CALIN Corporation

Financial Statements for the Years Ended December 31, 2023 and 2022 and Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
CALIN Corporation

Opinion

We have audited the accompanying financial statements of CALIN Corporation ("the Company"), which comprise the balance sheets as of December 31, 2023 and 2022, and the statements of comprehensive income, changes in equity, and cash flows for the years then ended, and the 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 accompanying financial position of the Company as of December 31, 2023 and 2022, 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 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 Engagements of Financial Statements by Certified Public Accountants and 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 Statements section of our report. We are independent of the Company 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, 2023. 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 for the Company's financial statements for the year ended December 31, 2023 are stated as follows:

1. Valuation of Inventory Impairment

Description

As of December 31, 2023, the Company's inventory represented 15% of its total assets. This inventory is subject to fluctuations in market demand and rapid technological advancements, which may result in reduced turnover and potential obsolescence, thereby affecting the inventory's valuation. The Company's accounting practices for recognizing losses due to market price declines and for writing down obsolete and slow-moving inventory are informed by the aging analysis of the inventory. This analysis provides management with the necessary data to evaluate and determine the net realizable value of the inventory, ensuring that inventory is recorded at the lower of cost or net realizable value, with appropriate provisions for market devaluation. Consequently, the assessment of the allowance for inventory markdowns has been designated as a key auditing matter for these financial statements.

How our audit addressed the matter

Our main auditing procedures encompass an examination of the inventory aging schedule to scrutinize the shifts in inventory aging; an evaluation of the validity of the policies pertaining to market price depreciation and the obsolescence of slow-moving inventory; a verification of inventory carrying values through the acquisition of current raw material quotations or the estimation of sales prices via selective sampling to confirm the accuracy of the net realizable value; and a determination of the suitability of the inventory valuation approach, including the adequacy of provisions made for markdowns to market value for obsolete and impaired inventory items

2 Revenue Recognition

Description

Sales revenue serves as a pivotal metric for evaluating the financial and business performance of a company. For the fiscal year concluding on December 31, 2023, CALIN Corporation reported sales revenue amounting to NTD 923,304 thousand. Given the Company's engagement in global commerce, encompassing markets such as the Americas, China, and Europe, it is imperative for the Company to ascertain the appropriate juncture for revenue recognition, which varies according to the distinct transactional stipulations of each contract or order. Consequently, the determination of revenue recognition timing has been designated as a key auditing matter for these financial statements.

How our audit addressed the matter

Our main auditing procedures encompass a comprehensive evaluation and verification of the efficacy of the internal control system's design and execution pertaining to the sales and collection cycle. This includes an examination of the suitability of revenue recognition through a selection of sample transactions. We also scrutinize any substantial irregularities in the transaction patterns of the top ten sales clients, alongside an analysis of the correlation between sales revenue and the duration of sales outstanding. Furthermore, we conduct a detailed review of sales transactions occurring immediately before and after the designated shipping cut-off date, corroborating the associated documentation to affirm that revenue is duly recognized within the correct accounting period. Additionally, we investigate the presence of any notable sales returns in the subsequent period following the initial recognition.

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 the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by Financial Supervisory Commission of the Republic of China, 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 to cease its 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 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 guarantee that an audit conducted in accordance with 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 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2023 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 audit resulting in this independent auditors' report are Shao, Chao Pin and Huang, Chien Chen.

Crowe TW CPAs

CROWE (TW) CPAs
Taichung, Taiwan (Republic of China)

March 14, 2024

Notice to Readers

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

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

CALIN Corporation

BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

		December 31, 2023		December 31, 2022	
ASSETS	NOTES	Amount	%	Amount	%
CURRENT ASSETS					
Cash and cash equivalents	6(1)	$ 1,260,150	40	$ 1,419,525	42
Notes receivable, net	6(2)	1,207	-	4,216	-
Accounts receivable, net	6(2)	196,189	6	189,392	6
Other receivables		5,505	-	4,956	-
Current income tax assets	6(24)	3,317	-	507	-
Inventories, net	6(3)	454,313	15	506,457	15
Other financial assets - current		1,200	-	5,110	-
Prepayments and other current assets		17,494	1	15,284	-
Total current assets		1,939,375	62	2,145,447	63
NONCURRENT ASSETS					
Financial assets at fair value through other comprehensive income - noncurrent	6(4)	328	-	328	-
Property, plant and equipment	6(5)	1,005,924	33	994,678	31
Right-of-use assets	6(6)	5,139	-	5,428	-
Investment properties	6(7)	58,246	2	61,568	2
Intangible assets	6(8)	12,664	-	16,225	-
Deferred income tax assets	6(24)	86,919	3	86,630	3
Prepayments for equipments		9,084	-	31,503	1
Refundable deposit		1,061	-	1,103	-
Total noncurrent assets		1,179,365	38	1,197,463	37
TOTAL		$ 3,118,740	100	$ 3,342,910	100
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Contract liabilities	6(18)	$ 7,044	-	$ 14,860	1
Notes payable		134	-	127	-
Accounts payable		109,283	4	99,006	3
Other payables	6(9)	82,595	3	94,672	3
Lease liabilities - current	6(6)	1,937	-	1,845	-
Long-term liabilities - current portion	6(10)	145,816	5	80,922	2
Other current liabilities	6(10)(11)	3,577	-	5,591	-
Total current liabilities		350,386	12	297,023	9
NONCURRENT LIABILITIES					
Long term loans	6(10)	252,215	8	294,256	9
Deferred income tax liabilities	6(24)	377	-	88	-
Lease liabilities - noncurrent	6(6)	3,349	-	3,738	-
Net defined benefit liability - noncurrent	6(12)	1,096	-	-	-
Other noncurrent liabilities	6(10)(11)	2,257	-	2,582	-
Total noncurrent liabilities		259,294	8	300,664	9
Total liabilities		609,680	20	597,687	18
EQUITIES					
Common stocks	6(13)	1,406,900	45	1,387,040	41
Capital surplus	6(14)	1,571,188	50	1,522,007	46
Retained earnings	6(15)				
Legal capital reserve		603	-	603	-
Special capital reserve		2,811	-	2,811	-
Unappropriated earnings(accumulated deficit)		(383,336)	(12)	(121,601)	(4)
Others	6(16)	(53,945)	(2)	(4,246)	-
Treasury stock	6(17)	(35,161)	(1)	(41,391)	(1)
Total equity		2,509,060	80	2,745,223	82
TOTAL		$ 3,118,740	100	$ 3,342,910	100

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

CALIN Corporation

STATEMENTS OF COMPREHENSIVE INCOME
FOR YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars, Except Earning Per Share)

		2023		2022	
	NOTES	Amount	%	Amount	%
NET REVENUE	6(18)	$ 923,304	100	$ 1,137,405	100
COST OF REVENUE	6(19)	(1,051,809)	(114)	(1,216,485)	(107)
GROSS PROFIT(LOSS)		(128,505)	(14)	(79,080)	(7)
OPERATING EXPENSES	6(19)				
Marketing		(20,070)	(2)	(18,378)	(2)
General and administrative		(77,064)	(8)	(79,540)	(7)
Research and development		(64,408)	(7)	(34,697)	(3)
Total operating expenses		(161,542)	(17)	(132,615)	(12)
OPERATING PROFIT(LOSS)		(290,047)	(31)	(211,695)	(19)
NONOPERATING INCOME AND EXPENSES					
Interest income	6(20)	28,849	4	5,320	-
Other income	6(21)	2,991	-	8,417	1
Other gains and losses	6(22)	2,550	-	62,012	6
Finance costs	6(23)	(6,078)	(1)	(4,678)	-
Total nonoperating income and expenses		28,312	3	71,071	7
INCOME BEFORE INCOME TAX		(261,735)	(28)	(140,624)	(12)
INCOME TAX EXPENSE	6(24)	-	-	13,598	1
NET INCOME(LOSS)		(261,735)	(28)	(127,026)	(11)
OTHER COMPREHENSIVE INCOME (LOSS)					
Other comprehensive income (loss) for the year, net of income tax		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		$ (261,735)	(28)	$ (127,026)	(11)
EARNINGS (DEFICITS) PER SHARE(IN DOLLARS)					
Basic	6(25)	$ (1.91)		$ (0.93)	
Diluted		$ (1.91)		$ (0.93)	

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

CALIN Corporation

STATEMENTS OF CHANGES IN EQUITY
FOR YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

	Capital Stocks		Retained Earnings				Others				
	Common Stocks	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings(Accumulated Deficits)	Total	Unrealized Gain (loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Unearned compensation of employee share-based payment	Total	Treasury Stock	Total Equity
BALANCE, JANUARY 1, 2022	$ 1,387,410	$ 1,521,897	$ -	$ 2,811	$ 6,028	$ 8,839	$ (2,942)	$ (6,653)	$ (9,595)	$ (41,391)	$ 2,867,160
Appropriations of prior year's earnings											
Legal capital reserve	-	-	603	-	(603)	-	-	-	-	-	-
Expiring in employee share-based payment	(370)	57	-	-	-	-	-	313	313	-	-
Compensation cost - employee share-based payment	-	-	-	-	-	-	-	5,036	5,036	-	5,036
Others	-	53	-	-	-	-	-	-	-	-	53
Net income in 2022	-	-	-	-	(127,026)	(127,026)	-	-	-	-	(127,026)
Other comprehensive income (loss) in 2022	-	-	-	-	-	-	-	-	-	-	-
BALANCE, DECEMBER 31, 2022	1,387,040	1,522,007	603	2,811	(121,601)	(118,187)	(2,942)	(1,304)	(4,246)	$ (41,391)	2,745,223
Issuance of employee share-based payment	20,000	41,215	-	-	-	-	-	(61,215)	(61,215)	-	-
Expiring in employee share-based payment	(140)	21	-	-	-	-	-	-	-	-	(119)
Compensation cost - employee share-based payment	-	-	-	-	-	-	-	11,516	11,516	-	11,516
Reissue treasury stock options to employees	-	7,945	-	-	-	-	-	-	-	6,230	14,175
Net loss in 2023	-	-	-	-	(261,735)	(261,735)	-	-	-	-	(261,735)
Other comprehensive income (loss) in 2023	-	-	-	-	-	-	-	-	-	-	-
BALANCE, DECEMBER 31, 2023	$ 1,406,900	$ 1,571,188	$ 603	$ 2,811	$ (383,336)	$ (379,922)	$ (2,942)	$ (51,003)	$ (53,945)	$ (35,161)	$ 2,509,060

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

CALIN Corporation

STATEMENTS OF CASH FLOWS
FOR YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss before income tax	$ (261,735)	$ (140,624)
Adjustments to reconcile profit (loss)		
Depreciation	158,109	173,477
Amortization	5,217	4,420
Interest expense	6,078	4,678
Interest income	(28,849)	(5,320)
Compensation cost from share-based payments	19,342	5,036
Gain on disposal of property, plant and equipment	-	(395)
Others	(1,199)	(861)
Net changes in operating assets and liabilities		
Notes receivable	3,009	7,362
Accounts receivable	(6,797)	108,465
Other receivables	313	(4,526)
Inventories	43,806	(5,284)
Other financial assets - current	3,910	(10)
Prepayments and other current assets	(3,866)	(3,114)
Contract liabilities	(7,816)	(21,197)
Notes payable	7	7
Accounts payable	10,277	(82,244)
Other payables	(11,659)	3,044
Other current liabilities	(2,209)	(376)
Net defined benefit liability	1,096	-
Cash provided from (used in) operations	(72,966)	42,538
Interest received	27,987	5,142
Income taxes paid	(2,810)	(136)
Interest paid	(4,865)	(3,733)
Net cash provided by (used in) operating activities	(52,654)	43,811
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(127,420)	(180,450)
Proceeds from disposal of Property, plant and equipment	-	395
Decrease (increase) in refundable deposits	42	(867)
Acquisition of intangible assets	-	(5,140)
Increase in prepayment for equipments	(6,407)	(20,756)
Net cash used in investing activities	(133,785)	(206,818)

(Continued)

CALIN Corporation

STATEMENTS OF CASH FLOWS
FOR YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term loans	$ 136,300	$ 18,300
Repayment of long-term loans	(113,577)	(66,997)
Repayments of the principal portion of lease liabilities	(1,889)	(2,094)
Treasury stock sold to employees	6,230	-
Others	-	53
Net cash provided by (used in) financing activities	27,064	(50,738)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(159,375)	(213,745)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,419,525	1,633,270
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,260,150	$ 1,419,525

The accompanying notes are an integral part of the financial statements. (Concluded)

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. ORGANIZATION AND OPERATIONS

CALIN Corporation (the” Company”) was incorporated on December26, 2002. The registered address is No. 24, Jianguo Road, Tanzi District, Taichung City, and the main business is the manufacture and surface treatment of optical instruments, electronic components, industrial plastic products, and molds, as well as motor vehicle parts manufacturing.

