period is based on the shareholding ratio of eLaser at the end of the period.

Note 4: The investment profit (loss) recognized in the current period is based on the weighted average shareholding ratio of eLaser.

Note 5: Please refer to Table 4 for relevant information on investment in Mainland China.

Note 6: eLaser Technologies Co., Ltd. was approved for dissolution and liquidation at the shareholders' meeting exercised by the Board of Directors on December 22, 2022, and completed the registration of cancellation on January 10, 2023, and is in the process of liquidation.

Note 7: In December 2022, the Company acquired 22,500,000 outstanding shares of the subsidiary Centera Photonics Inc. (57.97% equity) at a price of NT$225,000 thousand.

ELITE ADVANCED LASER CORPORATION

INFORMATION ON INVESTMENT IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars/ foreign currency)

Table 4

1. Name of the investee company in Mainland China, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, current profit or loss, recognized investment gains or losses, carrying amount of the investment, and repatriated investment gains:

Investee company in China	Main Business	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022	Percentage of Ownership%	Net Income(Losses) of the Investee Company	Share of Profits/Losses	Carrying amount as of December 31, 2022	Accumulated Inward Remittance of Earnings as of December 31, 2022
					Outflow	Inflow						
GEM Electronics (Shanghai) Co., Ltd.	Manufacture and sales of electronic parts	$ 2,118,990 (USD 69,000) (Note 4)	Reinvested by GEM Electronics Company Limited (Note 1(2))	$ -	$ -	$ -	$ -	51%	$ 316,561	$ 161,435 (Note 2(2) 2.)	$ 1,290,977	$ -
GEM Electronics (Hefei) Co., Ltd.	Manufacture and sales of electronic parts, factory leasing	1,924,770 (RMB 436,511)	Reinvested by GEM Electronics (Shanghai) Co., Ltd. (Note 1(3))	-	-	-	-	51%	154,417	78,747 (Note 2(2) 2.)	540,169	-
Mitsubishi Electric GEM Power Device (Hefei) Co., Ltd.	Production, design, packaging and testing of power management electronic accessories	153,550 (USD 5,000)	Reinvested by GEM Electronics (Shanghai) Co., Ltd. (Note 1(3))	-	-	-	-	10.2%	73,176	7,464 (Note 2(2) 1.)	51,756	-

Note 1: There are three types of investment methods, and they indicated below:

(1) Directly conduct investment in China.

(2) Reinvestment in Mainland China through a third regional company (GEM Electronics Company Limited).

(3) Other methods. (reinvestment through GEM Electronics (Shanghai) Co., Ltd.).

Note 2: Share of Profits/Losses

(I) It shall be indicated If it is under preparation without investment profit or loss.

(II) The basis for recognition of investment gains and losses is divided into the following three types, which should be indicated.

1. Financial statements audited by an international accounting firm that has a cooperative relationship with an accounting firm of Republic of China.
2. Financial statements audited by the certified accounting firm by the parent company in Taiwan.
3. Based on the financial statements of the invested company that have not been audited by accountants during the same period.

Note 3: Relevant figures in this table should be denominated in New Taiwan Dollars.

Note 4: Part of it is reinvested with surplus funds from the third region.

2. Upper limit on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$ - (USD -)	$ -	$ 3,743,051

Note 1: eLaser originally applied for an investment case of indirectly investing USD 9,000 thousand in GEM Electronics (Shanghai) Co., Ltd. in Mainland China according to the Official Letter Ching-Shen-Erh-Tzu No. 10100160030 dated May 16, 2012, and later, on August 15, 2013, the investment purpose of the case was changed to an overseas investment, which was approved by Official Letter Ching-Shen-Erh-Tzu No. 10200310550.

Note 2: eLaser originally applied for an indirect investment of USD 2,750 thousand in GEM Electronics (Hefei) Co., Ltd. in Mainland China according to the Official Letter Ching-Shen-Erh-Tzu No. 10100160040 dated May 16, 2012, and later, on August 15, 2013, the investment purpose of the case was changed to an overseas investment, which was approved by Official Letter Ching-Shen-Erh-Tzu No. 10200310550.

ELITE ADVANCED LASER CORPORATION

INFORMATION ON MAJOR SHAREHOLDERS

December 31, 2022

Table 5

Shareholders	Shares	
	Total Shares Owned	Ownership Percentage
Chu-Liang, Cheng	8,650,747	5.94%

Note: Major shareholders are defined as shareholders with more than 5% collective holding interest in common and preferred shares that have been delivered via book entry (including treasury stocks), as shown in the records of TDCC on the final business day of the current quarter. Share capital, as shown in the financial statements, may differ from the number of shares that have been delivered via book entry due to differences in the preparation basis.

