

**Stock Code: 3051**

**OPTIMAX TECHNOLOGY CORPORATION**

**Individual Financial Statements  
Independent Auditors' Review Report  
December 31, 2022 and 2021**

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The independent auditors' report and the accompanying Individual financial statements are the English translation of the Chinese version prepared and used in the Republic of China. NOT AUDITED OR REVIEWED BY AUDITORS. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and the Individual financial statements, the Chinese version shall prevail.

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# **Independent Auditors' Report**

To the Board of Directors of Optimax Technology Corporation:

## **Opinion**

We have audited the individual financial statements of Optimax Technology Corporation (“the Company”), which comprise the balance sheets as of December 31, 2022 and 2021, the statements of comprehensive income, statements of changes in equity, and statements of cash flows for the years ended December 31, 2022 and 2021, and notes to the individual financial statements including a summary of significant accounting policies.

In our opinion, the accompanying individual financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for each of the years then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

## **Basis for Opinion**

We conducted our audits by following the regulations governing auditing and attestation of financial statements by certified public accountants and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Individual Financial Statements section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the audits report of other independent accountants, 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 2022 Individual Financial Statements of Optimax Technology Corporation. These matters were addressed in the context of our audit of the Individual Financial Statements as a whole and in forming our opinion thereon. We do not provide a separate opinion on these matters individually. The accountant's judgment should communicate the key audit matters on the audit report as follows:

### **1. Inventory Valuation**

For the accounting policies of inventories, please refer to Note 4 (6) of the Individual Financial Statements; For the accounting estimates of the inventory evaluation and the description of the uncertainty of the assumptions, please refer to Note 5 of the Individual Financial Statements; For the description of important accounting items in inventories, please refer to Note 6 (6) of the Individual Financial Statements.

The main business item of Optimax Technology Corporation is the manufacture and sales of polarizers. Because the inventory is easily affected by the market demand of the products used and the yield rate of the production process, resulting in sluggish or falling prices, so the inventory evaluation is listed as one of the key audit matters.

Our audit procedures performed in respect of the above area included the following:

- (1) Check the inventory age report and analyze the changes of inventory age in each period.
- (2) Evaluate the rationality of accounting policies, such as inventory depreciation or sluggish withdrawal policies.
- (3) Assess whether the valuation of inventories has been in accordance with the company's established accounting policies.
- (4) Obtain the report of the net realizable value of inventories on the end of the financial reporting period, the selling price of goods or the purchase price used to check the net realizable value, and other data sources, and recalculate the accrued inventory allowance to offset the loss in value to confirm such data. The performance of accounting estimates is consistent with its policies.
- (5) Understand the process of inventory management, review its annual inventory plan and participate in annual inventory, and check inventory details to evaluate the effectiveness of management in distinguishing and controlling obsolete inventory.

## 2. Impairment assessment of Property, plant and equipment

For the accounting policy of asset impairment, please refer to Note 4 (12) of the Individual Financial Statements; For the uncertainty of the accounting estimates and assumptions of the asset impairment assessment, please refer to Note 5 of the Individual Financial Statements; For the description of important accounting items in Property, plant and equipment, please refer to Note 6 (8) of the Individual Financial Statements.

Optimax Technology Corporation is a highly capitalized industry and is facing the interference of various factors such as the economic environment and industry competition; due to the assessment of impairment of Property, plant and equipment, it is necessary to estimate and discount the future cash flow to estimate the recoverable amount and other processes, which are inherently highly uncertain, so the assessment of impairment of Property, plant and equipment is one of the key audit matters.

Our audit procedures performed in respect of the above area included the following:

- (1) Understand the relevant policies and procedures for impairment assessment, and assess the rationality of the management to identify the cash-generating units that may be impaired.
- (2) Regarding the recoverable amount of the independent assessment report issued by a third party appointed by Optimax Technology Corporation, examine the reasonableness of the relevant assumptions, and assess the qualification and independence of the appraiser.

## **The Management's Responsibility and Governing Body of the Individual Financial Statements**

It is the management's responsibility to fairly present the Individual Financial Statements in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," and to maintain internal controls which are necessary for the preparation of the Individual Financial Statements so as to avoid material misstatements due to fraud or errors therein.

In preparing for the individual financial statement, responsibilities of the management also included assessment of the capacity to continue operation, disclosure of related matters and the accounting approaches

to be adopted when the Company continues to operate unless the management intends to liquidate or suspend the business of Optimax Technology Corporation if there was not any other option except liquidation or suspension of the Company's business.

The governing bodies of Optimax Technology Corporation (including the Audit Committee) have the responsibility to oversee the process by which the financial statements are prepared.

### **The Accountants' Responsibilities in Auditing the Individual Financial Statements**

Our objectives are to obtain reasonable assurance on whether the Individual Financial Statements as a whole are free from material misstatement arising from fraud or error, and to issue an independent auditors' report. "Reasonable assurance" refers to high level of assurance. Nevertheless, our audit, which was carried out in accordance with the generally accepted auditing standards, does not guarantee that a material misstatement(s) will be detected in the Individual Financial Statements. Misstatements can arise from fraud or error. Misstatements 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 Individual Financial Statements.

We have utilized our professional judgment and maintained professional skepticism when exercising auditing work in accordance with the generally accepted auditing standards. We also:

1. Identified and evaluated the risk of a material misstatement(s) due to fraud or errors in the Individual Financial Statements; designed and carried out appropriate countermeasures for the assessed risks; and obtained sufficient and appropriate evidence as the basis for the audit report. The risk of not detecting a significant 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. Acquired necessary understanding of internal controls pertaining to the audit in order to develop audit procedures appropriate under the circumstances. Nevertheless, the purpose of such understanding is not to provide any opinion on the effectiveness of the internal controls of Optimax Technology Corporation.
3. Assess the appropriateness of the accounting policies adopted by the management level, as well as the reasonableness of their accounting estimates and relevant disclosures.
4. Concluded, based on the audit evidence acquired, on the appropriateness of the management's use of the going-concern basis of accounting, and determined whether a material uncertainty exists where events or conditions that might cast significant doubt on the ability of Optimax Technology Corporation to continue as going concerns. If we believe there are events or conditions indicating the existence of a material uncertainty, we are required to remind the users of the Individual Financial Statements in our audit report of the relevant disclosures therein, or to amend our audit opinion when any inappropriate disclosure was found. Our conclusion is based on the audit evidence acquired as of the date of the audit report. However, future events or conditions may cause Optimax Technology Corporation to cease to continue as a going concern. However, future events or conditions may cause Optimax Technology Corporation to cease to continue as a going concern.
5. Evaluated the overall presentation, structure, and content of the Individual Financial Statements (including the related notes), and determined whether the Individual Financial Statements present related transactions and events fairly.

6. Acquire sufficient and appropriate audit evidence for the financial information of the investee company that adopts the equity method to express opinions on Individual Financial Statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion on Optimax Technology Corporation.

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 provided governing bodies with a declaration that we had complied with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China regarding independence, and communicated with them all relationships and other matters that might possibly be deemed to impair our independence (including relevant preventive measures).

From the matters communicated with those charged with governance, we determined the key audit matters of the Individual Financial Statements of Optimax Technology Corporation of 2022. We describe these matters in our auditor's 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 communications.

BAKER TILLY CLOCK & CO.

Taiwan (Republic of China)

March 23, 2023

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The accompanying financial statements are intended only to present the financial position, financial performance, and cash flows in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards, International Accounting Standards, interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China. The standards, procedures and practices to review such financial statements are those generally accepted and applied in the Republic of China. The independent auditors' review report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English version and Chinese version, the Chinese-language independent auditors' review report and financial statements shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

**OPTIMAX TECHNOLOGY CORPORATION**

**Individual Balance Sheets December 31, 2022 and 2021**

(Expressed in Thousands of New Taiwan Dollars)

| Assets                                                                        | December 31, 2022   |            | December 31, 2021 |            |
|-------------------------------------------------------------------------------|---------------------|------------|-------------------|------------|
|                                                                               | Amount              | %          | Amount            | %          |
| <b>Current assets</b>                                                         |                     |            |                   |            |
| Cash                                                                          | \$ 58,843           | 1          | 68,133            | 1          |
| Current financial assets at amortized cost                                    | 3,500               | —          | 53,500            | 1          |
| Accounts receivable, net                                                      | 678,136             | 16         | 722,760           | 15         |
| Accounts receivable – related parties                                         | 15,148              | —          | 35,444            | 1          |
| Other receivables                                                             | 190,795             | 5          | 186,486           | 4          |
| Current inventories                                                           | 959,703             | 22         | 1,164,761         | 25         |
| Prepayments                                                                   | 4,022               | —          | 31,137            | 1          |
| Other current financial assets                                                | 71,580              | 2          | 66,289            | 1          |
| Other current assets                                                          | 2,638               | —          | 2,227             | —          |
| <b>Total current assets</b>                                                   | <b>1,984,365</b>    | <b>46</b>  | <b>2,330,737</b>  | <b>49</b>  |
| <b>Noncurrent assets</b>                                                      |                     |            |                   |            |
| Non-current financial assets at fair value through other comprehensive income | 11,282              | —          | 20,000            | —          |
| Investments accounted for using equity method                                 | 42,413              | 1          | 72,835            | 1          |
| Property, plant and equipment                                                 | 1,571,275           | 36         | 2,124,887         | 45         |
| Right-of-use assets                                                           | 15,979              | —          | 4,428             | —          |
| Investment property, net                                                      | 571,685             | 13         | 31,117            | 1          |
| Deferred tax assets                                                           | 156,540             | 4          | 137,040           | 3          |
| Net defined benefit assets - non-current                                      | 3,090               | —          | —                 | —          |
| Other non-current financial assets                                            | —                   | —          | 18,737            | —          |
| Other non-current assets                                                      | 23,156              | —          | 29,196            | 1          |
| <b>Total non-current assets</b>                                               | <b>2,395,420</b>    | <b>54</b>  | <b>2,438,240</b>  | <b>51</b>  |
| <b>Total Assets</b>                                                           | <b>\$ 4,379,785</b> | <b>100</b> | <b>4,768,977</b>  | <b>100</b> |
| <b>Liabilities and Stockholders' Equity</b>                                   |                     |            |                   |            |
| <b>Current liabilities</b>                                                    |                     |            |                   |            |
| Short-term loans                                                              | 31,499              | 1          | 602,478           | 13         |
| Accounts payable                                                              | 83,570              | 2          | 138,037           | 3          |
| Other payables                                                                | 151,019             | 4          | 148,115           | 3          |
| Current income tax liability                                                  | 16,911              | —          | —                 | —          |
| Current provisions                                                            | 14,434              | —          | 15,436            | —          |
| Current lease liabilities                                                     | 3,362               | —          | 3,235             | —          |
| Current Portion of Long-term Debt                                             | 1,590,000           | 37         | —                 | —          |
| Current refund liabilities                                                    | 18,175              | —          | 12,257            | —          |
| Other current liabilities                                                     | 14,214              | —          | 14,825            | —          |
| <b>Total current liabilities</b>                                              | <b>1,923,184</b>    | <b>44</b>  | <b>934,383</b>    | <b>19</b>  |
| <b>Noncurrent liabilities</b>                                                 |                     |            |                   |            |
| Long-term borrowings                                                          | —                   | —          | 1,790,000         | 38         |
| Deferred tax liabilities                                                      | 238                 | —          | 795               | —          |
| Non-current lease liabilities                                                 | 12,647              | —          | 1,277             | —          |
| Non-current net defined benefit liability                                     | —                   | —          | 8,525             | —          |
| Deposits received                                                             | 8,187               | —          | —                 | —          |
| <b>Total non-current liabilities</b>                                          | <b>21,072</b>       | <b>—</b>   | <b>1,800,597</b>  | <b>38</b>  |
| <b>Total liabilities</b>                                                      | <b>1,944,256</b>    | <b>44</b>  | <b>2,734,980</b>  | <b>57</b>  |
| <b>Equity</b>                                                                 |                     |            |                   |            |
| Common stock                                                                  | 1,700,000           | 39         | 1,700,000         | 36         |
| Retained earnings :                                                           |                     |            |                   |            |
| Statutory surplus reserve                                                     | 35,500              | 1          | —                 | —          |
| Unappropriated retained earnings                                              | 777,279             | 18         | 355,003           | 7          |
| Other components of equity                                                    | (35,651)            | (1)        | (21,006)          | —          |
| Treasury Stocks                                                               | (41,599)            | (1)        | —                 | —          |
| <b>Total equity</b>                                                           | <b>2,435,529</b>    | <b>56</b>  | <b>2,033,997</b>  | <b>43</b>  |
| <b>Total liabilities and equity</b>                                           | <b>\$ 4,379,785</b> | <b>100</b> | <b>4,768,977</b>  | <b>100</b> |

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

**OPTIMAX TECHNOLOGY CORPORATION**

**Individual Statements of Comprehensive Income**

**For the years ended December 31, 2022 and 2021**

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

|                                                                                                                                                               | <b>2022</b>   |          | <b>2021</b>   |          |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|----------|---------------|----------|
|                                                                                                                                                               | <b>Amount</b> | <b>%</b> | <b>Amount</b> | <b>%</b> |
| Total operating revenue                                                                                                                                       | \$ 2,947,446  | 100      | 3,191,831     | 100      |
| Total operating costs                                                                                                                                         | (2,202,824)   | (75)     | (2,410,988)   | (75)     |
| Gross profit from operations                                                                                                                                  | 744,622       | 25       | 780,843       | 25       |
| Operating expenses                                                                                                                                            |               |          |               |          |
| Selling expenses                                                                                                                                              | (168,370)     | (6)      | (162,677)     | (5)      |
| Administrative expenses                                                                                                                                       | (165,094)     | (5)      | (140,940)     | (4)      |
| Research and development expenses                                                                                                                             | (57,318)      | (2)      | (54,927)      | (2)      |
| Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9                                                        | 6,582         | —        | (84,937)      | (3)      |
| Total operating expenses                                                                                                                                      | (384,200)     | (13)     | (443,481)     | (14)     |
| Net operating income                                                                                                                                          | 360,422       | 12       | 337,362       | 11       |
| Non-operating income and loss                                                                                                                                 |               |          |               |          |
| Interest income                                                                                                                                               | 607           | —        | 177           | —        |
| Other income                                                                                                                                                  | 38,410        | 1        | 52,851        | 2        |
| Other gains and losses – net                                                                                                                                  | 114,744       | 4        | 498,612       | 16       |
| Finance costs                                                                                                                                                 | (49,758)      | (1)      | (54,049)      | (2)      |
| Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9                                                        | (2,703)       | —        | 15,667        | —        |
| Share of profit (loss) of subsidiaries accounted for using equity method                                                                                      | (21,265)      | (1)      | (15,757)      | (1)      |
| Total non-operating income and expenses                                                                                                                       | 80,035        | 3        | 497,501       | 15       |
| Profit from continuing operations before tax                                                                                                                  | 440,457       | 15       | 834,863       | 26       |
| Total tax expense (income)                                                                                                                                    | 3,115         | —        | (24,925)      | (1)      |
| Net Income                                                                                                                                                    | 443,572       | 15       | 809,938       | 25       |
| Other comprehensive income                                                                                                                                    |               |          |               |          |
| Components of other comprehensive income that will not be reclassified to profit or loss                                                                      |               |          |               |          |
| Remeasurement of defined benefit obligations                                                                                                                  | 5,645         | —        | (2,938)       | —        |
| Unrealised gains (losses) measured at fair value through other comprehensive income                                                                           | 3,071         | —        | —             | —        |
| Unrealised gains (losses) from subsidiaries accounted for using equity method in equity instruments measured at fair value through other comprehensive income | (10,316)      | —        | (16,891)      | (1)      |
| Components of other comprehensive income that will be reclassified to profit or loss                                                                          |               |          |               |          |
| Exchange differences on translating the financial statements of foreign operations                                                                            | 1,159         | —        | (816)         | —        |
| Income tax related to components of other comprehensive income that will be reclassified to profit or loss                                                    | —             | —        | (659)         | —        |
| Other comprehensive income (loss), net of tax                                                                                                                 | (441)         | —        | (21,304)      | (1)      |
| Total comprehensive income                                                                                                                                    | \$ 443,131    | 15       | 788,634       | 24       |
| Earnings per share                                                                                                                                            |               |          |               |          |
| Basic earnings per share                                                                                                                                      | \$ 2.62       |          | 4.76          |          |
| Diluted earnings per share                                                                                                                                    | \$ 2.62       |          | 4.76          |          |

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

**OPTIMAX TECHNOLOGY CORPORATION**

**Individual Statements of Changes in Equity**  
**For the years ended December 31, 2022 and 2021**

(Expressed in Thousands of New Taiwan Dollars)

| Accounting Title                                                                     | Common stock        | Retained earnings         |                                             | Other components of equity               |                                                                                                 | Treasure Stocks    | Total equity        |
|--------------------------------------------------------------------------------------|---------------------|---------------------------|---------------------------------------------|------------------------------------------|-------------------------------------------------------------------------------------------------|--------------------|---------------------|
|                                                                                      |                     | Statutory surplus reserve | Undistributed surplus (Accumulated deficit) | Foreign Currency translation differences | Unrealized gains(losses) from financial assets at fair value through other comprehensive income |                    |                     |
| <b>Balance as of January 1, 2021</b>                                                 | <b>\$ 3,253,324</b> | <b>\$ —</b>               | <b>\$ (2,005,321)</b>                       | <b>\$ (2,633)</b>                        | <b>\$ (7)</b>                                                                                   | <b>\$ —</b>        | <b>\$ 1,245,363</b> |
| Net Income                                                                           | —                   | —                         | 809,938                                     | —                                        | —                                                                                               | —                  | 809,938             |
| Other comprehensive income (loss)                                                    | —                   | —                         | (2,938)                                     | (1,475)                                  | (16,891)                                                                                        | —                  | (21,304)            |
| Total comprehensive income (loss)                                                    | —                   | —                         | 807,000                                     | (1,475)                                  | (16,891)                                                                                        | —                  | 788,634             |
| Capital reduction for cover accumulated deficits                                     | (1,553,324)         | —                         | 1,553,324                                   | —                                        | —                                                                                               | —                  | —                   |
| <b>Balance at of December 31, 2021</b>                                               | <b>\$ 1,700,000</b> | <b>\$ —</b>               | <b>\$ 355,003</b>                           | <b>\$ (4,108)</b>                        | <b>\$ (16,891)</b>                                                                              | <b>\$ —</b>        | <b>\$ 2,033,997</b> |
| <b>Balance as of January 1, 2022</b>                                                 | <b>\$ 1,700,000</b> | <b>\$ —</b>               | <b>\$ 355,003</b>                           | <b>\$ (4,108)</b>                        | <b>\$ (16,891)</b>                                                                              | <b>\$ —</b>        | <b>\$ 2,033,997</b> |
| Appropriation and distribution of retained earnings:                                 |                     |                           |                                             |                                          |                                                                                                 |                    |                     |
| Statutory surplus reserve                                                            | —                   | 35,500                    | (35,500)                                    | —                                        | —                                                                                               | —                  | —                   |
| Net Income                                                                           | —                   | —                         | 443,572                                     | —                                        | —                                                                                               | —                  | 443,572             |
| Other comprehensive income(loss)                                                     | —                   | —                         | 5,645                                       | 1,159                                    | (7,245)                                                                                         | —                  | (441)               |
| Total comprehensive income (loss)                                                    | —                   | —                         | 449,217                                     | 1,159                                    | (7,245)                                                                                         | —                  | 443,131             |
| Disposal of gains (losses) measured at fair value through other comprehensive income | —                   | —                         | 8,559                                       | —                                        | (8,559)                                                                                         | —                  | —                   |
| Shares Buyback (Treasure Stocks)                                                     | —                   | —                         | —                                           | —                                        | —                                                                                               | (41,599)           | (41,599)            |
| <b>Balance at of December 31, 2022</b>                                               | <b>\$ 1,700,000</b> | <b>\$ 35,500</b>          | <b>\$ 777,279</b>                           | <b>\$ (2,949)</b>                        | <b>\$ (32,702)</b>                                                                              | <b>\$ (41,599)</b> | <b>\$ 2,435,529</b> |

**OPTIMAX TECHNOLOGY CORPORATION****Individual Statements of Cash Flows****For the years ended December 31, 2022 and 2021**