The Company's shares have been traded on the Taiwan Stock Exchange (TWSE) since November 20, 2012.

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying financial statements were approved and authorized for issue by the Board of Directors on March 14, 2024.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

3.1 The adoption of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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):

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

New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosures 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)
Amendments to IAS 12 “International Tax Reform － Pillar Two Model Rules”	(Note 4)

Note 1：An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2023.

Note 2：These amendments apply to changes in accounting estimates and changes in accounting policies that occur during annual reporting periods beginning on or after January 1, 2023.

Note 3：An entity shall apply the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. It also, at the beginning of the earliest comparative period presented, recognizes deferred taxes for all temporary differences related to leases and decommissioning obligations and recognizes the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

Note 4：As a temporary exception under IAS 12, an entity shall not recognize deferred income tax assets and liabilities associated with Pillar 2 income tax, nor shall it disclose the related information. However, the entity shall disclose in its financial report that it has already applied this exception. An entity shall apply this part of the amendment retrospectively in accordance with IAS 8 since the date that the amendments were issued (i.e. May 23, 2023). An entity shall apply the remaining disclosure requirements for the annual reporting periods beginning on or after January 1, 2023 and needs not to disclose such information in its interim reports with a reporting date ending before or on December 31, 2023.

(1) Amendments to IAS 1 “Disclosures of Accounting Policies”

The amendments clarify that an entity shall disclose its material significant accounting policy information if the transaction, other event or condition to which the accounting policy information relates is material in size or nature, or a combination of both, and the accounting policy information that relates to a material transaction, other event or condition is also material to the financial statements. On the other hand, if the transaction, other event or condition to which the accounting policy information relates is immaterial in size or nature, an entity needs not to disclosure the accounting policy information that relates to the immaterial transaction, other event or condition. Additionally, Immaterial accounting policy information that relates to material transactions, other events or conditions need not be disclosed, either. However, an entity’s conclusion that accounting policy information is immaterial does not affect the related disclosure requirements set out in other IFRS Standards.

(2) Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments define accounting estimates as monetary amounts in financial statements that are subject to measurement uncertainty and clarify that a change in measurement techniques or inputs used to develop an accounting estimate is a change in accounting estimates unless the change is due to an error from prior periods.

(3) Amendments to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”

The amendments narrow the exemption extent in paragraphs 15 and 24 of IAS 12 for an entity from recognizing a deferred tax asset or liability in particular circumstances. In particular, the exemption does not apply to a transaction that gives rise to equal taxable and deductible difference at the time of the transaction. At the initial application of the amendments, an entity shall, at the beginning of the earliest comparative period presented, recognize deferred taxes for all deductible and taxable temporary differences associated with (i) lease and (ii) decommissioning liabilities and recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date. An entity shall also apply the amendments transactions that occur on or after the beginning of the earliest comparative period presented. When initially applying the amendments, the information for comparable periods shall be restated.

(4) Amendments to IAS 12 "International Tax Reform — Pillar Two Model Rules"

The amendments stipulate that, as a temporary exception to IAS 12, the company shall neither recognize nor disclose information about deferred income tax assets and liabilities for Pillar Two income tax relating to international tax reform; however, the company shall disclose in its financial reports that it has applied this exception. In addition, the company shall separately disclose its current income tax expenses (benefits) relating to Pillar Two income tax. If the Pillar Two bill has been enacted or has been substantively enacted but has not yet taken effect, the company should disclose qualitative and quantitative information on its exposure to Pillar Two income tax that is known or can be reasonably estimated. Based on the Company's assessment, the New IFRSs above have no significant effect on the Company's financial position and financial performance.

Based on the Company's assessment, the IFRSs modifications aforementioned have no significant effect on the Company's financial position and financial performance.

3.2 Effect of new issuances and amendments to IFRSs endorsed by the FSC but not yet adopted by the Company:

New standards, interpretations and amendments endorsed by the FSC and effective from 2024 are as follows:

New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB
Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"	January 1, 2024 (Note 1)
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

New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB
Amendments to IAS 7 and IFRS 7 “Supplier finance arrangements”	January 1, 2024 (Note 2)

Note 1: The seller-lessee shall apply the amendments retrospectively in accordance with IAS 8 for the sale and leaseback transactions made after the initial application of IFRS 16.

Note 2: The amendment provides certain transitional reliefs. When initially applying the amendment, entities are not required to disclose comparative information and interim period information, as well as opening information required by paragraph 44H(b)(ii)-(iii).

(1) Amendments to IFRS 16 "Lease liability in a sale and leaseback”

The amendment clarifies that for a sale and leaseback transaction, if the transfer of the asset is treated as a sale in accordance with IFRS 15, the liabilities incurred by the seller-lessee due to the leaseback should be treated in accordance with the IFRS 16. Moreover, if any variable lease payments that do not depend on an index or rate are involved, the seller-lessee should still determine and recognize the lease liability arising from such variable payments in a manner that does not recognize gains and losses related to the retained right of use. The difference between the subsequent actual lease payment amount and the reduced carrying amount of the lease liability is recognized in profit or loss.

(2) Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”

The amendments clarify that when an entity determines whether a liability is classified as non-current, the entity should assess whether it has the right to defer the settlement for at least twelve months after the reporting period. If the entity has that right on the end of reporting period, that liability must be classified as non-current regardless of whether the entity expects whether to exercise the right or not. If the entity must follow certain conditions to have the right to defer the settlement of a liability, the entity must have followed those conditions at the end of reporting period in order to have that right, even if the lender tests the entity’s compliance on a later date.

The aforementioned settlement means transferring cash, other economic resources or the entity’s equity instruments to the counterparty to extinguish the liability. If the terms of the liability give the counterparty an option to extinguish the liability by the entity’s equity instruments, and this option is recognized separately in equity in accordance with IAS 32 “Financial Instruments: Presentation”, then the classification of the liability will not be affected.

(3) Amendment to IAS 1 “Non-current Liabilities with Covenants”.

This amendment further clarifies that only contractual terms that are required to be complied with before the end of the reporting period will affect the classification of the liability at that date. The contractual terms that required to be complied with within 12 months after the reporting period do not affect the classification of liabilities at the reporting date. However, for liabilities classified as non-current and must be repaid within 12 months after the reporting period due to potential non-compliance, the relevant facts and circumstances should be disclosed.

(4) Amendments to IAS 7 and IFRS 7 “Supplier finance arrangements”.

Supplier financing arrangements involve one or more financing providers making payments to suppliers on behalf of an entity, and the entity agrees to repay the financing providers on the payment date agreed with the suppliers or a later date. The amendments to IAS 7 require an entity to disclose information on its supplier financing arrangements to enable users of financial statements to assess the impact of these arrangements on the entity's liabilities, cash flows and exposure to liquidity. The amendments to IFRS 7 include into its application guidance that when disclosing how an entity manages the liquidity risk of its financial liabilities, it may also consider whether it has obtained or can obtain financing facilities through supplier financing arrangements, and whether these arrangements may cause concentration of liquidity risk.

Based on the Company’s assessment, the application of the New IFRSs above will not have any signification impact on the Company’s financial position and financial performance.

3.3 The IFRSs issued by the IASB but not yet endorsed by the FSC:

A summary of the new standards and amendments issued by the IASB but not yet endorsed by the FSC is set out below:

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”	To be determined by IASB
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 21 "Lack of Exchangeability”	January 1, 2025

As of the date the accompanying financial statements are issued, the Company is continuously assessing the impact on its financial position and financial performance as a result of the initial adoption of the aforementioned standards or interpretations. The related impact will be disclosed when the Company completes the evaluation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies are used in the preparation of the accompanying financial statements. These policies have been consistently applied to all the periods presented, unless otherwise stated.

4.1 Statement of Compliance

This financial report is prepared in accordance with the Financial Reporting Preparation Standards for Securities Issuers and the IFRSs approved and issued by the FSC.

4.2 Basis of Preparation

A. Except for significant items of financial assets and liabilities measured at fair value through profit or loss (including derivatives) measured at fair value, this financial report is prepared at historical cost.

B. The preparation of financial statements in conformity with IFRSs endorsed by the FSC requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

4.3 Foreign Currencies

A. Items included in the financial statements are measured using the functional currency of the Company. The financial statements are presented in New Taiwan Dollars, which is the Company's functional currency.

B. In preparing the 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 on that date. Such exchange differences are recognized in profit or loss in the year in which they arise. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Exchange differences arising in the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising in the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange difference are also recognized directly in other comprehensive income. Non-monetary items that are measured in terms of historical cost in foreign currencies are translated using the exchange rate at the date of the transaction and are not retranslated.

4.4 Classification of Current and Noncurrent Assets and Liabilities

A. Assets that meet one of the following criteria are classified as current assets:

(a) Assets that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realized within twelve months from the end of reporting period.

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the end of reporting period.

The Company classifies all assets that do not meet the above criteria as non-current.

B. Liabilities that meet one of the following criteria are classified as current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the end of reporting period, even if an agreement to refinance, or to reschedule payments on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the end of reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Company classifies all liabilities that do not meet the above conditions as non-current.

4.5 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

4.6 Financial Instruments

Financial assets and liabilities shall be recognized when the Company becomes a party of 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 fair value through profit or loss) 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 fair value through profit or loss are recognized immediately in profit or loss.

A. **Financial assets**

(a) Measurement categories

All regular way purchases or sales of financial assets are recognized and using trade date accounting.

Financial assets are classified as financial assets at FVTPL, financial assets at amortized cost and investment in equity instruments at FVTOCI.

i. Investment in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate equity investments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Equity investments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, it will be transferred to retained earnings.

Dividends on these equity instruments at FVTOCI are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

ii. Financial assets at amortized cost

Financial assets that meet the 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 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 the 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 the financial asset; and

(ii) Financial asset that has subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset.

(b) Impairment of financial assets

i. The Company recognizes loss allowances for expected credit losses on financial assets at amortized cost (including trade receivables), investments in debt instruments at FVTOCI, and contract assets.

ii. The Company recognizes loss allowances at an amount equal to lifetime expected credit losses (i.e. ECLs) for accounts receivable and contract assets. For all other financial instruments, the Company recognizes lifetime ECLs for which 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.

iii. Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents 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 represents 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.

iv. The Company recognizes an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for 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.

(c) Derecognition of financial assets

The Company derecognizes a financial asset when one of the following conditions is met:

i. The contractual rights to receive cash flows from the financial asset expired.

ii. The contractual rights to receive cash flows from the financial asset which have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.

iii. The Company neither retains nor transfers substantially all risks and rewards of ownership of the financial asset; however, it has not retained control of the financial asset.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the carrying amount of financial asset and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of a debt instrument at FVTOCI, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without being recycled to profit or loss.

B. Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

C. Financial liabilities

(a) Subsequent measurement

Except for the following situations, all financial liabilities are measured at amortized cost using the effective interest method:

i. Financial liabilities at fair value through profit or loss are financial liabilities held for trading or financial liabilities designated as at fair value through profit or loss on initial recognition. A financial liability is classified as held for trading if it is incurred principally for the purpose of repurchasing it in the near term. Derivatives are also categorized as financial liabilities held for trading unless they are financial guarantee contracts or designated and effective hedging derivatives. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:

(i) They are hybrid (combined) contracts containing at least an embedded derivate and the host contract is an asset not within the scope of IFRS 9; or

(ii) They eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases; or

(iii) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

ii. Financial liabilities at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured at fair value, and any changes in the fair value of these financial liabilities are recognized in profit or loss.

iii. For a financial liability designated as at FVTPL, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income and will not be subsequently reclassified to profit or loss. The remaining amount of changes in the fair value of that liability is presented in profit or loss. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in the fair value of the liability are presented in profit or loss.