§TABLE OF CONTENTS OF STATEMENTS OF SIGNIFICANT ACCOUNTING TITLES§

ELITE ADVANCED LASER CORPORATION

STATEMENT OF CASH AND CASH EQUIVALENTS

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars) Statement 1

Item	Description	Amount
Petty cash		$ 100
Bank deposit		
Demand deposits	Including USD 1,950 thousand, @30.71; JPY 86,248 thousand, @0.2324	219,715
		$ 219,815

ELITE ADVANCED LASER CORPORATION

STATEMENT OF CONTRACT ASSETS - CURRENT

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars) Statement 2

Name	Description	Amount
Unrelated party		
Customer X	Purchases	$ 36,082
Customer W	"	28,864
Customer AAG	"	7,060
Others (Note)	"	18,057
Total		90,063
Less: Loss allowances		(28,911)
Related party		
Centera Photonics Inc.	Purchases	2,285
		$ 63,437

Note: The amount of client included in others does not exceed 5% of the account balance.

ELITE ADVANCED LASER CORPORATION

STATEMENT OF ACCOUNTS RECEIVABLE

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars) Statement 3

Name	Description	Amount
Unrelated party		
Customer X	Purchases	$ 47,927
Customer AAE	"	22,244
Customer AAH	"	19,082
Customer AAF	"	16,110
Customer Z	"	14,420
Others (Note)	"	34,830
Total		154,613
Less: Loss allowances		(7)
Related party		
Centera Photonics Inc.	Purchases	31,705
		$186,311

Note: The amount of client included in others does not exceed 5% of the account balance.

ELITE ADVANCED LASER CORPORATION

STATEMENT OF INVENTORIES

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars) Statement 4

Item	Cost	Net Realizable Value (Note)
Raw materials	$ 169,384	$ 127,892
Inventory in transit	5,598	5,598
	174,982	$ 133,490
Less: allowance for inventory valuation and obsolescence losses	(41,492)	
	$ 133,490	

Note: Net realizable value is the estimated selling price under normal circumstances less the estimated cost to complete the project and the estimated cost to complete the sale. (including inventory valuation and obsolescence losses)

ELITE ADVANCED LASER CORPORATION

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Statement 5

	Opening Balance		Increase this Year			Decrease this Year			Recognized for Using Equity Method		Ending Balance			Market Price or Net Equity Value		
	Shares	Amount	Shares		Amount	Shares	Amount		Share Of Other Comprehensive Income of Subsidiaries, Associates And Joint Ventures Accounted for Using Equity Method	Foreign Currency Translation Reserve	Shares	%	Amount	Unit Price (NT$)	Total	Guarantee or Pledges
eLaser Technologies Co., Ltd.	5,432,242	$ 75,916	-		$ -	-	$ -		$ 657	$ -	5,432,242	100	$ 76,573	14 (Note 3)	$ 76,573	None
Centera Photonics Inc.	-	-	22,500,000	(Note 1)	225,022	-	-		833	-	22,500,000	57.97	225,855	8.6 (Note 3)	193,500	None
GEM Services, Inc.	65,809,451	2,105,728	-		-	-	361,952	(Note 2)	474,429	(3,021)	65,809,451	51	2,215,184	68.2 (Note 4)	4,488,205	None
		$ 2,181,644			$ 225,022		$ 361,952		$ 475,919	($ 3,021)			$ 2,517,612		$ 4,758,278	

Note 1: In December 2022, the Company acquired 22,500,000 outstanding shares of the subsidiary Centera Photonics Inc. (57.97% equity) at a price of NT$225,000 thousand. In addition, according to the shareholding ratio, the adjustment of the capital surplus of the subsidiary Centera Photonics Inc. was recognized as NT$22 thousand.

Note 2: Subsidiary GEM Services, Inc. resolved to distribute cash dividends at the shareholders' meeting on June 27, 2022. The Company received a cash dividend of NT$361,952 thousand in accordance with its shareholding ratio.

Note 3: Refers to the net value per share.

Note 4: Refers to the closing price.

ELITE ADVANCED LASER CORPORATION

STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Statement 6

Name	Buildings	Office Equipment	Total
Cost			
Balance at January 1,2022	$ 45,988	$ 3,818	$ 49,806
Additions	9,384	4,299	13,683
Deductions	(167)	(3,477)	(3,644)
Balance at December 31,2022	$ 55,205	$ 4,640	$ 59,845
Accumulated depreciation			
Balance at January 1,2022	$ 8,364	$ 2,142	$ 10,506
Additions	7,183	814	7,997
Deductions	(167)	(2,492)	(2,659)
Balance at December 31,2022	$ 15,380	$ 464	$ 15,844
Carry amounts at December 31,2022	$ 39,825	$ 4,176	$ 44,001

ELITE ADVANCED LASER CORPORATION

STATEMENT OF OTHER NON-CURRENT ASSETS

DECEMBER 31, 2022

(n Thousands of New Taiwan Dollars) Statement 7

Item	Description	Amount
Prepayments for equipment	Prepayments for machinery and equipment	$ 4,747
Refundable deposits paid	Factory lease deposit	1,215
Uncollectible receivables		6,936
Total		12,898
Less: Loss allowances		(6,936)
		$ 5,962

ELITE ADVANCED LASER CORPORATION

STATEMENT OF CONTRACT LIABILITIES - CURRENT

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars) Statement 8

Name	Description	Amount
Customer X	Purchases	$ 1,431
Customer D	"	847
Customer AAE	"	617
Others (Note)	"	1,427
		$ 4,322

Note: The amount of client included in others does not exceed 5% of the account balance.