(Expressed in Thousands of New Taiwan Dollars)

|                                                                                  | 2022       | 2021        |
|----------------------------------------------------------------------------------|------------|-------------|
| Cash flows from operating activities :                                           |            |             |
| Income before income tax                                                         | \$ 440,457 | \$ 834,863  |
| Adjustments to reconcile profit (loss) :                                         |            |             |
| Depreciation expense                                                             | 66,183     | 76,511      |
| Amortization expense                                                             | 158        | 173         |
| Expected credit loss                                                             | (3,879)    | 69,270      |
| Interest expense                                                                 | 49,758     | 54,049      |
| Interest income                                                                  | (607)      | (177)       |
| Share of loss (profit) of subsidiaries accounted for using equity method         | 21,265     | 15,757      |
| Loss on disposal of property, plan and equipment                                 | 3,665      | 7,516       |
| Loss on disposal of investment properties                                        | 1,065      | —           |
| Gain on disposal of non-current assets classified as held for sale               | (2,872)    | (522,291)   |
| Reversal of impairment loss on non-financial assets                              | (2,534)    | (2,468)     |
| Unrealized foreign exchange loss                                                 | (46,716)   | 4,186       |
| Lease modification benefit                                                       | —          | (11,398)    |
| Changes in operating assets and liabilities :                                    |            |             |
| Decrease (increase) in accounts receivable                                       | 69,458     | (68,247)    |
| Decrease (increase) in other receivable                                          | 2,277      | 130,457     |
| Decrease (increase) in inventories                                               | 205,058    | (207,627)   |
| Decrease (increase) in prepayments                                               | 27,184     | 13,926      |
| Decrease (increase) in other current assets                                      | 599        | (590)       |
| Increase (decrease) in accounts payable                                          | (57,215)   | (38,027)    |
| Increase (decrease) in other payable                                             | 7,372      | (130,375)   |
| Increase (decrease) in Provisions                                                | (1,002)    | 1,530       |
| Increase (decrease) in other current liabilities                                 | 6,994      | (17,824)    |
| Increase (decrease) in net defined benefit liability                             | (5,970)    | (5,768)     |
| Cash generated from operation                                                    | 780,698    | 203,446     |
| Cash received from interest income                                               | 611        | 174         |
| Cash paid for interest                                                           | (49,774)   | (57,278)    |
| Income taxes refunded                                                            | (6)        | 83          |
| Net cash provided by operating activities                                        | 731,529    | 146,425     |
| Cash flows from investing activities :                                           |            |             |
| Acquisition of financial assets at fair value through other comprehensive income | \$ —       | \$ (20,000) |
| Disposal of financial assets at fair value through other comprehensive income    | 11,789     | —           |
| Acquisition of financial assets at amortised cost                                | —          | (50,000)    |
| Proceeds from disposal of financial assets at amortized cost                     | 50,000     | 32,300      |
| Acquisition of non-current assets as held for sale                               | —          | (1,677)     |
| Proceeds from disposal of non-current assets as held for sale                    | —          | 3,553,610   |
| Acquisition of property, plant and equipment                                     | (18,149)   | (17,647)    |
| Proceeds from disposal of property, plant and equipment                          | 1,081      | 1,962       |
| Acquisition of investment properties                                             | (21,796)   | —           |
| Decrease (increase) in other financial assets                                    | 13,446     | 95,446      |
| Increase in other non-current assets                                             | (15,192)   | (27,040)    |
| Net cash used in investing activities                                            | 21,179     | 3,566,954   |
| Cash flows from financing activities :                                           |            |             |
| Increase (decrease) in short-term loans                                          | (572,675)  | (93,647)    |
| Payments of long-term debt                                                       | —          | 1,790,000   |
| Repayments of long-term debt                                                     | (200,000)  | (5,478,638) |
| Increase in guarantee deposits received                                          | 7,587      | 3,000       |
| Decrease in guarantee deposits received                                          | (544)      | (11,729)    |
| Payments of lease liabilities                                                    | (3,544)    | (3,949)     |
| Shares Buyback (Treasure Stocks)                                                 | (41,599)   | —           |
| Net cash flows from (used in) financing activities                               | (810,775)  | (3,794,963) |
| Effect of change rate changes on cash and cash equivalents                       | 48,777     | (12,397)    |
| Net decrease (increase) in cash and cash equivalents                             | (9,290)    | (93,981)    |
| Cash and cash equivalents at beginning of period                                 | 68,133     | 162,114     |
| Cash and cash equivalents at end of period                                       | \$ 58,843  | \$ 68,133   |

# OPTIMAX TECHNOLOGY CORPORATION

## Notes to Individual Financial Statements

### For the year ended December 31, 2022 and 2021

(Expressed in thousands of New Taiwan dollars, unless otherwise indicated)

#### 1. Organization and business

- (1) Optimax Technology Corporation was incorporated In March 1998 and registered under the Ministry of Economic Affairs, R.O.C. The registered address is No. 37 Pingdong Rd., Pingzhen District, Taoyuan, Taiwan. The company and subsidiaries (collectively as “the Company”) are primarily engaged in the manufacturing and selling of polarizers.
- (2) In October 2002, Optimax Technology Corporation’s shares were listed on the Taiwan Stock Exchange (TWSE).

#### 2. Approval of financial statements

These Individual financial statements were approved and authorized for issue by the Board of Directors of Optimax Technology Corporation on March 23, 2023.

#### 3. Application of New, Amended and Revised Standards, and Interpretations

- (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)  
New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

| New, Amended and Revised Standards, and Interpretations                             | Effective date by International Accounting Standards Board |
|-------------------------------------------------------------------------------------|------------------------------------------------------------|
| Amendments to IFRS 3, ‘Reference to the conceptual framework’                       | January 1, 2022                                            |
| Amendments to IAS 16, ‘Property, plant and equipment: proceeds before intended use’ | January 1, 2022                                            |
| Amendments to IAS 37, ‘Onerous contracts — cost of fulfilling a contract’           | January 1, 2022                                            |
| Annual improvements to IFRS Standards 2018–2020                                     | January 1, 2022                                            |

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

- (2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company  
New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

| <b>New, Amended and Revised Standards, and Interpretations</b>                                           | <b>Effective date by International Accounting Standards Board</b> |
|----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| Amendments to IAS 1, 'Disclosure of accounting policies'                                                 | January 1, 2023                                                   |
| Amendments to IAS 8, 'Definition of accounting estimates'                                                | January 1, 2023                                                   |
| Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction' | January 1, 2023                                                   |

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

- (3) IFRSs issued by IASB but not yet endorsed by the FSC  
New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

| <b>New, Amended and Revised Standards, and Interpretations</b>                                                            | <b>Effective date by International Accounting Standards Board</b> |
|---------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture' | To be determined by International Accounting                      |
| Amendments to IFRS 16, 'Lease liability in a sale and leaseback'                                                          | January 1, 2024                                                   |
| IFRS 17, 'Insurance contracts'                                                                                            | January 1, 2023                                                   |
| Amendments to IFRS 17, 'Insurance contracts'                                                                              | January 1, 2023                                                   |
| Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'                               | January 1, 2023                                                   |
| Amendments to IAS 1, 'Classification of liabilities as current or noncurrent'                                             | January 1, 2024                                                   |
| Amendments to IAS 1, 'Non-current liabilities with covenants'                                                             | January 1, 2024                                                   |

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

#### **4. Summary of Significant Accounting Policies**

The principal accounting policies applied in the preparation of these Individual financial statements are set out below.

(1) Compliance statement

The Individual financial statements of the Company have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers"

(2) Basis of preparation

Except for the following items, the Individual financial statements have been prepared under the historical cost convention:

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires 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 Individual financial statements are disclosed in Note 5.

When the company prepares the individual financial report, the investment subsidiary adopts the equity method. To make the Individual financial report's current year's profit and loss, other comprehensive gains and losses, and the company's consolidated financial report for the current year attributable to the company's owners, other comprehensive benefits and equity being the same, some accounting treatment differences adjusted based on the individual basis and the consolidated basis of "investments using the equity method", "shares of profits and losses of subsidiaries using the equity method", "shares of other comprehensive profits and losses of subsidiaries using the equity method" and related equity items.

(3) Classification of current and non-current items

1. Assets that meet one of the following criteria are classified as current assets: otherwise they are classified as non-current assets:
  - (1) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle.
  - (2) Assets held mainly for trading purposes.
  - (3) Assets that are expected to be realized within twelve months from the balance sheet date.
  - (4) 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 balance sheet date.
2. Liabilities that meet one of the following criteria are classified as current liabilities: otherwise they are classified as non-current liabilities:
  - (1) Liabilities that are expected to be settled within the normal operating cycle.
  - (2) Liabilities arising mainly from trading activities.
  - (3) Liabilities that are to be settled within twelve months from the balance sheet date.
  - (4) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. 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.

(4) Foreign currency

When each entity prepares financial reports, transactions in currencies other than the functional currency (foreign currency) are converted into functional currency records based on the exchange rate on the transaction day.

Monetary items in foreign currencies are translated at the closing exchange rate on each balance sheet date. The exchange difference arising from the currency items of delivery or the conversion of currency items is recognized in the current period profit and loss.

The fair value of foreign currency non-monetary items is used to determine the exchange rate on the day of fair value rate conversion, the resulting exchange difference is listed in the current profit and loss, but if the change in fair value is recognized in other comprehensive gains and losses, the resulting conversion difference is listed in other comprehensive gains and losses.

Non-monetary items in foreign currencies as measured by historical cost are converted at the exchange rate on the transaction date and will not be converted again.

When preparing the Individual financial report, the assets and liabilities of foreign operating organizations (including subsidiaries in the country where they operate or whose currency is different from that of the company) are converted into New Taiwan dollars at the exchange rate on each balance sheet date.

The income and expense items are converted at the average exchange rate of the current period. The resulting exchange difference is listed in other comprehensive profit and loss, and accumulated under the equity of the conversion difference of the foreign operation's financial statements.

If the company disposes of all the rights and interests of the foreign operation, the accumulated exchange difference related to the foreign operations will be reclassified to profit or loss. If the partial disposal of the subsidiaries of the foreign operation does not result in the loss of control, the accumulated exchange difference is re-attributed to the subsidiary's non-controlling interests and is not recognized as a profit or loss.

(5) Inventories

Inventories are stated at the lower of cost and net realized value. Cost is determined using the weighted-average method. Net realized value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(6) Non-current assets classified as held for sale

The carrying amount of non-current assets is expected to be mainly through sales transactions rather than continued use. When closed, it is classified as pending sale. Non-current assets that meet this classification must be available for immediate sale in their current state, and their sale must be highly probable. When the appropriate level of management commits to the plan to sell the asset, and the sale transaction is expected to start from the classification date when completed within one year, it will meet the sale as highly likely.

Non-current assets classified as pending for sale are measured at the lower of the book value and fair value less the cost of sale, and depreciation is stopped for such assets.

(7) Investments accounted for using equity method- subsidiaries

The company uses the equity method to handle investments in subsidiaries.

A subsidiary refers to an entity that the company has control over. Under the equity method, the investment is initially recognized at cost, and the book amount obtained in the future will increase or decrease according to the company's share of subsidiary profit and loss and other comprehensive profit and loss shares and profit distribution. Moreover, the change in the company's other rights and interests of subsidiaries are recognized based on the shareholding ratio.

When the company's change in ownership and equity of the subsidiary does not result in the loss of control, it is regarded as equity transaction processing. Between the book value of the investment and the fair value of the consideration paid or received the difference is directly recognized as equity.

When the company's share of the subsidiary's loss equals or exceeds its equity in the subsidiary (including the book amount of the subsidiary under the equity method and the other long-term rights and interests as part of the company's net investment), the system continues to recognize the loss based on the shareholding ratio .

The amount of the acquisition cost exceeding the company's share of the net fair value of the identifiable assets and liabilities of the subsidiary that constitutes the business on the acquisition date is classified as goodwill, which is included in the book value of the investment and cannot be amortized. The amount by which the net fair value of the identifiable assets and liabilities of the subsidiary's identifiable assets and liabilities that constitute the business on the day exceeds the cost of acquisition is recorded as current income.

When assessing impairment, the company considers the cash-generating unit as a whole in the financial report and compares its recoverable amount with the book value. If the recoverable amount of the asset increases subsequently, the reversal of the impairment loss is recognized as an interest, but the book value of the asset after the reversal of the impairment loss shall not exceed the asset in the case of unrecognized impairment loss, the deduction should be withdrawn the book amount after amortization. The impairment loss attributable to goodwill shall not be reversed in subsequent periods. When the company loses control of a subsidiary, it measures its remaining investment in the former subsidiary at the fair value on the date of loss of control. The fair value of the remaining investment and the difference between any disposal price and the book value of the investment on the date of loss of control are included in Current profit and loss. In addition, all amounts recognized in other comprehensive profits and losses related to the subsidiary are accounted for on the same basis as the company's direct disposal of related assets or liabilities. The unrealized gains and losses of downstream transactions between the company and its subsidiaries are eliminated in the Individual financial report. The profits and losses arising from the counter-current and side-current transactions between the company and its subsidiaries are only recognized in the Individual financial reports within the scope that has nothing to do with the company's equity in the subsidiaries.

(8) Property, plant and equipment

Real estate, plant and equipment are recognized at cost, and subsequently cost minus accumulated depreciation and the amount after the accumulated impairment loss is measured.

The real property, plant and equipment under construction are the cost minus the accumulated impairment loss and the amount is recognized. Cost includes professional service fees and borrowing costs that meet the capitalization conditions. When these assets are completed and reach the expected state of use, they are classified into real estate, plant and equipment of the appropriate categories of equipment and start depreciation.

Except for self-owned land, which is not depreciated, the rest of the real estate, plant and equipment will be depreciated on a straight-line basis within the service life of each significant part. The company is at least to review the estimated service life, residual value and depreciation method at the end of each year, and postpone the impact of changes in applicable accounting estimates.

When real estate, plant and equipment are delisted, the difference between the net disposal price and the book value of the asset is recognized in profit and loss.

(9) Investment real estate

Investment real estate refers to real estate held for the purpose of earning rent or capital appreciation or both (including right-of-use assets that meet the definition of investment real estate). Investment real estate also includes land that has not yet been determined for future use.

Self-owned investment real estate is initially measured at cost (including transaction costs), and subsequently measured at the amount of cost minus accumulated depreciation and accumulated impairment losses.

The investment real estate acquired by the lease is initially measured at cost (including the original measurement amount of the lease liability and the lease payment paid before the lease start date), and subsequently measured at the amount after the cost minus the accumulated depreciation and accumulated impairment losses, and the lease liability is adjusted again.

All investment real estate is depreciated on a straight-line basis. Real estate, plant and equipment are transferred to investment real estate on the book amount at the end of self-use.

When investment real estate is delisted, the difference between the net disposal price and the asset's book value is recognized in profit and loss.

(10) Intangible Assets

1. Acquired separately:

The limited-life intangible asset acquired separately is measured at cost, and subsequently measured at cost less accumulated amortization and accumulated impairment losses. The intangible asset is amortized on a straight-line basis over its estimated useful life. At the end of each fiscal year, the Company reviews its estimated useful life, residual value, and amortization method, and defers the impact of any accounting estimate changes.

2. Derecognition:

When an intangible asset is derecognized, any difference between the net disposal proceeds and the carrying amount of the asset is recognized in the income statement.

(11) Impairment of non-financial assets

The company assesses on each balance sheet date whether there are any indications that real property, plant and equipment, right-of-use assets, investment real estate and intangible assets may have been impaired. If there is any sign of impairment, estimate the recoverable amount of the asset. If the recoverable amount of an individual asset cannot be estimated, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of the fair value less the cost of sale and its use value. If the recoverable amount of an individual asset or cash-generating unit is lower than its book value, the book value of the asset or cash-generating unit is reduced to its recoverable amount, and the impairment loss is recognized in profit and loss.

When the impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is adjusted to the revised recoverable amount, but the increased carrying amount does not exceed the asset or cash-generating unit if the impairment is not recognized in the previous year which the book value determined at the time of the loss (minus amortization or depreciation). The reversal of the impairment loss is recognized in the profit and loss.

(12) Financial instruments

Financial assets and financial liabilities are recognized on the Individual balance sheet of the company which becomes one of the contractual terms of the instrument.

When financial assets and financial liabilities are initially recognized, if financial assets or financial liabilities are not measured at fair value through profit and loss, they are directly attributable to the acquisition or issuance of financial assets or financial liabilities at fair value plus the transaction cost measurement. Directly attributable to the acquisition or issuance of financial assets or financial liabilities measured at fair value through profit and loss is immediately recognized as profit and loss.

## 1. Financial assets

Conventional transactions of financial assets are recognized and delisted by accounting on the transaction date.

### (1) Type of measurement

The types of financial assets held by the company are financial assets measured at amortized cost and equity instruments measured at fair value through other comprehensive gains and losses.

#### A. Financial assets measured at amortized cost

If the financial assets invested by the company meet the following two conditions, they are classified as financial assets measured at amortized cost:

- (a) It is held under a certain business model, the purpose of which is to hold financial assets
- (b) The contract terms generate cash flows on a specific date, and these cash flows are completely to collect contractual cash flows; and to pay the principal and interest on the amount of principal in circulation.

Financial assets measured at amortized cost (including cash and cash equivalents, accounts receivable at amortized cost, other receivables and other financial assets) are determined by the effective interest method after initial recognition. The total book value is measured after deducting any impairment loss after amortization, and any foreign currency exchange gains and losses are recognized in profit and loss.

Except for the following two cases, interest income is the effective interest rate multiplied by the financial asset of total book amount:

- (a) For purchased or created credit-impaired financial assets, interest income is calculated by multiplying the effective interest rate after credit adjustment by the amortized cost of the financial asset.
- (b) For financial assets that are not purchased or original credit impairment, but subsequently become credit impairment, you should be confident to calculate interest income by multiplying the effective interest rate by the amortized cost of the financial asset from the next reporting period after the impairment.

Equivalent cash includes fixed deposits that are highly liquid and can be converted into fixed cash at any time within 3 months from the date of acquisition, and are used to meet short-term cash commitments.

#### B. Through other comprehensive profit and loss equity instruments measured at fair value to invest in a consolidated company, at the time of initial recognition, an irrevocable choice may be made, which is not to hold for trading and is not recognized by the purchaser of the business merger or has the consideration. Instrument investment is designated to be measured at fair value through other comprehensive gains and losses.

Equity instrument investments measured at fair value through other comprehensive gains and losses are measured at fair value, and subsequent changes in fair value are reported in other comprehensive gains and losses and accumulated in other equity. At the time of investment disposal, the accumulated profits and losses are directly transferred to retained earnings and are not reclassified as profits and losses.

The dividends of equity instrument investments measured at fair value through other comprehensive gains and losses are recognized in the profit and loss when the rights of the company to receive payments are established, unless the dividend clearly represents the recovery of part of the investment cost.

### (2) Impairment of financial assets

#### A. The company assesses the impairment losses of financial assets (including accounts receivable) measured at amortized cost based on expected credit losses on each balance sheet date.

#### B. Accounts receivable shall be recognized as an allowance loss based on the expected credit

loss during the duration. For other financial assets, first assess whether the credit risk has increased significantly since the initial recognition. If there is no significant increase, the allowance loss is recognized based on the 12-month expected credit loss, and if it has increased significantly, it is recognized based on the lifetime expected credit loss Allowance for losses.

- C. Expected credit loss is the weighted average credit loss based on the risk of default. The 12-month expected credit loss refers to the expected credit loss caused by the possible default event of the financial instrument within 12 months after the reporting date, and the lifetime expected credit loss represents the expected credit loss caused by all possible default events during the expected lifetime of the financial instrument. The impairment loss of all financial assets is reduced by the allowance account.

(3) Delisting of financial assets

The company only lapses in the contractual rights from the cash flow of financial assets. It has transferred the financial assets and almost all risks and reports of the ownership of the assets. When transferring to other enterprises, the financial assets are only delisted. When the financial assets measured at the amortized cost are delisted as a whole, their book amount is the difference between the consideration received is recognized in profit and loss. When the equity instrument investment measured at fair value through other comprehensive gains and losses is declassified as a whole, the accumulated gains and losses are directly transferred to the retained earnings are not reclassified as profit or loss.

2. Financial liabilities and equity instruments

(1) Classification of liabilities or equity

The debt and equity instruments issued by the amalgamating company are classified as financial liabilities or equity based on the substance of the contractual agreement and the definition of financial liabilities and equity instruments.

An equity instrument refers to any contract that recognizes the remaining equity of the company after deducting all its liabilities from its assets. The equity instruments issued are recognized by the company after the acquired price deducting the cost of direct issuance.

(2) Financial liabilities

Financial liabilities are not held for trading and are not designated as those measured at fair value through profit or loss (including payables). The initial recognition is based on fair value plus direct attributable transaction cost measurement; follow-up evaluation adopts effective interest rate method to amortize this measure.

(3) Delisting of financial liabilities

The company delists financial liabilities when contractual obligations have been fulfilled, cancelled, or expired debt.

When excluding financial liabilities, the difference between its book value and the total consideration paid or payable (including any transferred non-cash assets or liabilities assumed) is recognized as profit and loss.

(13) Liability provision

When the company has current obligations (statutory or constructive obligations) due to past events, and is likely to be required to pay off the obligations, and the amount of the obligations can be reliably estimated, the liability provision shall be recognized. The amount recognized as a liability reserve is based on the risk and uncertainty of the obligation, and is the best estimate of the expenditure required to settle the obligation on the balance sheet date. The liability reserve is measured by discounting the estimated cash flow of the settlement obligation.

(14) Income recognition

After the company recognizes the performance obligations in the customer contract, it allocates the transaction price to each performance

obligations, and recognize income when each performance obligation is met.

Commodity sales revenue

1. Commodity sales revenue comes from the manufacture and sale of polarizers. Sales revenue is recognized when the control of the product is transferred to the customer, that is, when the product is delivered to the customer and the combined company has no outstanding performance obligations that may affect the customer's acceptance of the product. Because when the goods arrive at the customer's designated location, the customer has the right to set the price and use of the goods and bears the main responsibility for resale, and bears the risk of obsolescence and obsolescence of the goods, the consolidated company recognizes revenue and receivables at that point in time Accounts. The advance receipts received before the arrival of the goods are recognized as contract liabilities.
2. Commodity sales revenue is measured by the fair value of the consideration received or receivable, and deducted estimated customer returns, discounts and other similar discounts. The combined company estimates possible sales returns and discounts based on historical experience and other known reasons, and recognizes them accordingly refund liabilities and related rights to return products.