(b) Derecognition of financial liabilities

The Company derecognizes a financial liability when, and only when, it is extinguished—i.e. when the obligation is discharged or cancelled or expires. The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

D. Modification of Financial Instruments

When the contractual cash flows of a financial instrument are renegotiated or modified and the renegotiation or modification does not result in the derecognition of that financial instrument, the Company recalculates the gross carrying amount of the financial asset or the amortized cost of the financial liabilities using the original effective interest rate and recognizes a modification gain or loss in profit or loss. Any costs or fees incurred adjust the carrying amount of the modified financial instrument and are amortized over the remaining term of the modified financial instrument. If the renegotiation or modification results in that the derecognition of that financial instrument is required, then the financial instrument is derecognized accordingly.

If the basis for determining the contractual cash flows of a financial asset or financial liability changes resulting from interest rate benchmark reform and the change is necessary as a direct consequence of interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis, the Company applies the practical expedient to account for that change as a change in effective interest rate. If changes are made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Company first applies the practical expedient aforementioned to the changes required by interest rate benchmark reform, and then applies the applicable requirements to any additional changes to which that practical expedient does not apply.

4.7 Inventories

Inventories include raw materials, work in progress and finished goods. Inventories are recognized at cost. Inventories are recorded at standard cost ordinarily and stated at the lower of cost or net realizable at the end of each reporting period. Any differences at the end of the reporting period are allocated to cost of sales and ending inventory in proportion. If the actual level of production is lower than normal capacity, the unallocated fixed overhead is recognized as cost of sales. The item-by-item approach is used in applying the lower of cost and net realizable value, except for the same category homogeneous inventories. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses. Loss for market price decline is stated at cost of goods sold.

4.8 Investment Property

Investment properties are properties held to earn rentals and/or for capital appreciation and include land held for a currently undetermined future use. Investment properties also included right-of-use assets that meet the definition of investment property.

Investment property is measured at cost on initial recognition. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. The Company depreciates investment property on a straight-line basis over 40 years.

Investment property that is being constructed or developed is measured at cost less accumulated impairment loss. The cost of an investment property includes professional fees, borrowing costs eligible for capitalization. The properties shall start to depreciate as they achieve their expected condition for providing services.

Gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognized in profit or loss.

4.9 Property, Plant and Equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized. For property, plant and equipment under construction, sample produced from testing whether the asset is functioning properly before its intended use are measured at lower of the costs or net realizable value. Proceeds from selling such items and the cost of those item are recognized in profit or loss.

B. Subsequent costs are included in the carrying amount of asset or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance expenses are recognized in profit or loss as incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. The residual values of assets, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the residual values of assets and useful lives differ from previous estimates or the patterns of consumption of the future economic benefits of assets embodied in the assets which have changed significantly, any change is accounted for as a change in accounting estimates under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change.

   The estimated useful lives of property, plant and equipment are as follows:

Buildings	3~50 years
Machinery	2~10 years
Molds	2~3 years
Other equipment	2~15 years

D. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. 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.

4.10 Leases

At the inception of a contract, the Company evaluates a contract to determine whether it is or contains a lease component. For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

A.The Company as lessee

Except for payments for low-value asset leases and short-term leases which are recognized as expenses on a straight-line basis, the Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of the lease.

<u>Right-of-use assets</u>

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, less any lease incentives received, and plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets. Subsequent measurement is calculated as cost less accumulated depreciation and accumulated impairment loss and adjusted for any remeasurement of the lease liabilities.

Except for right-of-use assets that meet the definition of investment property, right-of-use assets are presented as a single line item in the statement of financial position.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. If the ownership of the underlying assets is transferred to the Company by the end of the lease terms or if the cost of right-of-use assets reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

<u>Lease liabilities</u>

Lease liabilities are measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, 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 Company shall use the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. If there is a change in the assessment of an option to purchase the underlying asset, amounts expected to be payable by the lessee under residual value guarantees or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company shall remeasure the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use asset is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. Lease liabilities are presented separately in the balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

B. 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.

4.11 Intangible Assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis over the following estimated lives: trademarks and patents - the patent term or the contract term; computer software 2 to 5 years. Patent rights are amortized on a straight-line basis over 2 to 10 years. The estimated useful life and amortization method are reviewed at each financial year-end, with the effect of any changes in estimate being accounted for on a prospective basis.

An item of intangible assets is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on the disposal or retirement of an item of intangible assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

4.12 Impairment of non-financial assets

The Company assesses at the end of reporting period the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the carrying amount of asset exceeds its recoverable amount. The recoverable amount is the higher of a fair value of asset less costs to sell or value in use. When the indication of impairment loss recognized in prior years for an asset no longer exist, the impairment loss is reversed to the extent of the loss previously recognized in profit or loss.

4.13 Employee Benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined **benefit plans**

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employee will receive on retirement for their services with the Company in current or prior period. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is estimated annually by independent actuaries using the projected unit credit method. The discount rate used is determined by using the market yields (at the end of the reporting period) on government bonds denominated in the currency in which the benefits are to be paid. The currency and term of the government bonds are consistent with the currency and estimated term of the obligation.

ii. Remeasurement arising on defined benefit plans is recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Past service costs are recognized immediately in profit or loss.

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

Employees' compensation and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and the amount can be reliably estimated. Any difference between the amount accrued and the amount actually distributed is accounted for a change in accounting estimate.

D. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Company recognizes expense when it can no longer withdraw an offer of termination benefits or it recognizes related restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

4.14 Capital Stock and Treasury Stock

A. Capital stock

Common stock is classified as equity. Incremental costs directly attributable to the issue of new shares or share options are recorded as a deduction in equity.

B. Treasury Stock

The Company's repurchased stocks are recognized as treasury stock (a contra-equity account) based on their repurchase price (including all directly accountable costs). Gains on disposal of treasury stock should be recognized under "capital reserve - treasury stock transactions"; losses on disposal of treasury stock should be offset against existing capital reserves arising from similar types of treasury stock. If there is insufficient capital reserve to offset the losses, then such losses should be accounted for under retained earnings. The carrying amount of treasury stock should be calculated using the weighted-average method for the purpose of repurchased stock.

Upon retirement, treasury stock is derecognized against the capital surplus - premium on stocks and capital stock proportionately according to the ratio of shares retired. The carrying value of treasury stock in excess of the sum of the par value and premium on stocks is first offset against capital surplus from the same class of treasury share transactions, and the remainder, if any, is then debited to retained earnings. The sum of the par value and premium on treasury shares in excess of the carrying value is credited to capital surplus from the same class of treasury share transactions.

4.15 Share-based payment

A. The share-based payment agreement with equity settlement is measured at the fair value of the equity instruments granted on the grant date for the employee services obtained, and is recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments should reflect the effects of both market vesting conditions and non-vesting conditions. The recognized compensation cost is adjusted for the expected number of awards that will meet the service condition and non-market vesting condition, until the final recognition amount is based on the number of awards vested on the vesting date.

B. For a cash-settled share-based payment arrangement, the fair value of the liability incurred is recognized as compensation cost and liability over the vesting period, and is remeasured at each the end of the financial reporting period and settlement date based on the fair value of the equity instruments granted, with any changes recognized in profit or loss for the period.

4.16 Income Tax

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

B. Current income tax includes the expected income tax payable or refundable based on the taxable income (loss) for the year, and any adjustments to the income tax payable or refundable for previous years. The amount is measured at the best estimate of the amount expected to be paid or received based on the statutory tax rate or substantively enacted tax rate at the balance sheet date.

C. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, and it does not give rise to equal deductible and taxable temporary differences at the time of transaction. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the financial reporting period and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

D. Deferred income tax assets are recognized only to the extent, unused tax losses and unused tax credits that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At the end of each reporting period, unrecognized and recognized deferred income tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

4.17 Revenue Recognition

The Company recognizes revenue based on the principle of revenue from customer contracts by applying the following steps:

(a) Identify the contract with the customer;

(b) Identify the performance obligations in the contract;

(c) Determine the transaction price;

(d) Allocate the transaction price to the performance obligations in the contracts; and

(e) Recognize revenue when the entity satisfies a performance obligation.

The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or service to a customer.

A. Revenue from sale of goods

The Company recognizes revenue from the sale of goods comprising products such as optical components for various optical applications, lenses, and related products. Revenue is recognized when control of the products has transferred because it is the time when the customer has full discretion over the manner of distribution and over the price to sell the goods, has primary responsibility for sales to future customers, and bears the risks of obsolescence. Accounts receivables are recognized concurrently. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

The Company does not recognize sales revenue on materials delivered to processing subcontractors due to the delivery does not transfer control of materials.

B. Revenue from rendering of services

Revenue from services is recognized when services are provided by reference to the stage of completion of the services provided.

4.18 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of those assets until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than the stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

4.19 Government Grants

Government grants are recognized at fair value when the Company will comply with the conditions attached to them and will receive the grants. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate.

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

The Company considers critical accounting estimates and reviewing basic assumptions and estimates continually. The impacts of the change in accounting estimate shall be recognized currently when the impacts are related to the current period only. However, the impact shall be recognized currently and prospectively when the impacts not only effect current period but also the future periods.

The preparation of these financial statements in applying the Company's accounting policies and making critical assumptions and estimates are consisted of the following:

5.1 Critical judgments in applying accounting policies

A. Business model assessment of financial assets

The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Company applies judgement and considers relevant factors such as the measurement of assets performing, the risks affected by the performance and the regulations for related manager's remuneration. The Company monitors the fair value through profit or loss financial assets that are derecognized prior to their maturity to assess whether the purpose of derecognition is consistent with the business model's. If there has been a change in the business model, the Company shall postpone the adjustment of the reclassifications of financial assets in accordance with IFRS 9.

B. Investment property

Some of the properties held by the Company are for earning rent or capital appreciation, and also include properties that have not yet decided on their future use. The other part is for self-use, normal operation, and for producing good. And only when the part held for self-use is insignificant for individual properties, the property is classified as investment property.

5.2 Critical accounting estimation and assumption

A. Estimated impairment of financial assets

The provision for impairment of accounts receivable and debt investments is based on assumptions on risk of default and expected loss rates. The Company makes these assumptions and selects inputs for the impairment calculation, based on the Company's historical experience and existing market conditions, as well as forward looking information. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

B. Impairment of tangible and intangible assets

In the course of impairment assessments, the Company determines, based on how assets are utilized and relevant industrial characteristics, the useful lives of assets and the future cash flows of a specific group of the assets. Changes in economic circumstances or the Company's strategy might result in material impairment of assets in the future.

C. Evaluation of inventories

As inventories are stated at the lower of cost or net realizable value, and the Company uses judgements and actuarial assumptions to determine the net realizable value of inventory at the end of each reporting period. The Company estimates the net realizable value of inventory for obsolescence and unmarketable items at the end of reporting period, and then writes down the cost of inventories to net realizable value. Such an evaluation of inventories is mainly based on the demand for the products within a specified period in the future. Therefore, there might be material changes to the evaluation.

D. Realizability of deferred income tax assets

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilized. The Company evaluates the realizability of deferred tax assets based on assumptions involving significant accounting judgments and estimates by management, including expected future sales revenue growth and profitability, tax holiday period, available tax credits and tax planning strategies. Any changes in the global economic environment, industry environment and laws may cause significant adjustments to deferred tax assets. Any changes in the global economic environment, the industry trends and relevant laws and regulations could result in significant adjustments to the deferred tax assets.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

6.1 CASH AND CASH EQUIVALENTS

Items	December 31, 2023	December 31, 2022
Checking accounts and demand deposits	$ 691,830	$ 1,063,405
Bank deposits with original maturity within three months	568,320	356,120
Total	$ 1,260,150	$ 1,419,525

(1) Bank deposits with medium to long-term original maturity dates that are not intended to be used or pledged are classified as other financial assets - current, and the pledge situation is referred to note 8.

(2) Please refer to Note 12 for information on the Company's management and measurement policies of credit risk.

(3) The cash and cash equivalents of the Company are not pledged to others.

6.2 ACOUNTS RECEIVABLE - NONRELATED PARTIES

Items	December 31, 2023	December 31, 2022
Amortized at cost		
Gross carrying amount	$ 196,189	$ 189,392
Less: loss allowance	–	–
Accounts receivable, net	$ 196,189	$ 189,392

(1) The average credit period for accounts receivable arising from sales of goods is 30 to 90 days after month-end. The Company grants credit days based on the customer's financial condition and historical payment record, and requires customers to make advance payments when necessary, to reduce the risk of financial loss due to default.