ELITE ADVANCED LASER CORPORATION

STATEMENT OF ACCOUNTS PAYABLE

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars) Statement 9

Name	Description	Amount
Vendor AK	Purchases	$ 29,535
Vendor AD	"	23,876
Vendor AB	"	17,440
Vendor AF	"	15,822
Vendor C	"	11,308
Vendor AN	"	8,474
Others (Note)	"	50,431
		$156,886

Note: The amount of individual vendor in others does not exceed 5% of the account balance.

ELITE ADVANCED LASER CORPORATION

STATEMENT OF LEASE LIABILITIES

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Statement 10

Item	Description	Lease Period	Discount Rate	Balance, End of Period
Buildings	Factory buildings and office	June 1, 2014 – June 30, 2030	0.99%~1.23%	$ 40,307
Office equipment	Photocopiers and IT security equipment	July 1, 2020 – August 19, 2030	0.99%~1.36%	4,200
Total				44,507
Less: current portion of lease liabilities				(7,734)
				$ 36,773

ELITE ADVANCED LASER CORPORATION

STATEMENT OF OPERATING REVENUE

FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars, except for the quantity)

Statement 11

Item	Quantities	Amount
Sales Revenue		
Optical communication	7,993 thousand unit	$ 783,311
Optical information	10,770 thousand unit	460,626
Others	2,256 thousand unit	52,610
		1,296,547
Sales allowance		(1,190)
Total		1,295,357
Other Operating revenue		243,829
		$ 1,539,186

ELITE ADVANCED LASER CORPORATION

STATEMENT OF COST OF REVENUE

FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars) Statement 12

Item	Amount
Raw materials used	
Balance, beginning of year	$ 214,460
Add: Raw material purchased	743,832
Less: Raw materials, end of year (including inventory in transit)	(174,982)
Transferred to manufacturing or operating expenses	(20,470)
	762,840
Direct labor	249,939
Manufacturing expenses	447,225
Manufacturing cost	1,460,004
Cost of finished goods	1,460,004
Finished goods, beginning of year	72
Less: Finished goods, end of year	-
Sales cost	1,460,076
Provision of loss for market price decline and for obsolete and slow-moving inventories	27,211
Sales write-offs of provision of loss for market price decline and for obsolete and slow-moving inventories	(16,481)
Cost of goods sold	1,470,806
Other operating costs	31,788
Cost of revenue	$ 1,502,594

ELITE ADVANCED LASER CORPORATION

STATEMENT OF OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars,
Unless Specified Otherwise)

Statement 13

Item	Selling and Distribution Expense	General and Administrative Expense	Research and Development	Expected Credit Impairment Loss
Salary expense	$ 10,431	$ 54,540	$ 62,176	$ -
Depreciation expense	85	14,754	2,897	-
Compensation to directors	-	8,000	-	-
Insurance premium	949	9,109	6,344	-
Food expenses	264	6,684	2,173	-
Import and export fees	1,379	-	-	-
Expected credit impairment loss	-	-	-	28,952
Others (Note)	10,648	28,757	14,761	-
	$ 23,756	$ 121,844	$ 88,351	$ 28,952

Note: The amount of each item in others does not exceed 5% of the account balance.

ELITE ADVANCED LASER CORPORATION

SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, DEPLETION AND AMORTIZATION EXPENSES BY FUNCTION

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars) Statement 14

Function / Classification	2022			2021		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Salary expenses	$236,722	$108,787	$345,509	$293,851	$130,879	$424,730
Labor and health insurance	32,505	9,664	42,169	37,867	10,378	48,245
Pension expenses	13,185	4,673	17,858	15,113	5,098	20,211
Director's remuneration	-	26,990	26,990	-	25,922	25,922
Others	58,425	14,831	73,256	70,316	14,325	84,641
Total employee benefits	$340,837	$164,945	$505,782	$417,147	$186,602	$603,749
Depreciation expense	$233,432	$ 17,736	$251,168	$249,110	$ 18,802	$267,912
Amortization expense	$ 416	$ 1,555	$ 1,971	$ 588	$ 901	$ 1,489

Note:

1. As of December 31, 2022 and 2021, the number of employees of the Company was 627 and 713, respectively. The number of directors who did not concurrently serve as employees were 5 and 4 where there calculation basis are identical.
2. The average employee benefits expenses were $770 thousand for the year. ([Total employee benefit expenses for the current year - Total directors' remuneration] / [Number of employees for the current year - Number of directors who do not serve as employees])