(15) Rent

The company assesses whether the contract belongs to (or contains) a lease on the date of contract establishment.

1. The consolidated company is the lessor

When the lease term is to transfer almost all the risks and rewards attached to the ownership of the asset to the lessee classifies it as a finance lease. All other leases are classified as operating lease.

When the company subleases the right-of-use asset, the right-of-use asset (not the underlying asset) is used to determine the classification of the sublease. However, if the main lease is a short-term when leasing, the sublease is classified as an operating lease.

Under operating leases, lease payments after deduction of lease incentives are recognized as income on a straight-line basis during the relevant lease period. The lease negotiation with the lessee is related to lease repair from the effective date of the change, it will be treated as a new lease.

2. The company is the lessee

Except for the lease payments of low-value underlying asset leases and short-term leases that are subject to the applicable recognition exemption, the lease payments are recognized as expenses during the lease period on a straight-line basis, and all other leases are opened in the lease. The right-of-use assets and lease liabilities are recognized on the inception date.

The right-of-use asset is initially measured at cost, which comprises the initial measurement of the lease liabilities, adjusted for any lease payments made at or before the commencement date, less any lease incentives received, plus any initial direct costs incurred and an estimate of costs needed to dismantle, remove and restore the underlying assets and the subsequent measures are measured at the cost after deducting the accumulated depreciation and accumulated impairment losses, and the remeasurement amount of the lease liability is adjusted.

Except for those that meet the definition of investment real estate, right-of-use assets are separately expressed in the Individual balance sheet, and the recognition and balance of right-of-use assets that meet the definition of investment real estate, please refer to Note 4 (9) Accounting Policy for Investment Real Estate.

The right-of-use asset adopts a straight-line basis from the lease start date to the end of its useful life or the lease period expires, the earlier of the two shall be depreciated.

The lease liability was originally measured at the present value of the lease payment. If the implicit interest rate of the lease is easy to determine, the lease payment is discounted using that interest rate. If the interest rate is not easy to determine, use the lessee to increase the borrowing interest rate.

Subsequently, the lease liability is measured on the amortized cost basis using the effective interest method, and the interest expense is amortized during the lease period. If the lease period or the index or rate used to determine the lease payment changes resulting in a change in the future lease payment, the company will continue measure the lease liability and relatively adjust the right-of-use asset. However, if the book value of the right-of-use asset has been reduced to zero, the remaining remeasured amount is recognized in the profit and loss. For lease modifications that are not treated as separate leases, the scope of the lease is reduced The remeasurement of the lease liability is to reduce the right-of-use asset and recognize the profit and loss of the partial or full termination of the lease; the remeasurement of the lease liability for other modifications is to adjust the right-of-use asset, and the lease liability is separately expressed in the Individual balance sheet.

The company and the lessor negotiated rents directly related to the COVID-19, adjusted the rents due before June 30, 2021, resulting in a decrease in rents. These negotiations did not materially change other lease terms. The company chooses to adopt practical expedients to handle all rental negotiations that meet the aforementioned conditions, and does not assess whether the negotiation is a lease modification, but recognizes the reduction of lease payments in the profit and loss when the concession event or situation occurs, and relatively reduces the lease debt.

(16) Employee benefits

1. Short-term employee benefits:

Short-term employee benefits are measured by the expected non-discounted amount of cash paid, and are recognized as expenses when the relevant services are provided.

2. Retirement fund:

(1) Definite allocation plan:

For the definite allocation plan, the amount of the retirement fund that should be allocated is recognized as the current pension expense on the basis of accrual. The advance payment is recognized as an asset within the scope of refundable cash or reduced future payments.

(2) Definite benefit plan:

The net obligation under the definite benefit plan is calculated by discounting the amount of future benefits earned by the employee for the current or past services, and the current value of the definite benefit obligation on the balance sheet date minus the fair value of the plan assets. The net obligation to determine benefits is calculated by the actuary every year using the projected unit benefit method, and the discount rate is determined by referring to the market yield rate of high-quality corporate bonds that are consistent with the currency and period of the determined benefit plan on the balance sheet date; in high-quality corporate bonds For countries with no deep market, the market yield rate of government bonds (at the balance sheet date) is used. The remeasurement amount generated by the determined benefit plan is recognized in other comprehensive profit and loss in the current period and included in the retained surplus. The related expenses of the previous service cost are immediately recognized as a loss.

3. Retirement fund:

Resignation benefits are benefits provided when the employee's employment is terminated before the normal retirement date or when the employee decides to accept the company's welfare invitation in exchange for termination of employment. The company recognizes expenses when the offer for resignation benefits can no longer be revoked or when the relevant reorganization costs are recognized earlier, and it is not expected that the benefits that are fully paid off within 12 months after the balance sheet date should be granted discount.

(17) Income taxes

1. Current income tax:

The company determines the current income (loss), based on which to calculate the payable (recoverable) income tax.

The undistributed surplus calculated in accordance with the provisions of the Income Tax Law of the Republic of China is subject to additional income tax, recognized by the resolution of the Shareholders' annual meeting.

The adjustment of income tax payable in previous years is included in current income tax.

2. Deferred income tax:

Deferred income tax is calculated based on the temporary difference between the book value of assets and liabilities and the tax basis for calculating taxable income.

Deferred income tax liabilities are generally recognized for all taxable temporary differences, while deferred income tax assets are recognized when there is likely to be taxable income for deduction of temporary differences or loss deductions.

Taxable temporary differences related to investment in subsidiaries are recognized as deferred income tax liabilities, but if the company can control the timing of the reversal of the temporary difference, and the temporary difference is likely to not revert in the foreseeable future except. The deductible temporary differences related to this type of investment are recognized as deferred income tax only if it is likely to have sufficient taxable income to realize the temporary difference, and within the scope of expected return in the foreseeable future assets.

The carrying amount of deferred income tax assets is reviewed on each balance sheet date, and the carrying amount is reduced for those that are no longer likely to have sufficient taxable income to recover all or part of their assets. Those that were not previously recognized as deferred income tax assets are also reviewed on each balance sheet date and are likely to generate taxable income for the recovery of all or part of their assets in the future, increase the carrying amount.

Deferred income tax assets and liabilities are measured by the tax rate for the current period of expected debt settlement or asset realization. The tax rate is based on the tax rate and tax law that has been legislated or substantively legislated on the balance sheet date, and the deferred tax liabilities and assets are measured. It reflects the tax consequences arising from the manner in which the company expects to recover or settle the book value of its assets and liabilities on the balance sheet date.

3. Current and deferred income tax:

Current and deferred income taxes are recognized in profit or loss, but current and deferred income taxes related to items recognized in other comprehensive income or directly included in equity are recognized in other comprehensive profit or loss may be directly included in equity.

## 5. Critical Accounting Judgments and Key Sources of Estimation and Assumption Uncertainty

When the company adopts the accounting policies described in Note 4, for those who cannot easily obtain information about the carrying amounts of assets and liabilities from other sources, the management must base on historical experience And other relevant factors to make relevant judgments, estimates and assumptions. The estimates and related assumptions are based on historical experience and other factors deemed relevant. Actual results may differ from estimates. Estimates and basic assumptions are continuously reviewed. If the revision of the estimate only affects the current period, it shall be recognized in the current period of the revision of the accounting estimate. If the revision of the accounting estimate affects both the current period and the future period, it shall be recognized in the current period and the future period of the estimate revision. The main sources of uncertainties in major accounting judgments, estimates and assumptions of the company are as follows:

### (1) Evaluation of inventories

Since inventory must be priced at the lower of cost and net realizable value, the merging company must use judgment and estimation to determine the net realizable value of the inventory at the end of the financial reporting period. Due to the rapid changes in the industry, the company assesses the amount of inventory at the end of the financial reporting period due to normal depletion, obsolescence, or no market sales value, and offsets the inventory cost to the net realizable value. This inventory evaluation is mainly based on the product demand in a specific period in the future, which may cause major changes.

### (2) Estimated impairment of financial assets

The estimated impairment of accounts receivable is based on the assumption of default rate and expected loss rate of the company. The company considers historical experience, current market conditions and forward-looking information to make assumptions and select input values for impairment assessment. For important assumptions and input values used, please refer to Note 6 (4). If the actual future cash flow is less than expected, it may be incurred significant impairment losses.

### (3) Assessment of impairment of non-financial assets

In the process of asset impairment assessment, the company must rely on subjective judgments and determine the independent cash flow of a specific asset group, the number of years of asset durability, and the possible future income and expenses of a specific asset group based on the use of assets and industrial characteristics. Changes or estimated changes brought about by the company's strategy may cause significant impairment or reversal of recognized impairment losses in the future.

### (4) The realized of deferred income tax assets

Deferred income tax assets are recognized when there is likely to be sufficient taxable income in the future to deduct temporary differences. When assessing the feasibility of deferred income tax assets, significant accounting judgments and estimates of the management must be involved, including the expected future sales revenue growth and profit rate, tax exemption period, applicable income tax deductions and tax regulations and cost-effective assumption. Any changes in the global economic environment, industrial environment and laws and regulations may cause major adjustments to deferred income tax assets.

## 6. Description of Significant Accounts

### (1) Cash

|                                      | December 31, 2022 | December 31, 2021 |
|--------------------------------------|-------------------|-------------------|
| Cash on hand                         | \$ 316            | \$ 611            |
| Demand deposits and checking account | 58,527            | 67,522            |
| Total                                | \$ 58,843         | \$ 68,133         |

### (2) Financial assets measured at fair value through other comprehensive income

#### Equity instrument investment

|                               | December 31, 2022 | December 31, 2021 |
|-------------------------------|-------------------|-------------------|
| <u>Non-current</u>            |                   |                   |
| Domestic stock company shares | \$ 11,282         | \$ 20,000         |
| Non-listed stock of company   |                   |                   |

The company's investment in foreign unlisted companies is for the purpose of medium and long-term holding, and it is expected profit through long-term investment. The management believes that if the fair value fluctuations of these investments are included in the profit and loss, it is inconsistent with the aforementioned investment plan, so they choose to designate the investment through other comprehensive gains and losses measured at fair value.

### (3) Financial assets at amortized cost

|                                                             | December 31, 2022 | December 31, 2021 |
|-------------------------------------------------------------|-------------------|-------------------|
| <u>Current</u>                                              |                   |                   |
| Domestic investment                                         |                   |                   |
| Time deposits with original maturity more than three months | \$ 3,500          | \$ 53,500         |
| Interest rate range                                         | 1.440%            | 0.120% ~0.815%    |

For information on providing guarantees for the current financial assets measured at amortized cost, please refer to Note 8.

(4) Net notes and accounts receivable

|                                         | December 31, 2022 | December 31, 2021 |
|-----------------------------------------|-------------------|-------------------|
| <u>Notes receivable</u>                 |                   |                   |
| <u>(Listed on other current assets)</u> |                   |                   |
| Occurs due to business                  | \$ 3,453          | \$ 3,464          |
| Less: loss allowance                    | (3,413)           | (3,413)           |
|                                         | <u>\$ 40</u>      | <u>\$ 51</u>      |
| <u>Accounts receivable</u>              |                   |                   |
| Measured at amortized cost              |                   |                   |
| Total book amount                       | \$ 687,969        | \$ 739,175        |
| Less: loss allowance                    | (9,833)           | (16,415)          |
|                                         | <u>\$ 678,136</u> | <u>\$ 722,760</u> |

1. In principle, the credit investment period of the company to customers is 30 to 120 days after the invoice date. In order to reduce credit risk, the management of the company assigns a dedicated team to credit limit determination, credit approval and other monitoring procedures to ensure overdue accounts receivable appropriate actions have been taken for the recovery. In addition, the company will gradually review the recoverable amount of accounts receivable to ensure that the accounts receivable that cannot be recovered have been properly deducted.
2. The company recognizes the allowance loss of accounts receivable based on the expected credit loss during the duration. The expected credit loss during the existence period takes into account the past default records of customers and the current financial situation, industrial economic situation, and also considers the overall economic and industrial outlook. Separate individual customers into different risk groups and recognize allowance losses based on the expected loss rate of each group lost.
3. If there is evidence that the counterparty of the transaction is facing serious financial difficulties and the company cannot reasonably expect the recoverable amount, the company directly writes off the relevant accounts receivable, but will continue to pursue recourse activities. The amount recovered due to recourse is recognized in profit and loss.
4. The allowance loss for accounts receivable of the company was as follows:

|                                                    | December 31, 2022 |                    |                     |                     |                        |                   |
|----------------------------------------------------|-------------------|--------------------|---------------------|---------------------|------------------------|-------------------|
|                                                    | Not past due      | Past due 1~30 days | Past due 31~60 days | Past due 61~120 day | Past due over 121 days | Total             |
| Expected credit loss rate                          | 0.35%~0.83%       | 0.43%~1.02%        | 0.51%~1.21%         | 0.59%~1.60%         | 0.75%~100%             |                   |
| Carrying amount                                    | \$ 509,000        | \$ 133,714         | \$ 67,744           | \$ 16,739           | \$ 64,480              | \$ 791,677        |
| Loss allowance for lifetime expected credit losses | (1,966)           | (8,197)            | (25,213)            | (12,560)            | (50,457)               | (98,393)          |
| Amortized cost                                     | <u>\$ 507,034</u> | <u>\$ 125,517</u>  | <u>\$ 42,531</u>    | <u>\$ 4,179</u>     | <u>\$ 14,023</u>       | <u>\$ 693,284</u> |

|                                                    | December 31, 2021 |                    |                     |                     |                        |            |
|----------------------------------------------------|-------------------|--------------------|---------------------|---------------------|------------------------|------------|
|                                                    | Not past due      | Past due 1~30 days | Past due 31~60 days | Past due 61~120 day | Past due over 121 days | Total      |
| Expected credit loss rate                          | 0.83%~<br>1.31%   | 1.02%~<br>1.61%    | 1.21%~<br>1.91%     | 1.4%~<br>2.52%      | 1.79%~<br>100%         |            |
| Carrying amount                                    | \$ 626,206        | \$ 93,023          | \$ 59,126           | \$ 52,188           | \$ 32,636              | \$ 863,179 |
| Loss allowance for lifetime expected credit losses | (8,194)           | (979)              | (29,650)            | (35,548)            | (30,604)               | (104,975)  |
| Amortized cost                                     | \$ 618,012        | \$ 92,044          | \$ 29,476           | \$ 16,640           | \$ 2,032               | \$ 758,204 |

5. The movement of the loss allowance for notes and accounts receivable was as follows:

| 2022                                   |                  |                     |
|----------------------------------------|------------------|---------------------|
|                                        | Notes receivable | Accounts receivable |
| Balance at the beginning of the period | \$ 3,413         | \$ 104,975          |
| Impairment Loss in the current period  | —                | (6,582)             |
| Balance at the end of the period       | \$ 3,413         | \$ 98,393           |

  

| 2021                                   |                  |                     |
|----------------------------------------|------------------|---------------------|
|                                        | Notes receivable | Accounts receivable |
| Balance at the beginning of the period | \$ 3,413         | \$ 21,954           |
| Impairment Loss in the current period  | —                | 84,937              |
| Actual write-off for the period        | —                | (1,916)             |
| Balance at the end of the period       | \$ 3,413         | \$ 104,975          |

(5) Other accounts receivable

|                                          | December 31, 2022 | December 31, 2021 |
|------------------------------------------|-------------------|-------------------|
| Operating lease receivable               | \$ 49             | \$ 76             |
| Refundable business tax                  | 6,799             | 19,346            |
| Other accounts receivable-other          | 198               | 3,338             |
| Other accounts receivable- related party | 188,579           | 165,853           |
| Sub-total                                | 195,625           | 188,613           |
| Less: loss allowance                     | (4,830)           | (2,127)           |
| Total                                    | \$ 190,795        | \$ 186,486        |

The movement of the loss allowance for other accounts receivable was as follows:

|                                                      | 2022     | 2021      |
|------------------------------------------------------|----------|-----------|
| Balance at the beginning of the period               | \$ 2,127 | \$ 17,794 |
| (Reversal of ) Impairment Loss in the current period | 2,703    | (15,667)  |
| Balance at the end of the period                     | \$ 4,830 | \$ 2,127  |

(6) Inventories

|                      | December 31, 2022 | December 31, 2021 |
|----------------------|-------------------|-------------------|
| Finished goods       | \$ 316,016        | \$ 366,258        |
| Work in process      | 326,062           | 403,679           |
| Raw materials        | 314,770           | 369,944           |
| Inventory in transit | 2,855             | 24,880            |
| Total                | \$ 959,703        | \$ 1,164,761      |

The amounts recognized as cost of sales in relation to inventories were as follows:

|                                       | 2022         | 2021         |
|---------------------------------------|--------------|--------------|
| Inventories sold                      | \$ 2,199,834 | \$ 2,501,394 |
| Gain from price recovery of inventory | 13,175       | (27,984)     |
| Unapplied manufacturing expenses      | 46,411       | 26,404       |
| Income from Sale of Scrap and Wastes  | (56,587)     | (88,881)     |
| Others                                | (9)          | 55           |
| Total                                 | \$ 2,202,824 | \$ 2,410,988 |

The gain from price recovery in the net realizable value of the inventories of the company in 2021, was mainly due to the sale of the inventory that had been assessed for loss in previous years.

(7) Investments accounted for using equity method

Investment in subsidiary-company

|                                          | December 31, 2022 | December 31, 2021 |
|------------------------------------------|-------------------|-------------------|
| Non-listed company                       |                   |                   |
| OPTIMAX OPTOELECTRONIC (MAURITIUS) CORP. | \$ 2,199,834      | \$ 2,501,394      |
| ART OPTRONICS CORP.                      | 13,175            | (27,984)          |
| Total                                    | 46,411            | 26,404            |

1. The company's ownership interest and percentage of voting rights in subsidiaries on the balance sheet date as follows:

| Subsidiary name                          | The company's capital and voting rights are divided into % |                   |
|------------------------------------------|------------------------------------------------------------|-------------------|
|                                          | December 31, 2022                                          | December 31, 2021 |
| OPTIMAX OPTOELECTRONIC (MAURITIUS) CORP. | 100%                                                       | 100%              |
| ART OPTRONICS CORP.                      | 100%                                                       | 100%              |

2. For the details of the investment subsidiaries indirectly held by the company, please refer to Attached Table 6.

(8) Property, plant and equipment

| Item                            | 2022                       |             |            |                  | Balance at December 31, 2022 |
|---------------------------------|----------------------------|-------------|------------|------------------|------------------------------|
|                                 | Balance at January 1, 2022 | Additions   | Disposals  | Reclassification |                              |
| <u>Cost</u>                     |                            |             |            |                  |                              |
| Land                            | \$ 479,697                 | \$ —        | \$ —       | \$ (115,000)     | \$ 364,697                   |
| Buildings                       | 3,192,311                  | 5,526       | (23,675)   | (678,668)        | 2,495,494                    |
| Machinery                       | 3,767,647                  | 28,333      | (189,028)  | (32,611)         | 3,574,341                    |
| Transportation equipment        | 104,891                    | —           | (1,709)    | —                | 103,182                      |
| Office equipment                | 117,139                    | 383         | (20,997)   | —                | 96,525                       |
| Other                           | 48,836                     | 349         | (8,444)    | —                | 40,741                       |
| Sub-total                       | 7,710,521                  | 34,591      | (243,853)  | (826,279)        | 6,674,980                    |
| <u>Accumulated depreciation</u> |                            |             |            |                  |                              |
| Buildings                       | 1,675,170                  | 39,602      | (23,106)   | (262,400)        | 1,429,266                    |
| Machinery                       | 3,639,871                  | 9,953       | (184,098)  | (31,554)         | 3,434,172                    |
| Transportation equipment        | 100,341                    | 482         | (1,648)    | —                | 99,175                       |
| Office equipment                | 109,483                    | 763         | (20,604)   | —                | 89,642                       |
| Other                           | 45,135                     | 231         | (7,368)    | —                | 37,998                       |
| Sub-total                       | 5,570,000                  | 51,031      | (236,824)  | (293,954)        | 5,090,253                    |
| <u>Accumulated impairment</u>   |                            |             |            |                  |                              |
| Buildings                       | 17                         | —           | —          | —                | 17                           |
| Machinery                       | 11,268                     | —           | (1,726)    | —                | 9,542                        |
| Transportation equipment        | 1,177                      | —           | (19)       | —                | 1,158                        |
| Office equipment                | 2,768                      | —           | (61)       | —                | 2,707                        |
| Other                           | 404                        | —           | (376)      | —                | 28                           |
| Sub-total                       | 15,634                     | —           | (2,182)    | —                | 13,452                       |
| Total                           | \$2,124,887                | \$ (16,440) | \$ (4,847) | \$ (532,325)     | \$1,571,275                  |

| Item                                | 2021                          |             |            |                  | Balance at<br>December 31,<br>2021 |
|-------------------------------------|-------------------------------|-------------|------------|------------------|------------------------------------|
|                                     | Balance at<br>January 1, 2021 | Additions   | Disposals  | Reclassification |                                    |
| <u>Cost</u>                         |                               |             |            |                  |                                    |
| Land                                | \$ 479,697                    | \$ —        | \$ —       | \$ —             | \$ 479,697                         |
| Buildings                           | 3,236,522                     | 14,026      | (7,745)    | (50,492)         | 3,192,311                          |
| Machinery                           | 4,021,077                     | 9,613       | (263,043)  | —                | 3,767,647                          |
| Transportation<br>equipment         | 111,066                       | —           | (6,175)    | —                | 104,891                            |
| Office equipment                    | 232,449                       | 1,053       | (116,363)  | —                | 117,139                            |
| Other                               | 56,204                        | 563         | (7,931)    | —                | 48,836                             |
| Sub-total                           | 8,137,015                     | 25,255      | (401,257)  | (50,492)         | 7,710,521                          |
| <u>Accumulated<br/>depreciation</u> |                               |             |            |                  |                                    |
| Buildings                           | 1,650,368                     | 51,252      | (7,242)    | (19,208)         | 1,675,170                          |
| Machinery                           | 3,878,662                     | 18,336      | (257,127)  | —                | 3,639,871                          |
| Transportation<br>equipment         | 105,402                       | 936         | (5,997)    | —                | 100,341                            |
| Office equipment                    | 221,819                       | 1,425       | (113,761)  | —                | 109,483                            |
| Other                               | 52,448                        | 339         | (7,652)    | —                | 45,135                             |
| Sub-total                           | 5,908,699                     | 72,288      | (391,779)  | (19,208)         | 5,570,000                          |
| <u>Accumulated<br/>impairment</u>   |                               |             |            |                  |                                    |
| Buildings                           | —                             | —           | —          | 17               | 17                                 |
| Machinery                           | 13,394                        | —           | (2,126)    | —                | 11,268                             |
| Transportation<br>equipment         | 1,199                         | —           | (22)       | —                | 1,177                              |
| Office equipment                    | 3,020                         | —           | (252)      | —                | 2,768                              |
| Other                               | 472                           | —           | (68)       | —                | 404                                |
| Sub-total                           | 18,085                        | —           | (2,468)    | 17               | 15,634                             |
| Total                               | \$ 2,210,231                  | \$ (47,033) | \$ (7,010) | \$ (31,301)      | \$ 2,124,887                       |

1. The real property, plant and equipment of the company are depreciated based on the following durability years:

Housing and construction

Plant main building 9 to 50 years

Electro mechanical power equipment 14 to 16 years

Other 2 to 18 years

Mechanical equipment 1 to 24 years

Other equipment 2 to 17 years

2. Details of property, plant and equipment were pledged as collateral of long-term borrowings and loans, please refer to Note 8.

