



OPTIMAX TECHNOLOGY CORPORATION

2023 Annual Report



This Annual report is available at: <http://mops.twse.com.tw>

Company Website: <http://www.optimax.com.tw>

Publication Date : May 9, 2024

I. Name of the Company's spokesperson and acting spokesperson:

The Company's spokesperson:

Name: Peter Chao

Title: Chairman

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The Company's acting spokesperson:

Name: Johnny Ma

Title: Assistant Vice President

TEL: +886 3 460 6677

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II. Address and contact number of the head office, plants, and branches:

Headquarter and Taoyuan Factory

Address: No. 37, Lane 659, Pingdong Rd., Pingzhen District, Taoyuan City, Taiwan, R.O.C

TEL: +886 3 460 6677

III. Stock transfer agent:

Name: Stock Affairs Department of CAPITAL SECURITIES CORP.

Address: B1F.-2, No.97, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 10601, Taiwan, R.O.C.

Website: <http://www.capital.com.tw>

TEL: +886 2 2705 2888

IV. Names of the CPAs, name, address, website and contact number of the account firm:

CPAs: Hsin-Liang Wu , Ying-Lai Chou

Accounting firm: BAKERK TILLY CLOCK & CO. Taiwan

Address: 14th Fl., 111 Sec.2, Nanking E. Rd. Taipei 10485, Taiwan, R.O.C.

Website: <http://www.clockcpa.com.tw>

TEL: +886 2 2516 5255

V. Name of overseas exchanges where securities are listed, and method of inquiry:

Not applicable

VI. Company Website: <http://www.optimax.com.tw>

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Letter to Shareholders

Dear Shareholders,

In the year 2023, due to global instability, persistent inflation, and interest rate hikes, consumers reduced non-essential spending, resulting in a decline in overall panel demand. On the supply side, the expansion of capacity in China led to oversupply and continued price declines, posing significant challenges to the panel industry. In response to rapid market changes, we adjusted the product structure, strengthened focus on high-margin In-vehicle products, as well as niche products such as sunglasses, VR/AR, and endeavored to reduce operating expenses while continuously repaying bank loans to maintain a healthy financial structure.

Revenue from niche products increased from 50% in 2022 to 75% in 2023, with a gross profit margin of 27%, showing growth compared to 2022. In terms of non-operating income, rental income was NT\$58,295 thousand, a slight increase from NT\$50,056 thousand in 2022; foreign exchange gains were NT\$1,231 thousand, a significant decrease from NT\$113,161 thousand in 2022, with a decrease of NT\$111,930 thousand. As for non-operating expenses, interest expenses were NT\$42,048 thousand, a decrease of NT\$7,710 thousand from NT\$49,758 thousand in 2022; loss from disposal of property, plant, and equipment was NT\$8,700 thousand, an increase of NT\$5,035 thousand from the loss of NT\$3,665 thousand in 2022. In summary, the pre-tax net profit for the year 2023 was NT\$197,597 thousand, and the after-tax net profit was NT\$172,532 thousand.

Looking ahead to the year 2024, our management team will continue to uphold a lean operational management model and pursue profit maximization, optimizing production capacity, reducing inventory, expanding high-margin In-vehicle products, and continuously repaying bank loans to reduce interest expenses, aiming to achieve the highest profit for the company and meet the expectations of all shareholders, thus increasing shareholder equity.

I. 2023 Business Report:

(I) The results of implementation of the business plan

In Thousands of New Taiwan Dollars; %

Item	2023	%	2022	%	Amount of decrease	%
Operating revenue	2,004,664	100.00	2,947,446	100.00	(942,782)	(31.99)
Operating gross profit	533,183	26.60	744,621	25.26	(211,438)	(28.40)
Operating net profit	204,133	10.18	337,411	11.45	(133,278)	(39.50)
Annual net profit (loss)	197,597	9.86	440,457	14.94	(242,860)	(55.14)
Annual net profit (loss) of tax	172,532	8.61	443,572	15.05	(271,040)	(61.10)

In the year 2023, the operating revenue decreased by NT\$942,782 million compared to 2022, while the gross profit margin remained at 25% or above (increasing from 25.26% in 2022 to 26.60% in 2023). This was primarily due to a better product mix and an increase in the proportion of automotive products, resulting in a corresponding increase in gross profit. With the Japanese yen exchange rate remaining favorable, the purchase cost remained at a lower level, leading to an increase in the gross profit margin by 1.34% compared to 2022.

In terms of operating expenses, selling expenses decreased by NT\$42,088 thousand compared to 2022, mainly due to a decrease in commissions by NT\$23,410 thousand; total freight and export expenses decreased by NT\$19,562 thousand; labor service expenses decreased by NT\$3,571 thousand. Management expenses decreased by NT\$16,029 thousand compared to 2022, with salary expenses decreasing by NT\$1,040 thousand; year-end bonuses decreasing by NT\$1,994 thousand; travel expenses decreasing by NT\$1,175 thousand; employee welfare decreasing by NT\$1,355 thousand; repair expenses decreasing by NT\$3,378 thousand; other expenses decreasing by NT\$5,100 thousand; research and development expenses decreasing by NT\$4,484 thousand; utility expenses (water, electricity, gas) decreasing by NT\$3,827 thousand; import and export expenses decreasing by NT\$914 thousand. The benefits of expected credit impairment increased by NT\$15,538 thousand compared to 2022, mainly due to a significant reduction in overdue accounts receivable from customers in 2023.

In summary, the overall operating gross profit in 2023 amounted to NT\$533,183 thousand, operating expenses were NT\$329,050 thousand, and non-operating income and expenses resulted in a net expenditure of NT\$6,536 thousand, including foreign exchange gains of NT\$1,231 thousand. Based on the aforementioned reasons, the pre-tax net profit for 2023 amounted to NT\$197,597 thousand, and the after-tax net profit was NT\$172,532 thousand.

(II) Analysis of the receipts and expenditures, and profitability:

Item		2023	2022
Analysis of financial Structure	Debt to asset ratio (%)	40.94	44.87
	Long-term fund to real estate, factory, and Equipment ratio (%)	237.42	158.09
Analysis of debt-paying structure	Current Ratio (%)	352.29	95.10
	Quick Ratio (%)	194.19	45.27
Analysis of profitability	ROA (%)	4.81	10.47
	ROE (%)	7.06	19.84
	Net profit (loss) ratio (%)	8.60	15.04
	Basic earnings per share (NT\$)	1.03	2.62

(III) Status of production and R&D

The development direction focuses on low-cost products, such as In-vehicle products, AR, and industrial control products. As competition intensifies in the In-vehicle products sector, our main priority is to enhance product competitiveness to maintain our edge. A significant aspect of enhancing product competitiveness is to improve reliability by raising the guaranteed operating temperature from 95°C to 105°C or even 110°C. In addition to close collaboration with suppliers in developing compensating films, we are actively exploring in-house LCD coating development. This not only ensures a stable source but also prevents excessively high prices, thereby enhancing product competitiveness. In the VR/AR sector, demand is predominantly for AR products. Apart from material development, the focus is also on the development of QWP/HWP materials with special processing characteristics.

Below are the development directions for each product:

1. Automotive Applications: In addition to improving reliability and developing compensating films, there is a trend towards larger sizes. Maintaining product performance after scaling up is crucial. For example, strategies to address bending issues caused by larger sizes are being developed. In addition to polarizers used in central control panels and instrument panels, polarizers are also used in other automotive applications such as HUD and privacy protection, which are currently a focus of development.
2. Other Small and Medium Applications: This includes VR/AR, where we are actively developing products in response to various customer demands.
3. Sunglasses: Continuously developing new customers and meeting new hue demands.

II. Future planning

(I) The principle of operation and policy of production and sale

1. Continuously repay long and short-term bank loans to reduce interest expenses.
2. Adhere to prudent management principles, stabilize quality, and increase yield to reduce costs.
3. Focus resources on developing high-margin polarizer products such as thin polarizers for sunglasses, automotive applications, and polarizers for VR/AR products.
4. Activate idle assets by disposing of related outdated equipment.
5. Actively invest in other promising industries, such as IC design for cybersecurity chips.

(II) The Company's future strategy of development

1. Continuously deepen relationships with existing key customers to expand the market share of polarizers at the customer end and increase company revenue.
2. Avoid competing in low-margin markets and focus entirely on capturing niche markets with high margins and high cash flow.
3. Fully develop high-weather-resistant iodine-based and dye-based polarizers for automotive and industrial control products, polarizers for VR/AR products, and polarizers for sunglasses, targeting markets with high added value.
4. Continuously explore customers including panel manufacturers and module factories in Taiwan, China, Japan, and South Korea.

Sincerely,

Chairman : Peter Chao

Company Profile

(I) Date of Incorporation : March 3, 1998

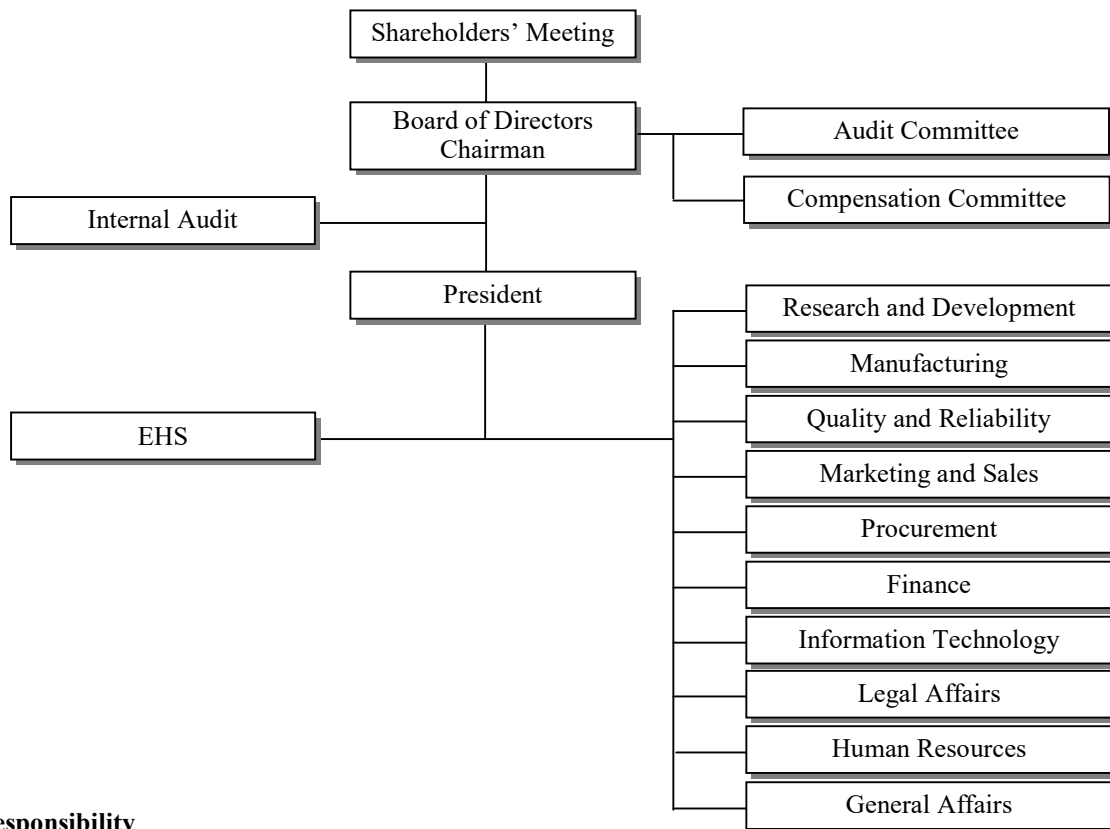
(II) Milestone :

- 1998.03 — Company was established, authorized capital was NT\$800 million, and paid-in capital was NT\$291 million.
- 1998.04 — The Chairman was Dr. Frank Huang, from UMAX Co. and the President was Dr. Larry Lai.
- 1998.04 — Signed a technology transfer contract of polarizer for TN/STN-LCD applications with Sanritz Corp., Japan.
- 2000.10 — Signed a technology transfer contract of polarizer for TFT-LCD applications with Sanritz Corp., Japan.
- 2001.01 — President Dr. Larry Lai had been promoted to Chairman and President concurrently.
- 2002.10 — Listed on Taiwan Stock Exchange Corp.
- 2005.01 — Obtained the award of 13th SOE (Symbol of Excellence) and was nominated the 13th NAOE (National Award of Excellence).
- 2005.03 — The Branch in Tainan Science Park the second intention construction was finished.
- 2005.05 — Ping-Chen No. 5 Factory groundbreaking.
- 2006.02 — Obtained ISO/TS16949 Certificate.
- 2007.01 — The Branch office set up in Korea.
- 2007.04 — Elected Dr. Peter Chao as Chairman.
- 2007.12 — Suzhou Factory mass production.
- 2009.01 — Obtained the Best Supplier Award of LGD.
- 2010.02 — Signed a lease contract for part of factory building in Tainan Science Park with BenQ Materials.
- 2010.03 — Obtained ISO9001:2008 International Quality Assurance System Verification Certificate.
- 2011.03 — The 3rd factory in Pingzhen passed the review of the national perspiration source air juice dyeing prevention and exemption.
- 2012.03 — Awarded the "Juniper Model Award for Promoting Industrial Carbon Reduction and Water Saving Plan" by Taoyuan City Government.
- 2014.09 — Completed the "Ultra-thin Polarizer Development Project" of the Ministry of Economic Affairs.
- 2017.11 — Obtained IATF16949:2016 and ISO9001:2015 international quality assurance system verification certificate.
- 2018.09 — Pingzhen plant passed the ISO 14001:2015 environmental management system certification.
- 2019.09 — Pingzhen plant passed the ISO 45001 occupational safety and health management system certification.
- 2020.01 — Sold Pingzhen No. 5 Plant.
- 2021.01 — Sold the Plant in Tainan Science Park and related ancillary equipment.
- 2023.03 — Invested in Intelligent Information Security Technology INC. to capitalize on global IoT cybersecurity opportunities.
- 2024.04 — Awarded the Best Supplier by Varitronix of BOE Technology Group Co., Ltd.

Corporate Governance Report

Organization

(1) Organization Chart



(2) Responsibility

Division	Responsibilities
Internal Audit	Be responsible for internal audit, reflect potential control problem or loophole, and adjust to the expected target in order to ensure Company interest and validity. Functions include planning audit, project audit, and follow-up audit.
EHS	Be responsible for setting up and auditing safety process system and safety training. Be responsible for controlling and dealing with wastewater, exhaust gas and waste disposal.
R&D	Be responsible for searching new raw materials and product technology to develop new product with new materials and make new business opportunities. Be in charge of existing product improvement, technical information collection, setting up product specs and solving filed process problem, sending samples and introducing new products into the market.
Marketing and Sales	Responsible for business development of product sales, production and sales analysis, customer management and service.
Manufacturing	Be responsible for operation of manufacturing factories, production planning, product quality/delivery controlling, equipment maintenance and repairing.
Quality and Reliability	Be responsible for the promotion of quality system, controlling of document system, instrument calibration and environment monitoring and measuring of clean room, client auditing, quality service and handling of customer complaint.
Procurement	Be responsible for sourcing new material suppliers, price negotiations of raw materials and production equipments, and production material delivery control.
Finance	Be responsible for raising and planning operating capital effectively, setting up operating accounting system plans and budget controlling. Be responsible for external relations of Juridical persons and company stock affairs.
Information Technology	Responsible for planning, constructing, integrating, and other related matters concerning data systems.
Legal Affairs	Handling legal affairs matters.
Human Resources	Responsible for human resource management and organizational development related affairs.
General Affairs	Planning external and internal promotional activities, promoting employee welfare events.

Director, Supervisor, and Management team

(1) Directors and Supervisors

1. Personal Profile

2024/4/22 Unit: share, %

Title	Nationality / Country of Origin	Name	Gender	Date Elected	Term (years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Positions held concurrently in the company and/ or and other company	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	R.O.C	Peter Chao	Male / 80 years old	2021/8/27	3	2001/5/25	33,480,151	10.29	16,450,416	9.79	427,489	0.25	-	-	Ph.D. in Dartmouth College Chairman, Taiwan Regional Association of Adhesive Tape Manufacturers Vice-President, Achem Opto-Electronic Corporation	Chairman, Optimax Technology corp. (Suzhou) Co., Ltd Chairman, Art Optronics Corporation Chairman, Whirlwind Investment Co., Ltd.	Director	Wilson Chao	Father-Son	(Note 1)
Director	R.O.C	Wilson Chao	Male / 44 years old	2021/8/27	3	2012/6/28	4,001,674	1.23	1,630,837	0.97	-	-	-	-	Master Degree in Chemistry, University of San Francisco Engineer, Foxconn Technology Group	President, Optimax Technology Corporation Chairman, Seabreeze Investment Co., Ltd.	Chairman	Peter Chao	Son-Father	(Note 1)
Director	R.O.C	Jiu-Ru Investment Co., Ltd.	-	2021/8/27	3	2018/6/8	1,521,828	0.47	845,220	0.50	-	-	-	-	Bachelor Degree, National Taipei Institute of Technology Chairman, Jiu-Ru Investment Co., Ltd.	Consultant, Jiu-Ru Investment Co., Ltd.	-	-	-	-
		Representative: Jin-De Wang	Male / 67 years old			2018/6/8	-	-	-	-	-	-	-	-			-	-	-	-
Director	R.O.C	Shi-Hong Industrial Co., Ltd.	-	2022/8/24	3	2022/8/24	624,712	0.19	400,753	0.24	-	-	-	-	LL.M. Degree Master in Law Northwestern University Compliance office, JPMorgan Chase Bank	Executive Director, Kong Foods Co., Ltd.	-	-	-	-
		Representative: Shi-Fen Lin	Female / 45 years old			2022/8/24	-	-	-	-	-	-	-	-			-	-	-	-
Director	R.O.C	Shi-Hong Industrial Co., Ltd.	-	2022/8/24	3	2022/8/24	624,712	0.19	400,753	0.24	-	-	-	-	Master Degree in Tourism. Ming Chuan University	Special Assistant & Manager of Administration Department, ENNEAD INC. Special Assistant, Kong Foods Co., Ltd..	-	-	-	(Note 2)
		Representative: Wei-Jie Wu	Male / 42 years old			2023/8/11	-	-	-	-	-	-	-	-			-	-	-	
Director	R.O.C	Qi-Bang Yu	Male / 73 years old	2021/8/27	3	2018/06/8	-	-	-	-	-	-	-	-	Bachelor Degree, Air Force Institute of Technology Technical adviser, Taiwan Regional Association of Adhesive Tape Manufacturers Executive Assistant to President, Achem Opto-Electronic Corporation	Chairman, Furuto International Corporation	-	-	-	-

Title	Nationality / Country of Origin	Name	Gender	Date Elected	Term (years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Positions held concurrently in the company and/ or and other company	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	R.O.C	Xiao-Nan Xiang	Female / 76 years old	2021/8/27	3	2018/6/8	8,425	-	4,402	-	-	-	-	-	Bachelor Degree, National Taipei Institute of Technology Executive Secretary, TSRAIA	None	-	-	-	-
Director	R.O.C	Chang-Shu Jiang	Male / 77 years old	2021/8/27	3	2020/6/9	-	-	-	-	-	-	-	-	Bachelor Degree in Electrical Engineering, Tatung University Chairman, 9th Board of Directors, Taiwan Professional Electrical Engineers Association R.O.C	Chairman, Hong-Da Electric Industrial Technician Office	-	-	-	-
Independent Director	R.O.C	Ted Guo	Male / 56 years old	2021/8/27	3	2018/6/8	-	-	-	-	-	-	-	-	Master Degree in Law, Chinese Culture University Real Estate Agent, Ted Guo Real Estate Agency Legal Officer, Yongli Law Firm Legal Officer, Beyou Electronics Co., Ltd.	Land Administrator, Pvolbyben Attorneys-At-Law	-	-	-	-
Independent Director	R.O.C	Tzeng-Guey Gu	Male / 74 years old	2021/8/27	3	2020/6/9	-	-	-	-	-	-	-	-	SHU-JEN High School Senior manager , Achem Opto-Electronic Corporation	None	-	-	-	-
Independent Director	R.O.C	Min Chao	Male / 58 years old	2021/8/27	3	2021/8/27	-	-	-	-	-	-	-	-	Zhong-Li Senior High School Engineer, Sinkong Textile Co., Ltd. Engineer, Prosperity Dielectrics Co., Ltd.	Director, Taicrystal International Technologies Co., Ltd.	-	-	-	-
Independent Director	R.O.C	Hsin Huang	Male / 58 years old	2023/6/20	3	2022/6/23	-	-	-	-	-	-	-	-	Bachelor, Electronic Engineering, University of Houston Chief Information Officer, Formosa International Hotels Group Chief Information Officer, Hilton Hotels & Resorts	Owner, HITOFUN LTD.	-	-	-	(Note 3)

Note 1 : The directors and the general managers or equivalent (executive managers) are the same person, spouses, or relatives, which need to explain the reason, rationality, necessity and related information about the implementation:

a.Peter Chao no longer serves as the President of the company on July 1, 2021.

b.Wilson Chao has been honing and solid management experience at all levels of management for many years, and has long been committed to doing his best and performing well in the fields of technology, manufacture and sales.
As a President, he will continue to deepen key products and consolidate the advantages of technology, expand the market and business development, and be more committed to the improvement of the company's operational performance.

c.At present, the company has the implementation that more than half of the board members do not concurrently serve as employees or managers of any affiliates.

Note 2 : Director – Shi-Hong Industrial Corporation Limited's former representative, Xiang-Wen Chen, was dismissed on August 11, 2023; the new representative, Wei-Jie Wu, took office on August 11, 2023.

Note 3 : Independent Director - Hsin Huang was elected on June 20, 2023.

2. Major shareholders of corporate shareholder

2024/4/22 Unit: %

Name of corporate shareholder	Major shareholders of corporate shareholders	Shareholding Ratio (%)
Shi-Hong Industrial Co., Ltd.	Jiu-Ru Investment Co., Ltd.	36.50
	Shi-Fen Lin	30.00
	Shi-Hsin Lin	30.00
	Mei-Ling Lin	0.27
Jiu-Ru Investment Co., Ltd.	Long-Shi Lin	62.19
	Shi-Hong Lin	27.71
	Ru-Ying Wu	10.00

3. Major Shareholders of corporate shareholders with corporations as their major shareholder: Not applicable.

4. Information Disclosure of Directors' Professional Qualifications and Independent Directors' Independence:

Qualifications Name	Professional Qualification and Experience	Independence Criteria	Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
Peter Chao	Ph.D. in Dartmouth College Expertise: Chemical Engineering/Chemical Technology, Polarizer Manufacturing, Business Management, Financial Management and Investment, Risk Management. Experience: Leadership Experience in Listed Company Board of Directors, Chemical Engineering/Chemical Technology, Adhesive/Film Material Manufacturing, Polarizer Manufacturing Experience.	1. Not under any circumstances as stipulated in Article 30 of the Company Act.	None
Wilson Chao	Master Degree in Chemistry, University of San Francisco Expertise: Chemical Engineering/Chemical Technology, Polarizer Manufacturing, Business Management, Financial Management and Investment, Risk Management. Experience: Chemical Engineering/Chemical Technology, Polarizer Manufacturing Experience.	1. Not under any circumstances as stipulated in Article 30 of the Company Act.	None
Jiu-Ru Investment Co., Ltd. Representative: Jin-De Wang	Currently serving as an Consultant for Jiu-Ru Investment Co., Ltd. Expertise: Business Management, Financial Management and Investment, Architecture and Engineering, Risk Management. Experience: Experience in Building Materials Manufacturing and Engineering.	1. Not under any circumstances as stipulated in Article 30 of the Company Act. 2. Not under any circumstances as stipulated in Items 3 and 4 of Article 26-3 of the Securities and Exchange Act.	None
Shi-Hong Industrial Co., Ltd Representative: Shi-Fen Lin	LL.M. Degree Master in Law Northwestern University Currently serving as Executive Director of Kong Foods Co., Ltd. Expertise: Law, Business Management, Financial Management and Investment, Risk Management. Experience: Experience as a Bank Regulatory Compliance Officer.	1. Not under any circumstances as stipulated in Article 30 of the Company Act. 2. Not under any circumstances as stipulated in Items 3 and 4 of Article 26-3 of the Securities and Exchange Act.	None
Shi-Hong Industrial Co., Ltd Representative: Wei-Jie Wu	Master Degree in Tourism, Ming Chuan University Currently serving as Special Assistant & Manager of Administration Department of ENNEAD INC and Special Assistant of Kong Foods Co., Ltd. Expertise: Business Management, Financial Management and Investment, Architecture and Engineering, Risk Management, Legal Affairs. Experience: Experience in Building Materials Manufacturing and Engineering.	1. Not under any circumstances as stipulated in Article 30 of the Company Act. 2. Not under any circumstances as stipulated in Items 3 and 4 of Article 26-3 of the Securities and Exchange Act.	None

Qualifications Name	Professional Qualification and Experience	Independence Criteria	Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
Qi-Bang Yu	Currently serving as Chairman of Furuto International Corporation. Expertise: Import and Export, International Trade, Business Management, Risk Management. Experience: Trading and Import/Export of Waterproof Materials, Engineering Experience.	1. Not under any circumstances as stipulated in Article 30 of the Company Act. 2. Not under any circumstances as stipulated in Items 3 and 4 of Article 26-3 of the Securities and Exchange Act.	None
Xiao-Nan Xiang	Former Secretary General of the Taiwan Synthetic Resins and Adhesives Industrial Association Expertise: Chemical Engineering/Chemical Technology, Import and Export, International Trade. Experience: Experience in the Synthetic Resins and Adhesives Industry.	1. Not under any circumstances as stipulated in Article 30 of the Company Act. 2. Not under any circumstances as stipulated in Items 3 and 4 of Article 26-3 of the Securities and Exchange Act.	None
Chang-Shu Jiang	Currently serving as Chairman of Hong-Da Electric Industrial Technician Office. Expertise: Electrical Engineering and Business Consulting Services, Engineering. Experience: Chairman of the National Federation of Electrical Engineers of the Republic of China.	1. Not under any circumstances as stipulated in Article 30 of the Company Act. 2. Not under any circumstances as stipulated in Items 3 and 4 of Article 26-3 of the Securities and Exchange Act.	None
Ted Guo	Master of Laws, Chinese Culture University Currently serving as Land Administrator of Pvolynb Attorneys-At-Law Expertise: Legal Affairs Experience: Experience in Law, Real Estate, and Land Administration.	1. Not under any circumstances as stipulated in Article 30 of the Company Act. 2. He meets the requirement for independence under Article 3, Paragraph 1 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies"	None
Tzeng-Guey Gu	Former Senior manager of Achem Opto-Electronic Corporation Expertise: Chemical Engineering/Chemical Technology, Business Management, Financial Management, Risk Management. Experience: Experience in Adhesive Tape/Film Material Manufacturing.	1. Not under any circumstances as stipulated in Article 30 of the Company Act. 2. He meets the requirement for independence under Article 3, Paragraph 1 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies"	None
Min Chao	Currently serving as Director of Taicrystal International Technologies Co., Ltd. Expertise: Electronic Components Manufacturing, Electrical Engineering and Business Consulting Services, Engineering. Experience: Experience in Manufacturing of Concentrator Photovoltaic Solar Cell upstream materials.	1. Not under any circumstances as stipulated in Article 30 of the Company Act. 2. He meets the requirement for independence under Article 3, Paragraph 1 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies"	None
Hsin Huang	Bachelor, Electronic Engineering, University of Houston Currently serving as the Owner of HITOFUN LTD. Expertise: Information Technology, Electronic Engineering, Business Management, Financial Management. Experience: Experience in Information Technology and Electronic Commerce.	1. Not under any circumstances as stipulated in Article 30 of the Company Act. 2. He meets the requirement for independence under Article 3, Paragraph 1 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies"	None

5. Board of Directors Diversity and Independence:

Diversification core	Basic component							Industry experience										Professional ability			
	Nationality	Gender	Employee	Age				Independent Director term	Chemical Engineering and Chemistry	Management and Marketing	Banking and Finance	Import and export and international trade	Investment and business supply	Electric machinery and business consulting services	Legal and Real Estate	Polairizers Manufacturing	Electronic component manufacturing	Architecture and Engineering	Law	Finance and Accounting	Risk Management
Name of DirectorS																					
Peter Chao	R. O. C	Male	✓				✓		✓	✓	○	○	○			✓				✓	✓
Wilson Chao	R. O. C	Male	✓	✓					✓	✓	○	○	○			✓				✓	✓
Jiu-Ru Investment Co., Ltd. Representative: Jin-De Wang	R. O. C	Male				✓				✓	✓	○	✓				✓			✓	✓
Shi-Hong Industrial Co., Ltd. Representative: Shi-Fen Lin	R. O. C	Female		✓						✓	✓		✓		✓			✓		✓	✓
Shi-Hong Industrial Co., Ltd. Representative: Wei-Jie Wu	R. O. C	Male		✓						✓	✓	○	✓		✓		✓			✓	✓
Xiao-Nan Xiang	R. O. C	Female					✓		✓	○		○								✓	
Qi-Bang Yu	R. O. C	Male					✓		○	✓	○	✓		✓			✓			✓	✓
Chang-Shu Jiang	R. O. C	Male					✓							✓			✓			✓	✓
Independent Director Ted Guo	R. O. C	Male		✓				✓							✓			✓			
Independent Director Tzeng-Guey Gu	R. O. C	Male					✓		✓	✓	✓						✓			✓	✓
Independent Director Min Chao	R. O. C	Male		✓				✓						✓			✓				✓
Independent Director Hsin Huang	R. O. C	Male		✓				✓		✓				✓			✓				✓

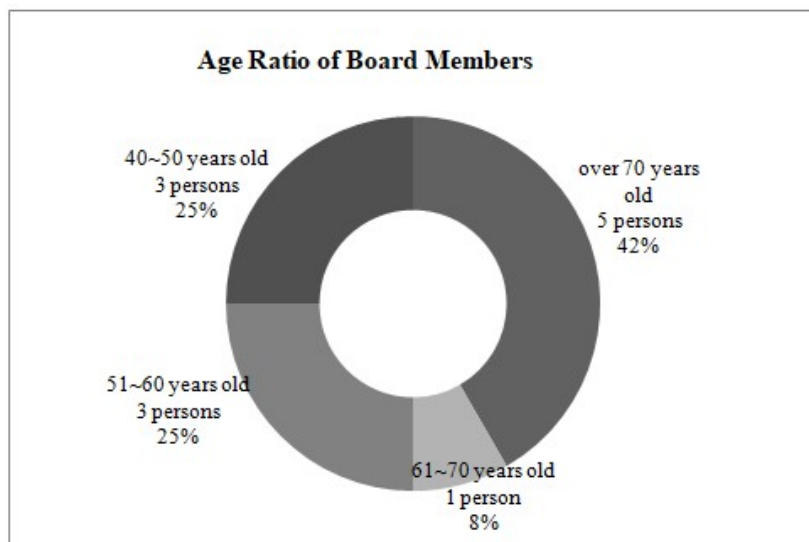
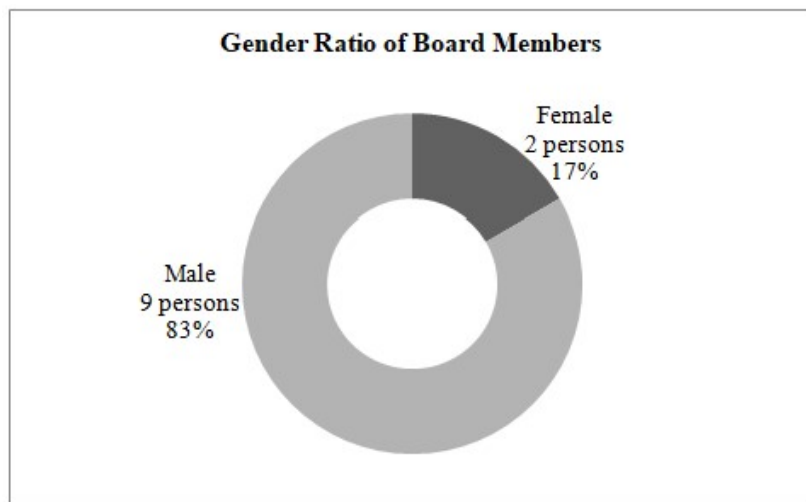
Note : "✓" means with ability, "○" means with partial ability.