   The average employee benefits expenses were $815 thousand for the prior year. ([Total employee benefit expenses for the previous year - Total directors' remuneration] / [Number of employees for the previous year - Number of directors who do not serve as employees])

   (2) The average employees' salary expenses were $555 thousand for the year. (Total employee salary expenses for the current year / [Number of employees for the current year - Number of directors who do not serve as employees])

   The average employees' salary expenses were $599 thousand for the prior year. (Total employee salary expenses for the previous year / [Number of employees for the previous year - Number of directors who do not serve as employees])

   (3) The change in the average employees' salary expenses was (-7%). ([The average employee salary expense for the current year - The average employee salary expense for the previous year] / The average employee salary expense for the previous year)

   (4) Remuneration of supervisors; not applicable, the Company has established an Audit Committee on June 6, 2016.

   (5) Remuneration for independent directors: Travel allowances are paid according to the actual

attendance of the Board of Directors, Remuneration Committee and Audit Committee, and the remuneration is paid based on the degree of their involvement in the Company's operation and value of contribution.

(6) Amount and distribution method of directors' remuneration: The Company's directors' remuneration shall not exceed 3% based on the Articles of Association. The remuneration of directors who execute the business, the remuneration committee reviews degree of their involvement in the Company's operation and value of contribution, linkage to the reasonableness and fairness of performance risks with the remuneration received, and makes recommendations to the Board of Directors after considering the Company's operating performance and general standard in the same industries.

(7) Managerial personnel and employee remuneration: The Company's remuneration policy for managerial personnel and employees includes salary, various bonuses, and employee remuneration. The salary is determined based on the evaluation of Taiwan's human resources market, standards in the same industries, and the Company's remuneration and benefit policies; employee remuneration is allocated at 8% to 15% in accordance with the Articles of Association; year-end bonuses are issued based on the Company's operating performance and employee performance.

6.6 Financial Difficulties

The Company should disclose the financial impact to the Company if the Company and its affiliated companies have incurred any financial or cash flow difficulties in 2022 and as of the date of this Annual Report: None.

7. Financial Status,Operating Results and Risk Management

7.1 Financial Status

7.1.1 Consolidated

Unit: NT$ thousands

Item \ Year	2021	2022 (Note)	Difference	
			Amount	%
Current Assets	4,595,982	4,626,832	30,850	0.67
Long-term Investments	88,869	101,489	12,620	14.20
Property, Plant and Equipment	4,362,364	4,670,386	308,022	7.06
Intangible Assets	6,523	6,176	347	(5.32)
Other Assets	878,129	866,182	(11,947)	(1.36)
Total Assets	9,931,867	10,201,129	237,709	2.39
Current Liabilities	2,680,263	2,601,818	(109,998)	(4.10)
Noncurrent Liabilities	1,190,976	1,360,893	169,917	14.27
Total Liabilities	3,871,239	3,962,711	59,919	1.55
Capital Stock	1,456,814	1,456,814	0	0.00
Capital Surplus	452,272	452,294	22	0.00
Retained Earnings	2,193,398	2,128,288	(65,110)	(2.97)
Others	(65,301)	(67,718)	(2,417)	3.70
Equity Attributable to Shareholders of the Parent	4,037,183	3,969,678	(67,505)	(1.67)
Noncontrolling Interests	2,023,445	2,268,418	245,295	12.12
Total Equity	6,060,628	6,238,418	177,790	2.93
Analysis of Deviation over 20% with amount over 10 million NT dollars： 1. Intangible Assets: The increase was mainly due to goodwill.				

Note: The new standards are in effect as in January 1, 2023 and are applied retrospectively where the items affected by the previous financial statements on December 31, 2022 have been restated

7.1.2 Unconsolidated

Unit: NT$ thousands

Item \ Year	2021	2022	Difference	
			Amount	%
Current Assets	1,132,533	803,584	(328,949)	(29.05)
Long-term Investments	2,181,644	2,517,611	335,968	15.40
Property, Plant and Equipment	1,925,280	1,729,769	(195,511)	(10.15)
Intangible Assets	2,794	1,581	(1,213)	(43.41)
Other Assets	117,171	107,986	(9,185)	(7.84)
Total Assets	5,359,422	5,160,531	(198,890)	(3.71)
Current Liabilities	652,661	409,498	(243,163)	(37.26)
Noncurrent Liabilities	669,578	781,356	111,778	16.69
Total Liabilities	1,322,239	1,190,854	(131,385)	(9.94)
Capital Stock	1,456,814	1,456,814	0	0.00
Capital Surplus	452,272	452,293	22	0.00
Retained Earnings	2,193,398	2,128,288	(65,110)	(2.97)
Others	(65,301)	(67,718)	(2,417)	3.70
Total Equity	4,037,183	3,969,677	(67,505)	(1.67)

Analysis of Deviation over 20% with amount over 10 million NT dollars：

1.Decrease in current assets: The decrease was mainly due to cash and accounts receivables.