(9) Leasing arrangements- lessee

1. Right-of-use assets

(1) The carrying amount of right-of-use assets and the depreciation charge are as follows:

|                                       | December 31, 2022 | December 31, 2021 |
|---------------------------------------|-------------------|-------------------|
| Carrying amount of right-of-use asset |                   |                   |
| Land                                  | \$ 12,849         | \$ 1,668          |
| Transportation equipment              | 2,786             | 1,957             |
| Office equipment                      | 344               | 803               |
| Total                                 | \$ 15,979         | \$ 4,428          |

  

|                                       | 2022     | 2021     |
|---------------------------------------|----------|----------|
| Carrying amount of right-of-use asset |          |          |
| Land                                  | \$ 1,668 | \$ 1,668 |
| Transportation equipment              | 1,363    | 1,591    |
| Office equipment                      | 459      | 459      |
| Total                                 | \$ 3,490 | \$ 3,718 |

- (2) The additions of the right-of-use assets of the company in 2022 and 2021 were respectively NT\$15,041,000 and NT\$1,560,000.
- (3) Except for the addition and recognition of depreciation expenses listed above, there was no significant sublease or depreciation of the right-of-use assets of the company in 2022 and 2021.

2. Leasing liabilities

|                                        | December 31, 2022 | December 31, 2021 |
|----------------------------------------|-------------------|-------------------|
| Carrying amount of leasing liabilities |                   |                   |
| Current                                | \$ 3,362          | \$ 3,235          |
| Non-current                            | \$ 12,647         | \$ 1,277          |

The discount rate ranges for lease liabilities are as follows:

|                          | December 31, 2022 | December 31, 2021 |
|--------------------------|-------------------|-------------------|
| Land                     | 2.5580%           | 1.8513%           |
| Transportation Equipment | 1.8513%~2.5580%   | 1.8513%           |
| Office Equipment         | 1.8513%           | 1.8513%           |

### 3. Important rental activities and terms

The assets leased by the company include land, official vehicles and photocopiers. The contract period usually ranges from 3 to 5.5 years. The lease is based on editors, with various terms and conditions, except that the tribute of the leased goods cannot be used for lending and holding. No other restrictions are imposed.

The company leased land to the Southern Science and Technology Industrial Park Administration Bureau from August 7, 2008 to December 31, 2044, and agreed to adjust the lease payment every 2 years. The lease can be renewed when the lease term ends.

The company was to activate assets and reduce operating expenses, on August 12, 2020, the board of directors decided to sell the branch in Southern Taiwan Science Park and its related ancillary equipment to Taiwan Semiconductor Manufacturing Co., Ltd., and signed a real estate purchase contract on October 19, 2020. The transfer of ownership was completed on January 6, 2021, and the land use right contract with the Southern Science Industrial Park was terminated ahead of schedule on January 5, 2021. From January 1st to December 31, 2021, due to the early termination of the lease contract, the recognition of lease modification benefits was NT\$11,398,000.

### 4. Other rental information

|                                | 2022     | 2021     |
|--------------------------------|----------|----------|
| Short-term rental expenses     | \$ 145   | \$ 6     |
| Low-value asset lease expenses | \$ 20    | \$ 78    |
| Total cash outflow from lease  | \$ 3,780 | \$ 4,308 |

The company chooses to pay for transportation equipment that meets short-term leases and low-value asset leases. The recognition exemption is applicable to certain office equipment leases under lease, and the recognition of such leases is not relevant. Related right-of-use assets and lease liabilities.

### (10) Leasing arrangements- lessor

1. The assets leased by the company include land, buildings, machinery and equipment, etc., and the contract period ranges from 1 to 5 years. The lease contract is negotiated separately and contains various terms and conditions. In order to preserve the use of leased assets, the lessor shall not sublet or pledge all or part of the leased object and agreed matters.
2. The benefits recognized by the company based on the operating lease contract are as follows:

|               | 2022      | 2021     |
|---------------|-----------|----------|
| Rental income | \$ 38,501 | \$ 1,819 |

3. The period ranges recognized by the company based on the operating lease contract are as follows:

|                          | December 31, 2022 | December 31, 2021 |
|--------------------------|-------------------|-------------------|
| The 1 <sup>st</sup> year | \$ 50,820         | \$ 6,578          |
| The 2 <sup>nd</sup> year | 49,422            | 5,714             |
| The 3 <sup>th</sup> year | 49,636            | 5,786             |
| The 4 <sup>th</sup> year | 48,136            | 6,000             |
| The 5 <sup>th</sup> year | 7,273             | 4,500             |
| Total                    | <u>\$ 205,287</u> | <u>\$ 28,578</u>  |

(11) Investment property

| Item                            | 2022                       |                  |                     |                   |                              |
|---------------------------------|----------------------------|------------------|---------------------|-------------------|------------------------------|
|                                 | Balance at January 1, 2022 | Additions        | Disposals           | Reclassification  | Balance at December 31, 2022 |
| <u>Cost</u>                     |                            |                  |                     |                   |                              |
| Land                            | \$ —                       | \$ 18,248        | \$ —                | \$ 115,000        | \$ 133,248                   |
| Buildings                       | 51,635                     | 3,779            | (2,704)             | 678,668           | 731,378                      |
| Sub-total                       | 51,635                     | 22,027           | (2,704)             | 793,668           | 864,626                      |
| <u>Accumulated depreciation</u> |                            |                  |                     |                   |                              |
| Buildings                       | 20,492                     | 11,662           | (1,639)             | 262,400           | 292,915                      |
| Sub-total                       | 20,492                     | 11,662           | (1,639)             | 262,400           | 292,915                      |
| <u>Accumulated impairment</u>   |                            |                  |                     |                   |                              |
| Buildings                       | 26                         | —                | —                   | —                 | 26                           |
| Total                           | <u>\$ 31,117</u>           | <u>\$ 10,365</u> | <u>\$ (1,065)</u>   | <u>\$ 531,268</u> | <u>\$ 571,685</u>            |
| Item                            | 2021                       |                  |                     |                   |                              |
|                                 | Balance at January 1, 2021 | Additions        | Disposals           | Reclassification  | Balance at December 31, 2021 |
| <u>Cost</u>                     |                            |                  |                     |                   |                              |
| Buildings                       | \$ 1,143                   | \$ —             | \$ —                | \$ 50,492         | \$ 51,635                    |
| Right-of-use                    | 733,905                    | —                | (733,905)           | —                 | —                            |
| Sub-total                       | 735,048                    | —                | (733,905)           | 50,492            | 51,635                       |
| <u>Accumulated depreciation</u> |                            |                  |                     |                   |                              |
| Buildings                       | 1,055                      | 229              | —                   | 19,208            | 20,492                       |
| Right-of-use                    | 40,167                     | 276              | (40,443)            | —                 | —                            |
| Sub-total                       | 41,222                     | 505              | (40,443)            | 19,208            | 20,492                       |
| <u>Accumulated impairment</u>   |                            |                  |                     |                   |                              |
| Buildings                       | 43                         | —                | —                   | (17)              | 26                           |
| Total                           | <u>\$ 693,783</u>          | <u>\$ (505)</u>  | <u>\$ (693,462)</u> | <u>\$ 31,301</u>  | <u>\$ 31,117</u>             |

1. The investment real property is depreciated based on the following durability years:

Buildings

|                                    |                |
|------------------------------------|----------------|
| Plant main building                | 9 to 50 years  |
| Electro mechanical power equipment | 14 to 16 years |
| Other                              | 2 to 18 years  |

2. The fair value of investment real estate held by the company is evaluated by independent experts on the date of each balance sheet using the third-level input value. The aforementioned evaluation of the main building of the plant and the auxiliary facilities of the building were evaluated using the cost method and the fixed rate method (declining balance method). The unobservable input values used include discount rate and depreciation rate, among others.

The fair value of investment real estate of the company on December 31, 2022 and 2021 was as follows:

|            | December 31, 2022 | December 31, 2021 |
|------------|-------------------|-------------------|
| Fair value | \$ 970,921        | \$ 34,876         |

3. Rental income and direct operating expenses of the investment real estate of the company:

|                                                                                                                             | 2022      | 2021   |
|-----------------------------------------------------------------------------------------------------------------------------|-----------|--------|
| Rental income from investment real estate                                                                                   | \$ 37,233 | \$ 954 |
| Direct operating expenses incurred by investment real estate that generates rental income in the current period             | \$ 27,809 | \$ 229 |
| Direct operating expenses incurred by investment real estate that does not generate rental income during the current period | \$ —      | \$ 276 |

4. The company acquired a land with a value of NT\$18,248,000, but due to its designation as agricultural land, the transfer of ownership cannot be registered under the company's name. As a result, the land was registered under the name of the company's chairman, and a contract for registered proxy was signed to clarify the rights and obligations of both parties.

5. Please refer to Note 8 for information on guarantees provided by investment real estate.

(12) Short-term borrowings

|                       | December 31, 2022 | December 31, 2021 |
|-----------------------|-------------------|-------------------|
| Collateral borrowings | \$ 31,499         | \$ 602,478        |
| Interest rate         | 1.5856%           | 1.5%~2.357%       |

1. The company signed a loan contract with Entie Commercial Bank on May 3, 2021, which is a short-term credit line contract with a short-term guaranteed loan amount of NT\$2,800,000,000. The first allocation of the credit line is limited to repayment of the bank line under the creditor's rights and debt negotiation mechanism. The company should send a letter to notify the main creditor's rights and debts negotiating banks before the allocation, and obtain the creditor's rights and debts negotiating bank group to send a letter or creditor's rights meeting to reply to agree.

The company has sent a letter on April 28, 2021 to notify the main credit and debt negotiation banks, and obtained the written consent of the credit and debt negotiation bank group on May 18, 2021. After obtaining the written consent of the credit and debt negotiation bank group, the company allocated the loan amount on May 20, 2021 to fully repay the bank loans under the credit and debt negotiation mechanism, and at the same time, the credit and debt negotiation mechanism was terminated.

Considering the overall operation and capital planning, the company signed a supplementary contract with Entie Commercial Bank on December 27, 2021, changing the short-term guarantee loan amount of NT\$1,790,000,000 to the medium-term loan guarantee amount, and re-signed a short-term loan amount of NT\$800,000,000. As for the guaranteed loan amount, the Company classifies short-term loans of NT\$1,790,000,000 as long-term loans from the date of signing.

2. Please refer to Note 8 for the provision of assets as guarantees for short-term loans.

(13) Accounts payable

|                 | December 31, 2022 | December 31, 2021 |
|-----------------|-------------------|-------------------|
| Account payable | \$ 83,570         | \$ 138,037        |

1. The average de-account period of payables is 30 to 180 days. The company has a financial risk management policy to ensure that all payables are repaid within the pre-agreed credit period.
2. The accounts payable and other accounts payable of the company exposed to exchange rate and liquidity risks for disclosure, please refer to Note 6 (28).

(14) Other payables

|                                                 | December 31, 2022 | December 31, 2021 |
|-------------------------------------------------|-------------------|-------------------|
|                                                 | December 31, 2022 | December 31, 2021 |
| Payable salary and bonus                        | \$ 56,445         | \$ 54,772         |
| Payable remuneration to employees and directors | 6,707             | —                 |
| Rent payable                                    | 127               | 154               |
| Payable labor fees                              | 1,150             | 910               |
| Payable insurance premium                       | 6,428             | 6,585             |
| Pension payable                                 | 2,635             | 2,786             |
| Interest payable                                | 1,280             | 1,296             |
| Equipment payment payable                       | 409               | 4,655             |
| Commission payable                              | 23,262            | 18,062            |
| Others                                          | 52,576            | 58,895            |
| Total                                           | \$ 151,019        | \$ 148,115        |

Other main accounts payable are consist of house tax, water, electricity and gas, freight, import fees, export fees and repair fees.

(15) Liability reserve-current

|                                      | December 31, 2022 | December 31, 2021 |
|--------------------------------------|-------------------|-------------------|
| Employee benefit liability provision | \$ 14,434         | \$ 15,436         |

1. Employee benefit liability provision is an assessment of employees' vested leave rights. It is reversed at the time of international vacation or cash payment.
2. The aforesaid reserves are not discounted because they are short-term or have little impact on discounting.

(16) Long-term borrowings

|                                          | December 31, 2022 | December 31, 2021 |
|------------------------------------------|-------------------|-------------------|
| Medium and long-term bank mortgage loans | \$ 1,590,000      | \$ 1,790,000      |
| Less: part due within one year           | 1,590,000         | —                 |
| Long-term borrowings                     | \$ —              | \$ 1,790,000      |
| Interest rate                            | 2.558%            | 2.093%            |

1. On December 27th, 2021, due to overall operational and financial planning, our company signed a 2-year mortgage loan agreement with Entie Commercial Bank for a total amount of NT\$1,790,000,000. The principal is to be repaid in full on the maturity date of May 20, 2023.
2. Please refer to Note 8 for the provision of assets as guarantees for long-term loans.

(17) Pension

1. Defined contribution plan

Since July 1, 2005, the company has established Retirement method with defined contribution plan which is applicable to employees of this nationality. Our company and domestic Subsidiaries choose to apply the labor pensions stipulated in the "Labor Pensions Ordinance" for employees. In the system, labor pension is paid to employees of the Labor Insurance Bureau at 6% of the salary monthly. The payment of the employee's pension is based on the employee's pension account and the amount of accumulated income. The pensions recognized in the income statement on December 31, 2022 and December 31, 2021 were NT\$15,888,000 and NT\$16,103,000, respectively.

2. Defined benefit plan

In accordance with the regulation of the Labor Standards Law, the company has established a retirement method that defined benefits plan which is applicable of service years to all regular employees before the implementation of the Labor Pension Regulations on July 1, 2005, and the employees who choice to continue after the implementation of the Labor Pension Regulations.

Employees who meet the retirement conditions, the pension payment is calculated based on the years of service and the average salary in the 6 months before retirement. The service years within 15 years (inclusive) will be given 2 bases for every full year, more than 15 years of service will be given 1 base for each full year, but the cumulative maximum is 45 bases limited. The company allocates a retirement fund of 2% of the total salary on a monthly basis, and deposits it in a special account in the Bank of Taiwan in the name of the Labor Retirement Reserve Supervision Committee. In addition, the company estimates the balance of the labor retirement reserve in the preceding paragraph before the end of each year. If the balance is not enough to pay the next year, the estimated amount of retirement pension for the employees who meet the retirement conditions in the next year will be calculated based on the foregoing calculation. This special account is managed by the Labor Fund Utilization Bureau of the Ministry of Labor, and the company has no right to influence investment management strategies.

The confirmed benefit plan amounts recognized in the balance sheet were as follows:

|                                             | December 31, 2022 | December 31, 2021 |
|---------------------------------------------|-------------------|-------------------|
| Present value of defined benefit obligation | \$ (66,200)       | \$ (68,700)       |
| Fair value of planned assets ( liabilities) | 69,290            | 60,175            |
| Net defined benefit ( liabilities)          | <u>\$ 3,090</u>   | <u>\$ (8,525)</u> |

The changes in net defined benefit (liabilities) were as follows:

|                                                                                     | Present value of defined benefit obligation | Fair value of planned assets | Net defined benefit liabilities |
|-------------------------------------------------------------------------------------|---------------------------------------------|------------------------------|---------------------------------|
| Balance at January 1, 2022                                                          | <u>\$ (68,700)</u>                          | <u>\$ 60,175</u>             | <u>\$ (8,525)</u>               |
| Service cost                                                                        |                                             |                              |                                 |
| Current service cost                                                                | (76)                                        | —                            | (76)                            |
| Interest (expense) income                                                           | (515)                                       | 474                          | (41)                            |
| Recognized in profit and loss                                                       | <u>(591)</u>                                | <u>474</u>                   | <u>(117)</u>                    |
| Remeasurement                                                                       |                                             |                              |                                 |
| Return on plan assets (excluded the amount included in interest income or expenses) | —                                           | 4,507                        | 4,507                           |
| Impact of changes in demographic assumptions                                        | (1,055)                                     | —                            | (1,055)                         |
| Impact of changes in financial assumptions                                          | 6,192                                       | —                            | 6,192                           |
| Experience adjustment                                                               | <u>(3,999)</u>                              | <u>—</u>                     | <u>(3,999)</u>                  |
| Recognized in other comprehensive income                                            | <u>1,138</u>                                | <u>4,507</u>                 | <u>5,645</u>                    |
| Contributed Retirement Fund                                                         | <u>—</u>                                    | <u>6,087</u>                 | <u>6,087</u>                    |
| Pay pension                                                                         | <u>1,953</u>                                | <u>(1,953)</u>               | <u>—</u>                        |
| Balance at December 31, 2022                                                        | <u>\$ (66,200)</u>                          | <u>\$ 69,290</u>             | <u>\$ 3,090</u>                 |

|                                                                                           | Present value of<br>defined benefit<br>obligation | Fair value of<br>planned assets | Net defined<br>benefit liabilities |
|-------------------------------------------------------------------------------------------|---------------------------------------------------|---------------------------------|------------------------------------|
| Balance at January 1, 2021                                                                | \$ (66,397)                                       | \$ 55,042                       | \$ (11,355)                        |
| Service cost                                                                              |                                                   |                                 |                                    |
| Current service cost                                                                      | (106)                                             | —                               | (106)                              |
| Interest (expense) income                                                                 | (332)                                             | 288                             | (44)                               |
| Recognized in profit and loss                                                             | (438)                                             | 288                             | (150)                              |
| Remeasurement                                                                             |                                                   |                                 |                                    |
| Return on plan assets<br>(excluded the amount included in<br>interest income or expenses) | —                                                 | 693                             | 693                                |
| Impact of changes in demographic<br>assumptions                                           | (3,055)                                           | —                               | (3,055)                            |
| Impact of changes in financial<br>assumptions                                             | 2,190                                             | —                               | 2,190                              |
| Experience adjustment                                                                     | (2,766)                                           | —                               | (2,766)                            |
| Recognized in other comprehensive<br>income                                               | (3,631)                                           | 693                             | (2,938)                            |
| Contributed Retirement Fund                                                               | —                                                 | 5,918                           | 5,918                              |
| Pay pension                                                                               | 1,766                                             | (1,766)                         | —                                  |
| Balance at December 31, 2021                                                              | \$ (68,700)                                       | \$ 60,175                       | \$ (8,525)                         |

The company is exposed to the following risks due to the pension system of the Labor Standards Law:

- (1) Investment risk: The Labor Fund Utilization Bureau of the Ministry of Labor invests labor retirement funds in domestic (foreign) equity securities through its own use and entrusted operations. Subject to debt securities and bank deposits, but in accordance with the provisions of the Labor Standards Law, the overall return on assets shall not be lower than the local bank's 2-year fixed deposit interest rate: if the interest rate is lower than that, the state treasury shall make up for it.
- (2) Interest rate risk: The decline in the interest rate of government bonds will increase the present value of the determined welfare obligation, but the debt investment return of the planned asset will also increase. The two are in conflict and the impact of fixed benefit liabilities has a partial offset effect.
- (3) Salary risk: The calculation of the present value of the defined benefit obligation is based on the future salary of the plan members. Therefore, the increase in the salary of the plan members will increase the present value of the defined benefit obligation.