(2) Accounts receivable of the Company are not pledged to others.

(3) The Company applies the simplified approach to providing expected credit losses prescribed under IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. Except for individual customers who have actually incurred credit impairment and have fully provided for impairment loss, the expected credit losses are estimated using an allowance matrix with reference to past default experiences of the debtor, an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate. Because the company's historical experience of credit losses shows that there is no significant difference in the loss patterns of different customer groups, the provision matrix does not further distinguish customer groups, and only sets the expected credit loss rate based on the number of days overdue for receivables.

(4) The following table detailed the loss allowance of notes and accounts receivable based on the Company's provision matrix.

December 31, 2023

Aging terms	Gross carrying amount	Loss allowance (lifetime ECLs)	Amortized cost
Neither past due nor impaired	$ 192,011	$ –	$ 192,011
Past due but not impaired			
Past due within 30 days	5,385	–	5,385
Total	$ 197,396	$ –	$ 197,396

December 31, 2022

Aging terms	Gross carrying amount		Loss allowance (lifetime ECLs)		Amortized cost	
Neither past due nor impaired	$	171,659	$	–	$	171,659
Past due but not impaired						
Past due within 30 days		16,131		–		16,131
Past due 31-60 days		5,763		–		5,763
Past due 61-90 days		15		–		15
Past due 91-120 days		40		–		40
Total	$	193,608	$	–	$	193,608

(5) Movements of the loss allowance for notes and accounts receivable

Items	2023		2022	
Balance, January 1	$	–	$	–
Balance, December 31	$	–	$	–

The Company has not held any collateral or other credit enhancement for these accounts receivable.

(6) Please refer to Note 12 for information on the Company's management and measurement policies of credit risk.

6.3 INVENTORIES AND COST OF GOOD SOLD

Items	December 31, 2023		December 31, 2022	
Raw materials	$	54,823	$	74,493
Work-in-process		392,617		421,312
Finished goods		6,873		10,652
Total	$	454,313	$	506,457

(1) The cost of inventories recognized as expense for the period:

Items	2023		2022	
Loss on decline (gain on reversal) in market value of inventories	$	(15,936)	$	(100)

Items	2023	2022
Unallocated fixed FOH	$ 161,490	$ 207,662
Loss on inventory disposal	40,937	5,051
Inventory loss on physical taking	64	1,743
Revenue from sale of scraps	(125)	(266)
Total	$ 186,430	$ 214,090

(2) The inventories of the Company are not pledged to others.

6.4 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

Items	December 31, 2023	December 31, 2022
Equity instruments		
Unlisted stocks	$ 328	$ 328
Valuation adjustment	-	-
Total	$ 328	$ 328

6.5 PROPERTY, PLANT AND EQUIPMENT

Items	December 31, 2023	December 31, 2022
Land	$ 215,740	$ 215,740
Buildings	923,588	920,766
Machinery	2,364,766	2,165,077
Molds	138,831	121,433
Other equipment	48,363	44,965
Equipment to be inspected and construction in progress	62,458	127,429
Total cost	3,753,746	3,595,410
Less: accumulated depreciation and impairment	(2,747,822)	(2,600,732)
Total	$ 1,005,924	$ 994,678

Items	Land	Buildings	Machinery	Molds	Other equipment	Equipment to be inspected and construction in progress	Total
Cost							
Balance, January 1,2023	$ 215,740	$ 920,766	$ 2,165,077	$ 121,433	$ 44,965	$ 127,429	$ 3,595,410
Additions	–	2,980	93,196	3,160	8,551	19,101	126,988
Disposals	–	–	–	–	(5,817)	–	(5,817)
Reclassification	–	(158)	106,493	14,238	664	(84,072)	37,165
Balance, December 31,2023	$ 215,740	$ 923,588	$ 2,364,766	$ 138,831	$ 48,363	$ 62,458	$ 3,753,746
Accumulated depreciation and impairment							
Balance, January 1,2023	$ –	$ (598,648)	$ (1,889,651)	$ (94,519)	$ (17,914)	$ –	$ (2,600,732)
Depreciation expense	–	(29,239)	(88,591)	(27,477)	(7,600)	–	(152,907)
Disposals	–	–	–	–	5,817	–	5,817
Balance, December 31,2023	$ –	$ (627,887)	$ (1,978,242)	$ (121,996)	$ (19,697)	$ –	$ (2,747,822)

Items	Land	Buildings	Machinery	Molds	Other equipment	Equipment to be inspected and construction in progress	Total
Cost							
Balance, January 1, 2022	$ 215,740	$ 907,281	$ 2,089,576	$ 97,167	$ 62,553	$ 49,325	$ 3,421,642
Additions	–	13,518	44,456	6,609	7,030	95,233	166,846
Disposals	–	(1,920)	(14,120)	(864)	(24,618)	–	(41,522)
Reclassification	–	1,887	45,165	18,521	–	(17,129)	48,444
Balance, December 31,2022	$ 215,740	$ 920,766	$ 2,165,077	$ 121,433	$ 44,965	$ 127,429	$ 3,595,410
Accumulated depreciation and impairment							
Balance, January 1, 2022	$ –	$ (563,845)	$ (1,804,012)	$ (67,580)	$ (39,064)	$ –	$ (2,474,501)
Depreciation expense	–	(36,723)	(99,759)	(27,803)	(3,468)	–	(167,753)
Disposals	–	1,920	14,120	864	24,618	–	41,522
Reclassification	–	–	–	–	–	–	–
Balance, December 31,2021	$ –	$ (598,648)	$ (1,889,651)	$ (94,519)	$ (17,914)	$ –	$ (2,600,732)

(1) On September 1, 2021, the Company leased part of its self-used land and factory buildings to a third party by operating lease, and reclassified the book value of the property at the time of change of use as investment property. Please refer to Note 6(7).
(2) Please refer to Note 6(23) for information on interest capitalization.
(3) For information on the property, plant and equipment that the Company provides as collateral, please refer to Note 8.

6.6 LEASE AGREEMENT

(1) Right-of-use assets

Items	December 31, 2023	December 31, 2022
Land	$ 5,674	$ 5,674
Transportation vehicles	4,060	4,078
Total cost	9,734	9,752
Less: Accumulated depreciation and impairment	(4,595)	(4,324)
Total	$ 5,139	$ 5,428

Items	Land	Transportation vehicles	Total
Cost			
Balance, January 1, 2023	$ 5,674	$ 4,078	$ 9,752
Additions	-	1,591	1,591
Derecognition	-	(1,609)	(1,609)
Balance, December 31, 2023	$ 5,674	$ 4,060	$ 9,734
Accumulated depreciation and impairment			
Balance, January 1, 2023	$ (2,441)	$ (1,883)	$ (4,324)
Depreciation expense	(571)	(1,309)	(1,880)
Derecognition	-	1,609	1,609
Balance, December 31, 2023	$ (3,012)	$ (1,583)	$ (4,595)

Items	Land	Transportation vehicles	Total
Cost			
Balance, January 1, 2022	$ 5,674	$ 4,447	$ 10,121
Additions	-	1,929	1,929
Derecognition	-	(2,298)	(2,298)
Balance, December 31, 2022	$ 5,674	$ 4,078	$ 9,752
Accumulated depreciation and impairment			
Balance, January 1, 2022	$ (1,871)	$ (2,650)	$ (4,521)

Items	Land	Transportation vehicles	Total
Depreciation expense	$ (570)	$ (1,531)	$ (2,101)
Derecognition	-	2,298	2,298
Balance, December 31, 2022	$ (2,441)	$ (1,883)	$ (4,324)

(2) Lease liabilities

Items	December 31, 2023	December 31, 2022
Current	$ 1,937	$ 1,845
Non-current	$ 3,349	$ 3,738

Range of discounts rate for lease liabilities was as follow:

Items	December 31, 2023	December 31, 2022
Land	1.43%	1.43%
Transportation vehicles	1.12%~1.80%	1.12%~1.23%

Please refer to Note 12 for information on the maturity analysis of the lease liabilities.

(3) Material lease-in activities and terms

A. Land and Buildings

The Company leases land from the Ministry of Economic Affairs Export Processing Zone as office and factory premises. The lease term starts from September 2018. The land lease term for office and factory premises is usually 10 years. Some leases include an option to extend the lease term for the same period as the original contract when the lease term expires. For interest on lease liabilities, please refer to Note 6(23).

(4) Other lease information

Items	2023	2022
Expenses relating to short-term leases	$ 2,943	$ 3,026
Total cash outflow for leases	$ 4,895	$ 5,202

The Company elected to apply the recognition exemption for short-term leases and low-value asset leases and, thus, did not recognize right-of-use assets and lease liabilities for these leases.

6.7 INVESTMENT PROPERTIES

Items	December 31, 2023	December 31, 2022
Land	$ 7,363	$ 7,363
Buildings	92,918	92,918
Total cost	100,281	100,281
Less: Accumulated depreciation and impairment	(42,035)	(38,713)
Total	$ 58,246	$ 61,568

Items	Land	Buildings	Total
Cost			
Balance, January 1, 2023	$ 7,363	$ 92,918	$ 100,281
Balance, December 31, 2023	$ 7,363	$ 92,918	$ 100,281
Accumulated depreciation and impairment			
Balance, January 1, 2023	$ -	$ (38,713)	$ (38,713)
Depreciation expense	-	(3,322)	(3,322)
Balance, December 31, 2023	$ -	$ (42,035)	$ (42,035)

Items	Land	Buildings	Total
Cost			
Balance, January 1, 2022	$ 7,363	$ 92,918	$ 100,281
Balance, December 31, 2022	$ 7,363	$ 92,918	$ 100,281
Accumulated depreciation and impairment			
Balance, January 1, 2022	$ -	$ (35,090)	$ (35,090)
Depreciation expense	-	(3,623)	(3,623)

Items	Land	Buildings	Total
Balance, December 31, 2022	$ -	$ (38,713)	$ (38,713)

A. Rent revenue and direct operation expenses from investment property:

Items	2023	2022
Rent revenue from investment property	$ 9,840	$ 9,840
Direct operating expenses from the investment of property that generated rental income during the period	$ 3,322	$ 3,623

B. The lease term for buildings under operating leases is 5 years. Some lease contracts stipulate that the lessee has the option to extend the period when the lease expires.

C. As of December 31, 2023 and 2022, the maturity analysis of minimum rental receivable for the operating lease is as follows:

Items	December 31, 2023	December 31, 2022
Not later than 1 year	$ 9,840	$ 9,840
Later than 1 year and not later than 5 years	16,400	26,240
Total	$ 26,240	$ 36,080

D. The Company's investment property had a fair value of $119,301 thousand and $122,623 thousand as of December 31, 2023 and 2022, respectively. The fair value was not assessed by any independent appraiser but was determined by the Company's management based on the trading price of similar properties on the open market.

E. The investment property of the Company is not pledged to others.

6.8 INTANGIBLE ASSETS

Items	December 31, 2023	December 31, 2022
Computer software	$ 20,260	$ 21,343
Patents	2,339	683
Total	22,599	22,026

Items	December 31, 2023	December 31, 2022
Less: Accumulated amortization	$ (9,935)	$ (5,801)
Intangible assets, net	$ 12,664	$ 16,225

Items	Computer software	Patents	Total
Cost			
Balance, January 1, 2023	$ 21,343	$ 683	$ 22,026
Disposals	(1,083)	-	(1,083)
Reclassification	-	1,656	1,656
Balance, December 31, 2023	$ 20,260	$ 2,339	$ 22,599
Accumulated amortization			
Balance, January 1, 2023	$ (5,709)	$ (92)	$ (5,801)
Amortization expense	(4,641)	(576)	(5,217)
Disposals	1,083	-	1,083
Balance, December 31, 2023	$ (9,267)	$ (668)	$ (9,935)

Items	Computer software	Patents	Total
Cost			
Balance, January 1, 2022	$ 45,174	$ -	$ 45,174
Additions	5,140	-	5,140
Disposals	(28,971)	-	(28,971)
Reclassification	-	683	683
Balance, December 31, 2022	$ 21,343	$ 683	$ 22,026
Accumulated amortization			
Balance, January 1, 2022	$ (30,352)	$ -	$ (30,352)
Amortization expense	(4,328)	(92)	(4,420)
Disposals	28,971	-	28,971
Balance, December 31, 2022	$ (5,709)	$ (92)	$ (5,801)

6.9 OTHER PAYABLES

Items	December 31, 2023	December 31, 2022
Salaries and bonuses payable	$ 58,325	$ 66,957
Payable for insurance	6,608	7,498
Payable on machinery and equipment	5,225	5,657
Pension liability	2,652	2,948
Others	9,785	11,612
Total	$ 82,595	$ 94,672

6.10 LONG-TERM LOANS AND CURRENT PORTION

The nature of loans	December 31, 2023	December 31, 2022
Secured loans	$ 339,487	$ 296,764
Unsecured loans	60,000	80,000
Subtotal	399,487	376,764
Less: current portion	(145,816)	(80,922)
Discount of government grants (Note 6.11)	(1,456)	(1,586)
Total	$ 252,215	$ 294,256
Interest rates range	1.35%~1.929%	1.095%~1.859%
Year to maturity	2024 to 2029	2024 to 2029

(1) The repayment method for both secured and unsecured loans of our company is installment repayment.