2. Decrease in current liabilities: The decrease was mainly due to accounts payables,other payables and long-term borrowings due within 1 year.

7.2 Financial Performance

7.2.1 Consolidated

Unit: NT$ thousands

Item \ Year	2021	2022	Difference	%
Operating revenue	7,197,540	6,775,781	(421,759)	(5.86)
Cost of Revenue	(5,504,874)	(5,483,792)	21,082	(0.38)
Gross Profit	1,692,666	1,291,989	(400,677)	(23.67)
Operating Expenses	(579,269)	(652,017)	(72,748)	12.56

Item / Year	2021	2022	Difference	%
Income from Operations	1,113,397	608,491	(504,906)	(45.35)
Non-operating Income(Loss) and Expenses	(28,374)	294,185	322,559	(1136.81)
Income before Income Tax	1,085,023	902,676	(182,347)	(16.81)
Income Tax Expenses	(294,382)	(254,355)	40,027	(13.59)
Net Income	790,641	648,321	(142,320)	(18.00)
Other Comprehensive Income(Loss), Net of Income Tax	4,205	(29)	(4,234)	(100.69)
Total Comprehensive Income for the Period	794,846	648,292	(146,554)	(18.44)
Total Net Income Attributable to owners of The Parent Company	371,053	191,824	(179,229)	(48.30)
Total Net Income Attributable to Non-controlling Interests	419,588	456,497	36,909	8.80
Total Comprehensive Income Attributable to Owners of the Parent Company	374,011	194,699	(179,312)	(47.94)
Total Comprehensive Income Attributable to Non-controlling Interests	420,835	453,593	32,758	7.78

Analysis of Deviation over 20% with amount over 10 million NT dollars：

1. Decrease in gross profit:The decrease was mainly due to product mix.
2. Decrease in income from operations: The decrease was mainly due to lower sales and higher operations expense.
3. Decrease in non-operating income and expenses: The decrease was mainly due to higher exchange income
4. Decrease in total comprehensive income for the period：The decrease was mainly due to lower sales.
5. Decrease in net income attributable to owners of the parent company：The decrease was mainly due to lower sales.
6. Decrease in total comprehensive income attributable to owners of the parent company：The decrease was mainly due to lower sales.

7.2.2 Unconsolidated

Unit: NT$ thousands

Year / Item	2021	2022	Difference	%
Operating revenue	2,427,628	1,539,186	(888,442)	(36.6)
Cost of Revenue	(2,140,289)	(1,502,594)	637,695	(29.79)
Gross Profit	287,339	36,592	(250,747)	(87.27)
Operating Expenses	(256,030)	(262,903)	(6,873)	2.68
Income(Loss) from Operations	31,309	(257,792)	(289,101)	(923.38)
Non-operating Income(Loss) and Expenses	432,043	499,081	67,038	15.52
Income before Income Tax	463,352	241,289	(222,063)	(47.93)
Income Tax Expenses	(92,299)	(49,465)	42,834	(46.41)
Net Income	371,053	191,824	(179,229)	(48.3)
Other Comprehensive Income(Loss), Net of Income Tax	2,958	2,875	(83)	(2.81)
Total Comprehensive Income for the Period	374,011	194,699	(179,312)	(47.94)

Analysis of Deviation over 20% with amount over 10 million NT dollars：

1. Decrease in net revenue:：The decrease was mainly due to changes in the industrial environment.
2. Decrease in cost of revenue: : The decrease was mainly due to lower sales.
3. Decrease in gross profit:The decrease was mainly due to product mix change.
4. Decrease in income from operations: The decrease was mainly due to lower sales and higher operations expense.
5. Decrease in income tax expenses: The decrease was mainly due to lower income.
6. Decrease in net income:The decrease was mainly due to lower sales。
7. Decrease in total comprehensive income for the period:The decrease was mainly due to lower income.

7.2.3 Sales Volume Forecast and Related Information

Unit: thousands

Item	QTY
Optical Information and Optical Communication Products	20,314
Power Semiconductor Products	5,434,756

7.3 Cash Flow

7.3.1 Consolidated Cash Flow

Unit: NT$ thousands

Cash Balance 12/31/2021	Net Cash Provided by Operating Activities in 2022	Net Cash Used in Investing and Financing Activities in 2022	Cash Balance 12/31/2022	Remedy for Liquidity Shortfall	
				Investment Plan	Financing Plan
2,071,077	1,616,281	(1,291,820)	2,542,423	None	None

Analysis of Cash Flow:

(1) NT$1,616,281 thousands net cash generated by operating activities: mainly form net income

(2) NT$1,291,820 thousands net cash used in investing and financing activities activities: mainly for capital expenditures and cash dividend payment.