The main assumptions of actuarial evaluation are listed as follows:

|                               | December 31, 2022 | December 31, 2021 |
|-------------------------------|-------------------|-------------------|
| Discount Rate                 | 1.500%            | 0.750%            |
| Expected salary increase rate | 2.0000%           | 2.0000%           |

The changes in the main actuarial assumptions that were adopted on December 31, 2022 and 2021, will increase (decrease) the present value of defined benefit obligations by the following amounts:

| December 31, 2022             | Actuarial<br>assumptions<br>increased by 0.25% | Actuarial<br>assumptions reduced<br>by 0.25% |
|-------------------------------|------------------------------------------------|----------------------------------------------|
| Discount Rate                 | \$ (1,907)                                     | \$ 1,986                                     |
| Expected salary increase rate | \$ 1,941                                       | \$ (1,873)                                   |

  

| December 31, 2021             | Actuarial<br>assumptions<br>increased by 0.25% | Actuarial<br>assumptions reduced<br>by 0.25% |
|-------------------------------|------------------------------------------------|----------------------------------------------|
| Discount Rate                 | \$ (2,171)                                     | \$ 2,266                                     |
| Expected salary increase rate | \$ 2,201                                       | \$ (2,120)                                   |

The sensitivity analysis above is based on the analysis of a single hypothesis while other assumptions remain unchanged the impact of changes. In practice, many changes in assumptions may be linked. The sensitivity analysis is consistent with the method used to calculate the net pension liabilities of the balance sheet. The methods and assumptions used in the preparation of the sensitivity analysis in this period are the same as those in the previous period.

As of December 31, 2022 and 2021, the planned provision amount and the weighted average duration of the retirement plan are as follows:

|                                                                | December 31, 2022 | December 31, 2021 |
|----------------------------------------------------------------|-------------------|-------------------|
| Expected amount to be withdrawn within 1 year                  | \$ 6,223          | \$ 6,002          |
| Determining the average maturity of benefit obligations period | 11.9 years        | 12.8 years        |

(18) Equity

1. Common stock

|                      | December 31, 2022 | December 31, 2021 |
|----------------------|-------------------|-------------------|
| Rated equity         | \$ 10,000,000     | \$ 10,000,000     |
| Issued share capital | \$ 1,700,000      | \$ 1,700,000      |

In order to improve the financial structure and make up for the accumulated losses, the company's issued share capital was approved by the general meeting of shareholders on August 27, 2021 to reduce the capital by NT\$1,553,324,000 and cancel 155,332,000 issued shares. The capital reduction ratio was 47.74575%, and the paid-in capital amount reduced to NT\$1,700,000,000, the number of shares is 170,000,000 shares, each with a par value of NT\$10. The aforesaid capital reduction plan was approved by Taiwan Stock Exchange Co., Ltd. on October 19, 2021, and the Board of Directors decided that October 25, 2021 was the base date for making up for losses and capital reduction. The approval of the capital reduction change is completed on the day. As of December 31, 2022 and December 31, 2021, the Company's nominal number of shares was 1,000,000,000 shares, each with a par value of NT\$10, and the issued shares were 170,000,000 shares.

## 2. Retained earnings and Dividend policy

- (1) According to the regulation of the company's articles of incorporation, if there is a surplus in the annual final accounts, tax should be paid first to make up for the accumulated losses, and 10% of the second allocation is the statutory surplus reserve, but the accumulated amount has reached the paid-in capital, it may no longer be listed, and the rest may be approved by shareholders when necessary. The board of directors plans to allocate or revert the special surplus reserve according to the resolution of the meeting or according to the law; if there is a surplus and the undistributed surplus accumulated in the previous year, the board of directors plans to allocate the surplus, the proposal is submitted to the shareholders meeting for a resolution to distribute dividends to shareholders.
- (2) The company's earnings distribution depends on the company's current and future development plan, investment environment, fund requirements, and domestic and international competition and the interests of shareholders, the dividend policy of the Company is to set aside no less than 50% of distributable earnings as shareholders' dividends and bonuses. However, in case the accumulated distributable earnings is less than 30% of paid-in capital, the Company may choose not to distribute dividends. The board of directors drafts the surplus based on the operating results and capital planning situation. At the time, dividends to common shareholder may be distributed by way of combination of cash dividend and stock dividend provided that the cash dividends shall not be less than 10% of the total dividends.
- (3) The legal reserve shall not be used except for making up the company's losses and issuing new shares or cash in proportion to the shareholders' original shares. The public reserve is limited to 25% of the paid-in capital.
- (4) When the company distributes surplus, it must be based on the balance sheet date of the current year. The debit balance of other equity items is drawn to the special surplus reserve before the distribution is distributed, and thereafter the debit balance of other equity items is reverted, the reverted amount may be included in the distributable surplus.
- (5) On March 23, 2023, our company passed a resolution through the board of directors to propose the profit distribution plan for the fiscal year 2022. The proposed distribution is as follows:

|                           | Amount            | dividend per share<br>(in NT dollars) |
|---------------------------|-------------------|---------------------------------------|
| Statutory Surplus Reserve | \$ 45,778         | \$ —                                  |
| Special Surplus Reserve   | 35,651            | —                                     |
| Cash Dividend             | 201,600           | 1.2                                   |
|                           | <u>\$ 283,029</u> |                                       |

The resolution on profit distribution for the year of 2022 is still pending and awaiting approval at the shareholder's meeting scheduled on June 20, 2023. For further information on the profit distribution, please refer to the Market Observation Post System (MOPS) of the Taiwan Stock Exchange or other relevant channels.

- (6) On June 23, 2022, our company passed a resolution at the shareholder's meeting to allocate profits and losses in 2021. Except for the statutory surplus reserve of NT\$ 35,500,000 being set aside, no further distribution will be made. For further information on this matter, please refer to the Market Observation Post System (MOPS) of the Taiwan Stock Exchange or other relevant channels.
- (7) On August 27, 2021, our company passed a resolution at the shareholder's meeting regarding the deficit in 2020. For details regarding the shareholder's meeting resolution, please refer to the Market Observation Post System (MOPS) of the Taiwan Stock Exchange or other relevant channels.

### 3. Other equity

|                                                                                                            | Exchange<br>Differences on<br>Translation of<br>Foreign Financial<br>Statements | Unrealized Gain or<br>Loss on Financial<br>Assets Measured at<br>fair value through<br>other comprehensive<br>income | Total       |
|------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|-------------|
| Balance at January 1, 2022                                                                                 | \$ (4,108)                                                                      | \$ (16,898)                                                                                                          | \$ (21,006) |
| Generated in the period                                                                                    |                                                                                 |                                                                                                                      |             |
| Exchange Differences on Translation of<br>Foreign Financial Statements                                     | 1,159                                                                           | —                                                                                                                    | 1,159       |
| Evaluation adjustment                                                                                      | —                                                                               | (7,245)                                                                                                              | (7,245)     |
| Accumulated gains or losses from<br>disposal of equity instruments are<br>transferred to retained earnings | —                                                                               | (8,559)                                                                                                              | (8,559)     |
| Balance at December 31, 2022                                                                               | \$ (2,949)                                                                      | \$ (32,702)                                                                                                          | \$ (35,651) |

|                                                                        | Exchange<br>Differences on<br>Translation of<br>Foreign Financial<br>Statements | Unrealized Gain or<br>Loss on Financial<br>Assets Measured at<br>fair value through<br>other comprehensive<br>income | Total       |
|------------------------------------------------------------------------|---------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|-------------|
| Balance at January 1, 2021                                             | \$ (2,633)                                                                      | \$ (7)                                                                                                               | \$ (2,640)  |
| Generated in the period                                                |                                                                                 |                                                                                                                      |             |
| Exchange Differences on Translation of<br>Foreign Financial Statements | (816)                                                                           | —                                                                                                                    | (816)       |
| Evaluation adjustment                                                  | —                                                                               | (16,891)                                                                                                             | (16,891)    |
| Tax effects                                                            | (659)                                                                           | —                                                                                                                    | (659)       |
| Balance at December 31, 2021                                           | \$ (4,108)                                                                      | \$ (16,898)                                                                                                          | \$ (21,006) |

#### 4. Treasury Stock

##### (1) Reasons for Share Repurchase and Changes in the Number of Shares Repurchased:

(Unit : 1,000 shares)

| Reasons for<br>Share<br>Repurchase | January 1~ December 31, 2022      |                                               |                                             |                             |
|------------------------------------|-----------------------------------|-----------------------------------------------|---------------------------------------------|-----------------------------|
|                                    | Beginning<br>balance of<br>shares | Shares<br>repurchased<br>in current<br>period | Shares<br>cancelled in<br>current<br>period | Ending balance<br>of shares |
| Transfer shares<br>to employees    | —                                 | 2,000                                         | —                                           | 2,000                       |

- (2) The Securities and Exchange Act stipulates that a company's repurchase of outstanding shares shall not exceed 10% of the total number of shares issued by the company. The total amount of shares repurchased shall not exceed the sum of retained earnings, the premium received from the issuance of shares, and the realized capital surplus.
- (3) According to the Securities and Exchange Act, our company's treasury stocks may not be pledged, and they may not enjoy shareholder rights until they are transferred.
- (4) According to the Securities and Exchange Act, shares bought back for the purpose of transfer to employees must be transferred within five years from the repurchase date. Failure to transfer within the stipulated timeframe will result in the shares being deemed as unissued shares, and the company must process a change in registration to cancel the shares. Shares bought back to protect the company's credit and shareholder interests must be processed for a change in registration to cancel the shares within six months from the repurchase date.
- (5) In order to incentivize and enhance employee morale, our company decided, through a board resolution on August 11, 2022, to repurchase 2,000,000 treasury stocks between August 12, 2022 and October 11, 2022 at a price ranging from NT\$11.03 to NT\$23.85 per share. The repurchase was completed on August 24, 2022, with a total amount of NT\$41,599,000.

##### (19) Earnings (loss) per share

|                                 | 2022    | 2021    |
|---------------------------------|---------|---------|
| Basic earnings per share(NTD)   | \$ 2.62 | \$ 4.76 |
| Diluted earnings per share(NTD) | \$ 2.62 | \$ 4.76 |

## 1. Basic earnings per share

The calculation for basic earnings per share and the weighted average number of common shares is as follows:

|                                                                                                                  | 2022       | 2021       |
|------------------------------------------------------------------------------------------------------------------|------------|------------|
| Net profit for the current period<br>(thousand NTD)                                                              | \$ 443,572 | \$ 809,938 |
| The weighted average number of<br>ordinary shares to calculate the basic<br>earnings per share (thousand shares) | 169,256    | 170,000    |
| Basic earnings per share (NTD)                                                                                   | \$ 2.62    | \$ 4.76    |

## 2. Diluted earnings per share

The earnings and weighted average number of common shares used in the calculation of diluted earnings per share are as follows:

|                                                                                                                    | 2022       | 2021       |
|--------------------------------------------------------------------------------------------------------------------|------------|------------|
| Net profit attributable to owners<br>of the parent company (thousand NTD)                                          | \$ 443,572 | \$ 809,938 |
| The weighted average number of<br>ordinary shares to calculate the basic<br>earnings per share (thousand shares)   | 169,256    | 170,000    |
| Employee bonus expense (thousand<br>shares)                                                                        | 261        | —          |
| The weighted average number of<br>ordinary shares to calculate the diluted<br>earnings per share (thousand shares) | 169,517    | 170,000    |
| Diluted earnings per share (NTD)                                                                                   | \$ 2.62    | \$ 4.76    |

If the company chooses to distribute employee bonuses in the form of stock or cash, the weighted average outstanding shares should be calculated by taking into account the dilutive effect of potential common stock when calculating diluted earnings per share. The dilutive effect of such potential common stock should also be considered when calculating diluted earnings per share before the distribution of employee bonuses is approved at the following year's shareholders' meeting

(20) Operating income

|                           | 2022         | 2021         |
|---------------------------|--------------|--------------|
| Customer contract revenue |              |              |
| Commodity sales revenue   | \$ 2,947,446 | \$ 3,191,831 |

1. Please refer to Note 4(14) for the explanation of the income of the company.

2. Contract balance

|                                                                  | December 31, 2022 | December 31, 2021 |
|------------------------------------------------------------------|-------------------|-------------------|
| Accounts receivable (Note 6 (4) 、7)                              | \$ 693,284        | \$ 758,204        |
| Contract liabilities-current<br>(list other current liabilities) |                   |                   |
| Commodity sales                                                  | \$ 2,001          | \$ 1,422          |

Funds from contract liabilities at the beginning of the period recognized as operating income were NT\$826,000 and NT\$300,000 in 2022 and 2021.

3. Refund liabilities

The company is based on historical experience and other known reasons, it is estimated that the possible refund liabilities for sales returns and discounts are NT\$41,697,000 and NT\$14,833,000 in 2022 and 2021, respectively. The balance of refund liabilities were NT\$18,175,000 and NT\$12,275,000 on December 31, 2022 and 2021, respectively

(21) Other income

|                    | 2022      | 2021      |
|--------------------|-----------|-----------|
| Rental income      | \$ 38,501 | \$ 1,819  |
| Less: depreciation | (11,733)  | (229)     |
| Other income-other | 11,642    | 51,261    |
| Total              | \$ 38,410 | \$ 52,851 |

(22) Other gains and losses

|                                                                   | 2022       | 2021       |
|-------------------------------------------------------------------|------------|------------|
| Losses on disposal of real estate, plant and equipment            | \$ (3,665) | \$ (7,516) |
| Losses on disposal of investment real estate                      | (1,065)    | —          |
| Gains on disposal of interest in non-current assets held for sell | 2,872      | 522,291    |
| Lease modification benefit                                        | —          | 11,398     |
| Foreign exchange profit (losses)                                  | 128,366    | (2,762)    |
| Reversal of Impairment losses in non-current assets held for sell | 352        | —          |
| Reversal of Impairment profit -real estate, plant and equipment   | 2,182      | 2,468      |
| Depreciation expense                                              | (995)      | (2,204)    |
| Miscellaneous Disbursements                                       | (13,303)   | (25,063)   |
| Total                                                             | \$ 114,744 | \$ 498,612 |

In order to revitalize assets and reduce operating expenses, on August 12, 2020, the Board of Directors resolved to sell the Plant in Southern Taiwan Science Park and related ancillary equipment to Taiwan Semiconductor Manufacturing Co., Ltd. (hereinafter referred to as TSMC). On October 19, 2020, the real estate sales contract was signed. The total price was NT\$3,832,500,000 (tax included), and the payment was collected in installments according to the contract and remitted to the designated bank trust account. The transfer of ownership has been completed on January 6, 2021, and the disposal benefit of non-current assets to be sold is recognized as NT\$522,291,000.

TSMC signed a supplementary agreement and a compensation agreement with the company on December 25, 2020. TSMC agrees to pay compensation of NT\$5,500,000 to the company after the completion of the registration of the ownership transfer of the building and the completion of the demolition of the auxiliary equipment by the company. The auxiliary equipment was dismantled and sold at a price of NT\$36,750,000 (tax included) in January 2021, and recognized as other income of NT\$35,000,000.

(23) Financial costs

|                  | 2022      | 2021      |
|------------------|-----------|-----------|
| Interest expense |           |           |
| Bank loan        | \$ 49,670 | \$ 53,768 |
| Lease liability  | 71        | 275       |
| Others           | 17        | 6         |
| Total            | \$ 49,758 | \$ 54,049 |

(24) Income Tax

1. The income tax expenses (income) of the company in 2022 and 2021 were as follows:

|                                                                        | 2022       | 2021       |
|------------------------------------------------------------------------|------------|------------|
| Tax calculated based on profit before tax and statutory tax rate (20%) | \$ 88,091  | \$ 164,931 |
| Expenses disallowed by tax regulation                                  | 170        | 33,502     |
| Sale of land profit exempt from income tax                             | (1,711)    | —          |
| Income tax impact of loss deduction                                    | (86,550)   | (193,728)  |
| Temporary differences in the current period                            | (20,057)   | 20,220     |
| Additional tax on undistributed earnings                               | 15,975     | —          |
| Difference in tax payable based on the basic tax amount                | 967        | —          |
| Income tax expense                                                     | \$ (3,115) | \$ 24,925  |

The main components of income tax expense recognized in profit and loss were as follows:

|                                                   | 2022       | 2021      |
|---------------------------------------------------|------------|-----------|
| Current tax:                                      |            |           |
| Current tax on profit in current period           | \$ 16,942  | \$ —      |
| Deferred tax:                                     |            |           |
| Origination and reversal of temporary differences | (20,057)   | 24,925    |
| Income tax expense recognized in profit and loss  | \$ (3,115) | \$ 24,925 |

2. The income tax details recognized in other comprehensive profits and losses of the company on December 31, 2022 and 2021 were as follows:

|                                                           | 2022 | 2021   |
|-----------------------------------------------------------|------|--------|
| Deferred income tax benefits (expense)                    |      |        |
| Exchange differences on translation of foreign operations | \$ — | \$ 659 |

3. Current income tax assets and liabilities

|                                                     | December 31, 2022 | December 31, 2021 |
|-----------------------------------------------------|-------------------|-------------------|
| Tax refund receivable (listed other current assets) | \$ —              | \$ 25             |
| Current income tax liabilities                      | \$ 16,911         | \$ —              |

#### 4. Deferred income tax assets and liabilities

(1) The analysis of deferred income tax assets was as follows:

|                                                 | 2022                          |                                  |                                                            |                                    |
|-------------------------------------------------|-------------------------------|----------------------------------|------------------------------------------------------------|------------------------------------|
|                                                 | Balance at<br>January 1, 2022 | Recognized in<br>profit and loss | Recognized in<br>other<br>comprehensive<br>profit and loss | Balance at<br>December 31,<br>2022 |
| Temporary differences                           |                               |                                  |                                                            |                                    |
| Unrealized exchange loss                        | \$ 29,072                     | \$ (12,080)                      | \$ —                                                       | \$ 16,992                          |
| Unrealized inventory decline loss               | 41,619                        | 2,635                            | —                                                          | 44,254                             |
| Allowance for excess of bad debts               | 20,377                        | (633)                            | —                                                          | 19,744                             |
| Unrealized Impairment of assets                 | 5,951                         | (506)                            | —                                                          | 5,445                              |
| Investment using the equity method              | 32,415                        | 28,098                           | —                                                          | 60,513                             |
| Unrealized employees paid                       | 3,087                         | (200)                            | —                                                          | 2,887                              |
| Unallocated manufacturing expenses              | 1,193                         | 1,817                            | —                                                          | 3,010                              |
| Unrealized sales discount                       | 2,199                         | 1,496                            | —                                                          | 3,695                              |
| Unrealized sales return                         | 119                           | (119)                            | —                                                          | —                                  |
| Pension listed excess of pension<br>contributed | 1,008                         | (1,008)                          | —                                                          | —                                  |
|                                                 | <u>\$ 137,040</u>             | <u>\$ 19,500</u>                 | <u>\$ —</u>                                                | <u>\$ 156,540</u>                  |

|                                                              | 2021                          |                                  |                                                            |                                    |
|--------------------------------------------------------------|-------------------------------|----------------------------------|------------------------------------------------------------|------------------------------------|
|                                                              | Balance at<br>January 1, 2021 | Recognized in<br>profit and loss | Recognized in<br>other<br>comprehensive<br>profit and loss | Balance at<br>December 31,<br>2021 |
| Temporary differences                                        |                               |                                  |                                                            |                                    |
| Unrealized exchange loss                                     | \$ 28,235                     | \$ 837                           | \$ —                                                       | \$ 29,072                          |
| Unrealized inventory decline loss                            | 47,216                        | (5,597)                          | —                                                          | 41,619                             |
| Allowance for excess of bad debts                            | 7,046                         | 13,331                           | —                                                          | 20,377                             |
| Unrealized Impairment of assets                              | —                             | 5,951                            | —                                                          | 5,951                              |
| Investment using the equity method                           | 72,181                        | (39,766)                         | —                                                          | 32,415                             |
| Unrealized employees paid                                    | 2,781                         | 306                              | —                                                          | 3,087                              |
| Unallocated manufacturing expenses                           | 123                           | 1,070                            | —                                                          | 1,193                              |
| Unrealized sales discount                                    | 1,574                         | 625                              | —                                                          | 2,199                              |
| Unrealized sales return                                      | —                             | 119                              | —                                                          | 119                                |
| Pension listed excess of pension<br>contributed              | 2,161                         | (1,153)                          | —                                                          | 1,008                              |
| Exchange differences on translation of<br>foreign operations | 659                           | —                                | (659)                                                      | —                                  |
|                                                              | <u>\$ 161,976</u>             | <u>\$ (24,277)</u>               | <u>\$ (659)</u>                                            | <u>\$ 137,040</u>                  |

- (2) The analysis of deferred income tax liabilities was as follows:

|                                                 |  | 2022                          |                                  |                                                            |                                    |
|-------------------------------------------------|--|-------------------------------|----------------------------------|------------------------------------------------------------|------------------------------------|
|                                                 |  | Balance at<br>January 1, 2022 | Recognized in<br>profit and loss | Recognized in<br>other<br>comprehensive<br>profit and loss | Balance at<br>December 31,<br>2022 |
| Temporary differences                           |  |                               |                                  |                                                            |                                    |
| Sales in transit                                |  | \$ 795                        | \$ (743)                         | \$ —                                                       | \$ 52                              |
| Pension listed excess of pension<br>contributed |  | —                             | 186                              | —                                                          | 186                                |
|                                                 |  | <u>\$ 795</u>                 | <u>\$ (557)</u>                  | <u>\$ —</u>                                                | <u>\$ 238</u>                      |

  

|                       |  | 2021                          |                                  |                                                            |                                    |
|-----------------------|--|-------------------------------|----------------------------------|------------------------------------------------------------|------------------------------------|
|                       |  | Balance at<br>January 1, 2021 | Recognized in<br>profit and loss | Recognized in<br>other<br>comprehensive<br>profit and loss | Balance at<br>December 31,<br>2021 |
| Temporary differences |  |                               |                                  |                                                            |                                    |
| Sales in transit      |  | \$ 147                        | \$ 648                           | \$ —                                                       | \$ 795                             |

5. Items not recognized as deferred income tax assets

|                             | December 31, 2022 | December 31, 2021 |
|-----------------------------|-------------------|-------------------|
| Loss deduction amount       | \$ 434,425        | \$ 1,019,419      |
| Temporary difference amount | \$ 326,339        | \$ 462,606        |

The loss of the company is deducted, and the final deduction year is 2030.