(2) The amounts of new bank loans for the Company in 2023 and 2022 based on the "Guidelines for Accelerated Investment Project Loans for Taiwan-based Enterprises" are $136,300 thousand and $18,300 thousand respectively, with maturity dates of January 2026 and January 2027 respectively. The low-interest loans for each project are recognized and measured based on the market interest rate range of 1.1% to 1.85%, and the difference between the actual repayment preferential interest rate range of 0.6% to 1.35% is accounted for according to the government subsidy. Please refer to Note 6 (11).

(3) The situation of providing assets as collateral for the above-mentioned loans by our company, please refer to Note 8.

6.11 GOVERNMENT GRANTS

(1) As of December 31, 2023 and 2022, our company obtained the government preferential interest rate loan balance of $236,667 thousand and $174,642 thousand respectively for the " Guidelines for Accelerated Investment Project Loans for Taiwan-based Enterprises ". The loan is used for medium-term operating turnover. The difference between the amount obtained and the fair value of the loan is regarded as a government low-interest loan subsidy. As of December 31, 2023and 2022, the fair value of the loan was assessed to be $235,211 thousand and $173,056 thousand respectively. The difference was $1,456 thousand and $1,586 thousand respectively. The amount is recorded as deferred income (accounted for under other current liabilities and non-current liabilities). The deferred income is transferred to other income in installments during the loan period. The Company recognized other income of $1,199 thousand and $861 thousand in 2023 and 2022, respectively.

(2) The National Development Fund would cease providing the Company related interest subsidies if the Company violated requirements of the project loan due to not using for the construction of plants and relevant facilities, purchasing equipment or using as mid-term working capital. Therefore, the loan interests of the Company will adopt the original agreed interest rate.

6.12 RETIREMENT BENEFIT PLANS

(1) Defined contribution plans

A. The employee pension plan under the Labor Pension Act of the R.O.C. (the Act) is a defined contribution plan. Pursuant to the plan, the Company make monthly contributions of 6% of each individual employee's salary or wage to employees' pension accounts.

B. The Company recognized expenses in the statement of comprehensive income were $16,809 thousand and $18,068 thousand under the contributions rates specified in the plans for years ended December 31, 2023 and 2022, respectively.

(2) Defined benefit plans

A. According to the regulations, some foreign employees of the company who are staying in Taiwan are subject to the defined benefit plans in accordance with the Labor Standards Law of the R.O.C. starting from July 2023. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company has made monthly contributions equal to 2% of each employee' salary to employees' pension accounts, which submit to the Labor Retirement Reserve Supervisory Committee to the retirement fund deposited in Bank of Taiwan under the name of the committee. If the account balance is not enough to pay the pension to the labors expected to be qualified for retirement in the following year, the Company will make contribution for the deficit by next March. The Fund is managed by the Government's designated authorities and the Company have no right to influence their investment strategies.

B. Amounts recognized in the balance sheets are as follows：

Items	December 31, 2023	December 31, 2022
Present value of defined benefit obligations	$ 1,698	$ －
Fair value of plan assets	(602)	－
Net defined benefit liability	$ 1,096	$ －

C. Movements in net defined benefit liability are as follows：

Items	2023 Present value of defined benefit obligations	2023 Fair value of plan assets	2023 Net defined benefit liability
Balance, January 1	$ －	$ －	$ －
Service costs			
Current service cost	600	－	600
Interest expense (revenue)	2	(2)	－
Upfront service cost	1,096	－	1,096
Amounts recognized in profit and loss	1,698	(2)	1,696
Pension fund contributions	-	(600)	(600)
Balance, December 31	$ 1,698	$ (602)	$ 1,096

2022：None

The pension costs of the aforementioned defined benefit plans are recognized in profit or loss by the following categories：

Items	2023	2022
Operating costs	$ 1,696	$ －
Total	$ 1,696	$ －

Information about fair value of plan assets are as follows:

Items	2023	2022
Cash and cash equivalents	$ 602	$ －

D. Because of the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

(a) Investment risk

The pension funds are invested in equity and debt securities, bank deposits, etc. at the discretion of the Bureau of Labor Funds of Ministry of Labor, or under the mandated management. However, under the Labor Standards Law, the rate of return on plan assets shall not be less than the average interest rate on a two-year time deposit published by the local banks.

(b) 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 debt investments of the plan assets.

(c) 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.

E. The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions on measurement date were as follows:

Items	December 31, 2023	December 31, 2022
Discount rate	1.30%	–
Expected salary increase rate	3.00%	–

Reasonably possible changes to the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

Items	December 31, 2023	December 31, 2022
Discount rate		
Increase 0.25%	$ (92)	$ –
Decrease 0.25%	100	–
Expected salary increase rate		
Increase 0.25%	97	–
Decrease 0.25%	(90)	–

The sensitivity analysis presented above may not be representative of the actual change in the present value of 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.

F. The Company expects to make a contribution to its defined benefit pension plans next year is $120 thousand. The weighted average maturity period of the defined benefit obligation is 24 years.

6.13 COMMON STOCKS

(1) As of December 31, 2023, the authorized capital of the Company was $2,000,000 thousand, divided into 200,000 shares, with a paid-in capital of $1,406,900 thousand and a par value of $10 per share. All the shares issued by the Company have been fully paid.

(2) The movements in the number of the Company's common shares outstanding are as follows:

Items	2023			2022		
	Shares		Capital	Shares		Capital
Balance, January 1	136,997	$	1,369,970	137,034	$	1,370,340
Issuance of share-based payment-restricted employee rights	2,000		20,000	–		–
Expiring in share-based payment-restricted employee rights	(14)		(140)	–		–
Treasury Stock sold to employees	350		3,500	(37)		(370)
Balance, December 31	139,333	$	1,393,330	136,997	$	1,369,970

On June 21, 2022, the Company's shareholders' meeting resolved to issue 2 million restricted employee rights new shares. The recipients were limited to the full-time employees who met certain criteria of the Company. The issuance was approved by the Financial Supervisory Commission Securities and Futures Bureau. On November 10, 2022, the board of directors decided to issue 1 million new shares on the reference dates for the capital increase which were set for May 24, 2023, and July 21, 2023, respectively. All necessary changes to the registration were fully completed.

On July 6, 2023, the board of directors resolved to cancel 14,000 shares from the 2019 share-based payment-restricted employee rights. The capital reduction reference date was set for July 7, 2023, and all related registration amendments have been fully executed.

The par value of common stock is $10 per share, and every share has one voting right and the right to gain dividends.

6.14 CAPITAL SURPLUS

Item	December 31, 2023	December 31, 2022
Additional paid-in capital	$ 1,494,521	$ 1,494,500
Employee options	941	941
Cancellation of employee options	197	197
Share-based payment - restricted employee rights shares	41,215	–
Treasury stock transactions	34,261	26,316
Others	53	53
Total	$ 1,571,188	$ 1,522,007

(1) Under the Company Act, the capital surplus generated from the excess of the issuance price over the par value of capital stock and from donations can be used to offset deficit or may be distributed as stock dividends or cash dividends. Under the regulations of the Security Exchange Law, the maximum amount transferred from the foregoing capital surplus to the Company's capital per year shall not be over 10% of the Company's capital surplus. Capital surplus can't be used to offset deficit unless legal reserve is insufficient. The capital surplus from shares of changes in equities and stock options may not be used for any purpose.

6.15 RETAINED EARNINGS AND DIVIDEND POLICY

(1) In accordance with the dividend policy of the Company's Articles of Incorporation, the current year's earnings, if any, shall first pay taxes, offset its deficits, and set aside a legal capital reserve at 10% of the remaining earnings. Then, if there are any remaining earnings after providing the special reserve, when necessary, according to the regulations of the Securities and Exchange Act Article 41, it will be consolidated with the beginning accumulated unappropriated earnings. Those earnings should be submitted by the Board of Directors to be approved at a shareholders' meeting to distribute dividends to shareholders. If the Company distributes the whole or parts of cash dividends from unappropriated earnings, legal capital reserve or additional paid-in capital, which should be approved by more than half of the directors who are more than two-thirds of the board presented in the board meeting, and report to the shareholders. It should be resolved in the shareholders meeting in advance, if the Company distributes dividends by issuing new shares.

The Company is in the growth stage. Considering the capital expenditures, business expansion needs, and the sound planning to pursue substantial development, the Company's dividend policy will be based on the future capital expenditure budget and funding requirements of the Company, and it should not be less than 10% of its earnings for the dividend distribution. The Company could distribute to the shareholders stock dividends and cash dividends. Among these, the cash dividends should not be less than 30% of the total dividends, provided that the type and rate of these dividends are depended on the actual profits and work capital for the year that will be adjusted by the resolution of shareholders meeting.

(2) Legal reserve may be used to offset a deficit or to distribute as dividend in cash or in stock for the portion in excess of 25% of the Company's paid-in capital.

(3) Special reserve

Items	December 31, 2023	December 31, 2022
Provisions on debited other equity	$ 2,811	$ 2,811
Total	$ 2,811	$ 2,811

When the Company distributed the unappropriated earnings, providing special capital reserve in advance from current profits and the undistributed earnings for the prior year should be taken into account, due to the net deduction of other equity for the year. For the accumulated deduction of other equity for the prior year, the Company should not distribute the unappropriated earnings for the prior year provided as a special capital reserve. Subsequently, the Company could distribute the reversal parts of special capital reserve when the deduction of other equity had the reversal.

(4) The Company hold shareholders meetings on June 27, 2023 and June 21, 2022 to resolve the appropriation of profit or loss for 2022 and 2021. The Company determined not to distribute dividends for both years.

(5) The Company convened a board of directors meeting on March 14, 2024, to discuss the proposed appropriation of profits or losses for the year 2023. The proposal included offsetting the deficit using $603 thousand from legal reserves and $382,733 thousand from the capital surplus.

(6) Information regarding the board of directors' proposal and the shareholders' meeting resolutions on profit or loss appropriation can be accessed through the Market Observation Post System on the TWSE website.

6.16 OTHER EQUITY ITEMS

Items	Unearned employee compensation	Unrealized gain (loss) on valuation of financial assets at FVTOCI	Total
Balance, January 1, 2023	$ (1,304)	$ (2,942)	$ (4,246)
Compensation Cost: Share-based payment - restricted employee rights shares	11,516	-	11,516
Issuance of employee share-based payment	(61,215)	-	(61,215)
Balance, December 31, 2023	$ (51,003)	$ (2,942)	$ (53,945)
Balance, January 1, 2022	$ (6,653)	$ (2,942)	$ (9,595)
Compensation Cost: Share-based payment - restricted employee rights shares	5,036	-	5,036
Expiring in share-based payment - restricted employee rights shares	313	-	313
Balance, December 31, 2022	$ (1,304)	$ (2,942)	$ (4,246)

6.17 Treasury stocks

The reason and change of the number of treasury stocks repurchased:

In thousand shares

Reason of treasury stocks repurchased	2023			2022		
	Balance, January 1	Increase (Decrease)	Balance, December 31	Balance, January 1	Increase (Decrease)	Balance, December 31
Treasury stocks sold to employees	1,707	(350)	1,357	1,707	-	1,707

(1) The Company passed the resolution of the board of directors on November 6, 2019 to repurchase the Company's common shares and planned to sell treasury stocks to employees. It is expected to repurchase 3,000 thousand shares. The repurchase period is from November 6, 2019 to January 5, 2020. The repurchase price range is between $21 and $44 per share.