7.3.2 Liquidity analysis

Item \ Year	2021	2022	Difference %
Cash Flow Ratio (%)	46.74%	74.72%	59.86
Cash Flow Adequacy Ratio (%)	101.74%	115.54%	13.56
Cash Flow Reinvestment Ratio (%)	6.81%	11.05%	62.28

Analysis of deviation of 2022vs. 2021 over 20%:

(1) cash flow ratio increased as a result of increase in cash provided by operating activities.

(2) cash flow reinvestment ratio increased as a result of increase in cash provided by operating activities.

7.3.3 Remedial Actions for Liquidity Shortfall

As a result of positive operating cash flows and cash on-hand, remedial actions are not required.

7.3.4 Cash Flow Projection for Next Year: Not applicable.

7.4 Recent Years Major Capital Expenditures and Impact on Financial and Business: None

7.5 Long-term Equity Investment Policy and Results

The Company's long-term equity investments, accounted for using the equity method, were all made for strategic purposes. In 2022, the gains from these investments amounted to 475,919 thousand. In the future, the Company's long-term equity investments, accounted for using the equity method, will continue to focus on strategic purposes through prudent assessments.

7.6 Risk Management

7.6.1 Financial Risks

1. Interest Rate Fluctuation

The Company's interest income in 2022 and 2021 were NT$16,972 thousand and NT$6,146 thousand respectively, mostly from bank deposit interest.

The interest expenses in 2022 and 2021 were NT$8,039 thousand and NT$4,252 thousand respectively. The increase in interest expenses was resulted by the increase in lease liabilities in 2021.

In addition to the interest rate, the Company considers the credit rating of the bank and its service when choosing a bank, and has full-time personnel to maintain strong relationship with the bank, so changes in interest rates will not have a major impact on the Company.

2. Foreign Exchange Volatility

The functional currency of the Company is USD, so the purchase and sales are mostly foreign transactions. Under the natural hedging, the net exchange gain (loss) in 2022 was NT$253,433 thousand, accounting for 3.74% of the net operating income. It is impacted by the rapid changes in exchange rate and subject to further change. The Company takes the following measures in response to exchange rate changes:

(1) The accounting department will utilize the sales revenue to pay for purchase expenses in the same currency to achieve natural hedging. It also adjusts foreign currency positions according to exchange rate, and timely corrects the foreign exchange receipt and payment period.

(2)The Company maintains strong bank relationship to track exchange rate changes and have dedicated personnel collecting relevant exchange rate information and research reports to timely track exchange rate fluctuations.

3. Inflation upon

The 2022 consumer price index (CPI) growth was about 2.95%. However, as the Company maintains a strong relationship with customers and suppliers, and continues to track to changes in market prices, there has been no major impact in recent years

7.6.2 Risks Associated with High-Risk/Highly Leveraged Investments; Lending, Endorsements, and Guarantees for Other Parties; and Financial Derivative Transactions

The Company's financial strategy is based on the principles of prudence and conservatism. Any high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions are regulated in accordance with relevant regulations; Have not engaged in any high-risk, high-leverage investment and derivative products. In 2022, it has not engaged in any high-risk, high-leverage investment and derivative transactions.

7.6.3 Future R&D plans and expected R&D spending

Unit: NT$ thousand

R&D plan	Expenses anticipated to be invested into R&D
Next-generation 3D sensing lasers	8,000
High power industrial lasers	4,000
High speed optical fiber communication module	16,000
Lidar	8,000

7.6.4 Risks Associated with Changes in the Government Policies and Regulatory Environment

The Company continues to track changes in domestic and foreign political and economic environments and changes in policies and laws, and takes timely response measures. It has not had any significant impact on finance and operation due to changes in policies and laws in 2022 and up to the publication of the annual report.

7.6.5 Risks Associated with Changes in Technology and Industry

The Company tracks the technology trend of related industries and analyzes it in a timely manner. Thus, it has not had any significant impact on finance and operation due to technological changes in 2022 and up to the publication date of the annual report.

7.6.6 Changes in Corporate Reputation and Impact on Company's Crisis Management

The Company complies with the principles of professionalism and ethical corporate management, and values the corporate image and risk control. There has been no major change in corporate image and impact on corporate crisis management. The Company will further commit to maintaining corporate governance and transparent operations, paying more attention to the rights and interests of shareholders, and strengthening its excellent corporate image.

7.6.7 Risks Associated with Mergers and Acquisitions

In 2022 and up to the publication date of the annual report, no mergers and acquisitions have occurred. However, if there is a merger or acquisition in the future, it will be handled in accordance with the relevant laws and regulations and the relevant measures formulated by the Company to ensure the interests of the Company and shareholders' equity are protected.

7.6.8 Risks Associated with Capacity Expansion

The Company will adjust and integrate the factories in a timely manner according to market changes and customer needs, and strive to minimize costs and maximize the benefits of capacity expansion to maintain long-term competitive advantages

7.6.9 Risks Associated with Sales and Purchasing Concentration

1. Risks Associated with Purchasing Concentration

The Company is committed to developing more beneficial collaboration and maintaining a good relationship with suppliers, so as to facilitate the adjustment and application of purchase policies and reduce the concentration risk.