5.1 Board Diversity :

(1) State the diversity policy, objectives and achievement of the board of directors:

The company advocates and respects the policy of diversity of directors. In order to strengthen corporate governance and promote the sound development of the composition and structure of the board of directors, it is believed that the policy of diversity will help improve the overall performance of the company. The selection and appointment of board members are based on the principle of employing talents based on their abilities, and they possess diverse and complementary capabilities across industries, including basic composition (eg. age, gender, etc.), as well as industry experience and related skills (eg chemical/chemical technology, Polarizing plate manufacturing, engineering, financial management and investment, import and export and international trade, legal and regulatory compliance, electronic component manufacturing), as well as business judgment, business management, leadership decision-making and risk management capabilities.

(2) State the gender, age composition or ratio of the board of directors:



5.2 Board Independence:

(1) State the number and proportion of independent directors:

The company has 4 independent directors, accounting for 33% of all directors.

(2) Explain that the board of directors is independent:

Except for Chairman Peter Chao and Director Wilson Chao, there is a father-son relationship, accounting for 17% of all directors, so it does not exceed half of the directors; the rest of the directors have no spouse or relative relationship, and the directors and independent directors have no relationship with each other. There is no equivalent or similar relationship, so it complies with Article 26-3, Items 3 and 4 of the Securities and Exchange Act.

**(2) Chairman, General Manager, Assistant General Manager, Deputy Assistant General Manager, and Managers
of all divisions and branch units**

2024/4/22; Unit: share %

Title	Nationality	Name	Gender	Date Elected	Shareholding		Spouse & Minor Shareholding		Other persons holding shares in their name		Principle work experience and academic qualifications	Positions held concurrently in the company and/ or and other company	Managers with spouses or relative within second-degree of kinship			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
President	R.O.C	Wilson Chao	Male	2022/7/1	1,630,837	0.97	-	-	-	-	Master Degree in Chemistry, University of San Francisco Engineer, Foxconn Technology Group	President, Optimax Technology Corporation Chairman, Seabreeze Investment Co., Ltd.	Chairman	Peter Chao	Father-son	(Note 1)
Assistant Vice-President	R.O.C	Johnny Ma	Male	2018/2/1	752	-	-	-	-	-	EMBA, Chang Jung Christian University	President, Optimax Technology (Suzhou) Co., Ltd	-	-	-	-
R&D Assistant Vice-President	R.O.C	Stark Tsai	Male	2023/11/6	-	-	-	-	-	-	Senior Manager of Taiwan Color Optics, Inc. Director of TPV Director of Coretronic Corporation Director of Ultmost Technology Corp. Assistant Manager of Tayih Kenmos Auto Parts Co., Ltd. Senior Engineer at the Optoelectronics & Systems Laboratories, Industrial Technology Research Institute EMBA Master's Degree from National Chiao Tung University	-	-	-	-	-
I/T Senior Manager	R.O.C	Sam Su	Male	2005/7/1	-	-	-	-	-	-	Manager of Measurement Center, Industrial Technology Research Institute Manager at Shinning Technology Master's Degree in Management Information Systems from National Chiao Tung University	-	-	-	-	-
Financial Manager	R.O.C	Michael Chen	Male	2013/11/26	-	-	-	-	-	-	Manager, Zhenda Optoelectronics Manager, Taiwan Jingxing Technology Bachelor Degree in Accounting, Tamkang University	-	-	-	-	-

Note 1 : The directors and the general managers or equivalent (executive managers) are the same person, spouses, or relatives, which need to explain the reason, rationality, necessity and related information about the implementation:

a.Peter Chao no longer serves as the President of the company on July 1, 2021.

b.Wilson Chao has been honing and solid management experience at all levels of management for many years, and has long been committed to doing his best and performing well in the fields of technology, manufacture and sales.

As a President, he will continue to deepen key products and consolidate the advantages of technology, expand the market and business development, and be more committed to the improvement of the company's operational performance.

c.At present, the company has the implementation that more than half of the board members do not concurrently serve as employees or managers of any affiliates.

(3) Remuneration paid during the most recent fiscal year to Directors, Supervisors, General Manager, and Assistant General Managers

1. Remuneration paid to Directors and Independent Director

2023/12/31; Unit: NT\$ thousands

Title	Name	Remuneration paid to Directors								Total remuneration (A+B+C+D) as a percentage of net income (%)		Compensation earned as employee of Optimax subsidiary affiliates								Total compensation (A+B+C+D+E+F+G) as a percentage of net income (%)		Compensation paid to Directors from non-subsidiary affiliates
		Salary (A) (Note 1)		Retirement pay(B)		Remuneration (C) (Note 1)		Allowance (D)				Salary, Bonuses, and Allowance (E) (Note 2)		Retirement pay(F)		Employee compensation(G) (Note 1)						
		Company	All consolidated entities	Company	All consolidated entities	Company	All consolidated entities	Company	All consolidated entities	Company	All consolidated entities	Company	All consolidated entities	Company	All consolidated entities	Company		All consolidated entities		Company	All consolidated entities	
																cash	stock	cash	stock			
Chairman	Peter Chao	-	-	-	-	194	194	14	14	0.12	0.12	6,315	6,315	-	-	0	0	0	0	3.78	3.78	None
Director	Wilson Chao	-	-	-	-	194	194	14	14	0.12	0.12	15,403	15,403	108	108	0	0	0	0	9.11	9.11	None
Director	Jiu-Ru Investment Co., Ltd. Representative: Jin-De Wang	-	-	-	-	194	194	14	14	0.12	0.12	-	-	-	-	-	-	-	-	0.12	0.12	None
Director	Shi-Hong Industrial Co., Ltd. Representative: Shi-Fen Lin	-	-	-	-	194	194	2	2	0.11	0.11	-	-	-	-	-	-	-	-	0.11	0.11	None
Director	Shi-Hong Industrial Co., Ltd. Representative: Xiang-Wen Chen (Note 3)	-	-	-	-	0	0	4	4	-	-	-	-	-	-	-	-	-	-	-	-	None
Director	Shi-Hong Industrial Co., Ltd. Representative: Wei-Jie Wu (Note 3)	-	-	-	-	194	194	6	6	0.12	0.12	-	-	-	-	-	-	-	-	0.12	0.12	None
Director	Xiao-Nan Xiang	-	-	-	-	194	194	12	12	0.12	0.12	-	-	-	-	-	-	-	-	0.12	0.12	None
Director	Qi-Bang Yu	-	-	-	-	194	194	14	14	0.12	0.12	-	-	-	-	-	-	-	-	0.12	0.12	None
Director	Chang-Shu Jiang	-	-	-	-	194	194	12	12	0.12	0.12	-	-	-	-	-	-	-	-	0.12	0.12	None
Independent Director	Ted Guo	-	-	-	-	194	194	14	14	0.12	0.12	-	-	-	-	-	-	-	-	0.12	0.12	None
Independent Director	Tzeng-Guey Gu	-	-	-	-	194	194	14	14	0.12	0.12	-	-	-	-	-	-	-	-	0.12	0.12	None
Independent Director	Min Chao	-	-	-	-	194	194	14	14	0.12	0.12	-	-	-	-	-	-	-	-	0.12	0.12	None
Independent Director	Hsin Huang (Note 4)	-	-	-	-	98	98	10	10	0.06	0.06	-	-	-	-	-	-	-	-	0.06	0.06	None

1. Please describe the remuneration policy, system, standard and structure of independent directors, and describe the relationship with the amount of remuneration according to the responsibilities, risks, investment time and other factors:
Our independent director serves as a member of the audit committee and is responsible for overseeing the company's operations, reviewing relevant proposals put forth by the company. The remuneration of our directors is determined by the board of directors in accordance with the company's articles of incorporation. When the company is profitable, the board of directors will decide on the amount of director's compensation, which may be distributed in the form of stock or cash, with the director's remuneration not exceeding 1%. Currently, only transportation expenses for attending meetings are reimbursed.
2. Except for those disclosed in the table above, the remunerations received by the directors of the company for their services in the most recent year (such as serving as a consultant for all non-employees of companies/reinvested enterprises in the parent company's financial report): None.

Note 1: In the year 2022, the company earned a profit of NT\$447,163,885 (i.e., the profit before deducting employee and director remuneration and accumulated losses).

We have allocated 0.5% of the profit, totaling NT\$2,235,819, as director remuneration and 1% of the profit, totaling NT\$4,471,639, as employee remuneration, which will be paid in cash. The amount is the actual allocation.

Note 2: The pension is all provisioned.

Note 3: Director – Shi-Hong Industrial Corporation Limited's former representative, Xiang-Wen Chen, was dismissed on August 11, 2023; the new representative, Wei-Jie Wu, took office on August 11, 2023.

Note 4: Independent Director - Hsin Huang was elected on June 20, 2023.

Remuneration paid scale to Directors and Independent Directors

Scale of remunerations to managers of the Company	Name			
	Total remuneration (A+B+C+D)		Total remuneration (A+B+C+D+E+F+G)	
	Company	All consolidate affiliates	Company	All consolidate affiliates
Under NT\$ 1,000,000	Peter Chao, Wilson Chao, Jin-De Wang, Shi-Fen Lin, Wei-Jie Wu, Xiao-Nan Xiang, Qi-Bang Yu, Chang-Shu,Jiang, Ted Guo, Tzeng-Guey Gu, Min Chao, Hsin Huang	Peter Chao, Wilson Chao, Jin-De Wang, Shi-Fen Lin, Wei-Jie Wu, Xiao-Nan Xiang, Qi-Bang Yu, Chang-Shu,Jiang, Ted Guo, Tzeng-Guey Gu, Min Chao, Hsin Huang	Jin-De Wang, Shi-Fen Lin, Wei-Jie Wu, Xiao-Nan Xiang, Qi-Bang Yu, Chang-Shu,Jiang, Ted Guo, Tzeng-Guey Gu, Min Chao, Hsin Huang	Jin-De Wang, Shi-Fen Lin, Wei-Jie Wu, Xiao-Nan Xiang, Qi-Bang Yu, Chang-Shu,Jiang, Ted Guo, Tzeng-Guey Gu, Min Chao, Hsin Huang
NT\$ 1,000,000 (include)~ NT\$ 2,000,000 (exclude)	-	-	-	-
2,000,000 (include)~ NT\$ 3,500,000 (exclude)	-	-	-	-
3,500,000 (include)~ NT\$ 5,000,000 (exclude)	-	-		
5,000,000 (include)~ NT\$ 10,000,000 (exclude)	-	-	Peter Chao	Peter Chao
10,000,000(include)~ NT\$ 15,000,000 (exclude)	-	-	-	-
15,000,000(include)~ NT\$ 30,000,000 (exclude)	-	-	Wilson Chao	Wilson Chao
30,000,000(include)~ NT\$ 50,000,000 (exclude)	-	-	-	-
50,000,000(include)~ NT\$ 100,000,000 (exclude)	-	-	-	-
Over NT\$ 100,000,000	-	-	-	-
Total	12	12	12	12

2. Remuneration paid to Chairman, General Manager and Vice General Manager

2023/12/31; Unit: NT\$ thousands														
Title	Name	Salary (A)		Retirement pay(B) (Note 2)		Bonus and special allowance (C)		Remuneration (D) (Note 1)				Total remuneration (A+B+C+D) as a percentage of net income (%)		Compensation paid to Directors from non-subsidiary affiliates
		Company	All consolidated affiliate	Company	All consolidated affiliate	Company	All consolidated affiliate	Company		All consolidated affiliate		Company	All consolidated affiliate	
								cash	share	cash	share			
President	Wilson Chao	15,403	15,403	108	108	-	-	0	0	0	0	8.99	8.99	None

Note 1: In the year 2022, our company earned a profit of NT\$447,163,885 (i.e., the profit before deducting employee and director remuneration and accumulated losses).

We have allocated 1% of the profit, totaling NT\$4,471,639, as employee remuneration, which will be paid in cash. The amount is the actual allocation.

Note 2: The pension is all provisioned.

Remuneration paid scale to CEO, General Manager and Vice General Manager

Scale of remunerations to managers of the Company	Name of Chairman, General Manager and Vice General Manager	
	Company	All consolidate affiliates
Under NT\$ 1,000,000	-	-
NT\$ 1,000,000 (include) ~ NT\$ 2,000,000 (exclude)	-	-
2,000,000 (include) ~ NT\$ 3,500,000 (exclude)	-	-
3,500,000 (include) ~ NT\$ 5,000,000 (exclude)	-	-
5,000,000 (include) ~ NT\$ 10,000,000 (exclude)	-	-
10,000,000 (include) ~ NT\$ 15,000,000 (exclude)	-	-
15,000,000 (include) ~ NT\$ 30,000,000 (exclude)	Wilson Chao	Wilson Chao
30,000,000 (include) ~ NT\$ 50,000,000 (exclude)	-	-
50,000,000 (include) ~ NT\$ 100,000,000 (exclude)	-	-
Over NT\$ 100,000,000	-	-
Total	1	1

3. The remuneration of the top five executives

Title	Name	Salary (A)		Retirement pay(B)		Bonus and special allowance (C)		Remuneration (D)				Total remuneration (A+B+C+D) as a percentage of net income (%)		Compensation paid to Directors from non-subsidiary affiliates
		Company	All consolidated affiliate	Company	All consolidated affiliate	Company	All consolidated affiliate	Company		All consolidated affiliate		Company	All consolidated affiliate	
								cash	share	cash	share			
President	Wilson Chao	15,403	15,403	108	108	-	-	0	0	0	0	8.99	8.99	None
Assistant Vice- president	Jonny Ma	1,729	1,729	91	91	-	-	10	0	10	0	1.06	1.06	None
IT Manager	Sam Su	1,640	1,640	91	91	-	-	10	0	10	0	1.01	1.01	None
Sales Manager	Oscar Yen	1,541	1,541	73	73	-	-	10	0	10	0	0.94	0.94	None
Sales Manager	Sheng-Chang Peng	1,425	1,425	70	70	-	-	10	0	10	0	0.87	0.87	None

4. Names of managerial officers who received employee remuneration and status of distribution

Item	Position (Note 1)	Name (Note 1)	Stock amount (Note 2)	Cash amount (Note 2)	Grand Total (Note 2)	Ratio of Total Amount to Net Income (%)
Managerial Officer	President	Wilson Chao	-	30	30	0.02 %
	Assistant Vice- president	Jonny Ma				
	Assistant Vice- president	Stark Tsai				
	Financial Manager	Michael Chen				

Note 1: The incumbent manager of the company at the end of 2023.

Note 2: Refers to the proposed allotment amount calculated with reference to the actual allotment ratio in previous years.

5. Total remuneration as a percentage of net income as paid by the company, during the past two fiscal years to its Directors, General Manager, and Vice General Manager

Fiscal year Item	2022		2021	
	Company	All consolidated entities	Company	All consolidated entities
After-tax (loss) profit (NT\$ thousands)	172,532	172,532	443,572	443,572
Directors remuneration share (%)	1.38	1.38	0.07	0.07
Proportion of remuneration of managers above vice general manager (%)	8.99	8.99	3.25	3.25

6. The company's remuneration policies, standards and portfolios, procedures for determining remuneration, and its relevance to operating performance and future risks

1. The salary and compensation policy of our company aims to provide employees with remuneration and benefits at the average level. The amount and distribution method of year-end bonuses and related rewards are determined based on the company's performance and the job responsibilities, contributions, and performance of each employee, subject to approval by the Compensation Committee and the Board of Directors.
2. The remuneration amount for the company's executives is determined based on their duties, contributions, and the company's operational performance for the year, subject to review by the Compensation Committee and approval by the Board of Directors.
3. The remuneration of the company's directors is handled in accordance with the company's articles of association. The Board of Directors is authorized to determine the compensation based on the directors' level of involvement in the company's operations and their contributions, taking into account domestic and international industry standards.

The State of the Company's Implementation of Corporate Governance

(1) The state of operations of the Board of Directors

The 9th Session of the Board of Directors conducted 7 meetings in the most recent year. The Directors' attendance status is as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)	Note
Chairman	Peter Chao	7	-	100	
Director	Wilson Chao	7	-	100	
Director	Shi-Hong Industrial Co., Ltd. Representative: Shi-Fen Lin	1	-	14	
Director	Shi-Hong Industrial Co., Ltd. Representative: Xiang-Wen Chen (Note 1)	2	-	50	2023/8/11 dismissed
Director	Shi-Hong Industrial Co., Ltd. Representative: Wei-Jie Wu (Note 2)	3	-	100	2023/8/11 took office
Director	Jiu-Ru Investment Co., Ltd. Representative: Jin-De Wang	7	-	100	
Director	Xiao-Nan Xiang	6	-	86	
Director	Qi-Bang Yu	7	-	100	
Director	Chang-Shu Jiang	6	-	86	
Independent Director	Ted Guo	7	-	100	
Independent Director	Tzeng-Guey Gu	7	-	100	
Independent Director	Min Chao	7	-	100	
Independent Director	Hsin Huang (Note 3)	5	-	100	2023/6/20 elected

Note1. Director - Xiang-Wen Chen, former representative of Shi-Hong Industrial Co., Ltd., was dismissed on August 11, 2023. Should have attended 4 meetings.

Note2. Director - Wei-Jie Wu, newly appointed representative of Shi-Hong Industrial Co., Ltd., took office on August 11, 2023. Should have attended 3 meetings.

Note3. Independent Director - Hsin Huang, elected on June 20, 2023. Should have attended 5 meetings.

Other matters to be included:

- If any of the following circumstances occur during board meetings, the date of said meeting, session number, proposal content, all independent director opinions, and the Corporation's responses to said independent director opinions:
 - According to Article 14-3 of the Securities and Exchange Act:
In the year 2023, a total of 7 board meetings were held. All independent directors had no objections to the matters listed in Article 14-3 of the Securities and Exchange Act and were approved accordingly.
 - In addition to the pre-opened matters, other directors' meeting resolutions with a record or written statement opposed or reserved by independent directors: None.
- The implementation of the director's avoidance of the proposal of interest shall state the name of the director, the content of the proposal, the reason for the avoidance of interest and the voting situation: None.
- The objectives of strengthening the functions of the board of directors in the current year and the most recent year (such as the establishment of an audit committee, the enhancement of information transparency, etc.) and the assessment of implementation:
 - The company chose to establish an independent director and an audit committee on June 8, 2018 by the shareholders' meeting, and set up a salary and compensation committee on December 13, 2011. This plan has helped strengthen the functions of the board of directors and implement corporate governance.

4. Implementation Status of Board Evaluations:

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation items
Every year	The year of 2023	The board of directors and functional committees (including Audit Committee and Compensation Committee)	1. Board of Directors' Self-Assessment 2. Directors' Self-Assessment 3. Functional Committees' (including the Audit Committee and the Compensation Committee) Self-Assessment	(1) Individual director and Board performance evaluation: level of participation in company operations, the quality of decisions, Board composition and structure, appointment of directors and their continued development, and internal controls. (2) Functional committee performance evaluation: participation in company operations, understanding of the responsibilities of functional committees, improvement of the decision-making quality of functional committees, composition of functional committees, and member selection and internal control.

According to the "Evaluation of Board of Directors" passed by the board of directors on March 19, 2020, the board and directors have to be evaluated at least one time every year. The evaluation of 2023 was done and was reported to the board of directors on March 14, 2024.

(2) The state of operation of the audit committee:

The 2nd Session of Audit Committee held 7 times in the most recent year, and the attendance status is as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Independent Director	Ted Guo	7	-	100	
Independent Director	Tzeng-Guey Gu	7	-	100	
Independent Director	Min Chao	7	-	100	
Independent Director	Hsin Huang (Note 1)	5	-	100	2023/6/20 elected

Note1. Independent Director - Hsin Huang, elected on June 20, 2023. Should have attended 5 meetings.

Other matters to be recorded:

- If there is any of the following situations in the operation of the audit committee, the date, period, content of the bill, resolution of the audit committee, and the company's handling of the audit committee's opinions should be stated:
 - (1)Matters listed in Article 14-5 of the Securities and Exchange Act:
In the year 2023, a total of 7 Audit Committee meetings were held. All independent directors had no objections to the matters listed in Article 14-5 of the Securities and Exchange Act, and all proposals were approved accordingly.
 - (2)Except for the pre-opening matters, other resolutions that have not been approved by the Audit Committee and have been approved by more than two-thirds of all directors: None.
- The implementation status of the independent director's avoidance of the proposal of interest shall state the name of the independent director, the content of the proposal, the reason for the avoidance of interest and the voting situation: None.
- The communication between independent directors, internal audit supervisors and accountants (such as matters, methods and results of communication on the company's financial and business conditions) :
 - (1) Monthly, the audit reports and the results of follow-up improvements are sent via email to each independent director (Audit Committee member) for review.
 - (2) The Chief Audit Executive attends the Audit Committee meetings as required.
 - (3) The Audit Committee conducts regular reviews of quarterly financial statements, internal control systems, and audit results each year.
 - (4) Independent directors can understand the company's operations and audit situations through audit reports provided regularly by the Board of Directors, the Audit Committee, and the internal audit.

(3) Taiwan Corporate Governance Implementation as Required by Taiwan Financial Supervisory Commission

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
1. Does Company follow “Taiwan Corporate Governance Implementation” to establish and disclose its corporate governance practices?		V	The company has not yet formulated a code of practice for corporate governance.	Same as explanation
2. Shareholding Structure & Shareholders’ Rights				
(1) Does Company have Internal Operation Procedures for handling shareholders’ suggestions, concerns, disputes and litigation matters. If yes, has these procedures been implemented accordingly?	V		(1)The spokesperson and stock affairs department of the company handle related matters.	None
(2) Does Company possess a list of major shareholders and beneficial owners of these major shareholders?	V		(2) The company keeps abreast of the list of major shareholders who actually control the company and the list of ultimate controllers of major shareholders.	
(3) Has the Company built and executed a risk management system and “firewall” between the Company and its affiliates?	V		(3) Assets and financial accounting of affiliated companies are all independent operations. Relevant departments of the company regularly and from time to time audit the affiliated companies that have control rights, so as to prevent your company from creating extravagance and causing company risks.	
(4) Has the Company established internal rules prohibiting insider trading on undisclosed information?	V		(4) The company has established internal regulations, and from time to time publicizes equity-related laws and regulations and matters to be noted to insiders, and prohibits insiders from using undisclosed information on the market to buy valuable securities.	
3. Composition and Responsibilities of the Board of Directors				
(1) Has the Company established a diversification policy for the composition of its Board of Directors and has it been implemented accordingly?	V		(1) The board of directors of the company has 12 directors with a term of three years. The selection of directors is based on the overall configuration of the board of directors. Board members generally have the knowledge, experience, skills and accomplishments necessary to perform their duties. The powers of the board of directors shall be handled in accordance with the company's articles of association.	Same as explanation
(2) Other than the Compensation Committee and the Audit Committee which are required by law, does the Company plan to set up other Board committees?		V	(2) In addition to the legally required Compensation Committee and Audit Committee, our company has not yet established any other committees at the moment.	
(3) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis?	V		(3) The company has formulated a plan for the "Board of Directors and Functional Committee Renewal Evaluation Method" and its evaluation method, which was approved by the board of directors on March 19, 2020.	
(4) Does the Company regularly evaluate its external auditors’ independence?	V		(4) The company regularly evaluates the independence of certified accountants.	

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
4. Does the Company established a full- (or part-) time corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to furnish information required for business execution by directors, handle matters relating to board meetings and shareholders' meetings according to laws, handle corporate registration and amendment registration, record minutes of board meetings and shareholders meetings, etc.)?	V		The company has a stock affairs and auditing unit responsible for corporate governance-related matters, and provides directors and supervisors with relevant information about the execution of the business on a regular basis without major discrepancies, and handles board of directors and shareholder meetings in accordance with the law, and handles company registration and changes Registration matters, and preparation of minutes of board of directors and shareholders' meetings, etc.	None
5. Has the Company established a means of communicating with its Stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions on corporate responsibilities?	V		The company currently has a special area for interested parties on the company website. Moreover, the company provides sufficient information to the financial institutions and creditors. In addition, the company provides smooth communication channels for employees, and disclose relevant information in accordance with regulations, such as asset acquisition and disposal, endorsement guarantees equal to the exchange website and public information observatory, so that interested parties have enough information to make judgments to protect their rights and interests.	None
6. Has the Company appointed a professional registrar for its Shareholders' Meetings?	V		The company appoints a professional stock affairs agency to handle the affairs of the shareholders meeting.	None
7. Information Disclosure (1) Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status?	V		(1) The company has designated a person to be responsible for the collection and disclosure of company information, and to disclose the company's financial business and other related information on the information disclosure observatory and company website.	Same as explanation
(2) Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?	V		(2) The company's website: http://www.optimax.com.tw , through the establishment of spokespersons and deputy spokespersons for information collection, disclosure and external communication.	
(3) Does the Company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline?		V	(3) The company announces and declares its annual financial report within the time limit on time, and announces the financial report and monthly operating conditions within the specified time limit every quarter.	

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?	V		(1) Employee rights and employee relations: 1. Employees' rights and interests: A labor retirement reserve supervision committee was established in accordance with the law, and labor insurance and national health insurance were applied to protect employees' rights and interests. 2. Employee care: In addition to providing labor and health insurance for employees in accordance with the law, the company also provides group insurance for employees, including accident insurance, medical insurance, and cancer insurance. 3. Regular labor-management meetings are held to coordinate labor-management relations and promote labor-management cooperation. (2) Investor relations: The company maintains the relationship between the company and investors through the establishment of spokespersons, agent spokespersons and stock affairs units. (3) Supplier relationship: through irregular meetings with suppliers, maintain a good relationship with suppliers. (4) Rights of interested parties: The company provides adequate information to financial institutions and creditors, and has smooth communication and management for employees in accordance with regulations, relevant information such as asset acquisition and disposal, endorsement guarantee, etc. shall be disclosed on the exchange website and public information observatory. (5) Implementation of risk management policies and risk measurement standards: The company has formulated various internal regulations in accordance with the law, and conducted various risk management and evaluations. (6) Implementation of customer policy: The company maintains a good relationship with customers department to create company profits. (7) Circumstances in which the company purchases liability insurance for directors and supervisors: The company has insured directors, supervisors and important employees.	None
9. The improvement status for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange: None.				

(4) Salary and compensation committee composition, responsibilities and operations :

1. Information on the Members of the Compensation Committee

Qualifications TitleName		Professional qualification and experience	Independence situation	Number of other public companies at which the person concurrently serves as remuneration committee member
Independent Director Convener	Ted Guo	(1) Expertise : Legal, lands and real estate matters (2) Experience : Listed company director, audit committee, Salary and compensation committee, legal experience	(1) Comply with the provisions of Article 3, Paragraph 1 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies". (2) None of the items in Article 30 of the Company Law.	None
Independent Director	Tzeng-Guey Gu	(1) Expertise : Chemical/chemical technology field, business management, financial management, risk management (2) Experience : Listed company director, audit committee, Salary and compensation committee, Tape/film material manufacturing experience	(1) Comply with the provisions of Article 3, Paragraph 1 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies". (2) None of the items in Article 30 of the Company Law.	None
Other	Tong-Chi Xu	(1) Expertise: Chemical/chemical technology field (2) Experience : Listed company Salary and compensation committee, Precision coating/tape/film material manufacturing experience	(1) Comply with the provisions of Article 3, Paragraph 1 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies". (2) None of the items in Article 30 of the Company Law.	None

2. The 5th Session committee has met 2 times in the most recent year, and the remuneration committee attended as follows:

Title	Name	Actual attendance	Delegated attendance	Actual attendance ratio (%)	Note
Convener	Ted Guo	2	0	100	-
Member	Tzeng-Guey Gu	2	0	100	-
Member	Tong-Chi Xu	2	0	100	-

Other matters to be recorded:

- (1) If the board of directors does not adopt or amend the recommendations of the salary and compensation committee, it shall state the date, period, content of the proposal, resolution of the board of directors, and the company's handling of the salary and compensation committee's opinions (such as the salary and compensation approved by the board of directors is better than the salary and compensation committee) The proposal should state the difference and the reason): None.
- (2) The matters resolved by the Remuneration and Remuneration Committee, if the members have objections or reservations, and have a record or written statement, which should state the date and period of the Remuneration and Remuneration Committee, the content of the proposal, the opinions of all members and the treatment of the opinions of the members: None.

(5) Promotion of Sustainable Development – Implementation Status and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
1. Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the board of directors authorized senior management to handle related matters under the supervision of the board?		V	The company has not yet established a dedicated "Sustainable Development" unit. However, the senior management and the Board of Directors deeply understand the importance of sustainability for the enterprise. We are committed to promoting corporate social responsibility and fully consider long-term sustainability factors in our business decisions. In addition to focusing on economic benefits, we actively promote measures related to environmental protection, social responsibility, and good governance. These measures include reducing resource consumption, promoting energy conservation and carbon reduction, enhancing employee benefits, participating in social welfare activities, and establishing a transparent governance structure. Through these efforts, we aim to ensure the company's continued development and make a positive contribution to society and the environment.	None
2. Does the company conduct risk assessments of environmental, social and corporate governance (ESG) issues related to the company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?	V		1. The company promotes sustainable development and pays attention to the interests of stakeholders. While pursuing sustainable operation and profitability, we emphasize environmental, social, and corporate governance factors, incorporating them into our management guidelines and operational activities. 2. The company conducts environmental and safety impact assessments according to the provisions of ISO 14001 and ISO 45001, identifying significant issues that impact our operations, environment, and society. We then formulate and implement policies related to environmental and safety improvements. 3. We arrange for relevant personnel to attend courses related to the Responsible Business Alliance (RBA). Focusing on the five key areas of the RBA framework (labor, health and safety, environment, ethics, and management systems), we incorporate RBA requirements to address any deficiencies within the company.	None
3. Environmental Issues (1) Has the Company set an environmental management system designed to industry characteristics? (2) Does the Company endeavor to use energy more efficiently and to use renewable materials with low environmental impact? (3) Has the Company evaluated the potential risks and opportunities posed by climate change for its business now and in the future and adopted relevant measures to address them?	V V V		(1)Continue to implement the new version of the ISO 14001 environmental management system. (2)Continue to implement energy conservation projects and waste reduction projects. (3)In response to environmental protection, energy conservation and carbon reduction, the company implements it in a way of full participation, and starts with general administrative policies, process management and improvement, so that employees can deeply root energy conservation in the working environment. The target of carbon reduction is to achieve environmental pollution-free:	None

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			1. Switch to energy-saving lamps for some lighting; reduce the use of lamps in administrative areas and maintain basic lighting to save energy. 2. Strengthen the management of air-conditioning: all types of chiller water outlet temperature, factory aisle temperature, office temperature, clean room temperature are all set and controlled and continue reducing the exhaust air volume of each coating equipments to save energy. 3. Aggressively promote electronic and reduce paper usage. 4. Instead of using sanitary chopsticks, use environmentally friendly chopsticks. 5. Promote the upper and lower floors to take the stairs, and the elevator will stop running on the floor. 6. Turn off the computer after get off work and turn off the lights and computer screen power during lunch break. 7. Waste battery recycling, faucet water-saving device, planting and environmental greening.	None
(4) Did the company collect data for the past two years on greenhouse gas emissions, volume of water consumption, and the total weight of waste, and establish policies for greenhouse gas reduction, reduction of water consumption, or management of other wastes?	V		(4) The company continues to implement various energy saving projects and waste reduction projects to reduce greenhouse gas emissions to protect the earth.	
4. Social Issues (1) Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?	V		(1) The company abides by relevant laws and regulations, and abides by international human rights conventions, such as gender equality, the right to work and the prohibition of discrimination. (2) In order to fulfill the responsibility of protecting human rights, the company formulates management policies and handling procedures related to protection, and shall disclose the handling procedures for the stakeholders involved when human rights violations are involved. (3) The company shall abide by the internationally recognized labor rights, and confirm that its human resources utilization policy does not discriminate in terms of gender, race, socioeconomic class, age, marital and family status, etc., in order to implement employment, employment conditions, remuneration, benefits, Equal and fair opportunities for training, evaluation and promotion. (4) The operation activities and management system of the company shall not endanger the rights and interests of laborers. For matters that endanger labor rights, the company shall provide efficient and appropriate grievance mechanisms to ensure equality and transparency in the grievance process.	None

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
(2)Has the Company established and implemented reasonable employee welfare measures (include salary/compensation, leave, and other benefits), and are business performance or results appropriately reflected in employee salary/compensation?	V		(2) The company formulates and implements reasonable employee welfare measures (including remuneration, vacation and other benefits, etc.), and appropriately reflects business performance or results in employee remuneration to ensure the recruitment, retention and encouragement of human resources and achieve the goal of sustainable operation.	None
(3)Does the Company provide employees with a safe and healthy working environment, and implement regular safety and health education for employees?	V		(3) Provide a safe and healthy working environment for employees: 1. The company provides employees with a safe and healthy working environment, including the provision of necessary health and first aid facilities, and is committed to reducing hazards to employee safety and health to prevent occupational disasters. 2. The company regularly implements safety and health education and training for employees.	
(4)Has the Company established effective career development training programs for employees?	V		(4) The company creates a good environment for employees' career development and establishes an effective career ability development training program. For example: newcomer training, supervisor training, various professional skills and certificates, etc.	
(5) Does the company comply with the relevant laws and international standards with regards to customer health and safety, customer privacy, and marketing and labeling of products and services, and implement consumer protection and grievance policies?	V		(5) The company upholds the ideal concept of a green enterprise, realizes the importance of the earth's green environmental protection, and produces products comply with RoHS, halogen-free, and REACH regulations. The quality management aspect follows the system constructed and maintained by the integrated quality management system of ISO 9001:2015 and IATF 16949:2016. 1. The customer provides basic information, drawings, etc., and the marketing follows the "Contract Review Procedures" for proper storage and management of customer information. 2. When receiving customer requests or international laws and regulations, it will be posted on the "Product Applicable Laws/Regulations List" from time to time for internal compliance and control. 3. Customer service (such as technical consultation, sample testing), customer opinion survey, etc., follow the "Customer Service Management Procedures" to quickly cooperate to improve customer satisfaction. 4. When a customer complaint occurs, the dedicated customer service staff will be responsible for contacting and handling, and follow the company's internally planned "Customer Complaint Handling Procedure" for related operations and storage. Regularly track customer satisfaction status to maintain good interaction with customers.	