(2) The Company passed the resolution of the board of directors on March 18, 2020 to repurchase the Company's common shares and planned to sell treasure stocks to employees. It is expected to repurchase 2,000 thousand shares. The repurchase period is from March 10, 2020 to May 18, 2020. The repurchase price range is between $10 and $33 per share.

(3) On February 15, 2023, the Company reissued 350 thousand treasury shares to its employees.

(4) The Securities and Exchange Act stipulates that the company's repurchase of its outstanding shares shall not exceed 10% of the total number of shares issued by the company, and the total amount of shares purchased shall not exceed the amount of retained earnings plus the premium on issued shares and realized

capital surplus. As of December 31, 2023, the Company has repurchased treasury stocks amounting to $35,161 thousand.

(5) The treasury stocks held by the Company shall not be pledged according to the Securities and Exchange Act, and shall not enjoy shareholders' rights before being reissued.

(6) According to the Securities and Exchange Act, the shares repurchased by the company for transferring to its employees shall be transferred within five years from the date of repurchase; those who fail to transfer within the period shall be deemed as unissued shares of the company and shall apply for change of registration and cancellation of shares.

6.18 OPERATING REVENUE

Items	2023	2022
Revenue from contracts with customers		
Sale of goods	$ 906,637	$ 1,123,676
Other	6,290	3,401
Subtotal	912,927	1,127,077
Rental revenue		
Properties leasing revenue	10,377	10,328
Total	$ 923,304	$ 1,137,405

(1) Description of customer contract

Revenue generated from the manufacture and sale of various optical application lenses, mainly for various lens module product users, etc., and it is sold at a contract price.

(2) Disaggregation of revenue from contracts with customers

The analysis of the main product revenue of the Company is as follows:

	2023				
Description	America	Europe	Asia	Taiwan	Total
By Products					
Optical application lenses	$ 39,359	$ 106,564	$ 481,298	$ 279,416	$ 906,637
Others	–	–	–	6,290	6,290
Total	$ 39,359	$ 106,564	$ 481,298	$ 285,706	$ 912,927

Revenue Recognition

Description	2023 America	Europe	Asia	Taiwan	Total
Performance obligation satisfied	$ 39,359	$ 106,564	$ 481,298	$ 285,706	$ 912,927
Total	$ 39,359	$ 106,564	$ 481,298	$ 285,706	$ 912,927

Description	2022 America	Europe	Asia	Taiwan	Total
By Products					
Optical application lenses	$ 159,202	$ 73,165	$ 398,290	$ 493,019	$ 1,123,676
Others	–	–	–	3,401	3,401
Total	$ 159,202	$ 73,165	$ 398,290	$ 496,420	$ 1,127,077
Revenue Recognition					
Performance obligation satisfied	$ 159,202	$ 73,165	$ 398,290	$ 496,420	$ 1,127,077
Total	$ 159,202	$ 73,165	$ 398,290	$ 496,420	$ 1,127,077

(3) Contracts balance

The Company recognizes contract liabilities arising from contracts with customers as follows:

Items	December 31, 2023	December 31, 2022
Contract liabilities - current	$ 7,044	$ 14,860

6.19 PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

By nature	2023 Cost of sales	2023 Operating expense	2023 Total	2022 Cost of sales	2022 Operating expense	2022 Total
Personnel						
Salary	$ 337,898	$ 67,020	$ 404,918	$ 372,996	$ 63,888	$ 436,884
Remuneration to directors	–	960	960	–	960	960
Labor insurance	34,759	6,639	41,398	37,395	7,064	44,459

By nature	2023 Cost of sales	2023 Operating expense	2023 Total	2022 Cost of sales	2022 Operating expense	2022 Total
Pension	$ 15,035	$ 3,470	$ 18,505	$ 14,487	$ 3,581	$ 18,068
Others	14,612	2,525	17,137	16,501	2,697	19,198
Depreciation	152,403	5,706	158,109	167,563	5,914	173,477
Amortization	1,932	3,285	5,217	2,100	2,320	4,420
Total	$ 556,639	$ 89,605	$ 646,244	$ 611,042	$ 86,424	$ 697,466

(1) The average numbers of employees of the Company in 2023 and 2022 were 717 and 832, respectively. The numbers of non-employee directors were both 8 for 2023 and 2022, respectively.

(2) The average employee benefits expenses were $680 thousand and $629 thousand for 2023 and 2022, respectively.

(3) The average salaries were $571 thousand and $530 thousand for 2023 and 2022, respectively. The average salaries of 2023 and 2022 increased by 7.73% and 1.34%.

(4) The remuneration policy of the Company (including directors, managers, and employees) is as follows:

A. The director's remuneration is under Article 29 of the Articles of Incorporation. If the Company has pre-tax profits in the current year, it should aside not higher than 5% of the profits as director's remuneration. However, if the Company still records accumulated losses, those profits should be retained to offset any cumulative losses.

B. The employee's remuneration is under Article 29 of the Articles of Association. If the Company has pre-tax profits in the current year, it should aside not less than 3% of the profits as employee's compensation. However, if the Company still records accumulated losses, those profits should be retained to offset any cumulative losses. The Company will reasonably appraise all employees' salaries and contributions on increasing production efficiency with prolonged work efforts and enterprise performance in accordance with the Measures on The Administration of Employee's Remuneration. Besides, the Company will adjust the employee's remuneration annually by operating conditions, salaries level in the labor market, consumer price index, the state of supply and demand of the labor workforce, and the performance evaluation results.

C. The remuneration committee will annually determine the director's and manager's remuneration based on the operational involvement and the contribution value to the Company, and the salaries level by reference to the same industry market. Then, they will submit it to the Board for approval before implementation.

(5) According to the Articles of Incorporation, If the Company has pre-tax profits in the current year, it should aside not less than 3% of the profits as employee's compensation and not higher than 5% of the profits as director's remuneration. However, if the Company still records accumulated losses, those profits should be retained to offset any cumulative losses. If there is a change in amounts after the annual financial statements were authorized for issue, the differences are recognized as a change in accounting estimate and adjusted in the next fiscal year.

(6) The Company incurred net losses in both fiscal years 2023 and 2022, therefore, no provision was made for employee compensation or director remuneration.

(7) Information on employees' compensation and directors' remuneration of the Company can be accessed through the Market Observation Post System at TWSE website.

6.20 Interest income

Items	2023		2022	
Interest income – bank deposit	$	28,835	$	5,314
Others		14		6
Total	$	28,849	$	5,320

6.21 OTHER INCOME

Items	2023		2022	
Government subsidies	$	2,896	$	5,064
Compensation income		–		3,150
Others		95		203
Total	$	2,991	$	8,417

6.22 OTHER GAINS AND LOSSES

Items	2023		2022	
Foreign exchange gains (losses), net	$	2,590	$	61,667
Others		(40)		345
Total	$	2,550	$	62,012

6.23 FINANCIAL COSTS

Items	2023	2022
Interest expense		
Bank loans	$ 7,686	$ 5,671
Interest on lease liabilities	63	82
Others	24	14
Less: capitalized amount for qualified assets	(1,695)	(1,089)
Financial costs	$ 6,078	$ 4,678
Interest capitalization rates	1.35%~1.93%	1.12%~1.45%

6.24 INCOME TAX

A. Income tax expense recognized in profit or loss

(1) Components of income tax expense (benefits):

Items	2023	2022
Current income tax expense		
Current tax expense (benefit) recognized in the current year	$ -	$ -
Current tax	-	-
The origination and reversal of temporary differences		
Deferred tax	-	(13,598)
Income tax expense recognized in profit or loss	$ -	$ (13,598)

B. Income tax expenses (benefits) recognized in other comprehensive income were as follows:

Items	2023	2022
Income (loss) before tax	$ (261,735)	$ (140,624)
Income tax expense at the statutory rate	$ (52,347)	$ (28,125)
Tax effect of adjusting items:		
Deductible items in determining taxable income	(2,928)	-

Items	2023	2022
Loss carry forward	$ 55,275	$ –
Net changes on deferred income tax	–	14,527
Income tax expense recognized in profit or loss	$ –	$ (13,598)

C. Income tax assets and liabilities

Items	December 31, 2023	December 31, 2022
Income tax assets	$ 3,317	$ 507
Income tax liabilities	$ –	$ –

D. Deferred tax assets or liabilities arising from temporary differences, operating loss carryforward, and investment tax credit:

	2023			
Items	January 1	Recognized in (losses) gains	Recognized in other comprehensive income	December 31
Deferred income tax assets				
Temporary differences				
Unrealized loss on inventories	$ 17,263	$ (3,187)	$ –	$ 14,076
Unrealized exchange gain/loss	4,661	3,326	–	7,987
Unallocated fixed overhead	13,779	(2,792)	–	10,987
Other	–	219	–	219
Loss carry forward	50,927	2,723	–	53,650
Subtotal	86,630	289	–	86,919
Deferred tax liabilities				
Temporary differences				
Unrealized exchange gain/loss	(88)	(289)	–	(377)
Subtotal	(88)	(289)	–	(377)
Total	$ 86,542	$ –	$ –	$ 86,542

Items	2022			
	January 1	Recognized in (losses) gains	Recognized in other comprehensive income	December 31
Deferred income tax assets				
Temporary differences				
Unrealized loss on inventories	$ 17,283	$ (20)	$ -	$ 17,263
Unrealized exchange gain/loss	825	3,836	-	4,661
Compensation accrual for unused leaves	638	(638)	-	-
Unallocated fixed overhead	-	13,779	-	13,779
Loss carry forward	54,329	(3,402)	-	50,927
Subtotal	73,075	13,555	-	86,630
Deferred tax liabilities				
Temporary differences				
Unrealized exchange gain/loss	(131)	43	-	(88)
Subtotal	(131)	43	-	(88)
Total	$ 72,944	$ 13,598	$ -	$ 86,542

E. The income tax rate for the Company is 20%, and the surtax rate applicable to the undistributed earnings is 5%.

F. The income tax returns of the Company have examined through 2021 by tax authority.

6.25 EARNINGS (LOSSES) PER SHARE

In thousand shares

Items	2023	2022
Basic / Diluted earnings (losses) per share		
Net **losses** attributable to ordinary shareholders of the Company	$ (261,735)	$ (127,026)
Net **losses** for calculating basic **losses** per share	$ (261,735)	$ (127,026)
Weighted average number of shares outstanding	137,015	136,069
Basic / Diluted (losses) per share (after tax)	$ (1.91)	$ (0.93)

If the Company offered to settle the compensation on bonuses paid to employees in shares or cash at its option, the company assumed that the entire amount of compensation or bonuses will be settled in shares. The resulting potential shares are included in the weighted average number of shares outstanding used in calculating diluted earnings per share if the effect is dilutive. The dilutive effect of potential shares is included in calculating diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

6.26 Share-based payment

A. Restricted employee rights shares

On June 25, 2019 and June 21, 2022, the Company decided in the shareholders' meeting to issue 2 million restricted employee rights new shares. The recipients were limited to the full-time employees who met certain criteria of the Company. The issuance was approved by the Financial Supervisory Commission Securities and Futures Bureau and the board of directors. The reference dates for the capital increase were March 19, 2020, May 24, 2023 and July 21, 2023, respectively. The registration changes were all completed.

Employees who are granted the above-mentioned restricted employee rights shares may obtain the shares granted to them free of charge and shall be entitled to 30%, 30% and 40% of the shares allocated to them, respectively, when they have continuously served in the Company for one year, two years and three years from the date of subscription. After subscribing to the new shares, the employees shall deposit all of them with the trust custody institution designated by the Company before meeting the vesting conditions. They shall not sell, pledge, transfer, donate, or dispose of those new shares in any other way. During the period of delivery to the trust custody, the voting rights of the shareholders of the shares shall be exercised by the trust custody institution in accordance with the relevant laws and regulations. If any of the granted employees fail to meet the vesting conditions after subscribing to the new shares, their shares shall be recovered and canceled by the Company free of charge.