6. The final settlement and declaration of our company's profit-seeking enterprise income tax has been approved by the tax collection authority up to 2020. According to the Income Tax Act, the losses from the previous ten years that have been approved by the tax collection authority can be deducted from the current year's net income, and the remaining taxable income will be assessed for income tax. As of December 31, 2022, the company's undeducted loss and the deduction exclusion period was as follows:

| Year<br>incurred | Amount filed/<br>assessed | Expiry year | Loss deduction    |
|------------------|---------------------------|-------------|-------------------|
| 2017             | Amount assessed           | 2027        | \$ 172,271        |
| 2018             | Amount assessed           | 2028        | 9,171             |
| 2019             | Amount assessed           | 2029        | 69,643            |
| 2020             | Amount estimated          | 2030        | 185,211           |
|                  |                           |             | <u>\$ 434,425</u> |

(25) Expense by nature

1. Functional aggregation of employee benefits, depreciation, depletion and amortization:

| Function<br>Nature          | 2022                              |                                           |                                                |            |
|-----------------------------|-----------------------------------|-------------------------------------------|------------------------------------------------|------------|
|                             | Recognized<br>in cost of<br>sales | Recognized<br>in<br>operating<br>expenses | Recognized<br>in non-<br>operating<br>expenses | Total      |
| Employee benefits expenses: |                                   |                                           |                                                |            |
| Salaries and wages          | \$ 261,507                        | \$ 121,760                                | \$ —                                           | \$ 383,267 |
| Labor and health insurances | 28,557                            | 10,161                                    | —                                              | 38,718     |
| Pension                     | 15,238                            | 767                                       | —                                              | 16,005     |
| Director's Remuneration     | —                                 | 2,598                                     | —                                              | 2,598      |
| Other employee benefits     | 20,893                            | 5,217                                     | —                                              | 26,110     |
| Depreciation                | 43,363                            | 10,092                                    | 12,728                                         | 66,183     |
| Amortization                | —                                 | 158                                       | —                                              | 158        |

| Function<br>Nature          | 2021                              |                                           |                                                |            |
|-----------------------------|-----------------------------------|-------------------------------------------|------------------------------------------------|------------|
|                             | Recognized<br>in cost of<br>sales | Recognized<br>in<br>operating<br>expenses | Recognized<br>in non-<br>operating<br>expenses | Total      |
| Employee benefits expenses: |                                   |                                           |                                                |            |
| Salaries and wages          | \$ 264,742                        | \$ 110,960                                | \$ —                                           | \$ 375,702 |
| Labor and health insurances | 28,874                            | 9,930                                     | —                                              | 38,804     |
| Pension                     | 15,579                            | 674                                       | —                                              | 16,253     |
| Director's Remuneration     | —                                 | 452                                       | —                                              | 452        |
| Other employee benefits     | 18,609                            | 5,225                                     | —                                              | 23,834     |
| Depreciation                | 61,955                            | 12,123                                    | 2,433                                          | 76,511     |
| Amortization                | 7                                 | 166                                       | —                                              | 173        |

- (1) The average number of employees of the company in 2022 and 2021 were 607 and 615, respectively, of which the number of directors who were not employees were 10 and 9, respectively.
- (2) The company's average employee benefits in 2022 and 2021 were NT\$777,000 and NT\$750,000, respectively, and the average employee salaries were NT\$642,000 and NT\$620,000, respectively, and the average employee salary cost adjustment change situation is 4%.
- (3) The company adopted an audit committee to replace the supervisory system in 2022 and 2021. Therefore, there is no supervisor's remuneration.

- (4) The salary and remuneration policies of the company's directors, managers and employees are as follows:
- A. Directors: The remuneration of the directors of the company is handled in accordance with the company's articles of association, and the board of directors is authorized to be based on the degree of participation and contribution of the directors to the company's operations. The value is determined after the domestic and foreign industry standards.
  - B. Managers: The amount of remuneration assigned to the managers of the company is determined by the remuneration committee and submitted to the board of directors based on their positions, contributions, and the company's operating performance for the year.
  - C. Employees: The company's employee salary and remuneration policy is to provide employees with average salary and benefits. It is determined based on the company's operating performance and each employee's position, contribution, and performance to determine the year-end bonus and related remuneration. The amount and distribution method are recommended by the remuneration committee to the board of directors for approval.

## 2. Employee benefits expenses

- (1) According to the regulation of the company's articles of incorporation, when the Company allocates the profit of the current year, if any, 1%~10% of the profit shall be set aside as employees' compensation, which to be distributed to the qualified employees of the Company or of the subsidiaries of the Company employees in the form of stock or cash. The Board of Directors is hereby authorized to set forth the plan of distribution. The Company may, subject to the resolution adopted by the Board of Director, further allocate no more than 1% of the aforesaid profit as Directors' compensation. The proposals of the employees' compensation and the directors' compensation shall be approved by a majority of total Directors and then reported on the Shareholders' meeting.  
The current year's profit and accumulated losses referred to in the preceding paragraph refer to the current year's pre-tax profits before the distribution of employee remuneration and director's remuneration, respectively, and according to the Ministry of Economic Affairs on April 15, 2016, Jingshangzi No. 10502409260, accumulated losses that are acknowledged by shareholders.
- (2) The estimated employee compensation and director remuneration for our company in 2022 are budgeted at 1% and 0.5%, respectively:

|                  | employee<br>compensation | director<br>remuneration |
|------------------|--------------------------|--------------------------|
| fiscal year 2022 | \$ 4,471                 | \$ 2,236                 |

- (3) The pre-tax profit of our company in 2021 shall be retained in advance to offset the recognized accumulated losses by the shareholders' meeting, therefore, employee compensation and director remuneration have not been accrued.
- (4) Please check Market Observation Post System ( MOPS ) for more information of employee compensation and director remuneration approved by the board of directors.

(26) Cash flow information

1. Investing activities with cash and non-cash flow effects

(1) Non-current assets held for sell

|                                                            | 2022 | 2021     |
|------------------------------------------------------------|------|----------|
| Current increase                                           | \$ — | \$ —     |
| Plus: Equipment payment due at the beginning of the period | —    | 1,677    |
| Cash paid in this period                                   | \$ — | \$ 1,677 |

|                                                               | 2022       | 2021           |
|---------------------------------------------------------------|------------|----------------|
| Current Disposal                                              | \$ (3,246) | \$ (3,628,610) |
| Plus: The beginning balance of prepaid items                  | 543        | 75,000         |
| Plus: The year-end accounts receivable for equipment payments | 2,703      | —              |
| Cash payback in this period                                   | \$ —       | \$ (3,553,610) |

(2) Real estate, plant and equipment

|                                                            | 2022      | 2021      |
|------------------------------------------------------------|-----------|-----------|
| Current increase                                           | \$ 34,591 | \$ 25,255 |
| Plus: Equipment payment due at the beginning of the period | 4,655     | 2,072     |
| Less: Equipment payment due at the end of the period       | (178)     | (4,655)   |
| Less: the number of prepaid equipment transfers            | (20,919)  | (5,025)   |
| Cash paid in this period                                   | \$ 18,149 | \$ 17,647 |

|                                                               | 2022     | 2021     |
|---------------------------------------------------------------|----------|----------|
| Current Disposal                                              | \$ 3,364 | \$ 1,962 |
| Plus: Beginning balance of accounts receivable for equipment  | 3,317    | 3,317    |
| Less: The year-end accounts receivable for equipment payments | (5,600)  | (3,317)  |
| Cash paid in this period                                      | \$ 1,081 | \$ 1,962 |

(3) Investment real estate

|                                                      | 2022      | 2021 |
|------------------------------------------------------|-----------|------|
| Current increase                                     | \$ 22,027 | \$ — |
| Less: Equipment payment due at the end of the period | (231)     | —    |
| Cash paid in this period                             | \$ 21,796 | \$ — |

## 2. Changes in liabilities from financing activities

|                                                | Short-term<br>borrowings | Long-term<br>borrowings | Guarantee<br>deposits<br>received | Lease<br>liabilities | Liabilities<br>from financing<br>activities-gross |
|------------------------------------------------|--------------------------|-------------------------|-----------------------------------|----------------------|---------------------------------------------------|
| At January 1, 2022                             | \$ 602,478               | \$1,790,000             | \$ 1,144                          | \$ 4,512             | \$2,398,134                                       |
| Changes in cash flow from financing activities | (572,675)                | (200,000)               | 7,043                             | (3,544)              | (769,176)                                         |
| Changes in lease liabilities                   | —                        | —                       | —                                 | 15,041               | 15,041                                            |
| Changes in other non-cash items                | 1,696                    | —                       | —                                 | —                    | 1,696                                             |
| At December 31, 2022                           | \$ 31,499                | \$1,590,000             | \$ 8,187                          | \$ 16,009            | \$1,645,695                                       |

  

|                                                | Short-term<br>borrowings | Long-term<br>borrowings | Guarantee<br>deposits<br>received | Lease<br>liabilities | Liabilities<br>from financing<br>activities-gross |
|------------------------------------------------|--------------------------|-------------------------|-----------------------------------|----------------------|---------------------------------------------------|
| At January 1, 2021                             | \$ 702,290               | \$5,478,638             | \$ 9,873                          | \$ 711,761           | \$6,902,562                                       |
| Changes in cash flow from financing activities | (93,647)                 | (3,688,638)             | (8,729)                           | (3,949)              | (3,794,963)                                       |
| Changes in lease liabilities                   | —                        | —                       | —                                 | (703,300)            | (703,300)                                         |
| Changes in other non-cash items                | (6,165)                  | —                       | —                                 | —                    | (6,165)                                           |
| At December 31, 2021                           | \$ 602,478               | \$1,790,000             | \$ 1,144                          | \$ 4,512             | \$2,398,134                                       |

### (27) Capital management

Based on the characteristics of the current operating industry and the future development of the company, the company plans the need for working capital (including research and development expenses and debt repayment, etc.) required by the company in the future, taking into account changes in the external environment, to ensure the sustainability of the company operation can give back to shareholders while taking into account the interests of other stakeholders, and maintain the best capital structure to enhance shareholder value. On the whole, the company adopts a prudent risk management strategy.

(28) Financial instruments

1. Categories of financial instruments

|                                                                               | December 31, 2022 | December 31, 2021 |
|-------------------------------------------------------------------------------|-------------------|-------------------|
| <u>Financial assets</u>                                                       |                   |                   |
| Cash                                                                          | \$ 58,843         | \$ 68,133         |
| Financial assets measured at amortized cost-current                           | 3,500             | 53,500            |
| Notes receivable                                                              | 40                | 51                |
| Accounts receivable                                                           | 693,284           | 758,204           |
| Other receivable                                                              | 190,795           | 186,486           |
| Other financial assets- non-current                                           | 71,580            | 85,026            |
| Financial assets at fair value through other comprehensive income-non-current | 11,282            | 20,000            |
| Refundable Deposits (including current)                                       | 7,170             | 7,960             |
| <u>Financial liabilities</u>                                                  |                   |                   |
| Short-term borrowings                                                         | \$ 31,499         | \$ 602,478        |
| Notes payable                                                                 | 930               | 172               |
| Accounts payable                                                              | 83,570            | 138,037           |
| Other payable                                                                 | 151,019           | 148,115           |
| Long-term debt (including current portion)                                    | 1,590,000         | 1,790,000         |
| Guarantee deposit received (including current)                                | 8,187             | 1,144             |

2. Financial risk management

The financial risk management objective of the company is to manage exchange rates related to operating activities risk, interest rate risk, credit risk and liquidity risk. In order to reduce related financial risks, the company is committed to identifying, evaluating and avoiding market uncertainty in order to reduce market potential adverse impact on the company's financial performance. Important financial matters of the company are reviewed by the board of directors in accordance with relevant regulations and internal control systems. During the execution of the financial plan, the company must strictly comply with the overall financial risk management and related financial operation procedures for the division of authority and responsibilities.

3. Market risk

The company is mainly exposed to market risks such as changes in foreign currency exchange rates and changes in interest rates.

(1) Foreign currency exchange rate risk

The operating activities of the company and the net investment of foreign operating institutions are mainly in foreign currencies transaction, therefore, foreign currency exchange rate risk arises. To avoid foreign currency caused by exchange rate changes as asset value decreases and future cash flows fluctuate, the company uses currency conversion of short-term borrowings to avoid exchange rate risk. Since the net investment of foreign operating organizations is a strategic investment, it has not been hedged.

A. Information about the company's significant foreign currency financial assets and liabilities is as follows:

| Unit: Foreign currency yuan /NT\$ thousand |                     |                  |           |                        |                                             |                             |
|--------------------------------------------|---------------------|------------------|-----------|------------------------|---------------------------------------------|-----------------------------|
| December 31, 2022                          |                     |                  |           |                        |                                             |                             |
|                                            | Foreign<br>currency | Exchange<br>rate | NTD       | Sensitivity analysis   |                                             |                             |
|                                            |                     |                  |           | Degree of<br>variation | Effect on profit<br>or loss<br>(before tax) | Effect on profit<br>or loss |
| <u>Financial assets</u>                    |                     |                  |           |                        |                                             |                             |
| <u>Monetary items</u>                      |                     |                  |           |                        |                                             |                             |
| JPY                                        | 105,201,912         | 0.2324           | 24,449    | +10%                   | 2,445                                       | 1,956                       |
| USD                                        | 33,037,162          | 30.71            | 1,014,571 | +10%                   | 101,457                                     | 81,166                      |
| EUR                                        | 1,300               | 32.72            | 43        | +10%                   | 4                                           | 3                           |
| KRW                                        | 40,000              | 0.0246           | 1         | +10%                   | —                                           | —                           |
| RMB                                        | 3,103,523           | 4.4080           | 13,680    | +10%                   | 1,368                                       | 1,094                       |
| Non-Monetary items                         |                     |                  |           |                        |                                             |                             |
| JPY                                        | 12,551,857          | 0.2272           | 2,852     |                        |                                             |                             |
| <u>Financial liabilities</u>               |                     |                  |           |                        |                                             |                             |
| <u>Monetary items</u>                      |                     |                  |           |                        |                                             |                             |
| JPY                                        | 379,091,338         | 0.2324           | 88,101    | +10%                   | (8,810)                                     | (7,048)                     |
| USD                                        | 1,076,811           | 30.71            | 33,069    | +10%                   | (3,307)                                     | (2,646)                     |
| RMB                                        |                     |                  |           | +10%                   |                                             |                             |
| Non-Monetary items                         |                     |                  |           |                        |                                             |                             |
| USD                                        | 617,233             | 30.61            | 18,891    |                        |                                             |                             |
| RMB                                        | 277,830             | 4.384            | 1,218     |                        |                                             |                             |
| December 31, 2021                          |                     |                  |           |                        |                                             |                             |
|                                            | Foreign<br>currency | Exchange<br>rate | NTD       | Sensitivity analysis   |                                             |                             |
|                                            |                     |                  |           | Degree of<br>variation | Effect on profit<br>or loss<br>(before tax) | Effect on profit<br>or loss |
| <u>Financial assets</u>                    |                     |                  |           |                        |                                             |                             |
| <u>Monetary items</u>                      |                     |                  |           |                        |                                             |                             |
| JPY                                        | 361,779,521         | 0.2405           | 87,008    | +10%                   | 8,701                                       | 6,961                       |
| USD                                        | 37,139,697          | 27.68            | 1,028,034 | +10%                   | 102,803                                     | 82,243                      |
| EUR                                        | 1,300               | 31.32            | 40        | +10%                   | 4                                           | 3                           |
| KRW                                        | 4,000               | 0.0235           | 1         | +10%                   | —                                           | —                           |
| RMB                                        | 4,130,147           | 4.344            | 17,941    | +10%                   | 1,794                                       | 1,435                       |
| <u>Non-Monetary items</u>                  |                     |                  |           |                        |                                             |                             |
| JPY                                        | 99,951,866          | 0.2460           | 24,584    |                        |                                             |                             |
| USD                                        | 226,796             | 27.77            | 6,297     |                        |                                             |                             |
| <u>Financial liabilities</u>               |                     |                  |           |                        |                                             |                             |
| <u>Monetary items</u>                      |                     |                  |           |                        |                                             |                             |
| JPY                                        | 542,318,175         | 0.2405           | 130,428   | +10%                   | (13,043)                                    | (10,434)                    |
| USD                                        | 2,689,583           | 27.68            | 74,448    | +10%                   | (7,445)                                     | (5,956)                     |
| RMB                                        | 989,010             | 4.344            | 4,296     | +10%                   | (430)                                       | (344)                       |
| <u>Non-Monetary items</u>                  |                     |                  |           |                        |                                             |                             |
| USD                                        | 482,695             | 27.7             | 13,371    |                        |                                             |                             |
| RMB                                        | 70,550              | 4.351            | 307       |                        |                                             |                             |

B. Monetary items of the company have a significant impact due to exchange rate fluctuations and all exchange loss recognized was NT\$128,366,000 and NT\$(2,762,000) (including realized and unrealized) on December 31, 2022 and 2021, respectively.

(2) Interest rate risk

Interest rate risk refers to the risk of changes in the fair value of financial instruments due to changes in market interest rates. The interest rate risk of the company is mainly income investment and fixed and floating interest rate of borrowings, and the current market interest rate is low, it is expected that there is no major interest rate change risk, so the company did not hedge against it. The sensitivity analysis of interest rate risk is fixed based on the end of the financial reporting period and changes in the fair value of floating-rate borrowings are the calculation basis. If the interest rate rises by ten basis points, the net profit after tax of the company will decrease by NT\$2,110,000 and NT\$2,609,000 on December 31, 2022 and 2021, respectively.

4. Credit risk management

Credit risk refers to the risk of a counterparty breaching contractual obligations and causing financial loss to the company. The credit risk of the company mainly comes from the accounts receivable of operating activities. Operation-related credit risks and financial credit risks are managed separately.

(1) Credit risk related to operations

In order to maintain the quality of accounts receivable, the company has established operating-related credit risks management procedures.

The risk assessment of any customer is based on the consideration of the customer's financial status, credit rating factors that may affect customers' ability to make payments, such as structural ratings, internal credit ratings of the company, historical transaction records and current economic conditions. The company will also use certain credit enhancement tools at the right time, such as advance payment and credit insurance, etc., to reduce the credit risk of specific customers.

As of December 31, 2022 and 2021, the balance of accounts receivable of the top ten customers accounted for the balance of accounts receivable of the company, the percentages are 82% and 80%, respectively. The credit risk of the remaining accounts receivable is insignificant.

(2) Financial credit risk

The credit risks of bank deposits, fixed income investments and other financial instruments are measured and monitored by the financial department of the company. The performing parties are all creditworthy banks and financial institutions with investment grade and above. Institutions, company organizations and government agencies, there are no major performance concerns, so there is no major credit risk.