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
(6) Has the company formulated supplier management policies requiring suppliers to comply with relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and what is the status of their implementation?	V		(6) When developing a new third-party manufacturer, the new third-party manufacturer is required to fill in the "Supplier Evaluation Report". The content of the questionnaire covers: compliance with EU WEEE, RoHS, ROHS2.0, halogen-free, REACH and other international or regional related regulations (Such as: do not use conflict minerals policy). For green product management, we regularly obtain from the third-party manufacturers: 1. The third notary public inspection report or controlled substance content and composition questionnaire; validity period is one year. 2. Material Safety Data Sheet (MSDS); valid for three years. Help, the two sides work together to prevent after inspection, if it is confirmed that the controlled substance is out of specification and is caused by a third-party manufacturer, the third-party manufacturer is responsible for handling defective products and related derivative expenses. Based on the basis for cooperation between the two parties, willing to provide the necessary cooperation and requires third-party manufacturers to start reducing projects. 3. Establish a supplier management mechanism: According to the "Supplier Management Procedures" operation, 100% of the cooperative suppliers in 2023 meet the following management requirements. - Supplier development and selection criteria. - Raw material evaluation work. -Supplier daily management: including audit, appraisal, 4M change, quality exception handling...etc.	None
5. Does the company refer to international reporting standards or guidelines when preparing its sustainability report and other reports disclosing non-financial information? Does the company obtain third party assurance or certification for the reports above?	V		The company adheres to its vision and mission of following an ESG (Environmental, Social, and Governance) policy, promoting sustainable development, and continuously reviewing the latest legal regulations from regulatory authorities. It complies with the requirements of relevant regulations and provides necessary information. 1. The company's policies, systems, and management plans for sustainable development. 2. Key stakeholders and their concerns. 3. The company's execution in implementing corporate governance, advancing sustainable environmental practices, maintaining social welfare, and fostering economic development, along with reviewing future improvement directions and goals.	
6. If the Company has adopted its own sustainable development best practice principles based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviation from the principles in the Company's operations: At present, the company has not formulated the corporate social responsibility code according to "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies", but all the business operation comply with the corporate social responsibility code.				
7. Other important information to facilitate better understanding of the company's promotion of sustainable development: The internal audit conducts regular audits of financial reporting information in accordance with legal regulations each year. It supervises and reviews the operation system of internal controls to ensure the effectiveness of their implementation.				

(6) Implementation of Climate-Related Information

Item	Implementation status
1. Describe the board of directors' and management's oversight and governance of climate-related risks and opportunities.	1. Climate change presents significant challenges to the global economy, society, and environment, and our company recognizes its important role in addressing these challenges. We have strengthened our understanding of climate-related risks and opportunities, adhering to disclosure frameworks such as "Governance," "Strategy," "Risk Management," "Metrics and Targets," etc., integrating climate-related risks into our strategic planning and risk management processes. Through regular assessment, monitoring, and reporting, we can more accurately evaluate the climate-related risks faced by the company and take appropriate response measures. At the same time, we will leverage this opportunity to identify and capitalize on climate-related business opportunities to drive sustainable development and value creation for the company.
2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term).	2. Climate change adaptation strategies involve the continuous promotion of ISO 14001 environmental management systems, energy management, and active participation in various resource conservation activities through PDCA (Plan-Do-Check-Act) cycles. We are implementing short, medium, and long-term energy-saving activities: (1) Short-term: We have introduced iEMS electricity metering management systems, EnPI energy performance management systems, and iTMS smart temperature monitoring systems to monitor electricity usage and facilitate future carbon footprint checks and carbon reduction adjustment plans. In early 2023, the estimated carbon footprint was approximately 20,000 tons. Using 2024 as the baseline year, we conduct voluntary carbon footprint assessments, aiming to reduce total Scope 1 and Scope 2 greenhouse gas emissions by 12% annually. (2) Medium-term: We are increasing the budget by 20% for digitizing various production equipment and improving the air conditioning systems in clean rooms across all factories. The installation of air conditioning box inverters is expected to achieve a 15% electricity saving; replacing air compressors with new models is expected to achieve a 30% electricity saving; adding frequency converters to dust collectors in each factory and implementing multi-stage control is expected to achieve a 30% electricity saving. (3) Long-term: We are increasing product development and sales of low-carbon automotive/AR/HUD/electronic book products, reducing energy demand and dependence while increasing the utilization of production energy. We are planning to apply carbon taxes and engage in carbon trading, as well as apply green and renewable energy to reduce carbon emissions. Ultimately, we aim to achieve low-carbon enterprise certification with confidence.

Item	Implementation status
3. Describe the financial impact of extreme weather events and transformative actions.	3. The potential financial impacts of extreme weather events and transition actions are as follows: (1) Increased operating costs for the company and operational uncertainties arising from policy and regulatory changes. (2) Inability to meet customer demands for low-carbon products or technologies may result in customers switching to other suppliers, while internal R&D costs increase. (3) Climate change impacts on upstream supply chains such as energy and logistics transportation, leading to increased raw material costs and supply chain instability. This results in higher operating costs, squeezed profit margins, declining gross profit margins, and significant competitive pressure from peers, affecting the company's operations. (4) Failure to meet stakeholder expectations may negatively impact the company's reputation and operations. (5) Increased risk management costs, and failure to respond appropriately may lead to business interruptions.
4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.	4. After thorough discussions among relevant departments, our company has identified significant climate change risks and opportunities and established future strategies to address climate change. These strategies, including climate change strategy, action plans, and annual goals, will be reviewed and guided by the Board of Directors. We will monitor implementation regularly and review trends in greenhouse gas emissions on a regular basis.
5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and major financial impacts used should be described.	5. Not applicable.
6. If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks.	6. Not applicable.

Item	Implementation status
7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.	7. Not applicable.
8. If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year should be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or RECs to be offset should be specified.	8. Not applicable.
9. Greenhouse gas inventory and assurance status and reduction targets, strategy, and concrete action plan (separately fill out in points 1-1 and 1-2 below).	9. Not applicable.

(7) Implementation of sincerity managing and the difference with best ethical practice principle of sincerity managing for TWSE/GTSM listed companies and its reason

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
1. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures				
(1) Does the company have bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and the commitment regarding implementation of such policy from the Board of Directors and the management team?	V		(1) Through the internal control system, internal audit operating specifications, accounting system, audit authority management methods, employee codes, employee award management, job descriptions, and related employee management regulations and methods, to clarify and implement the due ethics And honest behavior, prevent and punish dishonest behavior.	None
(2) Does the company establish relevant policies which are duly enforced to prevent unethical conduct and provide implementation procedures, guidelines, consequence of violation and complaint procedures in such policies?	V		(2) In order to implement the determination to operate with integrity, the relevant policies, prevention plans, confidentiality agreements, your handling of violations of integrity, and the channels for appeals, etc., are clearly set in the employee code and awards. The regulations include that employees must not use their power to seek illegal benefits, and accept entertainment, puppet gifts, receive kickbacks, embezzle public funds, or other illegal benefits; and must not manipulate, conceal, or abuse interested parties such as customers, suppliers, and other external parties. Based on the information learned by their duties, they make misrepresentations on important matters or other unfair trading methods to obtain improper benefits: employees shall bear the duty of confidentiality of business secrets, which is the same after leaving the company.	
(3) Does the company establish appropriate compliance measures for the business activities prescribed in paragraph 2, article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and any other such activities associated with high risk of unethical conduct?	V		(3) Arrange training for new recruits after reporting, sign a letter of agreement on personal confidentiality and issue manuals, and send out relevant promotional content from time to time to improve employees' awareness of integrity and code of conduct, and publish the regulations on the internal website. In addition, multiple channels such as forums, meetings, and suggestion boxes on internal and external websites are provided for internal and external feedback to be reflected and handled by dedicated personnel. In addition, there are rewards and punishments. The relevant contents are communicated to all colleagues. Through various preventive measures, the concept and behavior of the principle of good faith are effectively strengthened, and good governance and sustainable operation are established.	

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
2. Ethic Management Practice				
(1) Does the company assess the ethics records of whom it has business relationship with and include business conduct and ethics related clauses in the business contracts?	V		(1) The company and its major customers have signed contracts with respect to integrity clauses, so any business activity companies will indeed abide by the content of the contract, and work with customers to establish an honest business environment.	None
(2) Does the company set up a unit which is dedicated to or tasked with promoting the company's ethical standards and reports directly to the Board of Directors with periodical updates on relevant matters?		V	(2) At present, there is no full-time unit to promote the integrity of enterprises, but the company firmly believes that only integrity management can achieve sustainable operation and development. In order to implement the principle of honest management, the company has formulated the "employee ethics code of conduct", which regulates the prohibition of bribery and bribery by employees, avoiding conflicts of interest, etc., in order to establish a corporate culture of honest operation and ensure the company's sustainable operation.	
(3) Does the company establish policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?	V		(3) Relevant policies are clearly set in the employee code, rewards and punishments, and the regulations are published on the internal website. Employees can reflect their opinions through multiple channels, such as every labor-management meeting, or with management and employee suggestion boxes, and appoint a dedicated person Immediately and properly handle. At the same time, there are rewards and punishments, and the relevant content and information are communicated to all colleagues. Employees are also encouraged to report to their immediate supervisor, audit supervisor, top human resources supervisor, or other appropriate personnel if they discover or reasonably suspect any violations, or report it through the suggestion box channels on internal and external websites.	
(4) To implement relevant policies on ethical conducts, does the company establish effective accounting and internal control systems that are audited by internal auditors or CPA periodically?	V		(4) The auditing unit checks the financial reporting related information according to the laws and regulations every year, supervises the implementation of the internal control system and prepares an audit report, and tracks the improvement progress of the audit deficiencies quarterly to ensure the effectiveness of the internal control system. In addition, the company has established an accounting system to regulate that employees should abide by accounting principles to ensure that the published information can be properly and correctly reflected.	
(5) Does the company provide internal and external ethical conduct training programs on a regular basis?	V		(5) The company has included the "Code of Ethical Conduct for Employees in Employment" and other integrity-related requirements in the recruitment and new personnel education and training to clarify and implement the due ethics and integrity behaviors, and prevent and punish dishonest behaviors.	

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
3. Implementation of Complaint Procedures (1) Does the company establish specific complaint and reward procedures, set up conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received? (2) Does the company establish standard operation procedures for investigating the complaints received and ensuring such complaints are handled in a confidential manner? (3) Does the company adopt proper measures to prevent a complainant from retaliation for his/her filing a complaint?	V		(1) The company's employee work rules and employee rewards and punishments management measures clearly define the disciplinary and reporting complaint channels for violations of the integrity regulations, and encourage employees to immediately report to their direct supervisors, audit supervisors, and human resources if they find or reasonably suspect any violations. Report by the top supervisor or other appropriate personnel, or report through the suggestion box channel of internal and external websites, and handle it properly by designated personnel. (2) The company's employee work rules and employee rewards and punishments management measures specify the investigation procedures and confidentiality mechanisms for related matters in the punishment of violations of the integrity regulations and the reporting and appeal channels. (3) The company shall properly handle the reporting matters by designated personnel, and protect and ensure that the reporter will not be improperly or unfairly treated as a result.	None
4. Information Disclosure Does the company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and Market Observation Post System ("MOPS")?	V		From time to time, the company discloses relevant information on the company's website, public information observatory, and shareholders' meeting without major differences. The company's website also sets up an investor area, links to public information observatories, and provides investors with information about the company's responsibilities. Important company information is announced and disclosed in accordance with the regulations of the competent authority. Information inquiry method: 1. Market Observation Post System (http://mpos.tse.com.tw). 2. Company's website (http://www.optimax.com.tw).	None
5. If the company has established corporate governance policies based on TSE Corporate Conduct and Ethics Best Practice Principles, please describe any discrepancy between the policies and their Implementation: The company has not yet established corporate governance policies based on TSE Corporate Conduct and Ethics Best Practice Principles, but the overall operation comply with the corporate governance policies.				
6. Other important information to facilitate better understanding of the company's corporate conduct and ethics compliance practices (e.g., review the company's corporate conduct and ethics policy). The internal audit conducts regular audits of financial reporting information in accordance with legal regulations each year. It supervises and reviews the operation system of internal controls to ensure the effectiveness of their implementation.				

(8) If the company has formulated a corporate governance regulation and related regulations, it should disclose its inquiry method: None.

(9) Other important information that enhances the state of operation of corporate governance: None.

(10) The state of implementation of Optimax Technology Corporation internal control system:

1. Statement on Internal Control

Optimax Technology Corporation Internal Control System Statement

Date: 2024/3/14

The company states of the following with regard to its internal control system for 2023, based on the finding of a self-assessment:

The Company is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. The Company has established such a system aimed at providing reasonable assurance of the achievement of objectives in the effectiveness and efficiency of operations (including profits, performance, and safeguarding of assets security), reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with applicable laws, regulations and bylaws.

An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three goals mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in environment or circumstances. The internal control system of the Company contains self-monitoring mechanisms, however, and the Company takes corrective actions as soon as a deficiency is identified.

The Company judges the design and operating effectiveness of its internal control system based on the criteria provided in the “Regulations Governing Establishment of Internal Control Systems by Public

Companies”, promulgated by the Financial Supervisory Commission (hereafter, the “Regulations”). The internal control system judgment criteria adopted by the Regulations divide internal control into five elements based on the process of management control: 1. Control environment 2. Risk assessment 3. Control activities 4. Information and communication 5. Monitoring activities. Each element further contains several items. Please refer to the Regulations for details.

The Company has assessed the designed and operating effectiveness of its internal control system according to the formentioned criteria.

Based on the findings of the assessment mentioned as of December 31, 2023, the Company believes that during the stated time period its internal control system (including its supervision and management of subsidiaries), encompassing internal controls for understanding of the degree of achievement of operational effectiveness and efficiency objectives, reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with applicable laws, regulations and bylaws, was effectively designed and operating, and reasonably assured the achievement of the above-stated objectives.

This Statement will become a major part of the content of the Company’s Annual Report and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

This Statement has been passed by the Board of Directors Meeting of the Company held on March 14, 2024, in which all of the eleven attending directors affirmed the content of this Statement.

Optimax Technology Corporation

Chairman: Peter Chao

President: Wilson Chao

2.External auditors’ opinion on Optimax Technology Corporation’s internal control: Not applicable.

(11) During the most recent fiscal year and before printing date of annual report, if the company and its internal personnel have been punished according to law or the company carries out punishment to the internal personnel who violate internal control system and the result might have significant impact towards shareholders' equity or securities value, the content of the punishment should be specified as well as the main deficiency and improvement implementation: None.

(12) During the most recent fiscal year and before printing date of annual report, the important resolutions from the Shareholders' Meeting and the Board of Directors:

Date	Material Resolutions	Implementation Status
2023/6/20	Year 2023 Shareholder's Meeting	(1) Accept 2022 Business Report and Financial Statements (2) Accept the proposal for 2022 appropriation of profit and loss (3) Approve Treasury Stocks Transferring to Employees with Share Buyback sold at a price lower than the actual average repurchase price. (4) Approve the amendment to the "Articles of Incorporation" (5) By-election for one independent director (6) Approve removal of the non-competing duty for directors
-	Year 2023 Company's Board Meeting	The major resolutions of the board of directors of the company have declared important information in the Market Observation Post System ("MOPS") in accordance with the regulations, and there are no other resolutions that have a significant impact on shareholders' equity or securities prices.

(13) Where, during the most recent fiscal year and current fiscal year up to the date of printing of this annual report, there was no Board of Director or Supervisor expressing a dissenting opinion with respect to a material resolution passed by the Board of Directors and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof: None.

(14) A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, of the Company's chairman, president, principal accounting officer, principal financial officer, chief internal auditor and principal research and development officer: None.

Information on CPA Professional Fees

(1) Information on CPA (External Auditor) Professional Fees (Please fill in the amounts)

Unit: NT\$ thousand

Name of Accounting Firm	Name of CPAs	Period covered by the CPA audit	Audit Fees	Non-audit fees (Note 1)	Total	Remarks
BAKERK TILLY CLOCK & CO.	Hsin-Liang Wu / Li-Chen Peng	2023/1/1~2023/3/31	1,800	400	2,200	Internal Office Rotation
	Hsin-Liang Wu / Ying-Lai Chou	2023/4/1~2023/12/31				

Note 1: Contents of non-audit public services:
Auditor's Report on Tax Certification.

- (2) If the non-audit public fees paid to the independent auditor, the firm to which the visa accountant belongs, and its affiliated enterprises are more than a quarter of the audit public fees, the amount of the audit and non-audit public fees and the content of the non-audit services shall be disclosed:
Non-audit fees primarily consist of tax certification services.
- (3) If the replacement of the accounting firm and the audit public fees paid in the replacement year are lower than those in the previous year, the amount and reason of the audit public fees before and after the replacement shall be disclosed: Not applicable.
- (4) If the audit public expenditure has decreased by more than 10% compared with the previous year, the amount, proportion and reasons for the reduction of audit public expenditure shall be disclosed: Not applicable.

Information of replace it Certificated Public Accountant

Starting from the second quarter of 2023, the certifying CPAs were changed from CPA Hsin-Liang Wu and CPA Li-Chen Peng to CPA Hsin-Liang Wu and CPA Ying-Lai Chou. This change was due to an internal office rotation within the accounting firm and is therefore not applicable.

(1) Former CPA

2) Former CPA			
Date of Change	Approved by the Board of Directors on August 10, 2023.		
Reason for the change	Internal Rotation within the Accounting Firm		
A description of whether the CPA or the appointer terminated or discontinued the engagement	Party		
	Situation	CPA	Appointer
	Terminated the appointment	Internal rotation not applicable	Internal rotation not applicable
	Discontinued the engagement	Internal rotation not applicable	Internal rotation not applicable
If the former CPA issued an audit report during the most recent 2 years containing an opinion other than an unqualified opinion, state the opinion and reason	Not applicable		
Different opinion from the issuer	Yes		Accounting principles or practices
			Disclosure of financial statements
			Audit scope or steps
			Other
	None		
	Description: Internal rotation not applicable		
Other matters to be disclosed (Article 10, Paragraph 6, Item 1-4 to Item 1-7 of the Guidelines should be disclosed)	Internal rotation not applicable		

(2) Regarding the successor CPA

Name of the accounting firm	Internal rotation not applicable
Name of the CPA	Internal rotation not applicable
Date of Appointment	Internal rotation not applicable
If prior to the formal engagement of the successor CPA, regarding the accounting treatment of or application of accounting principles to a specific transaction, or the type of audit opinion that might be rendered on the financial report, the issues that were the subjects of those consultations and the consultation results	Internal rotation not applicable
Written opinion of the successor CPA on matters on which the former CPA disagreed	Internal rotation not applicable

(3) Former accountant's response regarding three items of Article 10(6)(1) and (2) of this standard: Internal rotation not applicable.

The Company's Chairman, General Manager, or Any Managerial Officer in Charge of Finance or Accounting Matter in the most recent year held a position at the Accounting Firm of its Certified Public Accountant or at an Affiliated Enterprise of Such Accounting Firm

None.

Transfer of Equity Interests and/or Pledge of or Change in Equity Interests by a Director, Supervisor, Managerial Officer, or Shareholder with a Stake of More than 10 Percent during the most recent fiscal year and the current fiscal year up to the date of printing of this annual report

In the most fiscal year and up to the date of publication of the annual report, the transfer of shareholding and changes in shareholding pledges of directors, supervisors, managers and shareholders holding more than 10% of the share:

(1) Changes in shareholdings of Directors, Supervisors, Mangers, and Major Shareholders:

Unit: share

Title	Name	2023		For the year end 2024/4/22	
		Change in quantity of shareholding	Change in quantity of pledged shares	Change in quantity of shareholding	Change in quantity of pledged shares
Chairman Over 10% shareholdings	Peter Chao	-2,273,068	-	-	-
President Director	Wilson Chao	-1,000,000	-	-	-
Corporate Director	Shi-Hong Industrial Co., Ltd.	-700,000	-	-	-
Representative	Shi-Fen Lin	-	-	-	-
Representative	Wei-Jie Wu	-	-	-	-
Corporate Director	Jiu-Ru Investment Co., Ltd.	-50,000	-	-	-
Representative	Jin-De Wang	-	-	-	-
Director	Qi-Bang Yu	-	-	-	-
Director	Xiao-Nan Xiang	-	-	-	-
Director	Chang-Shu Jiang	-	-	-	-
Independent Director	Ted Guo	-	-	-	-
Independent Director	Tzeng-Guey Gu	-	-	-	-
Independent Director	Min Chao	-	-	-	-
Independent Director	Hsin Huang	-	-	-	-
Assistant Vice-President	Jonny Ma	-	-	-	-
Financial Manager	Michael Chen	-	-	-	-

(2) Stock transfer with related party: None.

(3) Stock Pledge with related party: None.

Related Party Relationship Among the Company's 10 Largest Shareholders

2024/4/22; Unit: share ; %

Name	Shareholding		Shareholding under spouse and children of minor age		Shareholding under the title of third party		Top 10 shareholders who are related parties to each other		Note
	Shares	%	Shares	%	Shares	%	Title (or name)	Relation	
Peter Chao	16,450,416	9.79	427,489	0.25	-	-	Wilson Chao	Father-son	-
Long-Shi Lin	9,614,782	5.72	-	-	-	-	Shi-Hong Lin	Father-son	-
Qiu-Hui Wang	5,283,000	3.15	-	-	-	-			
Yi-Kai Niu	2,428,361	1.45	-	-	-	-	-	-	-
Shi-Hong Lin	2,217,275	1.32	-	-	-	-	Long-Shi Lin	Father-son	-
Uben Investment Co., Ltd.	2,085,000	1.24	-	-	-	-	Yuqi Investment Co., Ltd	Joint Venture	-
Uben Investment Co., Ltd. Representative: Hong-Yu Lin	-	-	-	-	-	-	-	-	-
Yuqi Investment Co., Ltd	1,885,185	1.12	-	-	-	-	Uben Investment Co., Ltd.	Joint Venture	-
Yuqi Investment Co., Ltd Representative: Hong-Yu Lin	-	-	-	-	-	-	-	-	-
Whirlwind Investment Co., Ltd.	1,674,221	1.00	-	-	-	-	-	-	-
Whirlwind Investment Co., Ltd. Representative: Peter Chao	16,450,416	9.79	427,489	0.25	-	-	Optimax Technology Corporation	Chairman	
Wilson Chao	1,630,837	0.97	-	-	-	-	Peter Chao	Father-son	-
Seabreeze Investment Co., Ltd.	1,190,000	0.71	-	-	-	-	-	-	-
Seabreeze Investment Co., Ltd. Representative: Wilson Chao	1,630,837	0.97	-	-	-	-	Optimax Technology Corporation	President	

Note: The total number of issued shares is 168,000,000 shares (excluding 2,000,000 treasury shares).

Comprehensive shareholding ratio information

The company's director, managers, and companies directly or indirectly controlled by the company directly or indirectly control the numbers of shares held by the same reinvested enterprise, and its comprehensive shareholding ratio information is as follow:

2023/12/31; Unit: thousand share

Long-term investments (Note 1)	Investment by OPTIMAX		Investment directly or indirectly controlled by directors, supervisors, and managers of OPTIMAX		Total Investment	
	Shares	%	Shares	%	Shares	%
Optimax Optronics (MAURITIUS) corp.	19,000,000	100	-	-	19,000,000	100
Art Optronics corp.	225,000	100	-	-	225,000	100
Shenzhen Lihuasheng Technology Co., Ltd.	0	0	(Note2)	32	(Note2)	32
Intelligent Information Security Technology INC.	24,000,000	24.54	-	-	24,000,000	24.54

Note1: Investment accounted for using the equity method.

Note2: It is not a company limited by shares, so there is no number of shares.

Capital Overview

Capital Overview

(1) Capitalization

1. Capitalization

Unite: NT\$ thousand, thousand shares

Year/Month	Price (NT\$)	Authorized		Paid-in		Remark		
		Shares (thousand share)	Amount (NT\$ thousand)	Shares (thousand share)	Amount (NT\$ thousand)	Sources of capital	Capital increase by assets other than cash	other
1998/03	10	80,000	800,000	29,100	291,000	Established	None	Note1
1998/11	10	80,000	800,000	58,200	582,000	Rights issue	None	Note2
1999/10	12	80,000	800,000	73,200	732,000	Rights issue	None	Note3
2000/11	18	150,000	1,500,000	109,200	1,092,000	Rights issue	None	Note4
2001/07	10	150,000	1,500,000	118,646	1,186,463	Capitalization of retained earnings (including employee bonuses), Capitalization of capital surplus	None	Note5
2001/10	15	150,000	1,500,000	136,646	1,366,463	Rights issue	None	Note6
2002/05	22	150,000	1,500,000	149,646	1,496,463	Rights issue	None	Note7
2002/06	10	400,000	4,000,000	176,160	1,761,605	Capitalization of retained earnings (including employees' bonuses), Capitalization of capital surplus	None	Note8
2002/11	40	400,000	4,000,000	209,660	2,096,605	Rights issue	None	Note9
2003/08	10	400,000	4,000,000	246,812	2,468,119	Capitalization of retained earnings (including employees' bonuses)	None	Note10
2004/04	10	400,000	4,000,000	263,573	2,635,724	Bonds converted to common stock	None	Note11
2004/06	107	400,000	4,000,000	288,572	2,885,724	Rights issue	None	Note12
2004/08	10	700,000	7,000,000	291,549	2,915,490	Bonds and Stock option converted to common stock	None	Note13
2004/08	10	700,000	7,000,000	363,614	3,636,141	Capitalization of retained earnings, Bonds and Stock option converted to common stock	None	Note14
2004/10	10	700,000	7,000,000	364,728	3,647,281	Bonds and Stock option converted to common stock	None	Note15
2005/01	10	700,000	7,000,000	365,351	3,653,511	Bonds and Stock option converted to common stock	None	Note16
2005/05	10	700,000	7,000,000	371,668	3,716,678	Bonds and Stock option converted to common stock	None	Note17
2005/07	10 73	700,000	7,000,000	411,653	4,116,534	Bonds converted to common stock and Rights issue	None	Note18
2005/08	10	700,000	7,000,000	411,848	4,118,476	Bonds and Stock option converted to common stock	None	Note19
2005/08	10	700,000	7,000,000	414,194	4,141,936	Bonds and Stock option converted to common stock	None	Note20
2005/09	10	700,000	7,000,000	488,982	4,889,824	Capitalization of retained earnings (including employees' bonuses)	None	Note21
2005/11	10	700,000	7,000,000	489,665	4,896,653	Bonds and Stock option converted to common stock	None	Note22

Year/Month	Price (NT\$)	Authorized		Paid-in		Remark		
		Shares (thousand share)	Amount (NT\$ thousand)	Shares (thousand share)	Amount (NT\$ thousand)	Sources of capital	Capital increase by assets other than cash	other
2006/01	10	700,000	7,000,000	493,232	4,932,323	Bonds and Stock option converted to common stock	None	Note23
2006/04	10	700,000	7,000,000	494,999	4,949,990	Bonds and Stock option converted to common stock	None	Note24
2006/07	10	1,000,000	10,000,000	503,718	5,037,178	Bonds and Stock option converted to common stock	None	Note25
2006/10	10	1,000,000	10,000,000	505,367	5,053,671	Bonds and Stock option converted to common stock	None	Note26
2007/03	10	1,000,000	10,000,000	505,941	5,059,412	Bonds and Stock option converted to common stock	None	Note27
2007/05	10	1,000,000	10,000,000	506,629	5,066,293	Bonds and Stock option converted to common stock	None	Note28
2007/09	10	1,000,000	10,000,000	506,776	5,067,764	Bonds and Stock option converted to common stock	None	Note29
2010/06	10	1,000,000	10,000,000	271,366	2,713,661	Capital Reduction	None	Note30
2011/03	10	1,000,000	10,000,000	267,224	2,672,242	Cancels the storehouse stock	None	Note31
2011/11	10	1,000,000	10,000,000	325,332	3,253,323	Private Investment in Public Equity	None	Note32
2021/10	10	1,000,000	10,000,000	170,000	1,700,000	Capital Reduction	None	Note33

Note 1: The Ministry of Economic Affairs approved on 1998/03/03 No. 087103851.

Note 2: The 1998/09/10 Letter No.Taiwan-Finance-Securities-I-75847 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 3: The 1999/05/25 Letter No.Taiwan-Finance-Securities-I-48502 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 4: The 2000/06/20 Letter No.Taiwan-Finance-Securities-I-52557 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 5: The 2001/07/12 Letter No.Taiwan-Finance-Securities-I-142982 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 6: The 2001/07/12 Letter No.Taiwan-Finance-Securities-I-142982 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 7: The 2002/02/22 Letter No.Taiwan-Finance-Securities-I-106950 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 8: The 2002/05/21 Letter No.Taiwan-Finance-Securities-I-123945 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 9: The 2002/06/26 Letter No.Taiwan-Finance-Securities-I-0910134944. The 2002/07/29 Letter No.Taiwan-Finance-Securities-I-0910142819 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 10: The 2003/06/13 Letter No.Taiwan-Finance-Securities-I-0920126201 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 11: The Ministry of Economic Affairs approved No. 09301058210.

Note 12: The Letter No.Taiwan-Finance-Securities-I-0930106816 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 13: The Ministry of Economic Affairs approved No. 09301148610. The Letter No.Taiwan-Finance-Securities-I-123946 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 14: The Ministry of Economic Affairs approved No. 09301156070. The Letter No.Taiwan-Finance-Securities-I-123946 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 15: The Ministry of Economic Affairs approved No. 09301197400. The Letter No.Taiwan-Finance-Securities-I-123946 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 16: The Ministry of Economic Affairs approved No. 09401013970. The Letter No.Taiwan-Finance-Securities-I-123946 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 17: The Ministry of Economic Affairs approved No. 094010176290. The Letter No.Taiwan-Finance-Securities-I-123946 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 18: The Ministry of Economic Affairs approved No. 09401114040. The Letter No.Taiwan-Finance-Securities-I-123946 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 19: The Ministry of Economic Affairs approved No. 09401155540. The Letter No.Taiwan-Finance-Securities-I-123946 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 20: The Ministry of Economic Affairs approved No. 09401155530. The Letter No.Taiwan-Finance-Securities-I-123946 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 21: The Financial Supervision and Administration Commission of the Executive Yuan approved the letter No. 0940128432 of Jinguanzhengzi on 2005/07/14.

Note 22: The Ministry of Economic Affairs approved No. 09401223000. The Letter No.Taiwan-Finance-Securities-I-123946 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 23: The Ministry of Economic Affairs approved No. 09501010290. The Letter No.Taiwan-Finance-Securities-I-123946 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 24: The Ministry of Economic Affairs approved No. 09501070530. The Letter No.Taiwan-Finance-Securities-I-123946 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 25: The Ministry of Economic Affairs approved No. 09501151360. The Letter No.Taiwan-Finance-Securities-I-123946 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 26: The Ministry of Economic Affairs approved No. 09501239450. The Letter No.Taiwan-Finance-Securities-I-123946 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 27: The Ministry of Economic Affairs approved No. 09601054920. The Letter No.Taiwan-Finance-Securities-I-123946 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 28: The Ministry of Economic Affairs approved No. 09601099510. The Letter No.Taiwan-Finance-Securities-I-123946 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 29: The Ministry of Economic Affairs approved No. 09601228040. The Letter No.Taiwan-Finance-Securities-I-123946 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 30: The Ministry of Economic Affairs approved No. 09901134930. The Financial Supervision and Administration Commission of the Executive Yuan approved the letter No. 0990029643 of Jinguanzhengfazi on 2010/06/15.