The relevant information of the restricted employee rights shares of the Company are as follows：

Items	2023	2022
Shares outstanding, January 1	726	1,353
Shares granted	2,000	–
Vested shares	(712)	(590)
Expiring shares	(14)	(37)

Items	2023	2022
Shares outstanding, December 31	2,000	726

Measurement parameters of the fair value of restricted employee rights at grant date

The fair value of share-based payment at grant date was measured using the Black-Scholes option-pricing model. Relevant information is as follows：

	2023	2022
Items	Employee share-based payment	Employee share-based payment
Fair value at grant date	$ 12.1 and 43.95 and 43.5	$ 12.1 and 53.1
Stock price at grant date	12.15 and 43.95 and 43.6	12.15 and 53.2
Exercisable price	–	–
Expected volatility	(1.32%) and 0.16279% and 3.34552%	(1.32%) and 0.13%
Subscription period	3 years	3 years
Expected dividend yield (%)	–	–
Risk-free interest rate	1.065% and 1.565% and 1.04120%	1.065%

Expected price volatility is based on the weighted average historical volatility and adjusted the expected changes due to publicly available information. The subscription period is subject to the issuance regulations of the Company. The risk-free interest rate is based on the bank deposit rate. The determination of fair value has not considered the services and non-market performance conditions of the transaction.

B. Treasury stocks reissued to employee

On February 4, 2023, the Company reissued 350 thousand treasury stock options to its employees, with each option granting the right to acquire one common share. This offer was exclusive to full-time employees who satisfied specific company requirements. For more details, see Note 6(17). The stock options were available for execution by the employees from February 4, 2023, until February 7, 2023, with February 4 being the designated reference date.

Measurement parameters of the treasury stock option fair value at grant date

The fair value of share-based payment at grant date was measured using the Black-Scholes option-pricing model. Relevant information is as follows:

	2023
Items	Treasury stocks sold to employees
Fair value at grant date	$ 22.7
Stock price at grant date	40.5

	2023
Items	Treasury stocks sold to employees
Exercisable price	–
Expected volatility	0.20156%
Subscription period	4 days
Expected dividend yield (%)	–
Risk-free interest rate	1.44%

C. Compensation cost

The compensation costs arising from the share-based payment in 2023 and 2022 are as follows:

Items	2023	2022
Compensation cost - Employee share-based payment	$ 11,397	$ 5,036
Compensation cost – Treasury stocks sold to employee	7,945	–
Total	$ 19,342	$ 5,036

7. RELATED PARTY TRANSACTIONS

<u>Compensation of key management personnel</u>

Items	2023	2022
Short-term employee benefits	$ 16,719	$ 16,833
Post- employment benefits	488	471
Share-based payment	1,362	–
Total	$ 18,569	$ 17,304

8. PLEDGED ASSETS

The following assets are provided as collaterals for various performance guarantees and short-term or long-term loans.

Items	December 31, 2023	December 31, 2022
Property, plant and equipment	$ 609,336	$ 487,634
Other financial assets - current	1,200	5,110
Total	$ 610,536	$ 492,744

9. SIGNIFICANT CONTINGENCIES LIABILITIES AND UNRECOGNIZED COMMITMENTS:

Significant commitments

(1) Capital expenditures committed but not yet incurred are as follows:

Items	December 31, 2023	December 31, 2022
Property, plant, and equipment	$ 9,150	$ 91,323

10. SIGNIFICANT DISASTERS: NONE.

11. SIGNIFICANT SUBSEQUENT EVENTS: NONE.

12. OTHERS:

12.1 Capital risk management

The Company requires an adequate capital structure to enable the expansion and enhancement of its plant and equipment. Therefore, the Company manages its capital in a manner to ensure that it has sufficient and necessary financial resources and operating plan to fund its working capital needs, capital asset purchases, development expenditure, and debt service requirements and other business requirements associated with its existing operations over the next 12 months.

12.2 Financial instruments

(1) Financial risks on financial instruments

Financial risk management policies

The Company's activities expose it to a variety of financial risks. These financial risks included market risk (including foreign currency exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company’s overall risk management strategy focuses on the unpredictability of financial markets and seeks to mitigate potential adverse effects on its financial performance.

The Company’s material financial activities are approved by the Board of Directors (and Audit Committee) in accordance with relevant requirements and internal control mechanism, which requires the Company to comply with its financial operating policies and procedures that provide guiding principles for the overall financial risk management and accountability and separation of duties.

Significant financial risks and degrees of financial risks

A. Market risk

a. Foreign exchange risk

i. The Company’s sales, purchase and borrowing activities denominated in foreign currencies are exposed to foreign currency risk. The Company’s functional currency is New Taiwan dollars. The main foreign currencies of those thousand transactions are US dollars and JPY, etc. To protect against reductions in value and the volatility of future cash flows results from changes in foreign exchange rates, the Company hedges its foreign exchange risk exposure by using foreign currency loans and derivatives, such as forward exchange agreements. The usage of derivative financial instruments can assist the Company to reduce but not completely eliminate the influence of changes in foreign exchange rates.

ii. Sensitivity analysis of foreign currency risk

Items	December 31, 2023 Foreign Currency	Exchange Rate	New Taiwan Dollars
Financial Assets			
Monetary Items			
USD	$ 28,329	30.72	$ 870,257
JPY	10,770	0.2171	2,338
RMB	2,903	4.324	12,554
Financial Liabilities			
Monetary Items			
USD	903	30.72	27,742
JPY	1,146	0.2171	249
RMB	7,303	4.324	31,578

Items	December 31, 2022 Foreign Currency	Exchange Rate	New Taiwan Dollars
Financial Assets			
Monetary Items			
USD	$ 25,996	30.70	$ 798,062
JPY	61,660	0.2325	14,336
RMB	1,529	4.409	6,742
Financial Liabilities			
Monetary Items			
USD	250	30.70	7,682
JPY	929	0.2325	216
RMB	6,672	4.409	29,419

The Company is mainly exposed to US dollar, JPY and RMB. The sensitivity analysis rate for the Company is 1% increase and decrease in NTD against the relevant foreign currencies 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 1 % change in foreign currency rates. An increase/ decrease in profit before tax would be resulted where the NTD strengthens/ weakens 1% against the relevant currency with all other variables held constant in the amounts of $8,256 thousand and $7,818 thousand for the years ended December 31, 2023 and 2022, respectively.

b.Price risk

The Company is exposed to the price risk of funds and unlisted equity securities because these equity investments held by the Company are classified as either financial assets at fair value through profit/loss or financial assets at fair value through other comprehensive income.

The Company mainly invests in equity instrument of unlisted stocks. The prices of equity instrument of unlisted stocks would change due to the uncertainty of the future value.

If the prices of these equity securities had increased/decreased by 1%, the other comprehensive income before tax would have increased/decreased by $3 thousand for the years ended December 31, 2023 and 2022, respectively, due to the fair value of the financial assets at fair value through other comprehensive income increased/decreased.

c. Interest rate risk

The carrying amounts of interest – bearing financial instruments held by the Company as of the reporting date are as follows:

Items	Carrying Amounts December 31, 2023	Carrying Amounts December 31, 2022
Fair value interest rate risk		
Financial assets	$ 569,520	$ 357,320
Net	$ 569,520	$ 357,320
Cash flow interest rate risk		
Financial assets	$ 691,830	$ 1,067,315
Financial liabilities	(399,487)	(376,764)
Net	$ 292,343	$ 690,551

i.Sensitivity analysis for instruments with fair value interest rate risk：

The Company does not classify any fixed-rate instruments as financial assets measured at fair value through profit and loss. In addition, the Company does not designate derivatives as hedge instruments under the fair value hedge accounting model. Therefore, the change in interest rate on the reporting date has no effect on profit or loss and other comprehensive income.

ii.Sensitivity analysis for instruments with cash flow interest rate risk：

The effective interest rates for the Company’s floating interest rate financial instruments are susceptible to the market interest rate, affecting the Company’s future cash flows. If the market interest rate increases (decreases) 1%, the profit before tax will increase (decrease) $2,923 thousand and $6,906 thousand for the years ended December 31, 2023 and 2022, respectively.

B. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company is exposed to credit risk from operation activities, primarily trade receivable, and from investing activities, primarily bank deposits and other financial instruments. Credit risk is managed separately for business related and financial related exposures.

a. Business - related credit risk

In order to maintain the credit quality of the trade receivables, the Company has established procedures to monitor and limit exposure to credit risk on trade receivables. Credit evaluation is performed taking into account relevant factors that may affects a customer’s paying ability, such as the customer’s financial condition and historical transaction records, internal and external credit rating and economic conditions.

The Company does not hold any collateral or other credit enhancement to hedge against the credit risk of financial assets.

b. Financial credit risk

The Company’s exposure to financial credit risk which pertaining to bank deposits and other financial instruments was evaluated and monitored by the Company’s treasury function. The Company only transacts with creditworthy counterparties and banks; therefore, no significant financial credit risk was identified.

i.Credit concentration risk

As of December 31, 2023 and 2022, the proportion of the accounts receivable exceeds 10% of the total accounts receivable, representing 30% and 22%, respectively. The credit concentration risk associated with other accounts receivable is relatively insignificant.

ii.Measurement of expected credit losses

(i) Accounts receivable: The Company applies simplified approach to its accounts receivable. Please refer to Note 6(2) for more information.

(ii) The criteria used to determine whether credit risk has increased significantly: The Company considered credit factors and reviewed relevant information associated with debtors to assess whether credit risks on financial instruments have increased significantly since initial recognition.

iii. Holding collateral and other credit enhancement to hedge against credit risk of financial assets: None.

iv. Credit risk of financial assets measured at amortized cost:

Please refer to Note 6(2) for information on the Company's credit exposures associated with notes receivable and accounts receivable. Other financial instruments amortized at cost, such as cash and cash equivalents and other receivables and other financial assets – current and refundable deposit, have low credit losses. Therefore, the loss allowance for the period was measured at a 12-month expected credit loss. After the assessment, there was no significant impairment.

C. Liquidity risk

a. Liquidity risk management

The Company manages and maintains sufficient cash and cash equivalents to support its operation and mitigate the impact of cash flow fluctuations. The Company's management monitors the use of bank financing facilities and ensures compliance with the loan contract terms.

For the year ended December 31, 2023 and 2022, the Company has unutilized bank financing facilities of approximately $909,150 thousand and $1,045,450 thousand, respectively.

b. Maturity analysis for financial liabilities

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities:

	December 31, 2023				
Non-derivative Financial Liabilities	Within 1 year	1-5 years	Over 5 years	Contract cash flows	Carrying amounts
Notes payable	$ 134	$ –	$ –	$ 134	$ 134
Accounts payable	109,283	–	–	109,283	109,283
Other payables	14,191	–	–	14,191	14,191
Long-term loan (include current portion)	151,914	248,689	9,754	410,357	398,031
Lease liabilities	2,001	3,425	–	5,426	5,286
Guarantee deposits	–	1,765	–	1,765	1,765
Total	$ 277,523	$ 253,879	$ 9,754	$ 541,156	$ 528,690

	December 31, 2022				
Non-derivative Financial Liabilities	Within 1 year	1-5 years	Over 5 years	Contract cash flows	Carrying amounts
Notes payable	$ 127	$ –	$ –	$ 127	$ 127
Accounts payable	99,006	–	–	99,006	99,006

	December 31, 2022				
Non-derivative Financial Liabilities	Within 1 year	1-5 years	Over 5 years	Contract cash flows	Carrying amounts
Other payables	$ 16,435	$ －	$ －	$ 16,435	$ 16,435
Long-term loan (include current portion)	86,779	270,349	33,447	390,575	375,178
Lease liabilities	1,906	3,423	413	5,742	5,583
Guarantee deposits	－	1,765	－	1,765	1,765
Total	$ 204,253	$ 275,537	$ 33,860	$ 513,650	$ 498,094

The Company does not expect the cash flows on the maturity analysis to occur significantly earlier or with a considerable difference from the actual amounts.

12.3 Category of financial instruments

	December 31, 2023	December 31, 2022
Financial assets		
Financial assets measured at amortized cost (Note 1)	$ 1,465,312	$ 1,629,258
Financial assets at fair value through other comprehensive income	328	328
Financial liability		
Financial liabilities measured at amortized cost (Note 2)	523,404	492,511

Note1: The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, notes receivable, accounts receivable, other receivable and refundable deposits.