5. Liquidity risk management

The objective of the liquidity risk management of the company is to maintain the cash and equivalent cash and ensure that the company has sufficient and flexible financial resources.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

| December 31, 2022                           |                     |                 |                  |                      |                     |
|---------------------------------------------|---------------------|-----------------|------------------|----------------------|---------------------|
|                                             | Within<br>1 year    | 2~3<br>years    | 4~5<br>years     | More than<br>5 years | Total               |
| <u>Non-derivative financial liabilities</u> |                     |                 |                  |                      |                     |
| Notes and accounts payable                  | \$ 84,500           | \$ —            | \$ —             | \$ —                 | \$ 84,500           |
| Other payables                              | 151,019             | —               | —                | —                    | 151,019             |
| Lease liabilities                           | 3,714               | 6,624           | 6,663            | —                    | 17,001              |
| Loan                                        | 1,636,331           | —               | —                | —                    | 1,636,331           |
| Guarantee deposit received                  | —                   | —               | 8,187            | —                    | 8,187               |
| Total                                       | <u>\$ 1,875,564</u> | <u>\$ 6,624</u> | <u>\$ 14,850</u> | <u>\$ —</u>          | <u>\$ 1,897,038</u> |

| December 31, 2021                           |                   |                     |                 |                      |                     |
|---------------------------------------------|-------------------|---------------------|-----------------|----------------------|---------------------|
|                                             | Within<br>1 year  | 2~3<br>years        | 4~5<br>years    | More than<br>5 years | Total               |
| <u>Non-derivative financial liabilities</u> |                   |                     |                 |                      |                     |
| Notes and accounts payable                  | \$ 138,209        | \$ —                | \$ —            | \$ —                 | \$ 138,209          |
| Other payables                              | 148,115           | —                   | —               | —                    | 148,115             |
| Lease liabilities                           | 3,289             | 1,296               | —               | —                    | 4,585               |
| Loan                                        | 607,142           | 1,841,732           | —               | —                    | 2,448,874           |
| Guarantee deposit received                  | 144               | —                   | 1,000           | —                    | 1,144               |
| Total                                       | <u>\$ 896,899</u> | <u>\$ 1,843,028</u> | <u>\$ 1,000</u> | <u>\$ —</u>          | <u>\$ 2,740,927</u> |

## 6. Fair value of financial instruments

- (1) Financial instruments measured by amortized cost (including cash and cash equivalents, financial assets measured by amortized cost, notes receivable, accounts receivable, other accounts receivable, other financial assets, guarantee deposit receivable, short-term loans, notes payable, accounts payable, other payables, long-term loans and deposit deposits) is a reasonable approximation of the fair value.
- (2) When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:
  - a. Level 1 inputs: Unadjusted quoted prices for identical assets or liabilities in active markets.
  - b. Level 2 inputs: Other than quoted prices included within Level 1, inputs are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
  - c. Level 3 inputs: Derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).
- (3) For financial instruments measured at fair value on December 31, 2022, and 2021, the consolidated company depends on the nature, characteristics, risks and fair value levels of assets and liabilities. The relevant information is as follows:

| December 31, 2022                                                                    |         |         |           |           |
|--------------------------------------------------------------------------------------|---------|---------|-----------|-----------|
|                                                                                      | Level 1 | Level 2 | Level 3   | Total     |
| <u>Repeatability of fair value:</u>                                                  |         |         |           |           |
| Financial assets measured at fair value through other comprehensive gains and losses | \$ —    | \$ —    | \$ 11,282 | \$ 11,282 |
| December 31, 2021                                                                    |         |         |           |           |
|                                                                                      | Level 1 | Level 2 | Level 3   | Total     |
| <u>Repeatability of fair value:</u>                                                  |         |         |           |           |
| Financial assets measured at fair value through other comprehensive gains and losses | \$ —    | \$ —    | \$ 20,000 | \$ 20,000 |

(4) Valuation techniques and assumptions applied in fair value measurement

The fair value of financial assets is determined in the following way:

Since the investee company's original investment date, the performance and operation of the investee company has not undergone any major changes, so the consolidated company uses the investment cost as the fair value estimated value.

(5) There was no change in the fair value of financial assets in 2022 and 2021.

(6) The following chart is the movement of Level 3:

| January 1 ~ December 31, 2022                                                        |              |                         |                                          |                |
|--------------------------------------------------------------------------------------|--------------|-------------------------|------------------------------------------|----------------|
|                                                                                      | At January 1 | Additions in the period | Recognized in other comprehensive income | At December 31 |
| Financial assets measured at fair value through other comprehensive gains and losses | \$ 20,000    | \$ —                    | \$ 3,071                                 | \$ (11,789)    |
| January 1 ~ December 31, 2021                                                        |              |                         |                                          |                |
|                                                                                      | At January 1 | Additions in the period | Recognized in other comprehensive income | At December 31 |
| Financial assets measured at fair value through other comprehensive gains and losses | \$ —         | \$ 20,000               | \$ —                                     | \$ 20,000      |

- (7) Quantitative information of fair value measurement of significant unobservable input value (level 3). The fair value measurement of the consolidated company is classified as level 3 mainly including financial assets measured at fair value through other comprehensive profit and loss - equity securities investment.

The list of quantitative information with significant unobservable inputs is as follows:

| Item                                                                                                                                     | Evaluation technology                            | Significant unobservable input value | Significant unobservable input value and fair value relationship |
|------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|--------------------------------------|------------------------------------------------------------------|
| Measured at fair value through other comprehensive profit and loss — Investments accounted for using equity method with No Active Market | It can be compared to the listed OTC company law | Weighted average P/B multiplier      | The higher the multiplier, the higher the fair value             |

- (8) For the fair value measurement of the third level, the fair value is based on the reasonable and possible alternative assumptions sensitivity analysis.

The fair value measurement of financial instruments by the consolidated company is reasonable, unless the same evaluation model or evaluation parameters may lead to different evaluation results. For points Level 3 financial instruments, if the evaluation parameters change, the profit and loss of the current period or other comprehensive profit or loss will be affected as follows:

|                                                                                 |                   | Move up<br>or down<br>changes | Changes in fair value<br>reflected in the profit and<br>loss of the current period |                         | Changes in fair value<br>reflected in other<br>comprehensive profit or loss |                         |
|---------------------------------------------------------------------------------|-------------------|-------------------------------|------------------------------------------------------------------------------------|-------------------------|-----------------------------------------------------------------------------|-------------------------|
|                                                                                 | Input value       |                               | favorable<br>changes                                                               | unfavorabl<br>e changes | favorable<br>changes                                                        | unfavorabl<br>e changes |
| <u>December 31, 2022</u>                                                        |                   |                               |                                                                                    |                         |                                                                             |                         |
| Measured at fair<br>value through other<br>comprehensive<br>profit and loss     |                   |                               |                                                                                    |                         |                                                                             |                         |
| Investments<br>accounted for<br>using equity<br>method with No<br>Active Market | P/B<br>multiplier | ±5%                           | —                                                                                  | —                       | 564                                                                         | (564)                   |
| <u>December 31, 2021</u>                                                        |                   |                               |                                                                                    |                         |                                                                             |                         |
| Measured at fair<br>value through other<br>comprehensive<br>profit and loss     |                   |                               |                                                                                    |                         |                                                                             |                         |
| Investments<br>accounted for<br>using equity<br>method with No<br>Active Market | P/B<br>multiplier | ±5%                           | —                                                                                  | —                       | 1,000                                                                       | (1,000)                 |

The favorable and unfavorable changes of the combined company refer to the fluctuation of the fair value, and the fair value is calculated by the evaluation technology based on the unobservable input parameters of different degrees.

## (7) Related-party Transactions

### (1) Name and relationship of related parties

| <u>Name of related party</u>                                                       | <u>Relationship with the Company</u>                                                                             |
|------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|
| ART OPTRONICS CORP.                                                                | Subsidiary                                                                                                       |
| Optimax Technology corp. (Suzhou) Co., Ltd                                         | Subsidiary                                                                                                       |
| Peter Chao                                                                         | Main management                                                                                                  |
| Lihuasheng (Hong Kong) Optoelectronics Technology Co., Ltd. (Lihuasheng Hong Kong) | Other related party (The representative person and the representative of the affiliated enterprise are the same) |

### (2) The Company's significant related party transactions

#### 1. Operating revenue

| <u>Name of related party</u> | <u>2022</u> | <u>2021</u> |
|------------------------------|-------------|-------------|
| Lihuasheng Hong Kong         | \$ 150,829  | \$ 129,985  |

The prices of transactions between the company and its related parties were not comparable in other transactions under the same circumstances in 2022 and 2021. The credit period for related parties is approximately 90~120 days for monthly settlement, and approximately 30~120 days for general customers.

#### 2. Purchases

| <u>Name of related party</u> | <u>2022</u> | <u>2021</u> |
|------------------------------|-------------|-------------|
| ART OPTRONICS CORP.          | \$ 9,793    | \$ 11,647   |
| Lihuasheng Hong Kong         | 109         | —           |
|                              | \$ 9,902    | \$ 11,647   |

The purchase transactions with the above-mentioned related parties are handled on the terms of general customers.

#### 3. Manufacturing cost - processing cost

| <u>Name of related party</u> | <u>2022</u> | <u>2021</u> |
|------------------------------|-------------|-------------|
| Lihuasheng Hong Kong         | \$ 69,669   | \$ 29,127   |

#### 4. Deduction of operating costs - income from sales

| <u>Name of related party</u> | <u>2022</u> | <u>2021</u> |
|------------------------------|-------------|-------------|
| Lihuasheng Hong Kong         | \$ 12,889   | \$ 9,683    |

## 5. Operating expenses

| Name of related party                         | 2022            | 2021            |
|-----------------------------------------------|-----------------|-----------------|
| Optimax Technology corp.<br>(Suzhou) Co., Ltd | \$ 6,007        | \$ 5,078        |
| Lihuasheng Hong Kong                          | 3,670           | —               |
|                                               | <u>\$ 9,677</u> | <u>\$ 5,078</u> |

## 6. Net Accounts receivable

| Name of related party      | December 31, 2022 | December 31, 2021 |
|----------------------------|-------------------|-------------------|
| Lihuasheng Hong Kong       | \$ 103,708        | \$ 124,004        |
| Less: Allowance for losses | (88,560)          | (88,560)          |
|                            | <u>\$ 15,148</u>  | <u>\$ 35,444</u>  |

Information on changes in allowance losses is as follows:

|                                                        | 2022             | 2021             |
|--------------------------------------------------------|------------------|------------------|
| Beginning balance                                      | \$ 88,560        | \$ —             |
| Provision for impairment loss<br>in the current period | —                | 88,560           |
| Ending balance                                         | <u>\$ 88,560</u> | <u>\$ 88,560</u> |

## 7. Other receivables

### (1) Loaning Funds to others

| Name of related party                         | December 31, 2022     |                        |                 |
|-----------------------------------------------|-----------------------|------------------------|-----------------|
|                                               | Actual move<br>amount | Interest Rate<br>Range | Interest income |
| Optimax Technology<br>corp. (Suzhou) Co., Ltd | <u>\$ 177,535</u>     | —                      | <u>\$ —</u>     |
| Name of related party                         | December 31, 2021     |                        |                 |
|                                               | Actual move<br>amount | Interest Rate<br>Range | Interest income |
| Optimax Technology<br>corp. (Suzhou) Co., Ltd | <u>\$ 160,019</u>     | —                      | <u>\$ —</u>     |

(2) Sale of equipment

| Name of related party      | December 31, 2022 | December 31, 2021 |
|----------------------------|-------------------|-------------------|
| Lihuasheng Hong Kong       | \$ 6,103          | \$ 1,117          |
| Less: Allowance for losses | (2,703)           | —                 |
|                            | <u>\$ 3,400</u>   | <u>\$ 1,117</u>   |

(3) Others

| Name of related party      | December 31, 2022 | December 31, 2021 |
|----------------------------|-------------------|-------------------|
| Lihuasheng Hong Kong       | \$ 4,941          | \$ 4,717          |
| Less: Allowance for losses | (2,127)           | (2,127)           |
|                            | <u>\$ 2,814</u>   | <u>\$ 2,590</u>   |

8. Advance payment

| Name of related party | December 31, 2022 | December 31, 2021 |
|-----------------------|-------------------|-------------------|
| Peter Chao            | <u>\$ 400</u>     | <u>\$ 240</u>     |

9. Accounts payable

| Name of related party | December 31, 2022 | December 31, 2021 |
|-----------------------|-------------------|-------------------|
| Lihuasheng Hong Kong  | <u>\$ 4,231</u>   | <u>\$ 4,437</u>   |

10. Other payables

| Name of related party | December 31, 2022 | December 31, 2021 |
|-----------------------|-------------------|-------------------|
| Lihuasheng Hong Kong  | <u>\$ 1,537</u>   | <u>\$ 4,160</u>   |

11. Property transaction

|                           | January 1~December 31, 2022 |                 |
|---------------------------|-----------------------------|-----------------|
| Selling machine equipment | Disposal price              | Disposal gains  |
| Lihuasheng Hong Kong      | <u>\$ 6,336</u>             | <u>\$ 5,657</u> |

(3) Rewards for the main management

The remuneration information for directors and other key management members was as follows:

|                                      | December 31, 2022 | December 31, 2021 |
|--------------------------------------|-------------------|-------------------|
| Salary and other short-term benefits | \$ 14,489         | \$ 10,135         |
| Resignation benefits                 | 108               | 108               |
| Total                                | \$ 14,597         | \$ 10,243         |

(8) **Pledged assets**

| Item                                                       | Content                                                                                                                                                                                                                   | Carry amount      |                   |
|------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
|                                                            |                                                                                                                                                                                                                           | December 31, 2022 | December 31, 2021 |
| Financial assets measured by cost after allocation-current | Fixed deposits, margins of the customs bureau and financial institutions set up pledges of the branch in Southern Taiwan Science Park Leasing and joint guarantees                                                        | \$ —              | \$ 50,000         |
| Other financial assets-current                             | Provided to financial institutions as collateral for long- and short-term loans                                                                                                                                           | 71,580            | 66,289            |
| Real estate, plant and equipment                           | Provided to financial institutions as collateral for long- and short-term loans                                                                                                                                           | 1,394,870         | 1,960,169         |
| Investment real estate                                     | Provided to financial institutions as collateral for long- and short-term loans                                                                                                                                           | 550,047           | 31,063            |
| Other financial assets-non-current                         | Current account deposit, allocate to a bank deposit account for the purpose of repaying loans - bank deposit account dedicated to loan repayment and provided to financial institutions as collateral for long-term loans | —                 | 18,737            |
| Deposited Margin-non-current                               | Security deposit of the customs bureau, etc.                                                                                                                                                                              | 7,170             | 7,960             |
| Total                                                      |                                                                                                                                                                                                                           | \$ 2,023,667      | \$ 2,134,218      |

(9) **Significant commitments and contingencies**

Except as mentioned in other notes, the major commitments of the company at the balance sheet date and contingencies are as follows:

(1) The balance of the unused letter of credit for imported raw materials from the company is listed below:

| Currency | December 31, 2022 | December 31, 2021 |
|----------|-------------------|-------------------|
| JPY      | \$ 313,105        | \$ 454,489        |
| USD      | \$ 93             | \$ 269            |
| NTD      | \$ 14,406         | \$ 19,720         |

- (2) List of the amount of deposit guarantee notes issued by the consolidated company as a result of applying for a loan line from the bank as follows:

| December 31, 2022 | December 31, 2021 |
|-------------------|-------------------|
| \$ 4,333,358      | \$ 4,285,960      |

**(10) Significant loss from disaster: None.**

**(11) Significant subsequent events: None.**

On March 23, 2023, our company decided by the board of directors to invest in Intelligent Information Security Technology Inc (IIST). The expected investment amount is NT\$120,000,000.

**(12) Others: None.**

**(13) Additional disclosures**

When preparing the Individual financial report, all major transactions between parent and subsidiary companies and their balances have been eliminated.

(1) Information on significant transactions:

- (a) Financing provided to other parties: Attached Table 1.
- (b) Provision of endorsements and guarantees to others: None.
- (c) Holding of marketable securities at the end of the period (excluding subsidiaries, joint ventures and associates): Attached Table 2.
- (d) Acquisition or sale of the same security with the accumulated cost reaching NT\$300 million or 20% of paid-in capital or more: None.
- (e) Acquisition of property reaching NT\$300 million or 20% of paid-in capital or more: None.
- (f) Disposal of property reaching NT\$300 million or 20% of paid-in capital or more: Attached None.
- (g) Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Attached Table 3.
- (h) Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Attached Table 4.
- (i) Provision of endorsements and guarantees to others: None.
- (j) Holding of marketable securities at the end of the period (excluding subsidiaries, joint ventures and associates): Attached Table 5.

(2) Information on investees:

(a) Names, locations and other information of investee companies : Please refer to table 6.

(3) Information on investments in Mainland China:

(a) The name of the investee company in mainland China, main business items, paid-in capital, investment method, capital remittance, shareholding ratio, investment profit and loss, book value of investment at the end of the period, repatriated investment income and investment quota for mainland China: Attached Table 7.

(b) Significant transactions with mainland investee companies directly or indirectly via a third region transactions, including their prices, payment terms, unrealized gains and losses, and other relevant information that helps to understand the impact of mainland investment on financial reporting: Attached Table 1~7.

(4) Major shareholders information: Attached Table 8.

#### **(14) Segment information**

Please refer to the Consolidated Financial Statements Independent Auditors' Review Report of the year in 2022.

## 【Attached Table 1】

### Information on significant transactions

For the year ended December 31, 2022, the Company should disclose relevant information on significant transactions in accordance with preparation of financial reports:

(a) Financing provided to other parties:

(Expressed in thousands of New Taiwan dollars)

| No.<br>(Note 1) | Creditor | Borrower                                   | General ledger account | Is a related party | Maximum outstanding balance during the period | Ending balance | Actual amount drawn down | Interest rate | Nature of loan (Note 2) | Amounts of transaction with the borrower (Note 3) | Reason for short-term financing | Amounts of allowance | Collateral |       | Limit on loans granted to a single party | Ceiling on total loans granted |
|-----------------|----------|--------------------------------------------|------------------------|--------------------|-----------------------------------------------|----------------|--------------------------|---------------|-------------------------|---------------------------------------------------|---------------------------------|----------------------|------------|-------|------------------------------------------|--------------------------------|
|                 |          |                                            |                        |                    |                                               |                |                          |               |                         |                                                   |                                 |                      | Item       | Value |                                          |                                |
| 0               | OPTIMAX  | Optimax Technology corp. (Suzhou) Co., Ltd | Other receivables      | Yes                | \$ 186,265                                    | \$ 177,535     | \$ 177,535               | —             | 2                       | \$ —                                              | Business operation              | \$ —                 | None       | None  | \$ 974,212                               | \$ 974,212                     |

(Note 1): The aggregate financing amount to subsidiaries wholly owned by the parent and the individual financing amount of Optimax shall not exceed limited, respectively, of the most recent audited or reviewed net worth of Optimax.

(Note 2): Purpose of fund financing: 1. Business transaction purpose. 2. Short-term financing purpose.

(Note 3): The transactions have been eliminated when preparing the consolidated financial statements.

**【Attached Table 2】**

Holding of marketable securities at the end of the period (excluding subsidiaries, joint ventures and associates)

| Investing company                          | Marketable securities type and name                                | Relation with the securities issuer | Financial statement account                                                             | As of December 31, 2022 |                 |               |            | Footnote |
|--------------------------------------------|--------------------------------------------------------------------|-------------------------------------|-----------------------------------------------------------------------------------------|-------------------------|-----------------|---------------|------------|----------|
|                                            |                                                                    |                                     |                                                                                         | Shares                  | Carrying amount | Ownership (%) | Fair value |          |
| OPTIMAX                                    | Common Stock:<br>(Hong Kong) Yute Optimax Technology Co., Ltd      | —                                   | Financial assets at fair value through other comprehensive profit or loss — non-current | 1,700                   | \$ —            | 17%           | \$ —       | —        |
|                                            | Common Stock:<br>PHOENIX BATTERY CORPORATION                       | —                                   | Financial assets at fair value through other comprehensive profit or loss — non-current | 1,677,000               | 11,282          | 4.47%         | 11,282     | —        |
| Optimax Technology corp. (Suzhou) Co., Ltd | Investment Amount:<br>Chongqing Yunhe Bafang Enterprise Management | —                                   | Financial assets at fair value through other comprehensive profit or loss — non-current | —                       | —               | 6%            | —          | —        |

**【Attached Table 3】**

Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more

(Expressed in thousands of New Taiwan dollars)

| Purchaser/seller               | Counterparty                                                | Relationship with the counter party | Transaction       |            |                                       |             | Differences in transaction terms compared to third party transactions |                        | Notes/accounts receivable (payable) |                                                         | Footnote |
|--------------------------------|-------------------------------------------------------------|-------------------------------------|-------------------|------------|---------------------------------------|-------------|-----------------------------------------------------------------------|------------------------|-------------------------------------|---------------------------------------------------------|----------|
|                                |                                                             |                                     | Purchases (sales) | Amount     | Percentage of total purchases (sales) | Credit term | Unit price                                                            | Credit term            | Balance                             | Percentage of total notes/accounts receivable (payable) |          |
| Optimax Technology Corporation | Lihuasheng (Hong Kong) Optoelectronics Technology Co., Ltd. | Other related party                 | Sales             | \$ 150,829 | 5%                                    | OA90~120    | No identical situations to compare                                    | Credit on 30~ 120 days | \$ 103,708                          | 15%                                                     | None     |

**【Attached Table 4】**

Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more

| Company name | Counter party                                               | Relationship with the counter party | Receivable-Related Parties Balance as at December 31, 2022    | Turnover rate | Overdue receivables |                  | Amount collected subsequent to the balance sheet date       | Allowance for doubtful accounts |
|--------------|-------------------------------------------------------------|-------------------------------------|---------------------------------------------------------------|---------------|---------------------|------------------|-------------------------------------------------------------|---------------------------------|
|              |                                                             |                                     |                                                               |               | Amount              | Action taken     |                                                             |                                 |
| OPTIMAX      | Optimax Technology corp. (Suzhou) Co., Ltd                  | Subsidiary                          | Other Receivable<br>\$ 177,535                                | —             | \$ —                | —                | \$ —                                                        | \$ —                            |
| OPTIMAX      | Lihuasheng (Hong Kong) Optoelectronics Technology Co., Ltd. | Other related party                 | Receivable<br>\$ 103,708<br><br>Other Receivable<br>\$ 11,044 | 1.34          | \$ 106,084          | Actively dunning | Receivable<br>\$ 17,880<br><br>Other Receivable<br>\$ 1,031 | 93,390                          |

**【Attached Table 5】**

Significant inter-company transactions

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan dollars)

| No.<br>(Note 1) | Company<br>name | Counter party                                    | Relationship<br>(Note 2) | Transaction      |         |                     |                                                                                       |
|-----------------|-----------------|--------------------------------------------------|--------------------------|------------------|---------|---------------------|---------------------------------------------------------------------------------------|
|                 |                 |                                                  |                          | Account          | Amount  | Transaction<br>term | Percentage of consolidated<br>total operating revenues or<br>total assets<br>(Note 4) |
| 0               | OPTIMAX         | Optimax Technology<br>corp. (Suzhou) Co.,<br>Ltd | 1                        | Other receivable | 177,535 |                     | 4%                                                                                    |

**【Attached Table 5-1】**

Significant inter-company transactions

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan dollars)

| No.<br>(Note 1) | Company<br>name | Counter party                                    | Relationship<br>(Note 2) | Transaction                  |         |                     |                                                                                       |
|-----------------|-----------------|--------------------------------------------------|--------------------------|------------------------------|---------|---------------------|---------------------------------------------------------------------------------------|
|                 |                 |                                                  |                          | Account                      | Amount  | Transaction<br>term | Percentage of consolidated<br>total operating revenues or<br>total assets<br>(Note 4) |
| 0               | OPTIMAX         | Optimax Technology<br>corp. (Suzhou) Co.,<br>Ltd | 1                        | Other accounts<br>receivable | 160,019 |                     | 3%                                                                                    |

(Note 1): The number is filled in as follows:

(1)Number 0 represents the parent. (2)Subsidiaries are numbered in order from number 1.