Note 31: The Ministry of Economic Affairs approved No. 10001043070. The Taiwan Stock Exchange Corporation Reference No.10000083511 on 2011/03/22.

Note 32: The Ministry of Economic Affairs approved No. 10001274710. The Financial Supervision and Administration Commission of the Executive Yuan approved the letter No. 1000024210 of Jinguanzhengfazi on 2011/05/24.

Note 33: The Ministry of Economic Affairs approved No. 11001203030. The Financial Supervision and Administration Commission of the Executive Yuan approved the letter No. 1100023637 of Jinguanzhengfazi on 2021/11/19.

2. Shares Categories

2023-4-22; Unite: share

Stock Type	Approved share capital					Note
	Outstanding shares			Un-issued shares (Note 2)	Total	
	Listed stock (Note 2)	Unlisted stock (Note 1)	Total (Note 2)			
Common stock	137,636,042	30,363,958	168,000,000	832,000,000	1,000,000,000	—

Note 1: Private Investment in Public Equity.

Note 2: The total number of issued shares is 168,000,000 shares (excluding 2,000,000 treasury shares).

3.Information on the shelf registration: Not applicable.

(2) Shareholder structure

2024/4/22; Unit: share; %

Structure	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Individual	Total
Number of shareholders	-	-	186	62	51,239	51,487
Shareholding	-	-	9,004,318	6,098,039	152,897,643	168,000,000
Holding percentage%	0.00	0.00	5.36	3.63	91.01	100.00

(3) Distribution of ownership

Each share has a per value of NT\$10; 2024/4/22

Shareholder Ownership (Unit: share)	Number of Shareholders	Ownership (share)	Ownership (%)
1 - 999	37,663	2,649,575	1.58
1,000 - 5,000	10,597	19,985,214	11.90
5,001 - 10,000	1,511	11,332,253	6.75
10,001 - 15,000	521	6,662,741	3.97
15,001 - 20,000	293	5,342,260	3.18
20,001 - 30,000	289	7,343,431	4.37
30,001 - 40,000	159	5,630,950	3.35
40,001 - 50,000	83	3,908,256	2.33
50,001 - 100,000	185	12,850,722	7.65
100,001 - 200,000	97	13,435,008	8.00
200,001 - 400,000	46	12,280,166	7.31
400,001 - 600,000	13	5,972,644	3.55
600,001 - 800,000	12	8,379,052	4.98
800,001 - 1,000,000	6	5,684,436	3.38
Over 1,000,001	12	46,543,292	27.70
Total	51,487	168,000,000	100.00

(4) List of principal shareholders

2024/4/22; Unit: share; %

Name of major shareholder	Number of shares held (shares)	Shareholding ratio (%)
Peter Chao	16,450,416	9.79
Long-Shi Lin	9,614,782	5.72
Qiu-Hui Wang	5,283,000	3.15
Yi-Kai Niu	2,428,361	1.45
Shi-Hong Lin	2,217,275	1.32
Uben Investment Co., Ltd.	2,085,000	1.24
Yuqi Investment Co., Ltd	1,885,185	1.12
Whirlwind Investment Co., Ltd.	1,674,221	1.00
Wilson Chao	1,630,837	0.97
Seabreeze Investment Co., Ltd.	1,190,000	0.71

(5) Share prices for the past two fiscal years, the Company's net worth per share, earnings per share, dividends per share, and related information:

Item \ Year		2022	2023	Year ended March 31, 2024 (Note 6)
Market price per share (Note 2)	Highest market price	36.50	46.75	44.40
	Lowest market price	13.95	16.80	31.60
	Average market price	20.54	24.82	36.64
Net worth per share	Before distribution	14.49	14.56	15.15
	After distribution	13.30	(Note 1)	NA
Earnings (loss) per share	Weighted average share (thousand shares)	169,256	168,000	168,000
	Earnings Per share	2.62	1.03	0.59
Dividends per share	Cash dividends	1.2	1.0	-
	Stock dividend	Dividends from retained earnings	-	-
		Dividends from capital surplus	-	-
	Accumulated undistributed dividend		-	-
Return on investment	Price/ Earnings ratio (Note 3) (times)	7.84	24.10	-
	Price/ Dividend ratio (Note 4) (times)	17.12	24.82	-
	Cash dividend yield (Note 5) (%)	5.84	4.03	-

Note 1: 2023 Year Earnings Distribution Plan is pending approval by the 2024 Annual Shareholders' Meeting.

Note 2: List the highest and lowest market price per share of common stock in each fiscal year. Calculate each fiscal year's average market price based upon each fiscal year's actual trading prices and volume.

Note 3: PE ratio = average closing price per share for the year / earnings per share.

Note 4: PE ratio = average closing price per share for the year / cash dividend per share.

Note 5: Cash dividend yield = cash dividend per share / average closing price per share for the year.

Note 6: Data verified (audited) by the accountant for the most recent quarter as of the publication date of the annual report should be filled in the net worth and earnings per share. The remaining fields should be filled with data of the year as of the publication date of the annual report.

(6) Dividend policy

1.Dividend policy:

The dividend policy stipulated in the company's current articles of association (to be implemented after the approval of the regular shareholders meeting)

The company's dividend policy is regulated in Articles 20 of the company's articles of association. Its contents are as follows:

The current year's earnings, if any, shall first be used to pay all taxes and offset prior years' accumulated losses and then set aside 10% as legal reserve. When such legal reserve amounts to the total paid-in capital, the Company shall not be subject to this requirement. The Company may then appropriate or reverse a certain amount as special reserve according to the relevant regulations. The remaining earnings, plus the accumulated undistributed earnings, may be appropriated to shareholders as dividends or bonuses according to the distribution plan proposed by the Board of Directors and approved by the shareholders' meeting.

After taking into account of 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 30% 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. 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.

2. The situation of the proposed dividend distribution at the shareholders' meeting of this year:

On March 14, 2024, our company's board of directors passed a resolution to distribute dividends in 2023. It was resolved to allocate a cash dividend of NT\$168,000,000 from the distributable profits of 2023, with a distribution of NT\$1.0 per share. The resolution is subject to approval at the 2024 annual shareholders' meeting.

3. The significant change expected in the dividend policy:

On May 9, 2024, our company's board of directors passed a resolution to amend the company's articles of incorporation, proposing to modify the dividend policy as follows: "The distribution of profits by the Company shall be subject to consideration of the current and future development plans, investment environment, funding requirements, domestic and international competitive conditions, and other factors that impact shareholder interests. At least 30% of the current fiscal year's profits are allocated for distribution to shareholders as dividends. However, in case the accumulated distributable earnings is less than 30% of paid-in capital, the Company may choose not to distribute dividends. 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".

(7) The impact of the proposed free placement of shares this year on the company's business performance and earnings per share: Not applicable.

(8) Employee dividends and compensation of directors and supervisors

1.The percentage or scope of employee dividends and remuneration of directors and supervisors as stated in the company's articles of association:

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. Notwithstanding the foregoing, when there are accumulated losses, the profits shall be used to offset accumulated losses first and report on the Shareholders' meeting.

2.The current basis for estimating the amount of compensation for employees and directors, the basis for calculating the number of shares for employee compensation for stock distribution, and the accounting treatment when the actual distribution amount is different from the estimated number: Not applicable.

3.Proposed distribution of compensation by the board of directors:

- (1) Pursuant to Article 20 of our company's Articles of Incorporation, if the company generates profits in a given fiscal year, 1% to 10% of the profits shall be allocated for employee remuneration, and not more than 1% shall be allocated for director remuneration.
- (2) Our company generated a profit of NT\$447,163,885 for the fiscal year 2022 (i.e., profit after tax deduction for employee and director remuneration and accumulated losses). We allocated 1% of the profit, amounting to NT\$4,471,639, for employee remuneration, and 0.5% of the profit, amounting to NT\$2,235,819, for director remuneration, which were paid in cash.

4.The actual distribution of employees 'and directors' remuneration in the previous year, the number of differences with those who recognize differences between employees 'and directors' remuneration, reasons and handling situations: Not applicable.

(9) Share repurchases: None.

Buyback Period	2nd
Purpose of Buyback	Transfer shares to employees
Board Resolution Date	2022/08/11
Buyback Period	2022/08/15~2022/08/24
Buyback Price Range:	NTD 23.85 ~ 11.03
Number of Shares Repurchased	2,000,000 common shares
Total Amount Spent on Buyback	NTD 41,599,032
Buyback Price per Share	NTD 20.8
Percentage of Planned Buyback Quantity Repurchased(%)	100%
Number of Shares Cancelled or Transferred	0 share
Cumulative Number of Shares Held by the Company	2,000,000 common shares
Percentage of Total Issued Shares Held by the Company	1.18%

Insurance of Corporate Bonds

- (1) Corporate bond issuance: None.
- (2) Convertible Bond: None.
- (3) Exchangeable Bond: None.
- (4) Shelf Registration: None.
- (5) Bond with Warrants: None.

Special stock issuance situation: None

Overseas depositary receipt issuance: None.

Employee stock option certificate issuance: None.

Restricted employees' rights to deal with new shares: None.

Mergers or acquisitions or transfer of shares of other companies to issue new shares: None.

Implementation of the fund utilization plan

As of the quarter before the printing date of the annual report, the cash capital increase plans of the previous issuances have been implemented and the benefits have been shown. Therefore, it is not applicable.

Operational Highlights

Business Content

(1) Business Scope

1. The main content of the business and its operating proportion:

The company's business is mainly divided into two parts, one is that the sales proportion of polarizers is 97%. The other part is for the sales of sunglasses, touch controls and related optical materials, accounting for 3% of revenue.

2. The company's current product (service) projects and planned new products (services):

The company currently manufactures and sells important raw material polarizers for LCD/OLED (including TN, STN, TFT, PM-OLED, AM-OLED, etc.), lenses for sunglasses and some touch-related materials. At present, it is planned to cut into the production and sales of more optoelectronic peripheral raw materials products.

(2) Industry Overview

1. Industry status and development

Polarizers are mainly used in liquid crystal displays (Liquid Crystal Display, referred to as LCD), which are upstream components of the LCD industry, and their sales are greatly affected by overall LCD demand.

Comparison table of TN, STN and TFT-LCD

LCD	Theory	Characteristic	Angle of view	Panel size	Application
TN	Liquid crystal molecules (twisted 90 degrees)	Black and white, monochrome low contrast(20:1)	narrow (Below 30 degrees)	Below 6"	Electronic watches, computers, simple palm-sized game consoles, etc.
STN	Liquid crystal molecules (twisted 180~270 degrees)	Black and white, color (260,000 colors), low contrast is better than TN (50:1)	narrow (Below 40 degrees)	Below 10"	Electronic dictionary, mobile phone, stock machine, etc.
TFT	Liquid crystal molecules (twisted 90 degrees)	Color (16.78 million colors), high contrast TN 500:1~1000:1 MVA 1500:1~3000:1 IPS 1000:1~2000:1	Wider TN:80 degrees MVA: 88 degrees IPS: 88 degrees	1.5~65"	Digital cameras, digital frames, personal digital assistants, mobile phones, LCD projectors, notebook computers, liquid crystal monitors, color TVs (Full HD), and car navigation systems, etc.

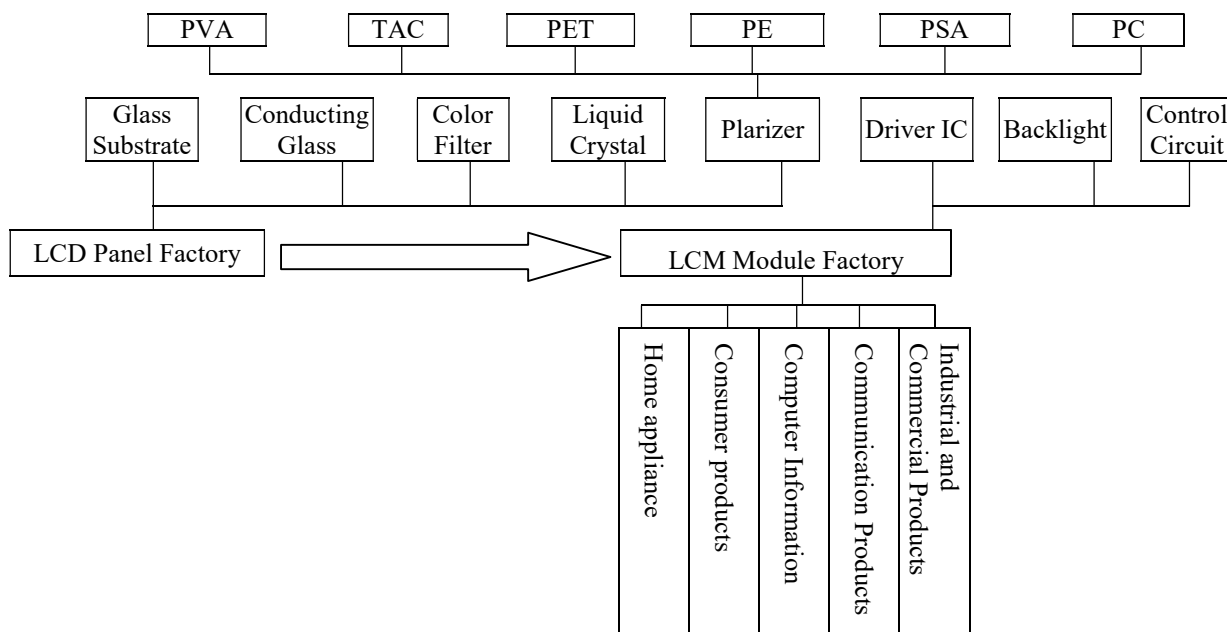
The above data shows that the applications of liquid crystal displays include business, information, communications, consumer electronics, transportation and entertainment applications, and various types of LCD have different applications under different terminal product specifications. The polarizing plate is the key component of the above three types of LCD. Its function is mainly used to control the polarization direction of specific light waves, so that light can pass or shield, and provide the necessary display characteristics. Because the liquid crystal itself does not have the ability to pass or shield light, and the control function requires the use of a polarizer to achieve related functions, so the polarizer is of great importance to LCD.

Liquid crystal displays (LCDs) take advantage of their small size, light weight, low power consumption, full-plane display and low radiation, from general-purpose electronic products such as watches and computers to high-end electronic product displays such as mobile phones and tablets. Computers, laptops, LCD screens, LCD TVs, etc. are quite high market share.

The investment boom in my country's liquid crystal display industry has continued in recent years. Although the investment in super-twisted liquid crystal displays (STN-LCD) has stopped, a series of eye-catching large-size thin film transistor displays (TFT-LCD) and AM-OLED continues to invest. At present, Taiwan is already the world's TFT-LCD production center, and TN-LCD and STN-LCD are mostly transferred to mainland China due to low prices and profits. In recent years, domestic investment has set off next-generation large-size TFT-LCD and AM-OLED. The upsurge of new technology, and the gradual implementation of independent technology development, coupled with the opening of the panel factory in 2010, the conditional landing of these hundreds of billions of new Taiwan dollars of investment, compared with the semiconductor industry has a tendency to come from behind.

Polarizers are materials required for the production of LCD/OLED, and the LCD industry is divided into TN, STN, OLED industry is divided into two categories: PM-OLED and AM-OLED. Although other flat-panel displays use polarizing plates, their individual application products, production centers, industrial characteristics and production technologies are different. Optimax will position the main marketing markets in Taiwan, mainland China, Japan and South Korea, but it is still regarded as the polarizer supplier with the highest market share in both Taiwan and mainland China is the goal.

2. Industrial connection



3. Industry development trends and competition

(1)Product development trend

Polarizers are classified according to their optical functions, which can be divided into general use, high contrast, ultra-high contrast, ultra-high contrast, high durability, color, whitening, IPS and VA polarizers. Recently, product development is trending towards thinness, high transmittance, high resolution and high brightness. To meet the requirements of panel lightweight and environmental protection and energy saving. Polarizing plates are classified according to the production materials, which can be divided into iodine series and dye series. The difference is that the weather resistance of the dye-based polarizer is better than that of the iodine series. Therefore, dye-based polarizers are often used under high temperature conditions such as automotive, industrial control and LCD projectors, but the iodine series is used for the optical properties of polarization and transmittance. Polarizers are better. Therefore, iodine series polarizers are completely used in products that require high optical properties such as notebook computers, desktop PC monitors and LCD TVs. The company's product classification is as follows:

Optical function	General purpose	High contrast type	Ultra-high contrast type
Category	TN Polarizers	STN/PM-OLED Polarizers	TFT /AM-OLED Polarizers
Iodine series (I2)	Computer, Watch, Sun glasses, Game	PDA 、 Mobile phone	Laptops, Smart phones, Digital photography, Camera, Tablet PC, Desktop PC monitor, LCD TV
Dye series (dye)	For vehicles, ships, Low-level displays	Car navigator	Projector, Car navigator

Since LCD products have special and strict requirements in terms of brightness, visibility, weather resistance, ease of use, and light weight, in order to meet the needs of LCD manufacturers for the quality and characteristics of polarizers, the company should improve and develop the polarizer, each composite film, adhesion, processing, and interact with LCD customers to fully understand customer needs as a product development reference.

The development trend of polarizing plate required by LCD is as follows:

LCD demand for polarizing plate characteristics	Demand type	Polarizer products development direction	Description
Visual effect	➤ High brightness ➤ High contrast ➤ No color shift ➤ Anti-reflection ➤ Wide viewing angle characteristics	Improved characteristics of polarizer	Transmittance, polarizer performance, surface reflection prevention (AGLR, AGAR, HCLR, HCAR)
		Reflection, semi-transmission	Whiteness, reflectivity, semi-transmission, viewing angle characteristics
		Retardation film	Retardation film difference value control, wavelength dispersion characteristics, temperature dependent film, Liquid crystal coating film
Portable type with high weather resistance, thin and light weight	➤ Thin ➤ Durability	➤ Improve durability of Dye and Iodine product ➤ Thin product Introduction	Thinner, high durability and medium durability
Ease of processing	➤ Flatness ➤ Easy to tear release film and protect film	Process improvement, raw material selection	Correct use of polarizer materials and adhesives
			Prevent static electricity, good cutting performance

(2) Product competition

At present, manufacturers with polarizing plate manufacturing technology, in addition to Japanese, Taiwan and Korean manufacturers, there are Chinese manufacturers. Previously, mainland manufacturers mainly focused on low-end TN/STN/PM-OLED products. Recently, they have accelerated the introduction of TFT/AM-OLED products. However, the overall market share is still low, and the product quality is still unable to compare with Japanese, Taiwan, and Korean factories. In addition, Taiwan's panel makers continue to invest in next-generation panels. Due to the high future growth of the polarizer industry, new players are also attracting new players to actively enter the market, including Taiwanese manufacturers such as BenQ Materials and Chengmei Materials, as well as the establishment of Sumitomo in Tainan. Nitto expands production in Taichung. In addition to the current LCD TV, MNT, NB, Tablet PC. In addition to the development of polarizers for Automobile LCD, Smart Phone, Smart Watch, PM-OLED/AM-OLED and VR/AR, the company also actively expands surface treatment business and products such as precision coating to improve quality stability and reduce costs, and actively expand Chinese mainland market and improve the service and cooperation with customers, so as to widen the gap with competitors and maintain high competitiveness.

(3) Technology and R&D Overview

1.R&D expenses invested in the most recent year and up to the date of publication of the annual report

Unit : NT\$ Thousand

Item/ Year	2023	AS of 2024/3/31 (Note)
Net Sales	2,004,664	379,221
R&D Expense	52,834	10,128
Percentage of Net Sales (%)	2.64%	2.67%

Note: The information for the year 2024 as of March 31 has been reviewed by an accountant.

2.Research and Development Achievement

Year	Achievement	Application
2022	Q1	ECB reflective polarizer
	Q2	Ultra-high reliability polarizer
	Q3	Privacy Screen polarizer
	Q4	Polarizer for VR
2023	Q1	Polarizer for in-vehicle compensation

(4) Long-term and short-term business development plans

1. Short-term development plan:

(1) Marketing strategy

A. Market:

Due to the lack of significant growth in global demand for LCD panels, the company has adjusted its overall marketing strategy for 2024 to focus on high-margin products and maintaining reasonable economic scales. In addition, the company will actively leverage the certifications it has obtained from major manufacturers to increase product revenue and demonstrate the cost-effectiveness of centralized production management, thereby enhancing its value to customers.

B. Customers:

In addition to continuously strengthening relationships with existing major customers, the company is actively expanding its customer base in regions such as Mainland China, South Korea, and Japan.

C. Product range:

Continuously reduce the proportion of consumer products and strive to secure orders for niche products (such as automotive and industrial control). Additionally, continuously strengthen the inventory of raw materials/semi-finished products and finished products to increase flexibility in delivery times, facilitating the response to urgent orders from customers in the market.

D. Service:

To implement Total Solution, the company has divided its customer base by region and integrated the functions of product development and marketing personnel to provide comprehensive and in-depth customer service in the local area.

(2) Production strategy

A. Centralize personnel management and production lines to cope with the overall unfavorable environment; maximize the utilization of manpower and resources to achieve optimal production efficiency and minimize costs.

B. Temporarily halt production of surplus production lines due to declining market demand to achieve effective management and improve effective production yield and utilization rate based on actual conditions.

C. Increase machine speed, inspect production equipment, and carry out equipment upgrades based on demand to enhance production efficiency.

(3) Product research and development

A. The development focus is primarily on automotive products, with the goal of improving reliability, broadening the viewing angle compensation film, and increasing size. In terms of reliability, the temperature has been raised from the previous guaranteed high temperature of 95°C to 105°C or even 110°C. Additionally, the conditions of high temperature and high humidity have been increased from the original 60°C/95%RH to 85°C/85%RH. Regarding the broadening of the viewing angle compensation film, active efforts are being made to find alternative manufacturers due to the discontinuation of compensation mold suppliers. Furthermore, for other automotive display applications such as HUD and privacy screen panels, corresponding optical films are also actively being developed.

B. The focus of small and medium-sized products is on AR (Augmented Reality) products. In addition to using polarizing films, other optical films are also required for compatibility. After recent market validation, the development direction for VR/AR products is mainly focused on AR products. Unlike VR, AR no longer focuses on the lamination process of multiple films but emphasizes more on processing and suitable optical characteristics. Due to its smaller size, cutting processes are also crucial, emphasizing precision in dimensions and optical axis angles, as well as the cutting and testing of each film material's angles.

2. Long-term plan

(1) Marketing strategy

A. Strengthen the sales of superior products (high durability, optical films, self-made coating) and adjust the product portfolio to ensure increased profitability and increase product differentiation with competitors.

B. Become a professional polarizing plate design and production factory, cooperate with market development, strengthen negotiation with customers, have achieved mutual benefits, profit sharing, and continue to strive for more international cooperation.

C. In recent years, there has been significant oversupply in TV, monitors, notebooks, tablet PCs, and other small and medium consumer products, leading to intense price competition. As a result, these products will only maintain a very small share of shipments. The company will focus its efforts on developing niche products such as automotive, industrial control, VR/AR, and sunglasses.

- (2) Production strategy
- Introduce production integration automation and AOI automatic detection system one after another to increase production efficiency.
 - Strengthen the line change speed, concentrate production, and flexibly schedule production capacity in order to properly arrange urgent order production.
 - Strengthen the interaction with suppliers to stabilize the adequate supply of raw materials and reduce production costs.
 - Analyze the amount of production of drugs and consumables, and adjust the frequency reasonably to reduce production costs Use and cost.
 - Actively lay out the mainland market and strive to supply panel factories in mainland China.
- (3) Product development
- With the electrification of automobiles driving the trend towards larger displays, the previous mainstream situation of displays being 12 inches or smaller has shifted towards larger sizes. In response to this trend, it has become essential for displays to incorporate wide-angle compensation films. Therefore, providing stable wide-angle compensation films at competitive prices is crucial. In the short term, the focus will be on using compensation film manufacturers' developed products, while in the long term, efforts will be directed towards developing in-house liquid crystal compensation film coating. This not only ensures a stable source of compensation films but also aims to reduce costs.
 - With the rise of the Metaverse trend, there is an increasing demand for AR development. Achieving better precision in cutting processes and testing is crucial. The focus will be on the introduction of new cutting equipment and testing methods.

Marketing and sales overview

(1)Market analysis

1.Sales (provided) area of main products

Sales Amount By Region in the most recent 2 years

Unit : NT\$ Thousand 、 %

Sales Area	2022		2023	
	Net Sales	Ratio (%)	Net Sales	Ratio (%)
Domestic	228,600	7.8	164,306	8.2
Export	2,718,846	92.2	1,840,358	91.8
Total	2,947,446	100.0	2,004,664	100.0

2.Market share

<2021-2030 Global TFT LCD Market Demand>

Display/Area (Million m ²)	Application	Year									
Original Specification	Application	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Amusement	Game	0.11	0.04	0.04	0.32	0.35	0.39	0.42	0.44	0.46	0.46
AR VR MR Near Eye	AR VR MR	0.09	0.07	0.03	0.06	0.07	0.08	0.10	0.10	0.11	0.12
Automobile monitor	Automobile monitor (others)	0.32	0.38	0.41	0.44	0.48	0.51	0.52	0.54	0.52	0.53
	Center stack display	2.12	2.37	2.71	2.87	3.04	3.17	3.25	3.26	3.25	3.22
	Control panel	0.00	0.03	0.04	0.05	0.05	0.05	0.06	0.06	0.06	0.06
	Head-up display	0.01	0.01	0.01	0.02	0.03	0.07	0.11	0.19	0.21	0.24
	Instrument cluster	0.80	0.96	1.23	1.35	1.55	1.73	1.89	2.00	2.03	2.03
	Passanger Display	0.01	0.01	0.03	0.04	0.07	0.10	0.10	0.11	0.12	0.12
	Room mirror	0.02	0.03	0.03	0.03	0.04	0.04	0.04	0.05	0.05	0.05
	Side mirror	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Desktop monitor	Desktop monitor	28.74	26.78	25.80	26.82	27.86	27.62	27.94	28.51	28.82	29.47
Digital still camera	Digital still camera	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
LCD TV	LCD TV	169.36	164.30	165.87	181.76	191.88	197.50	201.67	208.60	212.50	216.19
Mobile PC	Notebook PC	16.09	12.60	11.17	11.99	13.31	12.97	12.90	12.71	12.54	12.43
	Tablet	7.35	6.79	6.30	6.32	6.30	6.12	6.29	6.47	6.46	6.53
Mobile phone	Feature phone	0.34	0.24	0.31	0.30	0.29	0.26	0.23	0.20	0.17	0.15
	Smartphone	11.18	8.15	8.52	6.49	6.68	6.65	6.64	6.65	6.64	6.63
Multi-function printer	Multi-function printer	0.08	0.07	0.06	0.07	0.08	0.08	0.09	0.09	0.09	0.09
Portable media player	Portable media player	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Portable navigation device	Portable navigation device	0.03	0.03	0.02	0.02	0.01	0.01	0.01	0.01	0.01	0.01
Public display	Public display	5.99	9.06	7.24	8.68	8.76	8.93	9.07	9.50	9.61	9.88
Smartwatch	Smartwatch	0.04	0.10	0.16	0.19	0.20	0.21	0.21	0.21	0.20	0.20
Others	Industrial	0.65	0.67	0.72	0.67	0.68	0.69	0.69	0.71	0.73	0.75
	Others	2.73	3.32	2.79	2.93	3.16	3.31	3.41	3.48	3.65	3.89
Total		246.10	236.03	233.48	251.43	264.92	270.52	275.68	283.91	288.26	293.07
Growth Rate		4%	-4%	-1%	8%	5%	2%	2%	3%	2%	2%

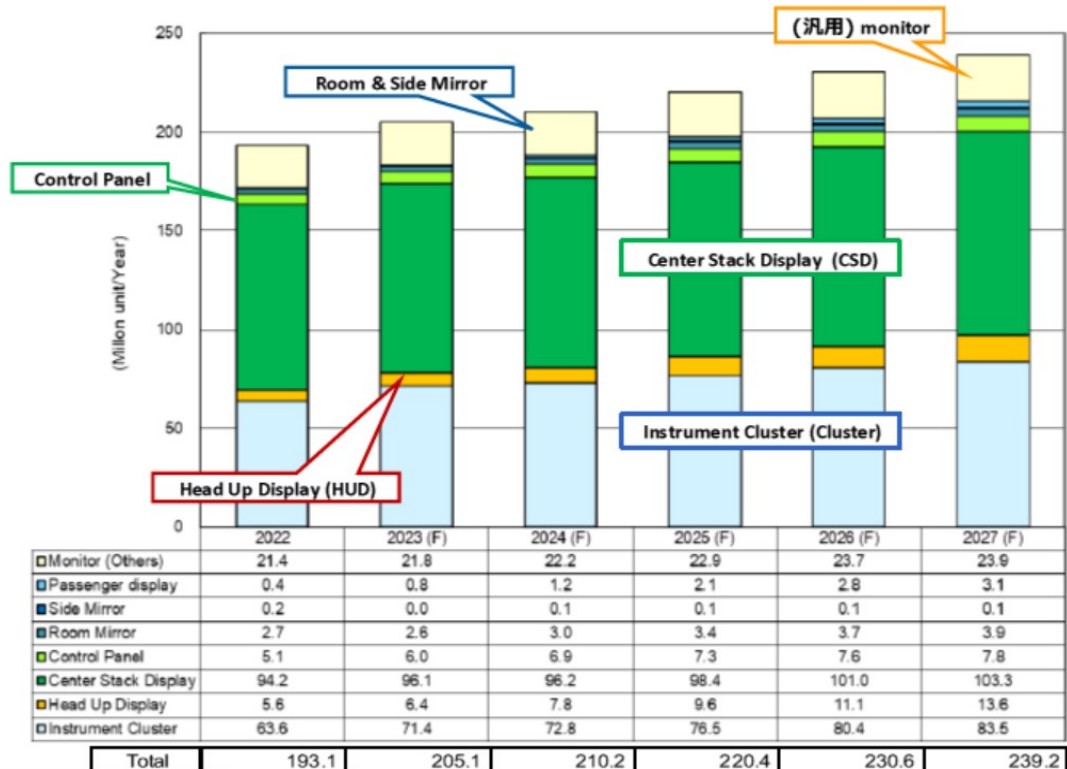
Source: Omda 2024

<2021-2030 Global AM-OLED Market Demand>

Units (Millions)		Year									
Original Specification	Application	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Amusement	Game	0.00	0.00	6.60	8.35	7.25	15.55	15.30	14.80	14.25	13.80
AR VR MR Near Eye	Head Mount Display	3.20	1.42	0.53	1.52	1.96	2.77	3.91	5.02	5.48	5.82
	Near Eye	1.62	1.41	1.34	1.50	1.69	1.79	1.87	1.93	1.96	1.97
Automobile Monitor	Center Stack Display	0.00	0.08	0.23	0.43	0.72	1.14	1.65	2.22	2.58	2.91
	Instrument Cluster	0.00	0.06	0.12	0.17	0.25	0.31	0.40	0.48	0.51	0.53
	Rear Seat Entertainment	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Side Mirror	0.03	0.01	0.04	0.05	0.04	0.04	0.06	0.09	0.12	0.15
Desktop Monitor	Desktop Monitor	0.02	0.01	0.01	0.21	0.33	0.40	0.48	0.54	0.62	0.78
Mobile PC	Notebook PC	0.35	0.98	4.98	8.92	11.39	14.60	20.05	23.07	24.95	27.51
	Tablet	3.63	3.90	3.02	3.77	4.26	6.26	7.33	7.94	8.48	8.83
Mobile Phone	Smartphone (HD grade and above)	470.99	456.58	612.18	677.66	719.28	758.32	798.65	834.30	848.53	852.97
	Smartphone (VGA Grade)	0.05	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mobile Phone Sub Display	Mobile Phone Sub Display	0.75	3.39	9.83	19.39	32.04	47.10	66.69	76.10	88.19	105.88
OLED TV	OLED TV	3.29	4.47	7.43	10.16	11.37	11.67	12.70	14.69	16.43	18.07
Public display	Public display	0.00	0.00	0.00	0.00	0.00	0.01	0.01	0.01	0.01	0.01
Smart Watch	Smart Watch	96.34	125.03	143.91	149.83	157.95	163.09	167.76	171.45	174.38	176.55
Others	Others	5.41	7.95	7.48	4.48	0.00	0.00	0.00	0.00	0.00	0.00
Total		585.70	605.30	797.68	886.43	948.51	1,023.05	1,096.87	1,152.63	1,186.49	1,215.77
Growth Rate		25%	3%	32%	11%	7%	8%	7%	5%	3%	2%

Source: Omdia 2024

<2022-2027 Global Vehicle-mounted TFT LCD Market Demand>



Source: Omdia 2024

From the charts illustrating the global demand for TFT LCD from 2021 to 2030, it is evident that due to factors such as global interest rate hikes, poor market economy, weak demand, high inventory levels, and conflicts such as the Russia-Ukraine war, Israel-Palestine conflict, and Red Sea tensions, the shipment volumes for 2023, compared to 2022, have decreased for products like TVs, monitors (MNT), notebooks, and tablet PCs, except for a slight increase in mobile phone shipments. For 2024, market expectations indicate a potential interest rate cut by the United States, leading to a gradual economic recovery and an increase in end-user demand. Consequently, demand for related products such as TVs, monitors (MNT), notebooks, tablet PCs, automobiles, public displays, and head-mount displays (Metaverse—VR/AR) is expected to grow.