2 Risks Associated with Sales Concentration

The Company regularly tracks the recovery of accounts receivable from customers every month, and establishes a good, stable and long-term relationship with customers. It is committed to developing new industrial development to facilitate business expansion, and timely reduces the concentration risk.

7.6.10 Potential Impact and Risks Associated with Sales of Significant Numbers of Shares by The Company's Directors, and/ or Shareholders Who Own 10% or More of the Company's Total Outstanding Shares

As of the date of this Annual Report, no single shareholder owned 10% or more of The Company's total outstanding shares.

7.6.11 Risks Associated with Change in Management:None

7.6.12 Risks Associated with Litigious and Non-litigious Matters

In 2022 and as of the date of this Annual Report, the Company is not currently a party to any material legal proceedings.

7.6.13 Other Material Risks

Information security risk:

To enhance the employees' awareness and understanding of information security, the following "information security policies" is established in the information security management document for the management reference.

Conduct regular advocacy and training where all employees should participate for at least 1 hour. In addition, different types of information security courses are planned for different roles and functional personnel. With the continuous training, the employees' awareness for information security is improved and internalized in various operations for the implementation of the most secure information security protection and strengthening of employee safety awareness.

Establish a cross-departmental information security team where all information security responsibilities are defined and assigned, duties and responsibilities are compartmented, and information security management systems are formulated, promoted, implemented, evaluated and improved to provide an information environment with sound management on information assets and continuous business operations.

Establish an inventory of information assets, specify the manager and include the value and threat of identifiable information with defined protection responsibilities. Upon termination of the contract, ensure all assets are returned or disposed of as required.

Implement the information security risk assessment to improve the effectiveness and timeliness of information security management.

Regularly review password to maintain password complexity to protect the confidentiality and integrity of digital information.

Separate development, testing, and operating environments to reduce the risk of unauthorized access or changes to operating systems; establish control measures for malware detection, prevention, and recovery to ensure that information assets are not damaged by malicious software. Follow the backup procedures to regularly back up and test various data to avoid information loss; monitor and allocate the use of various resources and carry out appropriate improvement measures to reduce risks with based on security weaknesses.

Regularly verify and implement on-going information service operation procedures to ensure their effectiveness.

Regularly implement the information security internal audit policies to ensure information security management and personal data protection.

Protect the interests of personal and other key stakeholders in accordance with applicable laws, regulations, contractual and/or professional responsibilities. Improve information security management in a timely manner.

All new employees are required to attend information security-related education and training to understand the Company's information security policies and requirements and sign the “Declare of software” to avoid violations of copyrights or virus infringement.

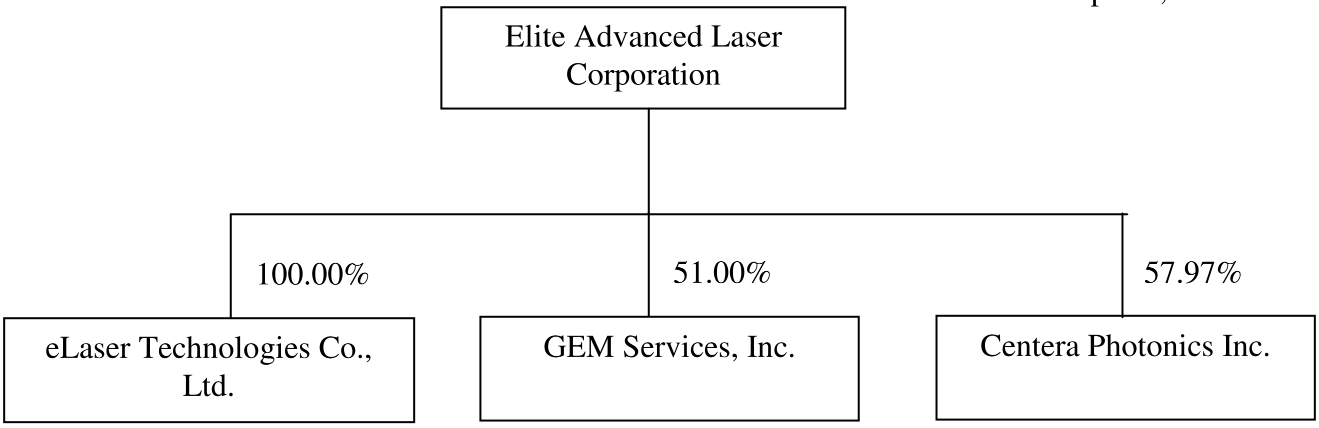
7.7 Other material matters:None

8. Subsidiary Information and Other Special Notes

8.1 Subsidiaries

8.1.1 the Company Subsidiaries Chart

April 7, 2023



Note: On December 22, 2022, the Board of Directors (on behalf of the shareholders' meeting) of eLaser Technologies Co., Ltd. approved the resolution of dissolution and liquidation. The alteration registration of dissolution was completed on January 10, 2023, and is in the process of liquidation.