Note2: The balances included financial liabilities measured at amortized cost, which comprise short-term loan, notes payable, accounts payable, other payables, long-term loan (include current portion) and guarantee deposits received.

12.4 Fair value information of financial instruments

(1) Definition of fair value measurements are grouped into Level 1 to 3 as follows:

Level 1: Relevant inputs are quoted prices in active markets for identical assets or liabilities that the entity can access on the measurement date.

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

Level 3: Inputs are unobservable inputs that used to measure fair value to the extent when relevant observable inputs are not available.

(2) Financial instruments that are not measured at fair value.

The fair value of the Company's financial instruments not measured at fair value including cash and cash equivalents, accounts receivable, other financial assets, refundable deposits, short-term loan, accounts payables, long-term loan (including current portion) and other financial liabilities approximate their fair value.

(3) Financial instruments that are measured at fair value:

The financial instruments that are measured at fair value on a recurring basis, the information of fair value is as follow:

	December 31, 2023			
Items	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at FVTOCI - noncurrent	$ -	$ -	$ 328	$ 328
Total	$ -	$ -	$ 328	$ 328

	December 31, 2022			
Items	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at FVTOCI - noncurrent	$ -	$ -	$ 328	$ 328
Total	$ -	$ -	$ 328	$ 328

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

A. The Company measures the fair values of its financial instruments with an active market using their quoted prices in the active market.

B. Fair value of equity investment of unlisted stocks without active market was estimated through the market approach that is mainly referenced to the same type of companies' evaluation, quotes from third parties, net assets and state of operation. The significant and unobservable input parameter for assessing the unlisted stocks mainly relates to liquidly discount rate. Since the possible changes of liquidity discount rate may not cause significant influence on financial standing, the quantitative information will not be disclosed.

C. Fair value of other financial assets and financial liabilities (except for aforementioned) are determined in accordance with generally accepted pricing model based on the discounted cash flow analysis.

(5) Transfer between Level 1 and Level 2 of the fair value hierarchy: none.

(6) Changes in level 3 instruments:

Items	2023	2022
Financial assets at FVTOCI		
Beginning Balance	$ 328	$ 328
Ending Balance	$ 328	$ 328

13. SUPPLEMENTARY DISCLOSURES

13.1 Significant transactions information

(1) Financings provided to others: None;

(2) Endorsement and guarantee provided to others: None;

(3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures at the end of the period) : Please see Table1 attached;

(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: None;

(8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid- in capital: None;

(9) Information on the derivative instrument transactions: None;

(10) The business relationship between the parent and the subsidiaries and significant transaction between then: None;

13.2 Information on investees: None;

13.3 Information on investment in Mainland China: None;

13.4 Information of major shareholder (Names, number of shares and ownership of shareholders whose equity interest is greater than 5%): Please see Table2 attached.

14. SEGMENT INFORMATION

14.1 The revenue of the Company's operating segment, profit or loss, assets and liabilities of reportable segments are consistent with the financial statements. Please refer to the balance sheets and statements of comprehensive income.

14.2 Information on geographic area

(1) Sales from external customers

Areas	2023	2022
America	$ 39,359	$ 159,202
Europe	106,564	73,165
Asia	481,298	398,290
Taiwan	296,083	506,748
Total	$ 923,304	$ 1,137,405

(2) Noncurrent assets

Areas	December 31, 2023	December 31, 2022
Taiwan	$ 1,091,057	$ 1,109,402

Noncurrent assets consist of property, plant and equipment, investment properties, right-of-use assets, intangible assets, and other assets, excluding financial instruments, deferred tax assets, and refundable deposits.

14.3 Major customer information

Major customers representing at least 10% of net revenue:

	2023		2022	
Client name	Amount	%	Amount	%
101125	$ 154,435	16%	$ 215,517	19%
103009	90,572	10%	80,317	7%
103063	34,754	4%	37,579	3%
Total	$ 279,761	30%	$ 333,413	29%

CALIN CORPORATION

MARKETABLE SECURITIES HELD

DECEMBER 31, 2023

TABLE 1

Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	DECEMBER 31, 2023				Remarks
				Shares/Units (In Thousands)	Carrying Value	Percentage of Ownership	Fair Value	
CALIN	REC TECHNOLOGY CORPORATION	—	Financial Assets at Fair Value Through Other Comprehensive Income	45	$ 328	0. 26%	$ 328	

CALIN CORPORATION

INFORMATION OF MAJOR SHAREHOLDERS

DECEMBER 31, 2023

TABLE 2

Shareholders (Note 1)	Shares	
	Total Shares Owned	Ownership Percentage
CENTRAL MOTOR CO., LTD	28,370,397	20.17%

Note 1: The information on major shareholders, which is provided by the Taiwan Depository & Clearing Corporation, summarized the shareholders who held over 5% of total non-physical common stocks and preferred stocks (including treasury stocks) on the last business date of each quarter. The registered non-physical stocks may be different from the capital stocks disclosed in the financial statement due to different calculation basis.

Note 2: If shares are entrusted, the above information regarding such shares will be revealed by each trustor of individual trust account. The shareholders holding more than 10% of the total shares of the company should declare insider's equity according to Securities and Exchange Act. The numbers of the shares declared by the insider include the shares of the trust assets which the insider has discretion over use. For details of the insider's equity announcement please refer to the TWSE website.

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

CALIN Corporation

STATEMENT OF CASH AND CASH EQUIVALENTS

DECEMBER 31, 2023

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

Statement 1

Item	Description		Amount
Cash on hand			$ -
Cash in banks			
New Taiwan Dollars			
Demand deposits			519,074
Foreign currency			
Demand deposits	（USD）	5,251,210.04	161,317
	（JPY）	10,769,774.00	2,338
	（CNY）	2,104,681.20	9,101
Time deposits	（USD）	18,500,000.00	568,320
Subtotal			1,260,150
Total			$ 1,260,150

Note：USD $1 = NT $30.72

JPY $1 = NT $0.2171

CNY$1 = NT $4.324

CALIN Corporation

STATEMENT OF ACCOUNTS RECEIVABLE, NET

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Statement 2

Client Name	Description	Amount	Remark
Accounts receivable - nonrelated parties			
101125	Payment for goods	$ 34,331	
103009	Payment for goods	25,743	
103053	Payment for goods	17,489	
101197	Payment for goods	14,842	
103063	Payment for goods	12,509	
100025	Payment for goods	10,110	
Others (Note)	Payment for goods	81,165	
Subtotal		196,189	
Less：loss allowance		-	
Total		$ 196,189	

Note：The amount of individual client included in others does not exceed 5% of the account balance.

CALIN Corporation

STATEMENT OF INVENTORIES

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Statement 3

Item	Description	Amount		Remark
		Cost	Net Realizable Value	
Raw materials		$ 54,823	$ 82,433	
Work-in-process		392,617	649,556	
Finished goods		6,873	10,654	
Total		$ 454,313	$ 742,643	

CALIN Corporation

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Statement 4

	Balance, January 1, 2023			Addition		Decrease		Balance, December 31, 2023				
Investees	Shares	Share holding %	Amount	Shares	Amount	Shares	Amount	Shares	Share holding %	Amount	Net Assets Value	Collateral
REC TECHNOLOGY CORPORATION	45	0.26	$ 328	-	-	-	-	45	0.26	$ 328	$ 478	Nil
Total			$ 328		-		-			$ 328	$ 478	

CALIN Corporation

STATEMENT OF ACCOUNTS PAYABLE

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Statement 5

Client Name	Description	Amount	Remark
Accounts receivable - nonrelated parties			
EB012	Payment for goods	$ 19,544	
RB013	Payment for goods	11,200	
AA001	Payment for goods	10,040	
RB057	Payment for goods	7,812	
Others (Note)	Payment for goods	60,687	
Subtotal		$ 109,283	

Note：The amount of individual client included in others does not exceed 5% of the account balance. ◦

CALIN Corporation

STATEMENT OF LONG-TERM LOANS

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Statement 6

Creditor	Description	Amount	Contract Period	Collateral	Remark
Mega International Commercial Bank	Secured loans	$ 7,200	2024.10.15	Machinery	Note 1
Mega International Commercial Bank	Secured loans	134,442	2026.01.15	Machinery	Note 1 and 2
Mega International Commercial Bank	Secured loans	18,300	2027.01.15	Buildings	Note 1 and 2
Bank of Taiwan	Secured loans	29,231	2027.04.25	Land	Note 1
Bank of Taiwan	Secured loans	126,389	2029.05.05	Buildings	Note 1
Bank of Taiwan	Secured loans	23,925	2026.03.15	Machinery	Note 1 and 2
Bank of Taiwan	Unsecured loans	60,000	2026.03.15	Nil	Note 1 and 2
Subtotal		399,487			
Less：Current portion		(145,816)			
Less：Discount on subsidies for project loans		(1,456)			Note 2
Total		$ 252,215			

Note 1：The range of interest rates is 1.35% ～1.929%

Note 2：The Company's new bank loans are based on the "Guidelines for Accelerated Investment Project Loans for Taiwan-based Enterprises." The government subsidizes the low-interest loans for the project based on the difference between the market interest rate and the actual repayment preferential interest rate.

CALIN Corporation

STATEMENT OF NET REVENUE

FOR THE YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Statement 7

Item	QTY (in thousand PCE)	Amount	Remark
Sales revenue			
Optical application lenses	12,126 thousand PCS	$ 916,903	
Others		6,290	
Total sales revenue		923,193	
Less: Sales returns		(8,990)	
Sales allowances		(1,276)	
Sales revenue, net		912,927	
Rental revenue		10,377	
Net revenue		$ 923,304	

CALIN Corporation

STATEMENT OF COST OF REVENUE

FOR THE YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Statement 8

Item	Amount Subtotal	Amount Total
Cost of goods sold		
Balance, beginning of year	$ -	
Purchase	1,656	
Balance, end of year	-	$ 1,656
Cost of self-manufactured goods sold		
Raw materials:		
Balance, beginning of year	74,493	
Purchase	324,328	
Less：Balance, end of year	(54,823)	
Raw materials sold	(110)	
Scrapped losses	(30)	
Others	(5,042)	338,816
Direct labor		204,808
Manufacturing expenses		337,119
Manufacturing cost		880,743
Add：Work in process, beginning of year		421,312
Others		10,458
Less：Work in process, end of year		(392,617)
Scrapped losses		(40,907)
Loss on physical inventory		(64)
Others		(34,727)
Cost of finished goods		844,198
Add：Finished goods, beginning of year		10,652
Less：Finished goods, end of year		(6,873)
Others		(300)
Total cost of goods sold		849,333
Other cost of goods sold		
Add： Cost of raw materials sold		110
Unallocated fixed overhead		161,490
Loss on physical inventory		64
Scrapped losses		40,937
Less： Revenue from scraps		(125)
Total other cost of goods sold		202,476
Total cost of revenue		$ 1,051,809

CALIN Corporation

STATEMENT OF MANUFACTURING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Statement 9

Item	Description	Amount	Remark
Depreciation		$ 152,403	
Indirect labor		71,404	
Utilities expenses		69,953	
Insurance expenses		36,119	
Consumable expenses		37,874	
Others (Note)		54,135	
Unallocated fixed overhead		(84,769)	
Total		$ 337,119	

Note：The amount of each item in others does not exceed 5% of the account balance.

CALIN Corporation

STATEMENT OF OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Statement 10

Item	Marketing	Administrative	R&D	Total
Salaries	$ 9,288	$ 36,366	$ 25,796	$ 71,450
Research and development expenses	–	920	25,362	26,282
Insurance expenses	1,069	4,066	1,857	6,992
Environmental costs	–	5,819	24	5,843
Depreciation	–	5,519	187	5,706
Transportation expense	2,269	1,376	755	4,400
Repairment expense	4	3,581	8	3,593
Consumable expenses	25	1,678	3,334	5,037
Support fee	472	359	2,080	2,911
Inspection expenses	2,172	–	–	2,172
Travel expense	1,407	369	260	2,036
Shipping expenses	1,946	2	20	1,968
Others (Note)	1,418	17,009	4,725	23,152
Total	$ 20,070	$ 77,064	$ 64,408	$ 161,542

Note：The amount of each item in others does not exceed 5% of the account balance.