The chart detailing the global AM-OLED market demand from 2021 to 2030 clearly shows that regardless of size, the overall shipment volume for AM-OLED products has been decreasing in 2022 and 2023 due to the pandemic and poor global economic conditions. However, from 2024 to 2030, the overall demand for shipments is anticipated to grow steadily.

Additionally, the chart showing the global automotive TFT LCD market demand from 2022 to 2027 clearly indicates that automotive panels, whether for automobile monitors, center stack displays, instrument clusters, e-mirrors, or HUDs, are expected to see continuous stable growth during this period.

In summary, the data from the aforementioned three charts suggest that apart from the five main products (LCD TVs, monitors, notebooks, tablet PCs, and smartphones), the development of applications for automobile LCDs, public displays, smartwatches, head-mount displays (Metaverse—VR/AR), and AM-OLED (rigid & flexible) products will undoubtedly remain fiercely

3. Favorable factors for competitive niche and development prospects and corresponding strategies

(1) Favorable factors for competitive niche and development prospects

- A. Utilize existing customer service personnel in Suzhou and Shenzhen to provide more timely and comprehensive services to customers in East and South China.
- B. In addition to actively collaborating with major LCD and Tier 1 manufacturers on existing automotive products, we are accelerating the development and certification of polarizers and optical films with features such as low shrinkage, higher durability, high precision, high brightness, low reflection, low impedance, and reflective properties to meet future trends in automotive product development.
- C. Developing high-value-added precision coating products using optical film production and surface coating technology.

(2) Unfavorable factors in the development prospects and countermeasures

- A. Intense downstream customer competition leads to strong pricing pressure.

Due to the emergence of new generation production lines (such as G8.5/G10) among TFT-LCD/AM-OLED panel manufacturers from 2011 to 2024, panel supply will increase significantly, leading to a decrease in selling prices. As a result, raw material prices will inevitably face downward pressure.

<Countermeasures>

- (a) Continuously research and develop high-functionality, high-quality, and high-profit products to mitigate pricing pressures, and develop towards high-gross-margin small and medium-sized, industrial control, automotive, and Metaverse-related products.
- (b) Continuously improve the production process, increase machine speed, utilization rate, and cutting utilization rate, reduce internal losses, and accelerate the localization of major raw materials to reduce overall costs.
- (c) Deepen the production lines of existing professional TN/STN, dye-based and TFT products, further cultivate new products and expand market share to create greater profits.

- B. There are many potential competitors

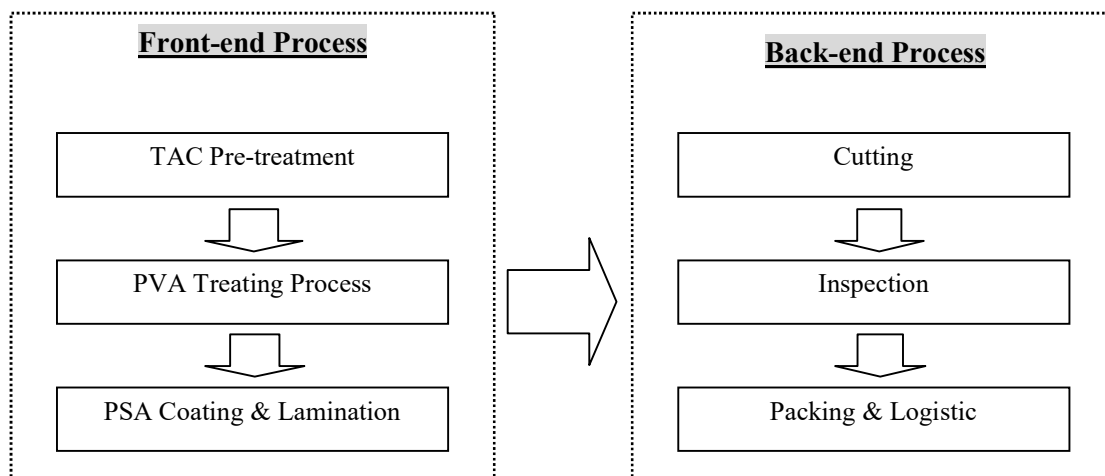
As market demand grows, panel manufacturers adopt the In-House strategy for polarizers, leading to increasingly intense competition.

<Countermeasures>

- (a) Adjust product portfolio in a timely manner and implement differentiated market strategies to overcome potential threats.
- (b) Continuously and rapidly develop and improve products to lead market demand, extend the learning curve for potential competitors, and establish a patent portfolio to create a competitive advantage.

(2) Important uses of major products and production process

The company's main products are polarizers for the production of LCD/OLED. LCD is classified as TN/STN/TFT and OLED is classified as PM-OLED/AM-OLED.



(3) Supply status of main raw material

In the first half of last year, due to poor market conditions for panels, economic inflation, and ongoing international conflicts, coupled with the company's aggressive inventory stocking from the previous year, we strictly controlled material procurement. This situation persisted until the second half of the year when the company rapidly adjusted its product sales strategy. Currently, we are focusing on the continuous development of small to medium-sized In-vehicle products and high-durability industrial control products. However, due to the specific usage characteristics of these products, the material usage area is small, resulting in lower overall procurement amounts compared to the past.

In-vehicle and high-durability products have stringent specification requirements, which in turn demand higher standards for materials. As a result, most suitable suppliers are international brands. In terms of procurement, this not only limits the choice of materials but also presents significant challenges in price negotiation. Therefore, localization of materials has been one of the company's strategic directions in recent years. By strengthening interactions with customers in Taiwan and China, we aim to understand the development status of new and existing suppliers in the Greater China region and establish connections or confirmations. This is one of the procurement tasks for this year. At the same time, maintaining good relationships with existing Japanese and other foreign suppliers, holding regular business meetings to share market information, and securing their continuous support remain fundamental practices.

(4) Parties who deliver more than 10% of the total raw materials or buy more than 10% of goods sold any one of the past two years:

1. Information on the main suppliers the past two years

Unit: In NT\$ thousand

Year	2022				2023				2024 up to the previous quarter			
Item	Name	Amount	% of the net purchase of the year	Relationship	Name	Amount	% of the net purchase of the year	Relationship	Name	Amount	Percentage of the net purchase as of the end of the Previous quarter in the year(%)	Relationship
1	Others	1,483,850	100.00	None	Vendor A	102,631	13.95	None	Vendor C	27,560	18.18	None
2					Vendor B	95,267	12.95	None	Vendor B	16,738	11.04	None
3					Vendor C	82,701	11.24	None	Others	107,298	70.78	None
4					Others	455,184	61.86	None				
5												
Net purchase		1,483,850	100.00		Net purchase	735,783	100.00		Net purchase	151,596	100.00	

Note 1: List the names of suppliers whose deliveries account for more than 10% of the total purchase, and their amounts and percentages. Supplier codes may be used if the names cannot be disclosed as required by the contract or if the transaction counterparty is an individual and is not a related party.

Explanation of reasons for changes in main materials in 2023:

In 2023 and Q1 of 2024, the primary material sources were mainly Japanese and Taiwanese suppliers. Based on cost considerations, the policy of localizing materials in Taiwan continues. Starting from the second half of 2023, we significantly adjusted our order structure to reduce the proportion of high-cost materials and focused on increasing the proportion of automotive products and developing the automotive customer base. As a result, our dependence on Japanese materials has significantly increased.

2. Information on the main customers the past two years

Unit: In NT\$1,000

Year	2022				2023				2024 up to the previous quarter			
Item	Name	Amount	% of the Net sales of the year	Relationship	Name	Amount	% of the Net sales of the year	Relationship	Name	Amount	Percentage of the net sales as of the end of the previous quarter in the year(%)	Relationship
1	Customer A	903,063	30.64	None	Customer A	396,967	19.80	None	Customer A	40,230	10.61	None
2	Customer B	524,781	17.80	None	Customer B	343,259	17.12	None	Customer B	87,130	22.98	None
3					Customer C	226,482	11.30	None	Customer D	50,751	13.38	None
4					Customer D	217,259	10.84	None	Customer E	46,652	12.30	None
	Other	1,519,602	51.56	None	Other	820,697	40.94	None	Other	154,458	40.73	None
Net sales		2,947,446	100.00		Net sales	2,947,446	100.00		Net sales	379,221	100.00	

Note 1: List the names of customers whose sales amount for more than 10% of the total sales, and their amounts and percentages. Customers' codes may be used if the names cannot be disclosed as required by the contract or if the transaction counterparty is an individual and is not a related party.

The reasons for the change in revenue of major sales customers in 2023 are explained as follows:

In 2023, due to global interest rate hikes, slow market economic recovery, inventory clearance, and conflicts such as the Russia-Ukraine war, Israel-Palestine conflict, and Red Sea tensions, end-user demand was affected. Consequently, customer demand for polarizers used in LCD monitors, consumer products, tablets, industrial control, and automotive products decreased compared to 2022.

(5) Production value table in the past two year

Unit: M² thousand ; NT\$ thousand

Main items \ Year	2022			2023		
	Capacity	Yield	Value	Capacity	Yield	Value
TN/STN	767	456	236,328	379	225	141,026
TFT	8,952	4,498	1,888,684	6,630	1,528	1,165,897
Total	9,719	4,954	2,125,012	7,009	1,753	1,306,923

(6) Sales value table in the past two year:

Unit: M² thousand ; NT\$ thousand

Main items \ Year	2022				2023			
	Domestic		Export		Domestic		Export	
	Qty	Value	Qty	Value	Qty	Value	Qty	Value
TN/STN	37	53,983	432	407,876	17	25,755	323	355,426
TFT	104	174,617	4,799	2,310,970	136	138,551	2,181	1,484,932
Total	141	228,600	5,231	2,718,846	153	164,306	2,504	1,840,358

Employee information

(1) Employee information for the most recent two years and up to the date of publication of the annual report:

Year		2022	2023	2024/3/31
Employee Amount (person)	Administrant employees	169	169	167
	R&D employees	33	34	33
	Direct employees	389	385	378
	Total	591	588	578
Average age (age)		41.5	41.5	42.6
Average years of service (years)		11.9	12.3	12.6
Education distribution ratio (%)	PhD	0.2	0.2	0.2
	Postgraduate	3.5	3.7	3.7
	Undergraduate	45.3	44.2	44.5
	High school	45.8	47.3	47.1
	Under high school	5.2	4.6	4.5

Note: The above information includes the number of contract workers.

Environmental protection expenditure information

- (1) Demonstrate the total amount of losses (including compensation) and punishment suffered by the company for the pollution of the environment in the last two years. As of the date of publication of the annual report, and explain the future countermeasures (including improvement measures) and possible expenditures (including the possible loss if the countermeasures are not taken), The estimated amount of punishment and compensation, if it cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be stated)

Item	Punish day (Violated day)	County	Penalty Content	Penalty fee Unit: NT\$
1	2023/5/10 (2023-03-23)	Taoyuan City Government Environmental Protection Bureau	Subject: A fine of NT\$120,000 will be imposed. Regulations: Waste Disposal Act, Article 27, Paragraph 2. Document number: 41-112-050009 Reasons: On March 23, 2023, personnel from this bureau were dispatched to conduct an inspection near Lane 679, Pingdong Road, Pingzhen District, our city. The land at No. 848 in Dongling Section and No. 1020 in Dongling Section of Pingzhen District is leased by your factory from the landowner. On the land, there is a IBC TANK ink raw materials. However, it was found that the IBC TANK was damaged, causing the ink raw materials to spill into the adjacent drainage ditch, contaminating the designated clearing area.	NT\$1,200
2	2023/6/30 (2023-05-22)	Taoyuan City Government Environmental Protection Bureau	Subject: A fine of NT\$6,000 will be imposed. The environment workshop is 1 hour. Regulations: Waste Disposal Act, Article 31, Paragraph 1, Subparagraph 2. Document number: 40-112-060108 Reasons: On May 22, 2023, personnel from our bureau conducted an inspection at your company's Pingzhen plant (inspection address: No. 37, Lane 659, Pingdong Road, Pingzhen District, Taoyuan City) and found the following violations: According to the information provided by your business on-site: 1.The report on the use of raw materials in the factory (from January 2022 to April 2023) indicates the use of raw materials such as potassium iodide. 2.The products processed and produced internally by the factory - potassium iodide, were sold in February, March, and May 2023 (according to the factory release orders, weighing receipts, export declarations, electronic invoices, etc., provided by your company). 3.The products processed and produced internally by the factory - sodium borate, were sold in September 2022 and March 2023 (according to the factory release orders, weighing receipts, export declarations, invoices, etc., provided by your company). 4.In addition, upon comparing with the information declared by the Administrative Environmental Protection Agency in the Waste Declaration and Management Information System on May 19, 2023 (cross-checked from January 2022 to April 2023), it was found that your company did not report the following information in the aforementioned declaration system: the use of raw materials KI in the process, the derived waste (D-1505) from the process, failure to report the self-handling consignment notes, failure to report the raw materials (D-1505) used for internal processing, and failure to report the processed products (potassium iodide, sodium borate), which constitutes a violation of the Waste Disposal Act, Article 31, Paragraph 1, Subparagraph 2.	NT\$6,000
3	2023/6/30 (2023-05-22)	Taoyuan City Government Environmental Protection Bureau	Document number: 40-112-060107 Reasons: On May 22, 2023, personnel from our bureau conducted an inspection at your company's Pingzhen plant (inspection address: No. 37, Lane 659, Pingdong Road, Pingzhen District, Taoyuan City) and found the following violations: In the storage area for organic sludge (waste code: D-0901) and mixed plastic waste (waste code: D-0299), there were instances of water seepage and oil contamination on the ground, leading to pollution. There were no apparent collection or pollution prevention equipment or measures in place. As such, it is deemed a violation of Article 36 of the Waste Disposal Act, and Article 10 of the Methods and Facilities Standards for the Storage, Clearance and Disposal of Industrial Waste.	NT\$12,000
4	2023/6/30 (2023-05-22)	Taoyuan City Government Environmental Protection Bureau	Regulations: Waste Disposal Act, Article 36, Paragraph 1. Methods and Facilities Standards for the Storage, Clearance and Disposal of Industrial Waste, Article 6, Paragraph 1, Subparagraph 4. Document number: 40-112-060106 Reasons: On May 22, 2023, personnel from our bureau conducted an inspection at your company's Pingzhen plant (inspection address: No. 37, Lane 659, Pingdong Road, Pingzhen District, Taoyuan City) and found the following violations: In the storage area for plastic waste (waste code: R-0201) and iron waste (waste code: R-1301), the Chinese names of the waste were not clearly labeled. This constitutes a violation of Article 36 of the Waste Disposal Act and Article 6, Paragraph 1, Subparagraph 4 of the Methods and Facilities Standards for the Storage, Clearance and Disposal of Industrial Waste.	NT\$6,000

Item	Punish day (Violated day)	County	Penalty Content	Penalty fee Unit: NT\$
5	2023/6/30 (2023-05-22)	Taoyuan City Government Environmental Protection Bureau	Subject: A fine of NT\$6,000 will be imposed. The environment workshop is 1 hour. Regulations: Waste Disposal Act, Article 36, Paragraph 1, Subparagraph 1. Document number: 40-112-060105 Reasons: On May 22, 2023, personnel from our bureau conducted an inspection at your company's Pingzhen plant (inspection address: No. 37, Lane 659, Pingdong Road, Pingzhen District, Taoyuan City) and found the following violations: At the waste storage area on-site, waste materials such as discarded wires and cables and mixed metal scrap were observed, which were not listed in the approved waste clearance document. There was a failure to comply with the requirement for amendments to the waste clearance document. This constitutes a violation of Article 31, Paragraph 1, Subparagraph 1 of the Waste Disposal Act.	NT\$6,000
6	2023/6/30 (2023-05-22)	Taoyuan City Government Environmental Protection Bureau	Regulations: Waste Disposal Act, Article 36, Paragraph 1. Methods and Facilities Standards for the Storage, Clearance and Disposal of Industrial Waste, Article 5. Document number: 40-112-060103 Reasons: On May 22, 2023, personnel from our bureau conducted an inspection at your company's Pingzhen plant (inspection address: No. 37, Lane 659, Pingdong Road, Pingzhen District, Taoyuan City) and found the following violations: In the waste iron storage area on-site, there were combustible waste empty drums mixed in. Hazardous industrial waste and general industrial waste were not stored separately, contravening Article 36 of the Waste Disposal Act and Article 5 of the Methods and Facilities Standards for the Storage, Clearance and Disposal of Industrial Waste. Subject: A fine of NT\$60,000 will be imposed. The environment workshop is 2 hour.	NT\$60,000
7	2023/6/30 (2023-05-22)	Taoyuan City Government Environmental Protection Bureau	Regulations: Waste Disposal Act, Article 36, Paragraph 1. Methods and Facilities Standards for the Storage, Clearance and Disposal of Industrial Waste, Article 7, Paragraph 1. Document number: 40-112-060100 Reasons: On May 22, 2023, personnel from our bureau conducted an inspection at your company's Pingzhen plant (inspection address: No. 37, Lane 659, Pingdong Road, Pingzhen District, Taoyuan City) and found the following violations: At the waste liquid storage area on-site, the flash point of the waste liquid (waste code: C-0301) was found to be less than 60° C (excluding alcoholic waste with an ethanol volume concentration of less than 24%). The waste liquid stored under code C-0301 was not categorized, numbered, or labeled with the name of the business generating the waste, storage date, quantity, composition, etc. This contravenes Article 36 of the Waste Disposal Act and Article 7, Paragraph 1 of the Methods and Facilities Standards for the Storage, Clearance and Disposal of Industrial Waste.	NT\$60,000
8	2023/6/30 (2023-05-22)	Taoyuan City Government Environmental Protection Bureau	Document number: 40-112-060099 Reasons: On May 22, 2023, personnel from our bureau conducted an inspection at your company's Pingzhen plant (inspection address: No. 37, Lane 659, Pingdong Road, Pingzhen District, Taoyuan City) and found the following violations and corresponding fines were identified: 1. According to the administrative waste declaration and management information system data reviewed by our bureau on May 19, 2023 (cross-checked from January 2022 to April 2023), your company's Pingzhen plant reported zero storage for waste code C-0301 from January 2022 to February 2022, and no production or storage of C-0301 was reported from March 2022 to April 2023. However, C-0301 was found stored on-site, with the quantity not matching the reported data in the system. 2. Based on the information provided by your Pingzhen plant, the usage of raw materials such as potassium iodide was observed in the raw material usage report from January 2022 to April 2023. Additionally, products processed internally by your plant, including potassium iodide and sodium borate, were sold in February, March, and May 2023, and in September 2022 and March 2023, respectively. However, your company failed to report the usage of raw material KI, derived waste (D-1505) from the process, failure to report self-handling consignment notes, failure to report raw materials used for internal processing (D-1505), and processed products (potassium iodide, sodium borate) in the aforementioned waste declaration system. 3. Consequently, the on-site situation at your company's Pingzhen plant did not match the reported data in the system, constituting a violation of Article 31, Paragraph 1, Subparagraph 2 of the Waste Disposal Act.	NT\$60,000

Item	Punish day (Violated day)	County	Penalty Content	Penalty fee Unit: NT\$
9	2023/8/9 (2023-05-22)	Taoyuan City Government Environmental Protection Bureau	Subject: A fine of NT\$12,500 will be imposed. The environment workshop is 2 hour. Regulations: Water Pollution Control Act, Article 18. Water Pollution Control Measures and Test Reporting Management Regulations, Article 5, Paragraph 1. Document number: 30-112-080012 Reasons: Your factory is engaged in the manufacture of other optoelectronic materials and components. Upon inspection conducted by our county's Environmental Protection Bureau on May 22, 2023, it was found that there was leakage in the pipeline transporting water gel solution from the water gel storage tank to the water gel slicing machine area on-site, resulting in the intermediate product water gel solution leaking into the work environment. Additionally, there was no record of the leakage date, time, cause, amount of water, or the collection and treatment status. Regulations: Water Pollution Control Act, Article 14, Paragraph 1. Document number: 30-112-080011 Reasons: Upon inspection conducted by our county's Environmental Protection Bureau from May 27, 2022, it was found that the business in question falls under the category of other industries regulated for water pollution.	NT\$12,500
10	2023/8/9 (2022-05-27)	Taoyuan City Government Environmental Protection Bureau	The business holds a wastewater discharge permit (Taoyuan City Environmental Drainage Letter No. H1253-04) issued by our county. During the inspection, it was observed that there was an additional catch basin next to the T01-14 temporary storage tank, and blue-colored powder was introduced into the leakage point of the sludge belt filter press (T01-23) for flow tracing. The blue-colored wastewater from this source converged into the T01-14 temporary storage tank. Subsequently, the wastewater from the catch basin was pumped through fixed pipelines by a relay pump (submersible motor) to the T01-02 equalization tank. Additionally, it was observed that the motor of the wastewater treatment facility malfunctioned at the time of inspection, causing wastewater overflow from the T02-02 equalization tank into the storm drain, which also converged into the catch basin next to the T01-14 temporary storage tank. However, this catch basin was not listed in the permit.	NT\$234,000

(2) Countermeasures:

1. Part of the proposed improvement measures.

(1) Improvement plan:

A. Items 1, 3, 9 and 10:

1. Strengthen the inspection of pipelines and tanks for leaks to ensure early detection and early intervention.

2. Improvement Progress:

(1) The pipeline leaks and BEC tank leaks were resolved on 5/22 and 3/22, respectively.
(Immediate issue resolution)

(2) Schedule regular daily inspections by staff, requiring immediate reporting and handling of any detected pipeline or tank leaks.

B. Item 2, 4, 5, 6, 7 and 8:

1. The method of waste disposal, labeling, and handling does not align with the contents of the waste cleanup plan.

2. Improvement Progress:

(1) The revised waste cleanup plan was updated and effective as of 2023/8/16.

(2) Unclear/incorrect labeling: Rectification was confirmed during an on-site inspection by the Environmental Protection Agency on 2023/8/14.

(2) Estimated environmental capital expenditures in the next three years:

Year Item	2022	2023	2024
The proposed purchase of pollution prevention equipment for scenery or expenditure content	1. Cultivation of microbial strains. 2. Introduction of wastewater recycling. 3. Permit modification. 4. Automatic monitoring system.	1. Cultivation of microbial strains. 2. Process water conservation. 3. Introduction of wastewater recycling. 4. Automatic monitoring system.	1. Cultivation of microbial strains. 2. Process water conservation. 3. Introduction of wastewater recycling. 4. Automatic monitoring system.
The situation is expected to improve	1. Reduce COD (Chemical Oxygen Demand) in effluent. 2. Ability to produce sludge. 3. Decrease wastewater discharge volume. 4. Increase monitoring parameters for each treatment unit to enhance system reliability.	1. Reduce COD (Chemical Oxygen Demand) in effluent. 2. Ability to produce sludge. 3. Decrease wastewater discharge volume. 4. Increase monitoring parameters for each treatment unit to enhance system reliability.	1. Reduce COD (Chemical Oxygen Demand) in effluent. 2. Ability to produce sludge. 3. Decrease wastewater discharge volume. 4. Increase monitoring parameters for each treatment unit to enhance system reliability.
Amount	NT\$ 1,500,000	NT\$ 1,200,000	NT\$ 1,200,000

(3) Impact after improvement:

1. Reduce the risk of COD in effluent exceeding legal standards.
2. Successful cultivation of microbial strains; sludge can be produced normally.
3. Removal of unused pipelines to effectively eliminate the risk of bypass discharge and improper separation of rainwater and wastewater.
4. Wastewater operations comply with permit requirements, reducing the risk of non-compliance with regulations.
5. Waste disposal/labeling meets the requirements of waste cleanup plans/regulations, reducing the risk of non-compliance with regulations.
6. Review of statutory responsible personnel to reduce the risk of non-compliance with regulations.

2. The part that has not adopted national countermeasures:

Enhance education, training, and promotion for environmental specialists and relevant colleagues on the production line.

Labor Relations

(1) Present the availability and execution of employee welfare, continue education, training and retirement policies, the agreements between employers and employees, and protection measures of employees' rights:

1. Employee welfare

- (1) In addition to handling labor insurance and health insurance in accordance with the law, the Company provides employees with group insurance, including life insurance, accident insurance, medical insurance, cancer insurance, etc.
- (2) In order to fully take care of employees, in addition to providing basic protection in accordance with the law, the company established an employee welfare committee organization in May 1989 to allocate welfare funds in accordance with the law. The committee coordinates the promotion of various employee welfare plans and is responsible for each The planning and implementation of the employee welfare matters.

2. Employee training and development and performance management

- (1) In response to the needs of colleagues, organize new personnel training, professional technical training and management training, etc., to provide employees with complete professional skills development and self-growth inspiration.
- (2) Establish a professional certification system to regularly inspect the knowledge and skills of employees to ensure the stability and improvement of quality.
- (3) Regularly send relevant industry development and technology e-news to expand employees' horizons and horizons and keep abreast of industry trends.
- (4) In order to effectively improve personal and organizational performance, establish an employee performance appraisal platform to strengthen supervisors and departments. It is a two-way communication, jointly setting goals and development plans, reviewing differences and formulating improvement plans and effectively implementing performance management.
- (5) Grasp the functions and potential of employees, combine the performance management system, plan the development of employee management and professional positions, and rotate with cross-functions, so as to enhance the abilities and advantages of employees and cultivate outstanding talents.

3. Employee rewards and care

- (1) Promote and reward outstanding colleagues, and establish positive work attitudes and values.
- (2) Through the proposal to improve the system and reward and punishment system, reward outstanding performance and achievements to enhance the creativity and problem-solving ability of employees, and regulate employee behavior to maintain good discipline.
- (3) The company has a health center, combined with medical institutions, provides health consultation, handles health promotion activities, and organizes various employee party activities so that employees can receive proper care and assistance in terms of physical and mental health and quality of life.

4. Employee communication

- (1) The company has set up online and written employee suggestion boxes to provide immediate complaints and response channels, and regularly hold labor-management meetings to correctly convey company messages, maintain smooth communication and interaction with employees, and establish harmonious labor-management relations. In addition, it regulates sexual harassment prevention measures, complaints and punishment methods to effectively promote and prevent.

5. Retirement system

- (1) The company has a labor retirement method for officially hired employees. According to the provisions of the method, the payment of employee retirement pensions is calculated based on the years of service at retirement and the average monthly salary.
- (2) The Labor Retirement Reserve Fund Supervision Committee was established in August of 1999, and two percent of the employees' salary is transferred to the Labor Retirement Reserve Fund Supervision Committee for safekeeping and deposited in the Bank of Taiwan in the name of the committee.
- (3) Since July 1994, in response to the new labor retirement system, the pension funds will be transferred to the personal accounts of the employees of the Labor Insurance Bureau in accordance with the law.

6. Other important agreements

The company has written and online employee suggestion boxes, and regular labor-management meetings are held to maintain smooth communication and positive interaction, so no major labor disputes occurred.

(2) Losses due to labor disputes in the most recent year as of the date of publication of the annual report:

1. Results of labor inspection violations of the Labor Standards Act should include the date of punishment, punishment reference number, violated regulatory article, violated regulatory content, and details of the punishment.

Business unit	Person in Charge	Violation of the provisions of the Occupational Safety and Health Act principal	Content that violates laws and regulations	Agency	Document Number:	Punishment date
Optimax Technology Corporation	Peter Chao	The second paragraph of Article 24 of the Labor Standards Act	Failure to pay wages as stipulated for work on rest days.	Taoyuan City Government	Regulation No. 1120369632 of the Ministry of Labor	2023/12/29
Optimax Technology Corporation	Peter Chao	The second paragraph of Article 32 of the Labor Standards Act	Extending working hours beyond the statutory limit.	Taoyuan City Government	Regulation No. 1120369632 of the Ministry of Labor	2023/12/29

2. Estimated amounts that may occur at present and in the future:

(1) Amount of punishment: NT\$100,000.

3. Response measures:

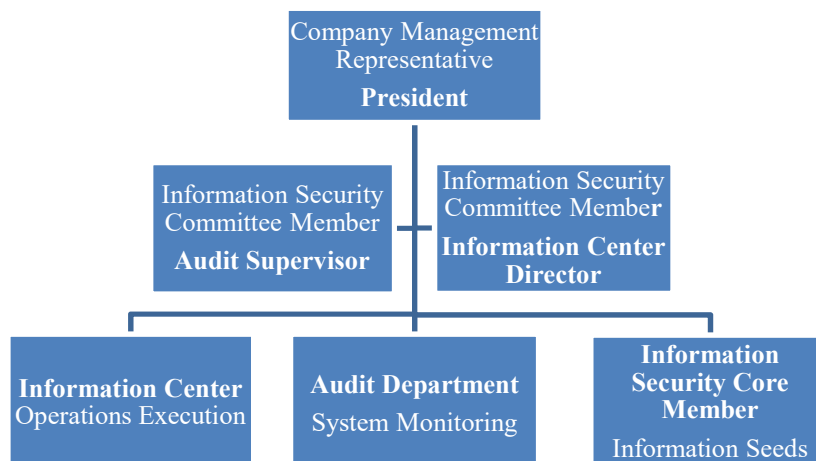
- (1) Failure to pay wages as stipulated for work on rest days: We propose gradual amendments to existing operating procedures and systems.
- (2) Extending working hours beyond the statutory limit: We will actively supplement manpower, rigorously control staff attendance and overtime, and reduce concerns about exceeding overtime limits.

Cyber security management:

(1) Describe the cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management.

1. Cyber security risk management framework:

- (1) The information center is the responsible unit of Information Communication Security, responsible for formulating the company's information communication security policy, planning and implementing the information communication safety operation and the promotion and implementation of the information communication security policy, and reporting the information communication security management overview to the company.
- (2) The auditing room is the supervisory unit of the information communication safety supervision and is responsible for supervising the company's information communication safety implementation status. If there is any defect found in the inspection, it will immediately request the inspected unit to put forward relevant improvement plans and specific actions, and regularly track the improvement results to ensure Reduce internal security risks.



(3) Organizational functions

1.Information center - Director:

Promotion and review of additional revisions of the rules and regulations for the safety operation of Cyber security risk management.

2.Information Security Standing Committee - Audit Supervisor

Cyber security risk management operation control measures audit operation promotion.

3.Information Communication Center - Operation Execution

Formulation and operation, implementation, maintenance and information security of information seeds education training.

4.Auditing room - System Monitoring

Audit the deficiencies in the safety operation control measures of Cyber security risk management and ensure the continuous improvement of the system.

5.Information Seed Member - Information Seeds

Continue to cooperate with the detailed rules and regulations of Cyber security risk management to promote and accept relevant education and training on the safety concept of Cyber security risk management.

2. Information Security Policy:

Establish a safe, reliable and continuous operation of information security environment, strengthen various information security management, ensure system security, equipment security, network security, protect the rights and interests of the company's colleagues and related internal and external personnel, reduce new information technology This policy is specified for the unknown information security threat risks brought by applications and environmental changes.

3. Specific management plan:

(1) Endpoint Security: Strengthen computer/NB permission management.

(2) Web Security: Enhance internet security management.

(3) Network Security: Strengthen internal network compliance access and ensure the stability of the backbone network.

(4) Data Security Protection: Continuously monitor whether there are significant file changes on public disk drives.

(5) Off-site Backup Mechanism: Regularly and timely backup the host OS / FILE SERVER / DATABASE.

(6) Disaster Recovery Drill: Regularly practice and optimize disaster recovery procedures and operations.