(Note 2): The transaction relationships with the counterparties are as follows:

(1)The parent to the subsidiary. (2)The subsidiary to the parent. (3)The subsidiary to another subsidiary.

(Note 3): The calculation of the ratio of the transaction amount to the consolidated total revenue or total assets, if it is an asset-liability account, it is calculated as the ending balance in the consolidated total assets; if it is a profit and loss account, the cumulative amount is calculated by the method of consolidated management.

(Note 4): Individual transaction amounts that are less than 1% of the consolidated total revenue or total assets will not be disclosed; disclosure will be made based on asset and revenue information.

**【Attached Table 6】**

Information on investees

| Investor | Investee<br>(Note 1)                                     | Location  | Main business<br>activities | Initial investment amount             |                                       | Shares held as at<br>December 31, 2022 |                   |                    | Net profit<br>(loss) of<br>the<br>investee for<br>the current<br>period | Investment<br>income<br>(loss)<br>recognized<br>for the<br>period | Footnote   |
|----------|----------------------------------------------------------|-----------|-----------------------------|---------------------------------------|---------------------------------------|----------------------------------------|-------------------|--------------------|-------------------------------------------------------------------------|-------------------------------------------------------------------|------------|
|          |                                                          |           |                             | Balance as at<br>December 31,<br>2022 | Balance as at<br>December 31,<br>2021 | Number of<br>shares                    | Owner ship<br>(%) | Carrying<br>amount |                                                                         |                                                                   |            |
| OPTIMAX  | ART OPTRONICS CORP.                                      | Taiwan    | Manufacture<br>and sales    | 2,011                                 | 2,011                                 | 225,000                                | 100%              | 868                | (20)                                                                    | (20)                                                              | Subsidiary |
|          | OPTIMAX<br>OPTOELECTRONIC<br>(MAURITIUS) CORP.<br>(OOMC) | MAURITIUS | Investment                  | 614,524<br>(USD<br>19,000,000)        | 614,524<br>(USD<br>19,000,000)        | 19,000,000                             | 100%              | 41,545             | (21,245)                                                                | (21,245)                                                          | Subsidiary |

(Note 1): If a public issuing company has a foreign holding company and uses consolidated statements as the main financial report in accordance with local laws and regulations, the disclosure of information about the foreign investment company may only disclose the relevant assets of the holding company.

**【Attached Table 7】**

**Information on investments in China**

| Investee in Mainland China                 | Main business activities                | Paid-in capital               | Investment method | Accumulated amount of remittance from Taiwan as of January 1, 2022 | Amount remitted from Taiwan or amount remitted back to Taiwan for the current period |                         | Accumulated amount of remittance from Taiwan as of December 31, 2022 | Ownership held by Optimax (direct or indirect) | Investment income (loss) recognized for the current period (Note 2) | Carrying amount of investments as of December 31, 2022 | Investment returns have been repatriated as of the end of this period |
|--------------------------------------------|-----------------------------------------|-------------------------------|-------------------|--------------------------------------------------------------------|--------------------------------------------------------------------------------------|-------------------------|----------------------------------------------------------------------|------------------------------------------------|---------------------------------------------------------------------|--------------------------------------------------------|-----------------------------------------------------------------------|
|                                            |                                         |                               |                   |                                                                    | Remitted to Mainland China                                                           | Remitted back to Taiwan |                                                                      |                                                |                                                                     |                                                        |                                                                       |
| Optimax Technology corp. (Suzhou) Co., Ltd | Manufacturing and selling of polarizers | \$ 614,524<br>(USD19,000,000) | (Note 1)          | \$ 614,524<br>(USD19,000,000)                                      | \$ -                                                                                 | \$ -                    | \$ 614,524<br>(USD19,000,000)                                        | 100%                                           | \$ (21,245)                                                         | \$ 41,545                                              | -                                                                     |

| Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022<br>(Note 5) | Investment amounts authorized by Investment Commission, MOEA<br>(Note 4) | Upper limit on investment by Investment Commission, MOEA<br>(Note 3) |
|----------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------|----------------------------------------------------------------------|
| \$ 614,524<br>(USD19,000,000)                                                                      | \$ 678,691<br>(USD22,100,000)                                            | \$ 1,461,317                                                         |

(Note 1): Invest and establish a company through OPTIMAX OPTOELECTRONIC (MAURITIUS) CORP to reinvest in mainland companies.

(Note 2): Obtained based on the investee company's own financial report without an accountant's visa during the same period.

(Note 3): According to the "Principles for the Review of Investment or Technical Cooperation in Mainland China" by the Investment Review Committee of the Ministry of Economic Affairs, the upper limit of the amount of investment in the mainland is 80,000 New Taiwan dollars, or 60% of the net value or combined net value, whichever is higher.

(Note 4): For foreign currency, it is based on the spot remittance and the average exchange rate on the financial report date.

(Note 5): For foreign currency, it is converted into New Taiwan dollars based on the exchange rate on the actual investment date from Taiwan.

**【Attached Table 8】**

Major shareholders information

| Major shareholders<br>Name | Shareholding | Shareholding ratio |
|----------------------------|--------------|--------------------|
| Peter Chao                 | 18,723,484   | 11.01%             |
| Long-Shi Lin               | 9,664,782    | 5.86%              |

(Note 1): This table is calculated by Taiwan Depository & Clearing Corporation (TDCC) on the last business day of every season. To compute the shareholding companies' 5% of total of the ordinary shares and special shares of non-physical securities (including treasury shares). As for the company's financial reporting, it has written down that the share and the company's completed non-physical securities' shareholding might be discrepancy due to its different ways of factorization.

(Note 2): In the case of the above information, if the shareholder delivers the shares to the trust, it is disclosed by the principal who opened the trust account by the trustee. As for the shareholder, it is handled in accordance with the Securities Exchange Law. For information on insider equity declaration, please refer to the Market Observation Post System ( MOPS ).

# OPTIMAX TECHNOLOGY CORPORATION

## STATEMENT OF CASH AND CASH EQUIVALENTS

DECEMBER 31, 2022

Expressed in thousands of NTD

| Item                                | Description                                     | Amount    |
|-------------------------------------|-------------------------------------------------|-----------|
| Cash on hand                        | Foreign currency<br>(included USD & JPY...etc.) | \$ 316    |
| Cash in banks                       |                                                 |           |
| Checking Account                    |                                                 | 185       |
| NTD demand deposit                  |                                                 | 15,091    |
| Foreign currency<br>demand deposits | JPY 9,032,840                                   | 2,099     |
|                                     | USD 1,322,164                                   | 40,604    |
|                                     | RMB 124,276                                     | 548       |
| Total                               |                                                 | \$ 58,843 |

Exchange rate :

JPY 0.2324

USD 30.71

RMB 4.408

# STATEMENT OF ACCOUNTS RECEIVABLE

DECEMBER 31, 2022

Expressed in thousands of NTD

| Client Name                                                 | Description                                                                 | Amount     | Note |
|-------------------------------------------------------------|-----------------------------------------------------------------------------|------------|------|
| Non-related parties:                                        |                                                                             |            |      |
| Company A                                                   |                                                                             | \$ 206,338 |      |
| Company B                                                   |                                                                             | 76,083     |      |
| Company C                                                   |                                                                             | 61,398     |      |
| Company D                                                   |                                                                             | 53,065     |      |
| Others                                                      | (The amount of individual client does not exceed 5% of the account balance) | 291,085    |      |
| Total                                                       |                                                                             | 687,969    |      |
| Less : Allowance for losses                                 |                                                                             | (9,833)    |      |
| Total (Net)                                                 |                                                                             | 678,136    |      |
| Related Party :                                             |                                                                             |            |      |
| Lihuasheng (Hong Kong) Optoelectronics Technology Co., Ltd. |                                                                             | 103,708    |      |
| Less : Allowance for losses                                 |                                                                             | (88,560)   |      |
| Total (Net)                                                 |                                                                             | \$ 15,148  |      |

## STATEMENT OF INVENTORIES

DECEMBER 31, 2022

Expressed in thousands of NTD

| Item                        | Description | Amount     |                      | Note |
|-----------------------------|-------------|------------|----------------------|------|
|                             |             | Cost       | Net realizable value |      |
| Finished goods              |             | \$ 363,716 | \$ 358,069           |      |
| Work in process             |             | 429,024    | 374,030              |      |
| Raw materials               |             | 385,378    | 314,771              |      |
| In-transit inventory        |             | 2,855      | 2,855                |      |
| Subtotal                    |             | 1,180,973  | \$ 1,049,725         |      |
| Allowance of valuation loss |             | (221,270)  |                      |      |
| Total                       |             | \$ 959,703 |                      |      |

## STATEMENT OF PREPAYMENTS

DECEMBER 31, 2022

Expressed in thousands of NTD

| Item                       | Description        | Amount   |
|----------------------------|--------------------|----------|
| Prepaid salary             |                    | \$ 400   |
| Prepaid insurance premiums | Property insurance | 33       |
| Other prepaid expenses     | Others             | 31       |
| Payment in advance         |                    | 3,212    |
| Input Tax                  |                    | 346      |
| Total                      |                    | \$ 4,022 |

# STATEMENT OF OTHER CURRENT FINANCIAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2022

Expressed in thousands of NTD

| Item                               | Description                                                                                | Amount    | Note |
|------------------------------------|--------------------------------------------------------------------------------------------|-----------|------|
| Current                            |                                                                                            |           |      |
| Accounts receivable notes          |                                                                                            | \$ 40     |      |
| Non-current assets held for sale   |                                                                                            | 1,057     |      |
| Advance payment                    |                                                                                            | 1,541     |      |
| Other current financial assets     | Current deposits provided to financial institutions as collateral for short-term borrowing | 71,580    |      |
| Total                              |                                                                                            | \$ 74,218 |      |
| Non-current                        |                                                                                            |           |      |
| Intangible assets                  |                                                                                            | \$ 111    |      |
| Prepaid equipment payment          |                                                                                            | 15,868    |      |
| Deposits received as guarantee     |                                                                                            | 7,170     |      |
| Other non-current financial assets |                                                                                            | 7         |      |
| Total                              |                                                                                            | \$ 23,156 |      |

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

FOR THE YEAR ENDED DECEMBER 31, 2022

Expressed in thousands of NTD

| Name                             | Balance, January 1, 2021 |           | Additions in Investment |         | Investment gains and losses recognized using the equity method | Conversion difference recognized using the equity method | Others      | Balance, December 31, 2021 |      |           | Market Value or Net Assets Value |              | Collateral | Note |
|----------------------------------|--------------------------|-----------|-------------------------|---------|----------------------------------------------------------------|----------------------------------------------------------|-------------|----------------------------|------|-----------|----------------------------------|--------------|------------|------|
|                                  | Shares                   | Amounts   | Shares                  | Amounts |                                                                |                                                          |             | Shares                     | %    | Amounts   | Unit Price (NT\$)                | Total Amount |            |      |
| OPTIMAX                          |                          |           |                         |         |                                                                |                                                          |             |                            |      |           |                                  |              |            |      |
| OPTOELECTRONIC (MAURITIUS) CORP. | 19,000,000               | \$ 71,947 | —                       | \$ —    | \$ (21,245)                                                    | \$ 1,159                                                 | \$ (10,316) | 19,000,000                 | 100% | \$ 41,545 | —                                | \$ 41,545    | None       |      |
| ART OPTRONICS CORP.              | 225,000                  | 888       | —                       | —       | (20)                                                           | —                                                        | —           | 225,000                    | 100% | 868       | —                                | 868          | None       |      |
| Total                            |                          | \$ 72,835 |                         | \$ —    | \$ (21,265)                                                    | \$ 1,159                                                 | \$ (10,316) |                            |      | \$ 42,413 |                                  | \$ 42,413    |            |      |

STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2022

Expressed in thousands of NTD

| Item                       | Balance,<br>January 1, 2022 | Additions | Disposals  | Reclassification | Balance,<br>December 31, 2022 |
|----------------------------|-----------------------------|-----------|------------|------------------|-------------------------------|
| Cost :                     |                             |           |            |                  |                               |
| Land                       | \$ 6,672                    | \$ 12,849 | \$ (6,672) | \$ —             | \$ 12,849                     |
| Transportation equipment   | 4,606                       | 2,192     | (2,423)    | —                | 4,375                         |
| Office equipment           | 2,180                       | —         | —          | —                | 2,180                         |
| Subtotal                   | 13,458                      | 15,041    | (9,095)    | —                | 19,404                        |
| Accumulated depreciation : |                             |           |            |                  |                               |
| Land                       | 5,004                       | 1,668     | (6,672)    | —                | —                             |
| Transportation equipment   | 2,649                       | 1,363     | (2,423)    | —                | 1,589                         |
| Office equipment           | 1,377                       | 459       | —          | —                | 1,836                         |
| Subtotal                   | 9,030                       | 3,490     | (9,095)    | —                | 3,425                         |
| Total (Net)                | \$ 4,428                    | \$ 11,551 | \$ —       | \$ —             | \$ 15,979                     |

STATEMENT OF SHORT-TERM BORROWINGS

DECEMBER 31, 2022

Expressed in thousands of NTD

| Creditor                | Type of loan | Balance, December 31,<br>2022 | Repayment period of the<br>amount moved | Interest rate range | Loan Commitments | Collateral | Note |
|-------------------------|--------------|-------------------------------|-----------------------------------------|---------------------|------------------|------------|------|
| Taiwan Cooperative Bank | Secured loan | \$ 31,499                     | 112/02/27~112/05/01                     | 1.5856%             | NTD 230,000      | Note 8     | Note |

Note: Taiwan Cooperative Bank: When using the credit line, maintain 40% of the amount used as collateral in the form of US dollar deposits.

STATEMENT OF ACCOUNTS PAYABLE

DECEMBER 31, 2022

Expressed in thousands of NT

| Vendor Name                                                 | Description                                                                 | Amount     | Note |
|-------------------------------------------------------------|-----------------------------------------------------------------------------|------------|------|
| Non-related parties:                                        |                                                                             |            |      |
| Company A                                                   |                                                                             | \$ 33,495  |      |
| Company B                                                   |                                                                             | 21,705     |      |
| Company C                                                   |                                                                             | 12,254     |      |
| Company D                                                   |                                                                             | 8,739      |      |
| Others                                                      | (The amount of individual vendor does not exceed 5% of the account balance) | 57,407     |      |
| Subtotal                                                    |                                                                             | 133,600    |      |
| Related Party :                                             |                                                                             |            |      |
| Lihuasheng (Hong Kong) Optoelectronics Technology Co., Ltd. |                                                                             | 4,437      |      |
| Total                                                       |                                                                             | \$ 138,037 |      |

STATEMENT OF OTHER LIABILITIES

DECEMBER 31, 2022

Expressed in thousands of NT

| Item                           | Description | Amount    |
|--------------------------------|-------------|-----------|
| Current                        |             |           |
| Contract liabilities           |             | \$ 2,001  |
| Notes payable                  |             | 930       |
| Prepayments                    |             | 30        |
| Temporary received             |             | 2,366     |
| Collection on behalf of others |             | 8,887     |
| Total                          |             | \$ 14,214 |
| Non-current                    |             |           |
| Deposit paid as a guarantee    |             | \$ 8,187  |

STATEMENT OF LONG-TERM BORROWINGS

DECEMBER 31, 2022

Expressed in thousands of NT

| Creditor                                          | Loan Amount  | Contract Period                                                        | Interest rate | Collateral                                            | Note |
|---------------------------------------------------|--------------|------------------------------------------------------------------------|---------------|-------------------------------------------------------|------|
| Entie Commercial Bank<br>Mid-term mortgage loan   | \$ 1,590,000 | The principal is due on May 20, 2023, and the interest is paid monthly | 2.558%        | Real estate, plant and equipment, Investment property |      |
| Less:<br>Long-term borrowings due within one year | (1,590,000)  |                                                                        |               |                                                       |      |
| Total                                             | \$ —         |                                                                        |               |                                                       |      |

STATEMENT OF LEASE LIABILITIES

DECEMBER 31, 2022

Expressed in thousands of NT

| Item                          | Rental period | Discount Rate   | Amount    |
|-------------------------------|---------------|-----------------|-----------|
| Land                          | 5 years       | 2.5580%         | \$ 12,848 |
| Transportation equipment      | 3 years       | 1.8513%~2.5580% | 2,804     |
| Office equipment              | 5 years       | 1.8513%         | 357       |
| Total                         |               |                 | 16,009    |
| Less : current                |               |                 | (3,362)   |
| Lease liabilities-non-current |               |                 | \$ 12,647 |

STATEMENT OF OPERATING REVENUE

FOR THE YEAR ENDED DECEMBER 31, 2022

Expressed in thousands of NT

| Item                    | Description               | Amount       | Note |
|-------------------------|---------------------------|--------------|------|
| Commodity sales revenue | Polarizers for TFT LCD    | \$ 2,485,587 |      |
|                         | Polarizers for TN/STN LCD | 461,859      |      |
| Total                   |                           | \$ 2,947,446 |      |

# STATEMENT OF COST OF SALES

FOR THE YEAR ENDED DECEMBER 31, 2022

Expressed in thousands of NT

| Item                                    | Amount       | Note |
|-----------------------------------------|--------------|------|
| Direct consumption of raw materials     |              |      |
| Raw materials, beginning of year        | \$ 444,395   |      |
| Add: Purchase in the period             | 1,432,601    |      |
| Less: Raw materials, end of year        | (385,821)    |      |
| Transferred to expenses                 | (87,503)     |      |
|                                         | 1,403,672    |      |
| Indirect consumption of raw materials   |              |      |
| Raw materials, beginning of year        | 2,698        |      |
| Add: Purchase in the period             | 23,518       |      |
| Less: Raw materials, end of year        | (2,412)      |      |
| Transferred to expenses                 | (23,804)     |      |
|                                         | 0            |      |
| Direct Labor                            | 263,065      |      |
| Manufacturing expenses                  | 402,230      |      |
| Manufacturing cost                      | 2,068,967    |      |
| Add: Work in process, beginning of year | 484,527      |      |
| Purchase in the period                  | 5,707        |      |
| Less: Work in process, end of year      | (429,024)    |      |
| Transferred to expenses                 | (6,231)      |      |
| Cost of finished goods                  | 2,123,946    |      |
| Add: Finished goods, beginning of year  | 441,236      |      |
| Other                                   | (363,716)    |      |
| Less: Finished goods, end of year       | 712          |      |
| Inventory loss                          | 9            |      |
| Transferred to expenses                 | (2,353)      |      |
| Cost of goods of home-made product      | 2,199,834    |      |
| Revenue from sale of scraps             | (56,587)     |      |
| Reversal of inventory write-down        | 13,175       |      |
| Unamortized fixed production overheads  | 46,411       |      |
| Inventory loss                          | (9)          |      |
| Cost of sales                           | \$ 2,202,824 |      |

**STATEMENT OF MANUFACTURING EXPENSES**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

Expressed in thousands of NT

| Item                            | Description               | Selling and marketing expenses | Administrative expenses | Research and development expenses | Expected credit impairment loss | Note |
|---------------------------------|---------------------------|--------------------------------|-------------------------|-----------------------------------|---------------------------------|------|
| Wages and salaries              |                           | \$ 23,295                      | \$ 76,357               | \$ 22,967                         | \$ —                            |      |
| Maintenance fee                 |                           | 13                             | 13,186                  | 907                               | —                               |      |
| Utilities expense               |                           | 91                             | 981                     | 4,120                             | —                               |      |
| Depreciation                    |                           | 29                             | 6,309                   | 3,754                             | —                               |      |
| Research expense                |                           | —                              | —                       | 18,649                            | —                               |      |
| Commission expense              |                           | 74,615                         | 3,086                   | —                                 | —                               |      |
| Import /Export expenses         |                           | 51,729                         | 8                       | 2,440                             | —                               |      |
| Expected credit impairment loss | Accounts receivable       | —                              | —                       | —                                 | (6,582)                         |      |
| Others                          | Minor amount less than 5% | 18,598                         | 65,167                  | 4,481                             | —                               |      |
| Total                           |                           | \$ 168,370                     | \$ 165,094              | \$ 57,318                         | \$ (6,582)                      |      |