8.1.2 the Company Subsidiaries

Unit: NT$ thousand

Company	Established Date	Address	Capital Stock	Main Business
GEM Services, Inc.	1998/4	Cayman Islands	1,290,474	Holding company busines
Centera Photonics Inc.	2010/5	3F., No. 6-3, Duxing Rd., East Dist., Hsinchu City	388,113	Manufacture and sales of electronic parts
eLaser Technologies Co., Ltd.	2011/8	10F.,NO.27,Qiao'an St.,Zhonghe Dist.,New Taipei City	54,322	Manufacture and sales of electronic parts

8.1.3 Shareholders in Common of the Company and Its Subsidiaries with Deemed Control and Subordination: None.

8.1.4 Business Scope of the Company and Its Subsidiaries

The primary business of the overall subsidiaries of the Company include optical engine IC substrates, power management components, IC packaging and testing services, plant leasing, silicon photonic SoC and Si-based high-speed optical interconnect module, etc.

8.1.5 Rosters of Directors, Supervisors, and Presidents of the Company's Subsidiaries

Unit:K shares；%

Company	Title	Name/ representative	Shares Held	
			Shares	%
GEM Services, Inc.	Chairman	Chu-Liang, Cheng	207	0.16
GEM Services, Inc.	Vice Chairman	Wen-Hsing, Huang	264	0.20
GEM Services, Inc.	Director	Tay-Jen, Chen	233	0.18
GEM Services, Inc.	Director	Wei-Zhong,Pan	-	-
GEM Services, Inc.	Director	Elite Advanced Laser Corporation	65,809	51.00
		Representative : Tien-Tseng, Sung	629	0.49
GEM Services, Inc.	Independent Director	Sheng-Tai,Wen	-	-
GEM Services, Inc.	Independent Director	Yue-Li,Lee	-	-
GEM Services, Inc.	Independent Director	Shu-Ye	-	-
GEM Services, Inc.	Independent Director	Wen-Jun, Huang	-	-
GEM Services, Inc.	President	Yen-Chiang, Tang	206	0.16
Centera Photonics Inc.	Chairman	Chu-Liang, Cheng	500	1.29
Centera Photonics Inc.	Director	Elite Advanced Laser Corporation	22,500	57.97
		Representative : Tien-Tseng, Sung	-	-
Centera Photonics Inc.	Director	SinoPac Financial Holdings Company Limited	1,342	3.46
		Representative : Guo-Hao,Lee	-	-
Centera Photonics Inc.	Supervisors	Ji-Hua,Wang	-	-
Centera Photonics Inc.	President	Gao-Feng,Tsai	-	-
eLaser Technologies Co., Ltd.	Director (Note)	Elite Advanced Laser Corporation	5,432	100.00
		Representative : Chu-Liang, Cheng	-	-
eLaser Technologies Co., Ltd.	Director	Elite Advanced Laser Corporation	5,432	100.00
		Representative : Wen-Hsing, Huang	-	-
eLaser Technologies Co., Ltd.	Director	Elite Advanced Laser Corporation	5,432	100.00
		Representative : Tay-Jen, Chen	-	-
eLaser Technologies Co., Ltd.	Supervisors	Elite Advanced Laser Corporation	5,432	100.00
		Representative : Tien-Tseng, Sung	-	-

Note：Elite Advanced Laser Corporation's representative:Chu-Liang, Cheng is Chairman/President.

8.1.6 Operational Highlights of the Company Subsidiaries

Unit: NT$ thousand

Company	Capital Stock	Total Assets	Total Liabilities	Book Value per Share	Net Revenue	Income from operations	Net income	Basic Earning (Loss) Per Share (NT$)
GEM Services, Inc.	1,290,474	6,914,344	2,570,535	33.66	5,221,467	865,204	930,323	7.21
Centera Photonics Inc.	388,113	534,827	201,435	8.59	279,125	(128,937)	(139,219)	(3.59)
eLaser Technologies Co., Ltd (Note)	54,322	76,648	75	14.09	0	(370)	656	0.12

Note:On December 22, 2022, the Board of Directors (on behalf of the shareholders' meeting) of eLaser Technologies Co., Ltd. approved the resolution of dissolution and liquidation. The alteration registration of dissolution was completed on January 10, 2023, and is in the process of liquidation.

8.1.7 The Affiliate’s Consolidated Financial Statements

Please refer to Annual Repor page 133 to 301.

8.1.8 The Affiliate’s Lending, Endorsements, and Guarantees for Other Parties; and Financial Derivative Transactions : None.

8.2 Private Placement of Company Shares: None

8.3 eLase Shares Held / Sold by Subsidiaries: None

8.4 Other Supplementary Information: None

9. Other Significant Events Affecting Shareholders' Equity or Stock Price: None

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