(7) System Security Inspection: Periodically check and evaluate the appropriateness of information security management operations.

(8) Information Security Incident Reporting Mechanism: Develop and implement an information security incident reporting mechanism.

(9) Virus Protection: Install antivirus software on every computer and regularly update virus information.

(10) Information Security Incident Reporting Mechanism.

4. Invest resources in the Cyber security risk management

(1) Initiate Automated Monitoring and Filtering Process Statistics.

(2) Regularly observe the abnormal situation of network traffic every week

- (2) **List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.**

1. Losses suffered from major information security incidents:

There were no significant cyber attacks that impacted the operations of our company in 2023.

2. Possible impacts and countermeasures. If it cannot be reasonably estimated, the fact that it cannot be reasonably estimated should be explained. Specific management plan:

Not applicable.

Important contract

(1)The important contract signed by the company as of the date of printing of the annual report

Contract type	Party	Date of contract	Main content	Restrictions
Lease contract	Sixing (Suzhou) Integrated Circuit Technology Co., Ltd.	2019/10/1~2031/9/30	The Plant in Suzhou	None
Lease contract	momo.com Inc.	2022/3/1~2027/2/28	The whole building of the #2 Factory in Pingzhen	Secured for three years
Lease contract	Overall Skill Tech. Co., Ltd.	2024/1/1~2029/9/30	The 6th Floor of Pingzhen Research and Development Building	Secured until September 30, 2027
Lease contract	Overall Skill Tech. Co., Ltd.	2024/1/1~2029/9/30	The 5th Floor of Pingzhen Research and Development Building	Secured until September 30, 2027
Long term loan	SUNNY Bank	2023/10/6~2026/10/6	Operating turnover	None
Long term loan	Taiwan Cooperative Bank	2023/12/19~2024/12/8 (Date of Contract Utilization)	Operating turnover	Note 1

Note 1: The post-approval period for utilization is 5 years, and it has not been utilized yet.

Financial Information

(1) Condensed balance sheet and consolidated income statement for the past five years

1. Condensed balance sheet: International Financial Reporting Standards - Consolidated Financial Statements

Unit: NT\$ thousand

Item	Year	Financial information for the current 5 years					For the year ended on March 31, 2024
		2019	2020	2021	2022	2023	
Current Assets		2,291,165	5,267,402	2,184,290	1,833,340	1,532,128	1,415,841
Properties		2,331,737	2,213,910	2,128,815	1,575,187	1,561,173	1,553,596
Intangible Assets		—	—	—	—	—	—
Other Assets		4,343,643	1,326,654	495,801	1,009,446	1,048,176	1,035,250
Total Assets		8,966,545	8,807,966	4,808,906	4,417,973	4,141,477	4,004,687
Current liabilities	Before distribution	2,056,577	1,452,729	938,547	1,927,746	434,900	254,784
	After distribution(Note2)	2,056,577	1,452,729	938,547	2,129,346	—	—
Non- current liabilities		5,675,363	6,109,874	1,836,362	54,698	1,260,891	1,204,928
Total liabilities	Before distribution	7,731,940	7,562,603	2,774,909	1,982,444	1,695,791	1,459,712
	After distribution(Note2)	7,731,940	7,562,603	2,774,909	2,184,044	—	—
The right attributable to the owner of the parent company		1,234,605	1,245,363	2,033,997	2,435,529	2,445,686	2,544,975
Share capital		3,253,324	3,253,324	1,700,000	1,700,000	1,700,000	1,700,000
Capital reserve		—	—	—	—	—	—
Retained surplus	Before distribution	(2,017,576)	(2,005,321)	355,003	812,779	817,233	915,770
	After distribution(Note2)	(2,017,576)	(2,005,321)	355,003	611,179	—	—
Other rights		(1,143)	(2,640)	(21,006)	(35,651)	(29,948)	(29,196)
Treasury stocks		—	—	—	(41,599)	(41,599)	(41,599)
Non-controlling rights		—	—	—	—	—	—
Total equity	Before distribution	1,234,605	1,245,363	2,033,997	2,435,529	2,445,686	2,544,975
	After distribution(Note2)	1,234,605	1,245,363	2,033,997	2,233,929	—	—

Note 1: All the financial information listed above have been checked and verified by accountants.

Note 2: The amount allocated for the year 2022 is based on the resolution of the Board of Directors on March 23, 2023.

The earnings distribution plan for 2023 has not yet been approved by the shareholders' meeting and is not listed.

2. International Financial Reporting Standards-Individual Financial Statements

Unit: NT\$ thousand

Item	Year	Financial information for the current 5 years				
		2019	2020	2021	2022	2023
Current Assets		2,558,251	5,384,337	2,330,737	1,984,365	1,669,621
Properties		2,326,928	2,210,231	2,124,887	1,571,275	1,556,660
Intangible Assets		—	—	—	—	—
Other Assets		4,142,771	1,156,466	313,353	824,145	879,704
Total Assets		9,027,950	8,751,034	4,768,977	4,379,785	4,105,985
Current liabilities	Before distribution	2,040,632	1,434,480	934,383	1,923,184	429,799
	After distribution(Note2)	2,040,632	1,434,480	934,383	2,124,784	—
Non-current liabilities		5,752,713	6,071,191	1,800,597	21,072	1,230,500
Total liabilities	Before distribution	7,793,345	7,505,671	2,734,980	1,944,256	1,660,299
	After distribution(Note2)	7,793,345	7,505,671	2,734,980	2,145,856	—
The right attributable to the owner of the parent company		—	—	—	—	—
Share capital		3,253,324	3,253,324	1,700,000	1,700,000	1,700,000
Capital reserve		—	—	—	—	—
Retained surplus	Before distribution	(2,017,576)	(2,005,321)	355,003	812,779	817,233
	After distribution(Note2)	(2,017,576)	(2,005,321)	355,003	611,179	—
Other rights		(1,143)	(2,640)	(21,006)	(35,651)	(29,948)
Treasury stocks		—	—	—	(41,599)	(41,599)
Non-controlling rights		—	—	—	—	—
Total equity	Before distribution	1,234,605	1,245,363	2,033,997	2,435,529	2,445,686
	After distribution(Note2)	1,234,605	1,245,363	2,033,997	2,233,929	—

Note 1: All the financial information listed above have been verified by accountants.

Note 2: The amount allocated for the year 2022 is based on the resolution of the Board of Directors on March 23, 2023.

The earnings distribution plan for 2023 has not yet been approved by the shareholders' meeting and is not listed.

3. Condensed income statement: International Financial Reporting Standards-Consolidated Financial Statements

Unit: NT\$ thousand

Item \ Year	Financial information for the current 5 years					For the year ended on March 31, 2024
	2019	2020	2021	2022	2023	
Operating income	2,514,724	2,417,836	3,191,831	2,947,446	2,004,664	379,221
Operating margin	488,908	445,622	780,838	744,621	533,183	147,918
Operating net profit (loss)	145,686	118,443	316,831	337,411	204,133	74,325
Non-operating income and (expense)	(272,415)	(87,245)	518,032	103,046	(6,536)	35,158
Net before tax (loss)	(126,729)	31,198	834,863	440,457	197,597	109,483
Business unit Net (loss) in the current period	(169,313)	16,464	809,938	443,572	172,532	98,537
Loss of closed business	—	—	—	—	—	—
Net (loss) in the current period	(169,313)	16,464	809,938	443,572	172,532	98,537
Other comprehensive (loss) in the current period (Net after tax)	(5,403)	(5,706)	(21,304)	(441)	39,225	752
Comprehensive (loss) total	(174,716)	10,758	788,634	443,131	211,757	99,289
Net belongs to the owner of the parent company	(169,313)	16,464	809,938	443,572	172,532	98,537
Net belongs to non-controlling right	—	—	—	—	—	—
The total profit and loss is attributed to the owner of the parent company	(174,716)	10,758	788,634	443,131	211,757	99,289
Comprehensive profit and loss total attribution from non-controlling right	—	—	—	—	—	—
Earning per share (loss) (Note 2)	(0.99)	0.10	4.76	2.62	1.03	0.59

Note 1: All the financial information listed above have been checked and verified by accountants.

Note 2: When calculating earnings per share, the effect of capital reduction to make up for losses has been retrospectively adjusted on October 25, 2021.

4. International Financial Reporting Standards-Individual Financial Statements

Unit: NT\$ thousand

Item \ Year	Financial information for the current 5 years				
	2019	2020	2021	2022	2023
Operating income	2,508,959	2,416,667	3,191,831	2,947,446	2,004,664
Operating margin	481,332	444,518	780,843	744,622	533,189
Operating net profit (loss)	157,963	131,665	337,362	360,422	221,661
Non-operating income and (expense)	(284,692)	(100,467)	497,501	80,035	(24,064)
Net before tax (loss)	(126,729)	31,198	834,863	440,457	197,597
Business unit Net (loss) in the current period	(169,313)	16,464	809,938	443,572	172,532
Loss of closed business	—	—	—	—	—
Net (loss) in the current period	(169,313)	16,464	809,938	443,572	172,532
Other comprehensive (loss) in the current period (Net after tax)	(5,403)	(5,706)	(21,304)	(441)	39,225
Comprehensive (loss) total	(174,716)	10,758	788,634	443,131	211,757
Net belongs to the owner of the parent company	—	—	—	—	—
Net belongs to non-controlling right	—	—	—	—	—
The total profit and loss is attributed to the owner of the parent company	—	—	—	—	—
Comprehensive profit and loss total attribution from non-controlling right	—	—	—	—	—
Earning per share (loss) (Note 2)	(0.99)	0.10	4.76	2.62	1.03

Note 1: All the financial information listed above have been verified by accountants.

Note 2: When calculating earnings per share, the effect of capital reduction to make up for losses has been retrospectively adjusted on October 25, 2021.

5. Audit name and audit opinions

Year	2019	2020	2021	2022	2023 (Note 1)
Auditor Name	Hsin-Liang Wu	Hsin-Liang Wu	Hsin-Liang Wu	Hsin-Liang Wu	Hsin-Liang Wu
	Li-Chen Peng	Li-Chen Peng	Li-Chen Peng	Li-Chen Peng	Ying-Lai Chou
Accounting Firm	Baker Tilly	Baker Tilly	Baker Tilly	Baker Tilly	Baker Tilly
Audit Opinions	No reserve	No reserve	No reserve	No reserve	No reserve

Note1: In response to the internal organizational adjustment needs of Baker Tilly CLOCK & CO. Taiwan, our company has changed the certifying accountants for 2023 to CPA Hsin-Liang Wu and CPA Ying-Lai Chou.

(2)Financial analysis in current five years

1. International Financial Reporting Standards-Consolidated Financial Statements

Analysis item \ Year		Financial information for the current 5 years					For the year ended on March 31, 2024
		2019	2020	2021	2022	2023	
Financial structure (%)	Debt-to-asset ratio	86.23	85.86	57.70	44.87	40.94	36.45
	Long-term funds as a percentage of real estate, plant and equipment	296.34	332.22	181.80	158.09	237.42	241.36
Solvency (%)	Current ratio	111.40	362.58	232.73	95.10	352.29	555.70
	Quick ratio	63.84	296.22	108.54	45.27	194.19	274.40
	Interest coverage ratio	0.06	1.24	16.44	9.85	5.69	15.08
Management capacity	Receivable turnover ratio (times)	3.51	3.21	4.17	4.06	3.22	2.85
	Average cash collection days (days)	103.98	113.70	87.52	89.90	113.35	128.07
	Inventory turnover rate (times)	1.64	1.62	1.87	1.72	1.44	1.07
	Payable turnover ratio (times)	14.52	11.35	15.08	19.71	13.39	8.86
	Average sales days	222.56	225.30	195.18	212.20	253.47	341.12
	Turnover rate of real estate, plant and equipment (times)	1.05	1.06	1.46	1.59	1.27	0.97
	Turnover of total assets (times)	0.28	0.27	0.46	0.63	0.46	0.37
Profitability	Return on assets (%)	(0.69)	1.32	12.53	10.47	4.81	10.28
	Return on shareholders' equity (%)	(12.80)	1.32	49.39	19.84	7.06	15.79
	Ratio of net profit before tax to paid-in capital (%)	(3.89)	0.95	49.10	25.90	11.62	25.76
	Net profit rate (%)	(6.73)	0.68	25.37	15.04	8.60	25.98
	Earnings (loss) per share	(0.99)	0.10	4.76	2.62	1.03	0.59
Cash flow	Cash flow ratio (%)	10.47	13.92	16.31	38.67	148.01	21.15
	Cash flow allowance ratio (%)	826.02	552.59	198.03	433.54	389.06	352.15
	Cash reinvestment ratio (%)	2.29	1.67	1.68	11.14	5.90	0.71
Leverage	Operation leverage	4.13	4.58	2.28	2.23	2.90	2.07
	Financial leverage	14.07	(14.55)	1.20	1.17	1.25	1.11

The reasons for the changes in various financial ratios in the last two years of 20% are explained as follows:

- (1) Increase in the ratio of long-term funds to real estate, plant, and equipment: This is mainly due to an increase in non-current liabilities (long-term loans).
- (2) Changes in the solvency ratio: This is primarily due to a decrease in current liabilities (long-term loans due within one year), net inventory, and pre-tax profit.
- (3) Changes in the operating capacity ratio: This is mainly due to a decrease in revenue leading to a lower accounts receivable turnover ratio and an increase in the average collection period. The decrease in cost of goods sold has led to a lower accounts payable turnover ratio, and the total asset turnover ratio has declined primarily due to decreased revenue.
- (4) Decrease in the profitability ratio: This is mainly due to a reduction in pre-tax (and post-tax) profits.
- (5) Increase in the cash flow ratio: This is mainly due to a decrease in current liabilities (long-term loans due within one year).
- (6) Decrease in the cash reinvestment ratio: This is primarily due to an increase in working capital (current assets minus current liabilities).
- (7) Increase in the operating leverage ratio: This is mainly due to a decrease in operating profit.

2. International Financial Reporting Standards-Individual Financial Statements

Analysis item \ Year		Financial information for the current 5 years				
		2019	2020	2021	2022	2023
Financial structure (%)	Debt-to-asset ratio	86.32	85.76	57.34	44.39	40.43
	Long-term funds as a percentage of real estate, plant and equipment	300.28	331.03	180.46	156.34	236.15
Solvency (%)	Current ratio	125.36	375.35	249.44	103.18	388.46
	Quick ratio	77.43	308.18	124.74	53.25	228.55
	Interest coverage ratio	0.06	1.24	16.44	9.85	5.69
Management capacity	Receivable turnover ratio (times)	3.32	3.17	4.17	4.06	3.22
	Average cash collection days (days)	109.93	115.14	87.52	89.90	113.35
	Inventory turnover rate (times)	1.64	1.62	1.87	1.72	1.44
	Payable turnover ratio (times)	14.76	11.55	15.22	19.78	13.65
	Average sales days	222.56	225.30	195.18	212.20	253.47
	Turnover rate of real estate, plant and equipment (times)	1.05	1.06	1.47	1.59	1.28
	Turnover of total assets (times)	0.28	0.27	0.47	0.64	0.47
Profitability	Return on assets (%)	(0.68)	1.32	12.62	10.56	4.85
	Return on shareholders' equity (%)	(12.80)	1.32	49.39	19.84	7.06
	Ratio of net profit before tax to paid-in capital (%)	(3.89)	0.95	49.10	25.90	11.62
	Net profit rate (%)	(6.74)	0.68	25.37	15.04	8.60
	Earnings (loss) per share	(0.99)	0.10	4.76	2.62	1.03
Cash flow	Cash flow ratio (%)	10.55	12.33	15.67	38.03	145.87
	Cash flow allowance ratio (%)	837.70	551.60	191.95	415.00	377.21
	Cash reinvestment ratio (%)	2.23	1.45	1.59	10.75	5.60
Leverage	Operation leverage	3.72	4.12	2.16	2.12	2.70
	Financial leverage	6.95	25.90	1.19	1.16	1.23

Note 1: All the financial information listed above have been checked and verified by accountants.

Note 2: The calculation formula of the analysis item is as follow:

- Financial structure
 - Ratio of liabilities to assets = total liabilities / total assets.
 - The ratio of long-term funds to real estate, plant and equipment = (net shareholders' equity + long-term liabilities) / net real estate, plant and equipment.
- Solvency
 - Current ratio = current assets / current liabilities.
 - Quick ratio = (current assets-inventory-prepaid expenses) / current liabilities.
 - Interest protection multiple = net income before income tax and interest expense / interest expense for the current period.
- Operating capacity
 - Receivables (including accounts receivable and notes receivable) turnover ratio = net sales / average receivables (including accounts receivable and notes receivable due to business) in each period .
 - Average cash collection days = 365 / receivables turnover ratio
 - Inventory turnover ratio = cost of goods sold / average inventory amount.
 - Turnover rate of payables (including accounts payable and bills payable) = cost of goods sold / balance of average payables (including accounts payable and bills payable due to business) in each period.
 - Average sales days = 365 / inventory turnover rate.
 - Real estate, plant and equipment turnover ratio = net sales / net of real estate, plant and equipment.
 - Total asset turnover ratio = net sales / total assets.
- Profitability
 - Return on assets = [after-tax profit and loss + interest expense × (1-tax rate)] / average total assets.
 - Return on shareholders' equity = profit or loss after tax / average net shareholders' equity.
 - Net profit margin = after-tax profit / loss / net sales.
 - Earnings per share = (net profit after tax-dividends on special shares) / weighted average number of issued shares.
- Cash flow
 - Cash flow ratio = net cash flow from operating activities / current liabilities.
 - Net cash flow allowance ratio = net cash flow from operating activities in the last five years / capital expenditure + increase in inventory + cash dividends in the last five years.
 - Cash reinvestment ratio = (net cash flow from operating activities-cash dividends) / (gross property, plant and equipment gross + long-term investment + other assets + working capital).
- Leverage
 - Operating leverage = (net operating income-variable operating costs and expenses) / operating profit.
 - Financial leverage = operating profit / (operating profit-interest expense).

(3) Audit Committee's Review Report

The Board of Directors has made and reported the Company's 2023 financial statement, the business report, and the proposal of profits distribution. The Audit Committee found no discrepancy between the reported documents and facts after verifying. The Audit Committee hereby produced and sent forth the report according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To: Optimax Technology Corporation 2024 Annual General Meeting.

Chairman of the Audit Committee
Ted, Kuo

March 14, 2024

- (4) The latest annual consolidated financial report and accountant verification report: please refer to Appendix 1 (pages 76 to 148) for details.**
- (5) The latest annual individual financial report and accountant verification report: please refer to Appendix 2 (pages 149 ~ 229)**
- (6) The company and its affiliates have experienced financial difficulties in the most recent year and up to the date of publication of the annual report: None.**

Review of Financial Conditions, Operating Results, and Risk Management

Evaluation and analysis of financial position

Unit: NT\$ thousand

Item \ Year	2023	2022	Differences	
			Amount	%
Current assets	1,532,128	1,833,340	(301,212)	(16.4)
Non-current assets	2,609,349	2,584,633	24,716	1.0
Total assets	4,141,477	4,417,973	(276,496)	(6.3)
Current liabilities	434,900	1,927,746	(1,492,846)	(77.4)
Non-current liabilities	1,260,891	54,698	1,206,193	2,205.2
Total liabilities	1,695,791	1,982,444	(286,653)	(14.5)
Share capital	1,700,000	1,700,000	0	0.0
Capital reserve	-	-	-	-
Cumulative profit (loss)	817,233	812,779	4,454	0.5
Other components of equity	(29,948)	(35,651)	5,703	16.0
Equity attributable to owners of parent	(41,599)	(41,599)	0	0.0
Total shareholders' equity	2,445,686	2,435,529	10,157	0.4

1. Analysis of changes in the ratio of increase or decrease over 20%:

(1) Current liabilities: This is mainly due to a decrease in long-term loans due within one year.

(2) Non-current liabilities: This is primarily due to an increase in long-term loans.

2. Impact of changes in financial status in the last two years: No significant impact on financial status.

3. Future response plan: Not applicable.

Evaluation and analysis of operation results

Unit: NT\$ thousand

Item \ Year	2023	2022	Difference ratio	
			Profit (loss) amount	%
Net operating income	2,004,664	2,947,446	(942,782)	(32.0)
Operating cost	1,471,481	2,202,825	(731,344)	(33.2)
Operating margin	533,183	744,621	(211,438)	(28.4)
Operating expense	329,050	407,210	(78,160)	(19.2)
Operating net profit (loss)	204,133	337,411	(133,278)	(39.5)
Non-operating income and (expense)	(6,536)	103,046	(109,582)	(106.3)
Net profit before tax (loss)	197,597	440,457	(242,860)	(55.1)
Income tax benefit (fee)	(25,065)	3,115	(28,180)	(904.7)
Net profit (loss)	172,532	443,572	(271,040)	(61.1)
Other comprehensive income, net	39,225	(441)	39,666	8,994.6
Total comprehensive income	211,757	443,131	(231,374)	(52.2)
Net income attributable to : Shareholders of the Company	172,532	443,572	(271,040)	(61.1)
Total comprehensive income attributable to : Shareholders of the Company	211,757	443,131	(231,374)	(52.2)

1. Analysis of changes in the increase or decrease ratio exceeding 20%:
 - (1) Operating revenue: The global market has been affected by bank interest rate hikes and inflation, leading to a decline in end-market demand.
 - (2) Operating costs: Due to a decrease in revenue, operating costs have also decreased.
 - (3) Gross profit: This is mainly due to the decrease in revenue.
 - (4) Operating profit: This is primarily due to the reduction in gross profit.
 - (5) Non-operating income and expenses: This is mainly due to a decrease in foreign exchange gains compared to the same period last year.
 - (6) Pre-tax net profit (loss): This is primarily due to the decrease in operating profit and non-operating income and expenses.
 - (7) Income tax (expense) benefit: This is mainly due to the decrease in pre-tax net profit and the impact of temporary differences in tax accounting.
 - (8) Net profit (loss) for the period: This is primarily due to the decrease in pre-tax net profit and the impact of income tax expenses.
 - (9) Other comprehensive income (net of tax): This is mainly due to the remeasurement of the defined benefit plan, the recognition of unrealized gains from subsidiaries using the equity method, and the impact of disposing of equity instruments.
 - (10) Total comprehensive income for the period: This is mainly due to the decrease in net profit for the period and other comprehensive income.
 - (11) Net profit (loss) attributable to owners of the parent company: This is mainly due to the decrease in net profit for the period.
 - (12) Total comprehensive income attributable to owners of the parent company: This is mainly due to the decrease in total comprehensive income for the period.
2. Expected sales volume in the next year and its basis: Please refer to "1. Report to Shareholders".
3. The impact of changes in financial performance in the last two years:
No significant impact on financial performance.
4. Future response plan: Not applicable.

Evaluation and analysis of cash flow

(1) Changes in consolidated cash flow in the year 2023:

Unit: NT\$ thousand

Cash -beginning Balance(1)	Projected net cash flow from operating activities for the year(2)	Projected Cash outflow for the year(3)	Projected cash balance (1)+(2)-(3)	Countermeasures against cash insufficiency	
				Investment plan	Wealth management plan
61,331	643,714	554,437	150,608	120,000	61,331
Analysis of changes in cash flow in the year 2023:					
(1) Annual net cash flow from operating activities: mainly because the net loss plus inventory falling prices, impairment loss, depreciation and amortization which did not affect the cash flow of current year.					
(2) Annual cash outflow: mainly due to cash outflows such as repayment of bank loans.					

(2) Liquidity analysis for the coming year (2024)

Unit: NT\$ thousand

Cash -beginning Balance(1)	Projected net cash flow from operating activities for the year(2) (estimated)	Projected Cash outflow for the year(3) (estimated)	Projected cash balance (1)+(2)-(3) (estimated)	Countermeasures against cash insufficiency (estimated)	
				Investment plan	Wealth management plan
150,608	323,223	30,690	443,141	80,000	-
Analysis of changes in cash flow in the coming year:					
(1) Estimated annual net cash flow from operating activities: mainly due to estimate cash inflows generated by operations.					
(2) Estimated annual cash flow: mainly cash outflows such as repayment of bank loans.					

Effect upon financial operations of any major capital expenditures during the most recent year:

Not applicable.

Annual reinvestment policy, the main reason for its profit or loss, the improvement plan and the investment plan for the coming year:

(1) Investment plans for the coming year:

1. With the approval of the Investment Review Committee of the Ministry of Economic Affairs, the third-region investment enterprise indirectly invested in the establishment of Optimax Technology (Suzhou) Co., Ltd. in the mainland China to engage in the manufacture and sales of polarizers. As of the year in 2022, the company has invested USD 19,000,000.
2. On June 29, 2017, the company was approved by the Investment Review Committee of the Ministry of Economic Affairs with the approval letter No. 10620714740 to invest in Hong Kong Yute Optoelectronics Technology Co., Ltd. (hereinafter referred to as Yute) for HKD 1,700 and acquired 17% equity of Yute.
3. The company's related company, Optimax Technology (Suzhou) Co., Ltd., invested RMB 2 million in Chongqing Yunhe Bafang on December 25, 2017, and obtained 2% of the equity. Increased investment in Chongqing Yunhe Bafang on June 19, 2019 acquired 4% of the equity of RMB 4 million and acquired a total of 6% equity of Chongqing Yunhe Bafang.
4. On April 27, 2021, the board of directors of the company decided to invest RMB 8 million in Shenzhen Lihuasheng Technology Co., Ltd. through its affiliated company, Optimax Technology (Suzhou) Co., Ltd. to obtain 32% of the company's equity. Optimax Technology (Suzhou) Co., Ltd. has remitted RMB 2 million on May 27, 2021, June 10, 2021, June 17, 2021, and June 29, 2021 respectively; Lihuasheng and in the same year the capital verification report was completed on August 20, 2021.
5. Based on the company's long-term operational strategy to expand the second key business and seize global opportunities in IoT security, the Board of Directors approved on March 23, 2023, an investment in Taiwan Intelligent Information Security Technology INC. The initial investment is NT\$120 million, with a shareholding ratio of 24.54%.

(2) Main causes of profits or losses incurred on investments in the most recent year (2023):

The company's investment loss recognized by the equity method of the investee company in the recent year was NT\$12,945 thousand.

(3) Investment plans for the coming year:

An additional investment in Taiwan Intelligent Information Security Technology INC. is planned for the second phase, with an amount of NT\$80 million.

The section on risks shall analyze and assess the following matters in the most recent year and until the date of publication of the annual report:

(1) The effect upon the Company's profits (losses) of interest, foreign exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future:

1. Exchange rate changes: The company controls foreign currency positions at any time to control exchange rate trends, and appropriately undertakes forward foreign exchange transactions to avoid exchange rate risks in foreign currency positions. The exchange profit in 2023 was NT\$1,231 thousand.
2. Inflation: The company's material costs are showing a slight downward trend, and inflation has no significant impact on the company.

(2) The Company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions, the main reasons for the profits/losses generated thereby, and the plan for improving re-investment profitability:

The company's derivative commodity transactions are mainly forward foreign exchange transactions, the purpose of which is to avoid the exchange rate fluctuation risk of the net part denominated in foreign currencies, and is a transaction activity that is not for transaction purposes. In addition to the above transactions, the company has no transactions involving high-risk and high-leverage investments.

(3) Research and development plans to be carried out in the future, and further expenditures expected for research and development work:

1. Development of automotive polarizing plates - enhancing reliability and evaluating new compensation films.
2. AR product development and introduction of related production and testing equipment.
3. Development of sunglasses products.
4. Self-production coating of LCD compensation film.

(4) Effect on the Company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response:

The company pays close attention to and pragmatically improves important domestic policies and legal changes, and develops synchronously with international systems, technologies, and talents to enhance industrial competitiveness, and seek to integrate with the world, actively engage in economic and trade exchanges with countries, and cooperate with governments Promote economic liberalization, internationalization, and institutionalization policies to effectively increase and improve the company's operating efficiency and systems; in addition, to cooperate with the infectious disease prevention and control law and formulate special regulations for the prevention and control of severe and special infectious pneumonia and the government's epidemic prevention policies. Qualified personnel strictly implement the epidemic prevention procedures to maintain normal operational effectiveness and in accordance with the implementation of relevant policies and legal changes.

(5) Effect on the Company's financial operations of developments in science and technology (including cyber security risks) as well as industrial change, and measures to be taken in response:

1. The Company is a key member of various industry associations and maintains close relationships with market and technical personnel of upstream and downstream customers. the company is able to effectively grasp the dynamics of upstream raw materials, the development trends of display technologies, and the demands of end customers. In response to changes in the LCD market and price competition, the company not only continues to localize materials and reduce costs but also actively develops niche products such as ultra-thin polarizing plates, dye-based polarizing plates, PMVA polarizing plates, TFT automotive polarizing plates, PM/AM-OLED polarizing plates, polarizing plates for wearable products (smart bracelets/watches and metaverse VR/AR, etc.), polarized lenses for sunglasses, materials related to flexible products, optical materials for touch screens, and high-hardness protective film products, etc. Therefore, although the market demand and technological development in the LCD upstream and downstream industries are changing rapidly, the company is able to adjust flexibly with the industry's pulse, continuously creating value for customers. Additionally, the company is also exploring another direction for company development by investing in the cybersecurity industry, to better align with the trends of technological advancement.

2. The Company has established comprehensive data backup and network security measures; however, it cannot guarantee the complete avoidance of network attacks or unauthorized access to confidential information by any third party that may paralyze the essential information and communication systems necessary for core business operations. These network attacks involve illegal intrusion into the company's internal network systems and can cause damage to the company's operations and reputation. In the event of a severe network attack, the company's systems may lose important data, resulting in losses, including:

- (1) Inability to carry out production reporting, leading to disruptions in packaging and shipment, affecting deliveries.
- (2) Machine production information loss has led to the inability to provide production information to customers, impacting order fulfillment.
- (3) Suspension of electronic payments, damaging the company's credit.
- (4) The inability to upload export tax rebate data before customs declaration has affected tax refunds and resulted in financial losses for the company.
- (5) Leakage of research and development and production technology, affecting the company's competitiveness.
- (6) Disclosure of proprietary information of customers, suppliers, employees, or other stakeholders, affecting the company's reputation and potentially facing significant legal liabilities and compensation.

To prevent and minimize the damage caused by such attacks, the company will implement relevant improvement measures and continuously update them, including:

- (1) Obtaining two Information Security Engineer certifications and establishing an Information Security Team to strengthen the security environment.
- (2) Establishing a secure and comprehensive backup environment to prevent data loss.
- (3) Implementing a mechanism to scan machines upon entry to prevent machines with malicious software from entering the company.
- (4) Strengthening network firewall and network management to prevent computer viruses from spreading across machines and factory areas.
- (5) Implementing endpoint antivirus measures based on computer types.
- (6) Introducing advanced solutions and technologies to detect and deal with malicious software.
- (7) Enhancing detection of malicious and phishing emails.
- (8) Strengthening monitoring and interception exercises, and promoting cybersecurity messages to enhance employee awareness.
- (9) Engaging external IT experts to conduct information security assessments.

(6) Effect on the Company's crisis management of changes in the Company's corporate image, and measures to be taken in response:

Since the company went public in October 2002, it has established spokespersons and published information operations, and held Institutional Investor Conference in a timely which will improve the transparency of business information.

(7) Expected benefits and possible risks associated with any merger and acquisitions, and measures to be taken in response:

The company did not engage in mergers and acquisitions plans in 2023 and as of the publication date of the annual report, so there is no such possible risk.

(8) Expected benefits and possible risks associated with any plant expansion, and measures to be taken in response:

The company has no plans to expand domestic plants in the short term, and its main goal is to increase the utilization rate of existing capacity and increase production efficiency, and improve production efficiency through the improvement of existing equipment.

(9) Risks associated with any consolidation of sales or purchasing operations, and measures to be taken in response:

1. The company's main customers are concentrated in domestic and foreign panel manufacturers, in order to diversify the credit risk of customers, the company reviews the customer's credit limit carefully, and it also signs a non-claimed account receivable sales contract with the bank group to reduce the possible impact of the customer's credit risk.
2. In order to reduce the risk of overdue or debiting of accounts receivable, the company actively diversifies the concentration of customers, and decentralize the source of raw materials to reduce dependence on a few suppliers such as Japan.

(10) Effect upon and risk to the Company in the event a major quantity of shares belonging to a director (including independent director), or a major shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and measures to be taken in response: Not applicable.

The directors, supervisors, or major shareholders holding more than 10% of the company's shares do not have a large number of transfers or exchanges of equity, so they have no significant impact on the company's operations.

(11) Effect upon and risk to Company associated with any change in governance personnel or top management, and measures to be taken in response: None.

The management of the company focuses on company operations, supplemented by coordination with an audit committee composed of independent directors, assistance and support, there is no operational right to change the possible risks to the company.

(12) Litigious and non-litigious matters:

List major litigious, non-litigious or administrative disputes that involve the Company and/or any of the Company's directors (including independent directors), presidents, any persons with actual responsibility for the Company, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the Company and have been concluded by means of a final and unappealable judgment, or are still pending. Where such a dispute could materially affect shareholders' equity or the prices of the Company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report: None.

(13) Other important risks, and measures to be taken in response: None.

Other important matters

(1) Passed by the Board of Directors on September 21, 2023:

Due to the higher transaction fees and interest costs of Entie Commercial Bank, the Company, for overall operational considerations and financial planning, intends to switch from Entie Commercial Bank to SUNNY Bank for the Company's short-term comprehensive limit and medium-to-long-term borrowing.

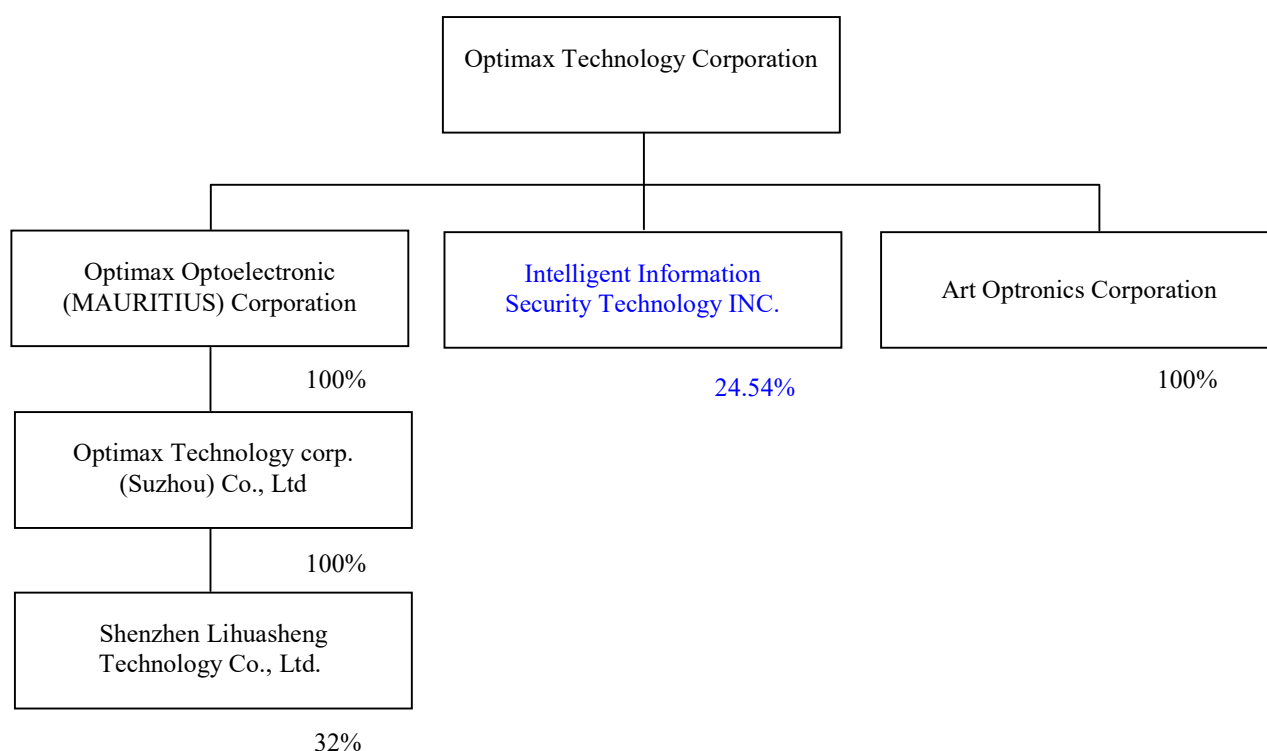
(2) Passed by the Board of Directors on December 28, 2023:

For overall operational considerations and financial planning, the Company intends to increase the short-term comprehensive limit and medium-to-long-term borrowing with Taiwan Cooperative Bank by NT\$500 million.

Special Disclosure

Affiliated Company Related Information

(1) Organization chart



(2) Basic information of related companies

2023/12/31; Unit: NT\$ thousand

Company name	Establishment Date	Address	Paid-in Capital	Main business or production project
Optimax Optoelectronic (MAURITIUS) Corporation	2005/09	Republic of Mauritius (MAURITIUS)	614,524	Investment
Optimax Technology corp. (Suzhou) Co., Ltd	2005/10	Suzhou National New & Hi-Tech Industrial Development Zone	614,524	Manufacturing
Art Optronics Corporation	2010/04	Republic of China (Taiwan)	2,250	Trading
Shenzhen Lihuasheng Technology Co., Ltd.	2021/06	Shenzhen City (Mainland China)	92,092	Manufacturing
Intelligent Information Security Technology INC.	2023/04	Republic of China (Taiwan)	9,781	IC Design-related Industry

(3) Presumed to have the same shareholder information as those with control and affiliation: None.

(4) Overall relationship with the industries covered by the company's operations:

The overall business of the affiliated company is the trading of polarizers and IC Design-related Industry.

(5) Information of directors, supervisors and general managers of related companies

2023/12/31; Unit: share; %

Company Name	Title	Name or Representative	Holding shares	
			Shares	Ratio
Optimax Optoelectronic (MAURITIUS) Corporation	Chairman	Optimax (MAURITIUS) CO., LTD Representative: Peter Chao	19,000,000	100%
Optimax Technology (Suzhou) Co., Ltd	Chairman	Optimax Optoelectronic (MAURITIUS) Corporation Representative: Peter Chao	Note 1	100%
Art Optronics Corporation	Chairman	Optimax Technology Corporation Representative: Peter Chao	225,000	100%
Shenzhen Lihuasheng Technology Co., Ltd.	Chairman	Xiao-Jiang Li	Note 1	32%
Intelligent Information Security Technology INC	Chairman	Guo-Ming Zhang	24,000,000	24.54%

Note 1: It is not a company limited by shares, so there are no shares.

(6) Financial status and operating results of related companies

2023/12/31; Unit: NT\$ thousand

Company Name	Capital	Operating income	Operating profit and loss	Current profit and loss (after tax)	Earning per shares(NT\$) (after tax)
Optimax Optoelectronic (MAURITIUS) Corporation	614,524	(574)	(574)	(574)	(0.03)
Optimax Technology (Suzhou) Co., Ltd	614,524	0	(24,984)	(574)	NA
Art Optronics Corporation	2,250	16,274	(7)	(34)	(0.15)
Shenzhen Lihuasheng Technology Co., Ltd.	92,092	320,368	(49,347)	(40,514)	NA
Intelligent Information Security Technology INC	9,781	0	(20,254)	(19,823)	(0.22)

In the most recent year and as of the date of publication of the annual report, the handling of private equity securities:

Not applicable.

In the most recent year and up to the date of publication of the annual report, the situation of subsidiaries holding or disposing of the company's stock:

None.

Other necessary supplementary notes:

None.

In the most recent year and up to the date of publication of the annual report, if there is an event that has a significant impact on shareholders' equity or the price of securities specified in Article 36, paragraph 3, of this law, it shall also be stated item by item:

None.

【Appendix I】

OPTIMAX TECHNOLOGY CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements Independent Auditors' Report December 31, 2023 and 2022

Address: No. 37, Lane 659, Pingdong Rd., Pingzhen District, Taoyuan City, Taiwan, R.O.C
Telephone: 886-3-460-6677

The independent auditors' report and the accompanying consolidated 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 consolidated financial statements, the Chinese version shall prevail.

Statement of Declaration

The entities that are required to be included in the Consolidated Financial Statements of OPTIMAX TECHNOLOGY CORPORATION and subsidiaries as of and for the year ended December 31, 2023 under the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those included in the Consolidated Financial Statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed and issued into effect by the Financial Supervisory Commission. In addition, the information required to be disclosed in the Consolidated Financial Statements is included in the Consolidated Financial Statements. Consequently, OPTIMAX TECHNOLOGY CORPORATION and subsidiaries do not prepare a separate set of Consolidated Financial Statements.

Hereby declared,

Company Name: OPTIMAX TECHNOLOGY CORPORATION

Chairman: Peter Chao

Date: March 14, 2024

Independent Auditors' Report

To Optimax Technology Corporation

Opinion

We have audited the consolidated balance sheets of Optimax Technology Corporation and its subsidiaries as of December 31, 2023, and December 31, 2022, along with the consolidated statements of comprehensive income, changes in equity, and cash flows for the periods from January 1, 2023, to December 31, 2023, and from January 1, 2022, to December 31, 2022, as well as the notes to the consolidated financial statements (including a summary of significant accounting policies).

Based on the opinion of our auditor and the audit reports of other auditors (please refer to the Other Matters section), the consolidated financial statements mentioned above have been prepared in all material respects in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. They are sufficient to express the financial position of Optimax Technology Corporation and its subsidiaries as of December 31, 2023, and December 31, 2022, as well as the financial performance and cash flows for the periods from January 1, 2023, to December 31, 2023, and from January 1, 2022, to December 31, 2022.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Financial Statements Audit and Attestation Engagements of Certified Public Accountants and Auditing Standards. Our responsibility under those standards will be further described in the section titled "The Accountants' Responsibilities in Auditing the Consolidated Financial Statements." We have stayed independent from Optimax Technology Corporation and its subsidiaries as required by The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled other responsibilities as stipulated by the Norm. Based on the audit results of our auditor and the audit reports of other auditors, 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, are of most significance in our audit of 2023 Consolidated Financial Statements of Optimax Technology Corporation and its subsidiaries. These matters are addressed in the context of our audit of the Consolidated 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 Consolidated 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 Consolidated Financial Statements; For the description of important accounting items in inventories, please refer to Note 6 (6) of the Consolidated Financial Statements.

The main business item of Optimax Technology Corporation and its subsidiaries are 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 Consolidated Financial Statements; For the uncertainty of the accounting estimates and assumptions of the asset impairment assessment, please refer to Note 5 of the Consolidated Financial Statements; For the description of important accounting items in Property, plant and equipment, please refer to Note 6 (8) of the Consolidated Financial Statements.

Optimax Technology Corporation and its subsidiaries are 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 and its subsidiaries, examine the reasonableness of the relevant assumptions, and assess the qualification and independence of the appraiser.

Other Matters

Incorporated in the consolidated financial statements is the investment in an associated company accounted for using the equity method. The financial statements of this associated company have not been audited by our auditor but by another auditor. Therefore, our auditor's opinion on the consolidated financial statements includes the amounts pertaining to the associated company's financial statements accounted for using the equity method, as per the audit report of the other auditor.

As of December 31, 2023, the carrying amount of the investment in the associated company, accounted for using the equity method but not audited by our auditor, is NT\$107,663 thousand, representing 3% of total assets. For the year ended December 31, 2023, our share of the comprehensive loss from the associated company accounted for using the equity method is NT\$(12,337) thousand, representing (6)% of total comprehensive income.

The Management's Responsibility and Governing Body of the Consolidated Financial Statements

It is the management's responsibility to fairly present the Consolidated 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 Consolidated Financial Statements so as to avoid material misstatements due to fraud or errors therein.

In preparing for the consolidated 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 and its subsidiaries if there is not any other option except liquidation or suspension of the Company's business.

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

The Accountants' Responsibilities in Auditing the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance on whether the Consolidated 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 is carried out in accordance with the generally accepted auditing standards, does not guarantee that a material misstatement(s) will be detected in the Consolidated 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 Consolidated 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 Consolidated 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 and its subsidiaries.
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 and its subsidiaries 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 Consolidated Financial Statements in our audit report of the relevant disclosures therein, or to amend our audit opinion when any inappropriate disclosure is 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 and its subsidiaries to cease to continue as a going concern. However, future events or conditions may cause Optimax Technology Corporation and its subsidiaries to cease to continue as a going concern.
5. Evaluated the overall presentation, structure, and content of the Consolidated Financial Statements (including the related notes), and determined whether the Consolidated 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 Consolidated 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 and its subsidiaries.

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 Consolidated Financial Statements of Optimax Technology Corporation and its subsidiaries of 2023. 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)

Accountant: Hsin-Liang Wu / Ying-Lai Chou

Approved audit number: FSC (6) No. 09600000880 / (80) Taiwan Financial Certificate (6) No. 53585

March 14, 2024

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

OPTIMAX TECHNOLOGY CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

Assets	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
Current assets				
Cash and cash equivalents	\$ 150,608	4	61,331	1
Current financial assets at amortized cost	26,171	1	15,917	—
Accounts receivable, net	548,234	13	678,136	16
Accounts receivable – related parties	—	—	15,148	—
Other receivables	24,077	—	24,512	1
Current inventories	686,954	17	959,703	22
Prepayments	11,730	—	4,375	—
Other current financial assets	82,932	2	71,580	2
Other current assets	1,422	—	2,638	—
Total current assets	1,532,128	37	1,833,340	42
Noncurrent assets				
Non-current financial assets at fair value through other comprehensive income	—	—	11,282	—
Investments accounted for using equity method	107,663	3	956	—
Property, plant and equipment	1,561,173	38	1,575,187	36
Right-of-use assets	13,348	—	15,979	—
Investment property, net	767,992	19	798,428	18
Deferred tax assets	144,736	3	156,540	4
Net defined benefit assets - non-current	6,428	—	3,090	—
Other non-current assets	8,009	—	23,171	—
Total non-current assets	2,609,349	63	2,584,633	58
Total Assets	\$ 4,141,477	100	4,417,973	100
Liabilities and Stockholders' Equity				
Current liabilities				
Short-term loans	\$ 98,097	3	31,499	1
Accounts payable	134,327	3	84,217	2
Other payables	152,426	4	154,934	4
Current income tax liability	12,735	—	16,911	—
Current provisions	15,810	—	14,434	—
Current lease liabilities	3,484	—	3,362	—
Current Portion of Long-term Debt	—	—	1,590,000	36
Current refund liabilities	2,461	—	18,175	—
Other current liabilities	15,560	—	14,214	—
Total current liabilities	434,900	10	1,927,746	43
Noncurrent liabilities				
Long-term borrowings	1,210,000	30	—	—
Deferred tax liabilities	1,367	—	238	—
Non-current lease liabilities	10,701	—	12,647	—
Other non-current liabilities	38,823	1	41,813	1
Total non-current liabilities	1,260,891	31	54,698	1
Total liabilities	1,695,791	41	1,982,444	44
Equity				
Common stock	1,700,000	41	1,700,000	39
Retained earnings :				
Statutory surplus reserve	81,278	2	35,500	1
Special surplus reserve	35,651	1	—	—
Undistributed surplus	700,304	17	777,279	18
Other components of equity	(29,948)	(1)	(35,651)	(1)
Treasury Stocks	(41,599)	(1)	(41,599)	(1)
Equity attributable to owners of parent	2,445,686	59	2,435,529	56
Total equity	2,445,686	59	2,435,529	56
Total liabilities and equity	\$ 4,141,477	100	4,417,973	100

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

OPTIMAX TECHNOLOGY CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

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

	2023		2022	
	Amount	%	Amount	%
Total operating revenue	\$ 2,004,664	100	\$ 2,947,446	100
Total operating costs	(1,471,481)	(73)	(2,202,825)	(75)
Gross profit from operations	533,183	27	744,621	25
Operating expenses				
Selling expenses	(140,858)	(7)	(182,946)	(6)
Administrative expenses	(157,478)	(8)	(173,506)	(6)
Research and development expenses	(52,834)	(3)	(57,340)	(2)
Expected credit loss income	22,120	1	6,582	—
Total operating expenses	(329,050)	(17)	(407,210)	(14)
Net operating income	204,133	10	337,411	11
Non-operating income and loss				
Interest income	3,576	—	689	—
Other income	68,875	4	64,580	2
Other gains and losses	(11,266)	(1)	109,183	4
Finance costs	(42,048)	(2)	(49,758)	(2)
Expected credit loss expense	(2,903)	—	(13,197)	—
Share of profit or loss from associates accounted for using the equity method	(22,770)	(1)	(8,451)	—
Total non-operating income and expenses	(6,536)	—	103,046	4
Profit from continuing operations before tax	197,597	10	440,457	15
Total tax (expense) income	(25,065)	(1)	3,115	—
Net Income	172,532	9	443,572	15
Other comprehensive income				
Components of other comprehensive income that will not be reclassified to profit or loss				
Remeasurement of defined benefit obligations	(2,433)	—	5,645	—
Unrealised gains (losses) measured at fair value through other comprehensive income	41,443	2	(6,952)	—
Unrealised gains (losses) from subsidiaries accounted for using equity method in equity instruments measured at fair value through other comprehensive income	985	—	(293)	—
Components of other comprehensive income that will be reclassified to profit or loss				
Exchange differences on translating the financial statements of foreign operations	(770)	—	1,159	—
Other comprehensive income for the period (net of tax)	39,225	2	(441)	—
Total comprehensive income	\$ 211,757	11	\$ 443,131	15
Profit attributable to:				
Profit attributable to owners of parent	\$ 172,532	9	\$ 443,572	15
Total comprehensive income attributable to :				
Profit attributable to owners of parent	\$ 211,757	11	\$ 443,131	15
Earnings per share				
Basic earnings per share	\$ 1.03		\$ 2.62	
Diluted earnings per share	\$ 1.03		\$ 2.62	

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

OPTIMAX TECHNOLOGY CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity
For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

Accounting Title	Common stock	Retained earnings			Other components of equity		Treasure Stocks	Total equity
		Statutory surplus reserve	Special surplus reserve	Undistributed surplus	Foreign Currency translation differences	Unrealized gains(losses) from financial assets at fair value through other comprehensive income		
Balance as of January 1, 2022	\$ 1,700,000	\$ —	\$ —	\$ 355,003	\$ (4,108)	\$ (16,898)	\$ —	\$ 2,033,997
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)
Balance at of December 31, 2022	\$ 1,700,000	\$ 35,500	\$ —	\$ 777,279	\$ (2,949)	\$ (32,702)	\$ (41,599)	\$ 2,435,529
Balance as of January 1, 2023	\$ 1,700,000	\$ 35,500	\$ —	\$ 777,279	\$ (2,949)	\$ (32,702)	\$ (41,599)	\$ 2,435,529
Appropriation and distribution of retained earnings:								
Statutory surplus reserve	—	45,778	—	(45,778)	—	—	—	—
Special surplus reserve	—	—	35,651	(35,651)	—	—	—	—
Ordinary cash dividend	—	—	—	(201,600)	—	—	—	(201,600)
Net Income	—	—	—	172,532	—	—	—	172,532
Other comprehensive income(loss)	—	—	—	(2,433)	(770)	42,428	—	39,225
Total comprehensive income (loss)	—	—	—	170,099	(770)	42,428	—	211,757
Disposal of gains (losses) measured at fair value through other comprehensive income	—	—	—	35,955	—	(35,955)	—	—
Balance at of December 31, 2023	\$ 1,700,000	\$ 81,278	\$ 35,651	\$ 700,304	\$ (3,719)	\$ (26,229)	\$ (41,599)	\$ 2,445,686

OPTIMAX TECHNOLOGY CORPORATION AND SUBSIDIARIES**Consolidated Statements of Cash Flows****For the years ended December 31, 2023 and 2022**

(Expressed in Thousands of New Taiwan Dollars)

	2023	2022
Cash flows from operating activities :		
Income before income tax	\$ 197,597	440,457
Adjustments to reconcile profit (loss) :		
Depreciation expense	76,930	78,916
Amortization expense	45	158
Expected credit impairment (profit) loss	(19,217)	6,615
Interest expense	42,048	49,758
Interest income	(3,576)	(689)
Share of profit or loss from associates accounted for using the equity method	22,770	8,451
Loss on disposal of property, plant and equipment	8,700	3,665
Loss on disposal of investment properties	—	1,065
Gain on disposal of non-current assets classified as held for sale	(6,368)	(6,032)
Reversal of impairment loss on non-financial assets	(39)	(9,103)
Unrealized foreign exchange gain	(61,518)	(42,879)
Deferred income transferred to income	(2,658)	(2,674)
Others	109	—
Changes in operating assets and liabilities :		
Accounts receivable	153,768	69,458
Other receivable	(5,462)	13,353
Inventories	272,749	205,058
Prepayments	(7,361)	27,360
Other current assets	159	599
Accounts payable	51,274	(56,643)
Other payable	(3,595)	7,631
Provisions	1,376	(1,002)
Other current liabilities	(14,368)	6,995
Net defined benefit assets	(5,771)	(5,970)
Cash generated from operation	697,592	794,547
Interest received	3,502	693
Interest paid	(41,072)	(49,774)
Income taxes paid	(16,308)	(6)
Net cash inflows from operations	643,714	745,460
Cash flows from investing activities :		
Disposal of financial assets at fair value through other comprehensive income	\$ 52,725	11,789
Acquisition of financial assets measured at amortized cost	(22,319)	(11,977)
Disposal of financial assets measured at amortized cost	11,837	50,882
Acquisition of investments accounted for using the equity method	(120,000)	—
Disposal of non-current assets as held for sale	10,454	—
Acquisition of property, plant and equipment	(26,105)	(18,149)
Disposal of property, plant and equipment	1,889	1,081
Acquisition of investment properties	(231)	(21,796)
Increase in other receivable - related parties	(8,654)	—
Decrease (increase) in other financial assets	(11,352)	13,446
Increase in other non-current assets	(461)	(15,189)
Net cash inflows (outflows) from investing activities	(112,217)	10,087
Cash flows from financing activities :		
Increase (decrease) in short-term loans	66,884	(572,675)
Payments of long-term debt	2,840,000	—
Repayments of long-term debt	(3,220,000)	(200,000)
Increase in guarantee deposits received	245	7,587
Decrease in guarantee deposits received	—	(544)
Payment of cash dividends	(201,600)	—
Payments of lease liabilities	(3,424)	(3,544)
Shares Buyback (Treasure Stocks)	—	(41,599)
Net cash outflows from financing activities	(517,895)	(810,775)
Effect of change rate changes on cash and cash equivalents	75,675	46,389
Net increase (decrease) in cash and cash equivalents	89,277	(8,839)
Cash and cash equivalents at beginning of year	61,331	70,170
Cash and cash equivalents at end of year	\$ 150,608	\$ 61,331

OPTIMAX TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the year ended December 31, 2023 and 2022

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

1. Organization and business

- (1) Optimax Technology Corporation (hereinafter referred to as "the Company") is incorporated In March 1998. The Company and its subsidiaries (hereinafter referred to as "the consolidated company") are primarily engaged in the manufacturing and sales of polarizers.
- (2) The Company was approved for listing in August 2002, and its stock has been traded on the Taiwan Stock Exchange since October 2002.
- (3) This consolidated financial report is presented in the Company's functional currency, New Taiwan Dollar (NTD).

2. Approval of financial statements

These consolidated financial statements are approved and authorized for issue by the Board of Directors of Optimax Technology Corporation on March 14, 2024.

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 2023 are as follows:

New, Amended and Revised Standards, and Interpretations	Effective date by International Accounting Standards Board
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
Amendments to IAS 12, 'International tax reform - pillar two model rules'	May 23, 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.

- (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 2024 are as follows:

New, Amended and Revised Standards, and Interpretations	Effective date by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
Amendments to IAS 1, 'Classification of liabilities as current or non- current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024
Amendments to IAS 7 and IFRS 7, 'Supplier finance arrangements'	January 1, 2024

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:

New, Amended and Revised Standards, and Interpretations	Effective date by International Accounting Standards Board
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
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 21, 'Lack of exchangeability'	January 1, 2025

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

(1) Compliance statement

The consolidated 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 financial instruments measured at fair value and net defined benefit assets recognized by deducting the fair value of plan assets from the present value of defined benefit obligations, the financial statements of this entity are prepared on a historical cost basis.

The preparation of the consolidated financial statements requires the use of significant accounting estimates, and the application of the company's accounting policies also involves management's judgment. For details on highly judgmental or complex items, or significant assumptions and estimates related to the consolidated financial statements, please refer to Note 5.

(3) Basis of consolidation

1. Basis for preparation of consolidated financial statements:

This consolidated financial report includes the company and the entities (subsidiaries) controlled by the company.

The consolidated comprehensive income statement has been included the operating profit and loss from the acquired or executed subsidiary company in the current period since the acquisition date or to the date of disposition.

The financial report of the subsidiary has been adjusted so that its accounting policy is consistent with the consolidated company's accounting policy.

When preparing the consolidated financial report, the transactions, account balances, income and expenses and losses have been completely eliminated.

Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are accounted for as equity transactions. The book amount of the consolidated company and non-controlling interests has been adjusted to reflect changes in its relative equity in subsidiaries. Adjustment of non-controlling interests of the difference between the amount and the fair value of the consideration paid or received is directly recognized as a right and the benefits belong to the owners of the company.

When the consolidated company loses control of the subsidiary, the disposition profit and loss is one of the following two difference: (1) the fair value of the consideration received and the remaining investment in the former subsidiary are counted at the fair value at the date of loss of control, and (2) the assets of the former subsidiary (including goodwill), together with liabilities and non-controlling interests, they are counted based on the book amount on the day when control is lost. For all the amounts recognized in other comprehensive income and losses related to the subsidiary, the consolidated company accounting treatment must be followed by the direct disposal of related assets or liabilities with the consolidated company and the basis is the same.

2. Subsidiaries included in the consolidated financial statements:

Investor	The name of subsidiaries	Business activities	Percentage of Ownership (%)		Description
			December 31, 2023	December 31, 2022	
Optimax	ART OPTRONICS CORP..	Trading Business	100.00	100.00	-
Optimax	Optimax Optoelectronic (MAURITIUS) CORP. (OOMC)	Investment Company	100.00	100.00	-
OOMC	Optimax Technology (Suzhou) CO., LTD. (OPTIMAX SUZHOU)	Polarizers manufacturing and selling	100.00	100.00	-

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

4. Adjustments for subsidiaries with different balance sheet dates: None.

5. Significant restrictions: None.

6. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) 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.

(5) Foreign currency

When each entity prepares financial reports, transactions in currencies other than the individual's 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 consolidated 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 consolidated 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.

(6) Inventories

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

(7) 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.

(8) Investments accounted for using equity method - affiliated companies

Investments using the equity method are investments in affiliated companies.

Affiliate is an enterprise that has significant influence on the consolidated company but is not a subsidiary or a joint venture Industry.

The consolidated company adopts the equity method for investing in affiliated enterprises.

Under the equity method, the investment in affiliated enterprises is initially recognized at cost, and the carrying amount in the future is based on the acquisition. Profits and losses of affiliated companies and other comprehensive profit and loss share and profit share enjoyed by the consolidated company match and increase or decrease. In addition, the changes in the equity of the affiliated company that the consolidated company can enjoy are based on the shareholding ratio is recognized.

When the affiliated company issues new shares, if the consolidated company does not subscribe according to the shareholding ratio, resulting in a change in the shareholding ratio and thus an increase or decrease in the net equity value of the investment, the increase or decrease will adjust the capital reserve - the equity method is used to recognize the related party. Changes in the net equity value of enterprises and investments using the equity method. However, if the shareholding ratio is not subscribed or acquired, resulting in a decrease in the ownership interest of the affiliated company, the amount related to the affiliated company recognized in other comprehensive profit and loss shall be reclassified according to the proportion of decrease, and the accounting treatment shall be based on the affiliated company. If the relevant assets or liabilities are directly disposed of on the same basis; if the adjustment in the preceding paragraph should be debited to the capital reserve, and the capital reserve balance generated by the investment using the equity method is insufficient, the difference is debited to retained earnings.

When the merging company's share of losses in an affiliated company equals or exceeds its equity in the associated company (including the carrying amount of investments in the affiliated company under the equity method and other long-term interests that are substantially part of the merging company's net investment in the affiliated company) , that is, stop recognizing further losses. The consolidated company recognizes additional losses and liabilities only to the extent that legal obligations, constructive obligations or payments have been made on behalf of related companies.

When assessing impairment, the consolidated company treats the overall carrying amount of the investment (including goodwill) as a single asset, compares the recoverable amount with the carrying amount, and conducts impairment tests. The recognized impairment losses are not allocated to constitute the component of the carrying amount of the investment any assets, including goodwill. Any reversal of impairment losses is recognized to the extent of a subsequent increase in the recoverable amount of the investment.

The consolidated company ceases to use the equity method from the date when its investment ceases to be an affiliated company, and its retained interest in the original affiliated company is measured at fair value, included in the current year's profit and loss. In addition, all the amounts recognized in other comprehensive profit or loss related to the affiliated enterprise shall be accounted for in the same way as if the affiliated enterprise directly disposes of the relevant assets or liabilities. The basis that must be followed is the same.

Profits and losses arising from countercurrent, downstream and sidestream transactions between the consolidated company and its affiliates are recognized in the consolidated financial report.

(9) 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 consolidated 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.

(10) 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.

(11) 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.

(12) Impairment of non-financial assets

The consolidated company assesses on each balance sheet date whether there are any indications that real property, plant and equipment, right-of-use assets, 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 consolidated 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.

(13) Financial instruments

Financial assets and financial liabilities are recognized on the consolidated balance sheet of the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated company after deducting all its liabilities from its assets. The equity instruments issued are recognized by the consolidated 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 consolidated 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.

(14) Liability provision

When the consolidated 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.

(15) Income recognition

After the consolidated 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.

(16) Rent

The consolidated 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 consolidated 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 consolidated 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 consolidated 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 (10) 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 is 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 consolidated 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 consolidated balance sheet.

The consolidated 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 consolidated 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.

(17) 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.

(18) Income taxes

1. Current income tax

The consolidated 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 consolidated 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 are 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated company. The consolidated 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 consolidated 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 realizability 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 and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand	\$ 979	\$ 337
Demand deposits and checking account	133,819	60,994
Cash equivalents		
Bank Time deposit	15,810	—
Total	\$ 150,608	\$ 61,331

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

Equity instrument investment

	December 31, 2023	December 31, 2022
<u>Non-current</u>		
Domestic stock company shares	\$ —	\$ 11,282
Non-listed stock of company		

The consolidated 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, 2023	December 31, 2022
<u>Current</u>		
Domestic investment		
Time deposits with original maturity more than three months	\$ 3,500	\$ 3,500
Foreign investment		
Time deposits with original maturity more than three months	22,671	12,417
Total	<u>\$ 26,171</u>	<u>\$ 15,917</u>
Interest rate range	<u>1.45%~1.565%</u>	<u>1.44%~1.55%</u>

(4) Net notes and accounts receivable

	December 31, 2023	December 31, 2022
<u>Notes receivable</u>		
<u>(Listed on other current assets)</u>		
Occurs due to business	\$ 3,709	\$ 3,453
Less: loss allowance	(3,413)	(3,413)
	<u>\$ 296</u>	<u>\$ 40</u>
<u>Accounts receivable</u>		
Measured at amortized cost		
Total book amount	\$ 553,303	\$ 687,969
Less: loss allowance	(5,069)	(9,833)
	<u>\$ 548,234</u>	<u>\$ 678,136</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 (including related parties) of the company is as follows:

	December 31, 2023					
	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	0.33%~0.83%	0.41%~1.02%	0.48%~1.21%	0.56%~1.60%	0.72%~100%	
Carrying amount	\$ 423,097	\$ 82,633	\$ 34,625	\$ 10,877	\$ 66,404	\$ 617,636
Loss allowance for lifetime expected credit losses	(1,544)	(346)	(167)	(1,241)	(66,104)	(69,402)
Amortized cost	\$ 421,553	\$ 82,287	\$ 34,458	\$ 9,636	\$ 300	\$ 548,234

	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	\$ 507,034	\$ 125,517	\$ 42,531	\$ 4,179	\$ 14,023	\$ 693,284

5. The information on the changes in allowance for doubtful accounts and notes receivable (including related parties) is as follows:

2023		
	Notes receivable	Accounts receivable
Balance at the beginning of the period	\$ 3,413	\$ 98,393
Impairment Loss in the current period	—	(22,120)
Write-off amount in the current period	—	(6,871)
Balance at the end of the period	\$ 3,413	\$ 69,402

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

(5) Other accounts receivable

	December 31, 2023	December 31, 2022
Operating lease receivable	\$ 11,339	\$ 11,301
Refundable business tax	12,084	6,799
Other accounts receivable-other	601	198
Other accounts receivable- related party	18,120	21,504
Sub-total	42,144	39,802
Less: loss allowance	(18,067)	(15,290)
Total	\$ 24,077	\$ 24,512

The information on the changes in allowance for doubtful accounts for other receivables is as follows:

	2023	2022
Balance at the beginning of the period	\$ 15,290	\$ 2,127
Impairment Loss in the current period	2,903	13,197
Exchange rate impact	(126)	(34)
Balance at the end of the period	\$ 18,067	\$ 15,290

(6) Inventories

	December 31, 2023	December 31, 2022
Finished goods	\$ 183,764	\$ 316,016
Work in process	239,304	326,062
Raw materials	254,295	314,770
Inventory in transit	9,591	2,855
Total	\$ 686,954	\$ 959,703

The current period recognized inventory-related expenses are as follows:

	2023	2022
Inventories sold	\$ 1,494,787	\$ 2,199,835
Gain from price recovery of inventory	(49,981)	13,175
Inventory (Reversal of Impairment) Loss	68,561	46,411
Income from Sale of Scrap and Istes	(42,037)	(56,587)
Others	151	(9)
Total	\$ 1,471,481	\$ 2,202,825

The increase in the net realizable value of inventory in 2023 primarily resulted from the sale of inventory for which valuation allowances had been recognized in previous years.

(7) Investments accounted for using equity method

Investment in associated companies

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Significant associated company		
Non-listed company		
Intelligent Information Security Technology INC.	107,663	—
Individually insignificant associated companies		
Foreign unlisted (cabinet) companies		
Shenzhen Lihuasheng Technology Co., Ltd.	—	956
	<u>\$ 107,663</u>	<u>\$ 956</u>

1. As of the balance sheet date, the ownership interest and voting percentage in subsidiaries and associated companies of the Company are as follows:

<u>Company Name</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Intelligent Information Security Technology INC.	24.54%	—
Shenzhen Lihuasheng Technology Co., Ltd.	32.00%	32.00%

Please refer to Table 5 and 6 for information regarding the nature of business, principal business locations, and countries of registration of the invested subsidiaries and associate companies. Table 5 contains details about the invested company names, locations, etc., while Table 6 provides information on investments in mainland China.

2. Significant associated company:

The management of our company, aiming to capitalize on global IoT cybersecurity opportunities, resolved at the board meeting on March 23, 2023, to invest in Intelligent Information Security Technology INC. (hereinafter referred to as "Intelligent Information Security"). We paid an investment amount of NT\$120,000 thousand in April 2023, holding a 24.54% stake in Intelligent Information Security, which grants us significant influence over its operations. We evaluate our investment in Intelligent Information Security using the equity method.

The investment agreement and commitment agreement with the major original shareholders of Intelligent Information Security contain the following key provisions:

- (1) The major original shareholders of Intelligent Information Security are allowed to recruit key talents necessary for the operation and development of Intelligent Information Security, and only then are they permitted to transfer technical shares under their names. However, prior written consent from our company must be obtained before any such transfer.

Additionally, within two years after our company's investment, the major original shareholders of Intelligent Information Security are prohibited from selling, entrusting, transferring, gifting, pledging, or otherwise encumbering their shares to third parties. Furthermore, within two to five years after our company's investment, they are restricted from selling, entrusting, transferring, gifting, pledging, or otherwise encumbering more than 30% of their shares to third parties. Shares transferred within the 30% limit cannot be sold to competitors of Intelligent Information Security.

Our company has the right of first refusal when the major original shareholders of Intelligent Information Security intend to sell, transfer, or dispose of their shares. When transferring shares within five years after our company's investment, the major original shareholders must ensure that the third-party buyer accepts the same restrictions as outlined in the original commitment agreement and provide a commitment letter consistent with the obligations in the original agreement.

- (2) Apart from the aforementioned restrictions on transfer, once the stipulated transfer restriction period has elapsed, the major original shareholders of Intelligent Information Security must promptly notify our company of any intention to sell, transfer, or dispose of their shares to third parties. Upon receiving such notice, our company has 30 days to notify the major original shareholders of Intelligent Information Security in writing, specifying the decision to jointly sell the shares to the same third party under the same conditions. If the major original shareholders of Intelligent Information Security receive a joint sale notice from our company, they must specify the number of shares they intend to sell within 30 days, and they must sell these shares together to the third party.

However, if the total number of shares proposed for sale by both parties exceeds the number of shares the third party intends to purchase, the number of shares proposed for sale by each party should be reduced in proportion to their respective shareholding until it matches the number of shares the third party intends to purchase.

- (3) The major original shareholders of Intelligent Information Security who contributed non-cash investments agree that within two years of our company's investment and the issuance of shares, in the event of bankruptcy, dissolution, liquidation, sale of all or most of the company's assets, merger with another company, or similar events involving Intelligent Information Security, they will not participate in the distribution nor request cash payment for their shares. Furthermore, when distributing surplus assets, our company is entitled to participate in the distribution in proportion to the amount of cash investment made by each shareholder.
- (4) The summarized financial information below is prepared based on the consolidated financial statements of associated enterprises in accordance with IFRSs, and adjustments have been made to reflect investments accounted for using the equity method.

Intelligent Information Security
Technology INC.

	December 31, 2023
Current assets	\$ 102,484
Non-current assets	13,618
Current liabilities	(3,332)
Non-current liabilities	(710)
Equity	\$ 112,060
Company's ownership percentage	24.54%
Equity held by the company	\$ 27,499
Patent rights	80,164
Investment carrying amount	\$ 107,663
	2023
Operating revenue	\$ —
Net loss for the period	\$ (19,823)
Total comprehensive income	\$ (19,823)

3. The general information of the individual affiliated companies that are not material is as follows:

	2023	2022
Share of the consolidated company		
Net loss for the period	\$ (10,433)	\$ (8,451)
Other comprehensive gains and losses	985	(293)
Total comprehensive profit and loss	\$ (9,448)	\$ (8,744)

4. The investments accounted for using the equity method and the profits and losses attributable to the Company are recognized based on the financial statements of associated companies audited by the accountants for the same periods.

(8) Property, plant and equipment

Item	2023					
	Balance at January 1, 2023	Additions	Disposals	Reclassification	Effect of exchange rate changes	Balance at December 31, 2023
<u>Cost</u>						
Land	\$ 364,697	\$ —	\$ —	\$ —	\$ —	\$ 364,697
Buildings	2,495,494	545	(3,005)	—	—	2,493,034
Machinery	3,645,194	13,790	(513,475)	—	(1,302)	3,144,207
Transportation equipment	104,067	845	(2,093)	—	(18)	102,801
Office equipment	108,758	1,216	(107)	—	(225)	109,642
Other equipment	42,090	5,185	(8,116)	—	(24)	39,135
Work in Progress	—	16,067	—	5,200	—	21,267
Sub-total	6,760,300	37,648	(526,796)	5,200	(1,569)	6,274,783
<u>Accumulated depreciation</u>						
Buildings	1,429,266	36,749	(2,870)	—	—	1,463,145
Machinery	3,500,521	8,274	(503,175)	—	(1,219)	3,004,401
Transportation equipment	99,971	374	(2,005)	—	(14)	98,326
Office equipment	100,578	380	(101)	—	(201)	100,656
Other equipment	39,200	458	(8,052)	—	(22)	31,584
Sub-total	5,169,536	46,235	(516,203)	—	(1,456)	4,698,112
<u>Accumulated impairment</u>						
Buildings	17	—	—	—	—	17
Machinery	11,667	—	(38)	—	(40)	11,589
Transportation equipment	1,158	—	(1)	—	—	1,157
Office equipment	2,707	—	—	—	—	2,707
Other equipment	28	—	—	—	—	28
Sub-total	15,577	—	(39)	—	(40)	15,498
Total	\$1,575,187	\$ (8,587)	\$ (10,554)	\$ 5,200	\$ (73)	\$1,561,173

2022

Item	Balance at January 1, 2022	Additions	Disposals	Reclassification	Effect of exchange rate changes	Balance at December 31, 2022
<u>Cost</u>						
Land	\$ 479,697	\$ —	\$ —	\$ (115,000)	\$ —	\$ 364,697
Buildings	3,192,311	5,526	(23,675)	(678,668)	—	2,495,494
Machinery	3,837,472	28,333	(189,028)	(32,611)	1,028	3,645,194
Transportation equipment	105,763	—	(1,709)	—	13	104,067
Office equipment	129,194	383	(20,997)	—	178	108,758
Other equipment	50,166	349	(8,444)	—	19	42,090
Sub-total	7,794,603	34,591	(243,853)	(826,279)	1,238	6,760,300
<u>Accumulated depreciation</u>						
Buildings	1,675,170	39,602	(23,106)	(262,400)	—	1,429,266
Machinery	3,705,256	9,953	(184,098)	(31,554)	964	3,500,521
Transportation equipment	101,073	536	(1,648)	—	10	99,971
Office equipment	120,248	775	(20,604)	—	159	100,578
Other equipment	46,313	238	(7,368)	—	17	39,200
Sub-total	5,648,060	51,104	(236,824)	(293,954)	1,150	5,169,536
<u>Accumulated impairment</u>						
Buildings	17	—	—	—	—	17
Machinery	13,362	—	(1,727)	—	31	11,666
Transportation equipment	1,177	—	(19)	—	—	1,158
Office equipment	2,768	—	(61)	—	—	2,707
Other equipment	404	—	(375)	—	—	29
Sub-total	17,728	—	(2,182)	—	31	15,577
Total	\$2,128,815	\$ (16,513)	\$ (4,847)	\$ (532,325)	\$ 57	\$1,575,187

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 are 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, 2023	December 31, 2022
Carrying amount of right-of-use asset		
Land	\$ 10,279	\$ 12,849
Transportation equipment	1,536	2,786
Office equipment	1,533	344
Total	\$ 13,348	\$ 15,979
	2023	2022
Depreciation expense of right-of-use assets		
Land	\$ 2,570	\$ 1,668
Transportation equipment	1,250	1,363
Office equipment	411	459
Total	\$ 4,231	\$ 3,490

The consolidated company leases the land located in the Southern Science Industrial Park and acquires the land use right contract in the Suzhou High-tech Zone of the People's Republic of China is sub-leased in the form of operating leases, and the relevant use right assets are listed as investment real estate. Please refer to Note 6 (11). The above-mentioned amount of right-of-use assets does not include right-of-use assets that meet the definition of investment real estate.

- (2) The additions of the right-of-use assets of the company in 2023 and 2022 are respectively NT\$1,600 thousand and NT\$15,041 thousand.
- (3) Except for the addition and recognition of depreciation expenses listed above, there is no significant sublease or depreciation of the right-of-use assets of the company in 2023 and 2022.

2. Leasing liabilities

	December 31, 2023	December 31, 2022
Carrying amount of leasing liabilities		
Current	\$ 3,484	\$ 3,362
Non-current	\$ 10,701	\$ 12,647

The discount rate ranges for lease liabilities are as follows:

	December 31, 2023	December 31, 2022
Land	2.5580%	2.5580%
Transportation Equipment	1.8513%~2.5580%	1.8513%~2.5580%
Office Equipment	2.5580%	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 6 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.

4. Other rental information

	2023	2022
Short-term rental expenses	\$ 61	\$ 145
Low-value asset lease expenses	\$ 24	\$ 20
Total cash outflow from lease	\$ 3,781	\$ 3,780

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 consolidated company include land, buildings, machinery and equipment, etc., and the contract period ranges from 1 to 12 years. The lease contract is negotiated individually 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:

	2023	2022
Rental income	\$ 84,481	\$ 74,449

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

	December 31, 2023	December 31, 2022
The 1 st year	\$ 77,845	\$ 86,354
The 2 nd year	77,282	84,913
The 3 th year	82,207	85,481
The 4 th year	43,594	85,137
The 5 th year	36,699	44,274
Over 5 years	104,045	148,775
Total	<u>\$ 421,672</u>	<u>\$ 534,934</u>

(11) Investment property

2023						
Item	Balance at January 1, 2023	Additions	Disposals	Reclassification	Effect of exchange rate changes	Balance at December 31, 2023
<u>Cost</u>						
Land	\$ 133,248	\$ —	\$ —	\$ —	\$ —	\$ 133,248
Buildings	1,148,696	—	—	—	(7,669)	1,141,027
Right-of-use assets	19,369	—	—	—	(356)	19,013
Sub-total	<u>1,301,313</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(8,025)</u>	<u>1,293,288</u>
<u>Accumulated depreciation</u>						
Buildings	500,784	25,947	—	—	(4,007)	522,724
Right-of-use assets	2,075	517	—	—	(46)	2,546
Sub-total	<u>502,859</u>	<u>26,464</u>	<u>—</u>	<u>—</u>	<u>(4,053)</u>	<u>525,270</u>
<u>Accumulated impairment</u>						
Buildings	26	—	—	—	—	26
Total	<u>\$ 798,428</u>	<u>\$ (26,464)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (3,972)</u>	<u>\$ 767,992</u>
2022						
Item	Balance at January 1, 2022	Additions	Disposals	Reclassification	Effect of exchange rate changes	Balance at December 31, 2022
<u>Cost</u>						
Land	\$ —	\$ 18,248	\$ —	\$ 115,000	\$ —	\$ 133,248
Buildings	462,893	3,779	(2,704)	678,668	6,060	1,148,696
Right-of-use assets	19,088	—	—	—	281	19,369
Sub-total	<u>481,981</u>	<u>22,027</u>	<u>(2,704)</u>	<u>793,668</u>	<u>6,341</u>	<u>1,301,313</u>
<u>Accumulated depreciation</u>						
Buildings	213,417	23,802	(1,639)	262,400	2,804	500,784
Right-of-use assets	1,534	520	—	—	21	2,075
Sub-total	<u>214,951</u>	<u>24,322</u>	<u>(1,639)</u>	<u>262,400</u>	<u>2,825</u>	<u>502,859</u>
<u>Accumulated impairment</u>						
Buildings	26	—	—	—	—	26
Total	<u>\$ 267,004</u>	<u>\$ (2,295)</u>	<u>\$ (1,065)</u>	<u>\$ 531,268</u>	<u>\$ 3,516</u>	<u>\$ 798,428</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
Right-of-use assets	37 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 are 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, 2023 and 2022 is as follows:

	December 31, 2023	December 31, 2022
Fair value	\$ 1,226,282	\$ 1,258,078

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

	2023	2022
Rental income from investment real estate	\$ 82,525	\$ 73,181
Direct operating expenses incurred by investment real estate that generates rental income in the current period	\$ 30,614	\$ 40,470

4. The company acquired a land in 2022, 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 is registered under the name of the company's chairman, and a contract for registered proxy is 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, 2023	December 31, 2022
Collateral borrowings	\$ 98,097	\$ 31,499
Interest rate	1.3742%~2.5%	1.5856%

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

(13) Accounts payable

	December 31, 2023	December 31, 2022
Account payable	\$ 134,327	\$ 84,217

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, 2023	December 31, 2022
Payable salary and bonus	\$ 60,571	\$ 57,336
Payable remuneration to employees and directors	7,481	6,707
Rent payable	78	127
Payable labor fees	1,150	1,245
Payable insurance premium	6,121	6,428
Pension payable	2,347	2,635
Interest payable	2,256	1,280
Equipment payment payable	1,093	409
Commission payable	21,221	23,262
Others	50,108	55,505
Total	\$ 152,426	\$ 154,934

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, 2023	December 31, 2022
Employee benefit liability provision	\$ 15,810	\$ 14,434

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, 2023	December 31, 2022
Medium and long-term bank mortgage loans	\$ 1,210,000	\$ 1,590,000
Less: part due within one year	—	(1,590,000)
Long-term borrowings	\$ 1,210,000	\$ —
Interest rate	2.6%	2.558%

1. Due to overall operations and financial planning, on September 27, 2023, the consolidated company entered into a 3-year loan agreement with Sunny Bank for a total amount of NT\$1,360,000 thousand. Repayments are scheduled every 3 months for a total of 12 installments. Each installment from the 1st to the 11th consists of NT\$30,000 thousand principal repayment, with the remaining outstanding balance due in a lump sum at maturity, with the option for early repayment. The maturity date is October 6, 2026. The Company's loan balances are NT\$1,210,000 thousand as of December 31, 2023, and NT\$0 as of December 31, 2022.
2. Due to overall operations and financial planning, on December 27, 2021, the Company entered into a 2-year mortgage loan agreement with EnTie Bank for a total amount of NT\$1,790,000 thousand, with the principal repayable in full at maturity on May 20, 2023. The Company's loan balances are NT\$0 as of December 31, 2023, and NT\$1,590,000 thousand as of December 31, 2022.
3. For details regarding assets pledged as collateral for long-term loans, please refer to Note 8.

(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 Company recognized retirement benefit expenses related to defined contribution plans amounting to NT\$14,597 thousand and NT\$15,888 thousand for the years ended in 2023 and 2022, 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 are as follows:

	December 31, 2023	December 31, 2022
Present value of defined benefit obligation	\$ (65,959)	\$ (66,200)
Fair value of planned assets	72,387	69,290
Net defined benefit	<u>\$ 6,428</u>	<u>\$ 3,090</u>

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

	Present value of defined benefit obligation	Fair value of planned assets	Net defined benefit
Balance at January 1, 2023	\$ (66,200)	\$ 69,290	\$ 3,090
Service cost			
Current service cost	(90)	—	(90)
Interest (expense) income	(985)	1,078	93
Recognized in profit and loss	<u>(1,075)</u>	<u>1,078</u>	<u>3</u>
Remeasurement			
Return on plan assets (excluded the amount included in interest income or expenses)	—	374	374
Impact of changes in demographic assumptions	(679)	—	(679)
Impact of changes in financial assumptions	(1,827)	—	(1,827)
Experience adjustment	(301)	—	(301)
Recognized in other comprehensive income	<u>(2,807)</u>	<u>374</u>	<u>(2,433)</u>
Contributed Retirement Fund	<u>—</u>	<u>5,768</u>	<u>5,768</u>
Pay pension	<u>4,123</u>	<u>(4,123)</u>	<u>—</u>
Balance at December 31, 2023	<u>\$ (65,959)</u>	<u>\$ 72,387</u>	<u>\$ 6,428</u>

	Present value of defined benefit obligation	Fair value of planned assets	Net defined benefit (liabilities)
Balance at January 1, 2022	\$ (68,700)	\$ 60,175	\$ (8,525)
Service cost			
Current service cost	(76)	—	(76)
Interest (expense) income	(515)	474	(41)
Recognized in profit and loss	(591)	474	(117)
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	(3,999)	—	(3,999)
Recognized in other comprehensive income	1,138	4,507	5,645
Contributed Retirement Fund	—	6,087	6,087
Pay pension	1,953	(1,953)	—
Balance at December 31, 2022	\$ (66,200)	\$ 69,290	\$ 3,090

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, 2023	December 31, 2022
Discount Rate	1.250%	1.500%
Expected salary increase rate	2.0000%	2.0000%

The changes in the main actuarial assumptions that are adopted on December 31, 2023 and 2022, will increase (decrease) the present value of defined benefit obligations by the following amounts:

December 31, 2023	Actuarial assumptions increased by 0.25%	Actuarial assumptions reduced by 0.25%
Discount Rate	\$ (1,834)	\$ 1,908
Expected salary increase rate	\$ 1,859	\$ (1,796)

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

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, 2023 and 2022, the planned provision amount and the weighted average duration of the retirement plan are as follows:

	December 31, 2023	December 31, 2022
Expected amount to be withdrawn within 1 year	\$ 5,676	\$ 6,223
Determining the average maturity of benefit obligations period	11.3 years	11.9 years

(18) Equity

1. Common stock

	December 31, 2023	December 31, 2022
Rated equity	\$ 10,000,000	\$ 10,000,000
Issued share capital	\$ 1,700,000	\$ 1,700,000

As of December 31, 2023 and December 31, 2022, the Company's nominal number of shares is 1,000,000 thousand shares, each with a par value of NT\$10, and the issued shares are 170,000 thousand 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 30% 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 14, 2024, our company passed a resolution through the board of directors to propose the profit distribution plan for the year 2023.

The proposed distribution is as follows:

	Amount	dividend per share (in NT dollars)
Statutory Surplus Reserve	\$ 20,605	\$ —
Special Surplus Reserve	(5,703)	—
Cash Dividend	168,000	1
	<u>\$ 182,902</u>	

The resolution on profit distribution for the year of 2023 is still pending and awaiting approval at the shareholder's meeting scheduled on June 20, 2024. 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 20, 2023, the Company passed a resolution at the shareholder's meeting to allocate profits and losses in 2022.

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

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.

- (7) On June 23, 2022, our company passed a resolution at the shareholder's meeting regarding the deficit in 2021. 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 Differences on Translation of Foreign Financial Statements	Unrealized Gain or Loss on Financial Assets Measured at fair value through other comprehensive income	Total
Balance at January 1, 2023	\$ (2,949)	\$ (32,702)	\$ (35,651)
Generated in the period			
Exchange Differences on Translation of Foreign Financial Statements	(770)	—	(770)
Evaluation adjustment	—	42,428	42,428
Accumulated gains or losses from disposal of equity instruments are transferred to retained earnings	—	(35,955)	(35,955)
Balance at December 31, 2023	<u>\$ (3,719)</u>	<u>\$ (26,229)</u>	<u>\$ (29,948)</u>

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

4. Treasury Stock

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

(Unit : 1,000 shares)

Reasons for Share Repurchase	January 1~ December 31, 2023			Ending balance of shares
	Beginning balance of shares	Shares repurchased in current period	Shares cancelled in current period	
Transfer shares to employees	2,000	—	—	2,000

Reasons for Share Repurchase	January 1~ December 31, 2022			Ending balance of shares
	Beginning balance of shares	Shares repurchased in current period	Shares cancelled in current period	
Transfer shares 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) To incentivize and boost employee morale, the Company, on August 11, 2022, resolved at the board meeting to repurchase 2,000 thousand shares of treasury stock. The repurchase period is scheduled from August 12, 2022 to October 11, 2022, at a repurchase price ranging from NT\$11.03 to NT\$23.85 per share. The Company executed the repurchase on August 24, 2022, acquiring 2,000 thousand shares for a total amount of NT\$41,599 thousand.

(19) Earnings per share

	2023	2022
Basic earnings per share(NTD)	\$ 1.03	\$ 2.62
Diluted earnings per share(NTD)	\$ 1.03	\$ 2.62

The basic and diluted earnings per share of the Company are as follows:

1. Basic earnings per share

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

	2023	2022
Net profit for the current period (thousand NTD)	\$ 172,532	\$ 443,572
The weighted average number of ordinary shares to calculate the basic earnings per share (thousand shares)	168,000	169,256
Basic earnings per share (NTD)	\$ 1.03	\$ 2.62

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:

	2023	2022
Net profit for the current period (thousand NTD)	\$ 172,532	\$ 443,572
The weighted average number of ordinary shares to calculate the basic earnings per share (thousand shares)	168,000	169,256
Employee bonus expense (thousand shares)	161	261
The weighted average number of ordinary shares to calculate the diluted earnings per share (thousand shares)	168,161	169,517
Diluted earnings per share (NTD)	\$ 1.03	\$ 2.62

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

	2023	2022
Customer contract revenue		
Commodity sales revenue	\$ 2,004,664	\$ 2,947,446

1. Please refer to Note 4(15) for the explanation of the income of the consolidated company.
2. Please refer to Note 4(14) for the explanation of the income of the company.
3. Contract balance

	December 31, 2023	December 31, 2022
Accounts receivable (Note 6 (4) 、7)	\$ 548,234	\$ 693,284
Contract liabilities-current (list other current liabilities)		
Commodity sales	\$ 3,374	\$ 2,001

Funds from contract liabilities at the beginning of the period recognized as operating income are NT\$1,406 thousand and NT\$826 thousand in 2023 and 2022.

4. Refund liabilities

The consolidated 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\$25,979 thousand and NT\$41,697 thousand in 2023 and 2022, respectively. The balance of refund liabilities are NT\$2,461 thousand and NT\$18,175 thousand on December 31, 2023 and 2022, respectively

(21) Other income

	2023	2022
Rental income	\$ 84,481	\$ 74,449
Less: depreciation	(26,186)	(24,393)
Other	10,580	14,524
Total	\$ 68,875	\$ 64,580

(22) Other gains and losses

	2023	2022
Losses on disposal of real estate, plant and equipment	\$ (8,700)	\$ (3,665)
Losses on disposal of investment real estate	—	(1,065)
Gains on disposal of interest in non-current assets held for sell	6,368	6,032
Foreign exchange profit	1,231	113,161
Reversal of Impairment losses in non-current assets held for sell	—	6,921
Reversal of Impairment profit -real estate, plant and equipment	39	2,182
Depreciation expense	(1,045)	(1,068)
Miscellaneous Disbursements	(9,159)	(13,315)
Total	\$ (11,266)	\$ 109,183

(23) Financial costs

	2023	2022
Interest expense		
Bank loan	\$ 41,625	\$ 49,670
Lease liability	362	71
Others	61	17
Total	\$ 42,048	\$ 49,758

(24) Income Tax

1. The income tax expenses (income) of the consolidated company in 2023 and 2022 are as follows:

	2023	2022
Tax calculated based on profit before tax and statutory tax rate (20%)	\$ 39,520	\$ 88,091
Expenses disallowed by tax regulation	(19,583)	170
Sale of land profit exempt from income tax	(7,191)	(1,711)
Income tax impact of loss deduction	(12,746)	(86,550)
Temporary differences in the current period	12,933	(20,057)
Additional tax on undistributed earnings	8,737	15,975
Difference in tax payable based on the basic tax amount	4,243	967
Income tax adjustment for prior years	(848)	—
Income tax expense (benefit)	\$ 25,065	\$ (3,115)

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

	2023	2022
Current tax:		
Current tax on profit in current period	\$ 12,132	\$ 16,942
Deferred tax:		
Origination and reversal of temporary differences	12,933	(20,057)
Income tax expense (benefit) recognized in the income statement	\$ 25,065	\$ (3,115)

2. The consolidated company did not directly recognize any income tax in equity or other comprehensive income for the years ended in 2023 and 2022.

3. Current income tax liabilities

	December 31, 2023	December 31, 2022
Current income tax liabilities	\$ 12,735	\$ 16,911

4. Deferred income tax liabilities

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

	2023			
	Balance at January 1, 2023	Recognized in profit and loss	Recognized in other comprehensive profit and loss	Balance at December 31, 2023
Temporary differences				
Unrealized exchange loss	\$ 16,992	\$ (12,303)	\$ —	\$ 4,689
Unrealized inventory decline loss	44,254	(9,996)	—	34,258
Allowance for excess of bad debts	19,744	(4,015)	—	15,729
Unrealized Impairment of assets	5,445	(8)	—	5,437
Investment using the equity method	60,513	18,230	—	78,743
Unrealized employees paid	2,887	275	—	3,162
Unallocated manufacturing expenses	3,010	(806)	—	2,204
Unrealized sales discount	3,695	(3,181)	—	514
	\$ 156,540	\$ (11,804)	\$ —	\$ 144,736

	2022			
	Balance at January 1, 2022	Recognized in profit and loss	Recognized in other comprehensive profit and loss	Balance at December 31, 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 contributed	1,008	(1,008)	—	—
	<u>\$ 137,040</u>	<u>\$ 19,500</u>	<u>\$ —</u>	<u>\$ 156,540</u>

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

	2023			
	Balance at January 1, 2023	Recognized in profit and loss	Recognized in other comprehensive profit and loss	Balance at December 31, 2023
Temporary differences				
Sales in transit	\$ 52	\$ (25)	\$ —	\$ 27
Pension listed excess of pension contributed	186	1,154	—	1,340
	<u>\$ 238</u>	<u>\$ 1,129</u>	<u>\$ —</u>	<u>\$ 1,367</u>

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

5. Items not recognized as deferred income tax assets

	December 31, 2023	December 31, 2022
Loss deduction amount	\$ 394,653	\$ 477,773
Temporary difference amount	\$ 236,537	\$ 326,339

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

6. As of December 31, 2023, the consolidated company's undeducted loss and the deduction exclusion period are as follows:

Year incurred	Amount filed/ assessed	Expiry year	Loss deduction
2017	Amount assessed	2027	\$ 108,544
2018	Amount assessed	2028	9,170
2019	Amount assessed	2029	69,643
2020	Amount estimated	2030	183,340
2021	Amount reported	2026	918
2022	Amount reported	2027	23,038
			<u>\$ 394,653</u>

7. The Company's and domestic subsidiaries' profit-making business income tax assessment status is as follows:

Company name	Assessed year
Optimax Technology Corporation	2021
ART Optronics Corporation	2021

(25) Expense by nature

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

Function Nature	2023			
	Recognized in cost of sales	Recognized in operating expenses	Recognized in non- operating expenses	Total
Employee benefits expenses:				
Salaries and wages	\$ 246,767	\$ 129,585	\$ —	\$ 376,352
Labor and health insurances	27,328	11,371	—	38,699
Pension	13,729	865	—	14,594
Other employee benefits	21,254	4,446	—	25,700
Depreciation	39,303	10,396	27,231	76,930
Amortization	—	45	—	45

Function Nature	2022			
	Recognized in cost of sales	Recognized in operating expenses	Recognized in non- operating expenses	Total
Employee benefits expenses:				
Salaries and wages	\$ 261,507	\$ 132,057	\$ —	\$ 393,564
Labor and health insurances	28,557	11,120	—	39,677
Pension	15,238	767	—	16,005
Other employee benefits	20,893	5,495	—	26,388
Depreciation	43,363	10,092	25,461	78,916
Amortization	—	158	—	158

2. Employee benefits expenses

- (1) The Company allocates 1% to 10% of the pre-tax profits before deducting the distribution of employee remuneration and director's remuneration for the fiscal year as employee remuneration, which may be distributed in the form of stocks or cash as determined by the board of directors. The recipients of such distribution may include employees of subsidiary companies who meet certain conditions. Additionally, up to 1% is allocated for director's remuneration. The distribution of employee remuneration and director's remuneration shall be resolved by the board of directors with the attendance of at least two-thirds of the directors and the affirmative vote of more than half of the attending directors, and shall be reported to the shareholders' meeting.

- (2) The estimated employee remuneration and director's remuneration for the years 2023 and 2022 are respectively resolved by the board of directors on March 14, 2024 and March 23, 2023 as follows:

Estimated provision ratio

	2023	2022
Employee remuneration	1%	1%
Director's remuneration	0.5%	0.5%

Amount

	2023	2022
Employee remuneration	\$ 2,013	\$ 4,471
Director's remuneration	\$ 1,006	\$ 2,236

After the annual consolidated financial statements of the Company are approved for issuance, any subsequent changes in amounts are adjusted based on accounting estimates and recorded in the following fiscal year.

The distribution amounts for employee remuneration and director's remuneration for the year 2022, as resolved, are consistent with the amounts recognized in 2022 financial statements. Due to the pre-existing accumulated losses recognized by the shareholders' meeting as of the year 2021, the Company did not estimate provisions for employee remuneration and director's remuneration.

- (3) Information regarding employee remuneration and director's remuneration approved by the Company's board of directors can be found on the Taiwan Stock Exchange's "Market Observation Post System" (MOPS).

(26) Cash flow information

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

(1) Non-current assets held for sell

	2023	2022
Current Disposal	\$ 7,425	\$ 12,944
Plus: Beginning balance of accounts receivable for equipment	11,960	—
Less: The beginning balance of prepaid items	—	(984)
Less: The year-end accounts receivable for equipment payments	(8,885)	(11,960)
Exchange influence	(46)	—
Cash payback in this period	\$ 10,454	\$ —

(2) Property, plant and equipment

	2023	2022
Current increase	\$ 37,648	\$ 34,591
Plus: Equipment payment due at the beginning of the period	178	4,655
Less: Equipment payment due at the end of the period	(1,093)	(178)
Less: the number of prepaid equipment transfers	(10,628)	(20,919)
Cash paid in this period	<u>\$ 26,105</u>	<u>\$ 18,149</u>

	2023	2022
Current Disposal	\$ 1,889	\$ 3,364
Plus: Beginning balance of accounts receivable for equipment	5,600	3,317
Less: The year-end accounts receivable for equipment payments	(5,600)	(5,600)
Cash paid in this period	<u>\$ 1,889</u>	<u>\$ 1,081</u>

(3) Investment real estate

	2023	2022
Current increase	\$ —	\$ 22,027
Plus: Equipment payment due at the beginning of the period	231	
Less: Equipment payment due at the end of the period	—	(231)
Cash paid in this period	<u>\$ 231</u>	<u>\$ 21,796</u>

2. Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings	Guarantee deposits received	Lease liabilities	Liabilities from financing activities-gross
At January 1, 2023	\$ 31,499	\$1,590,000	\$ 13,477	\$ 16,009	\$1,650,985
Changes in cash flow from financing activities	66,884	(380,000)	245	(3,424)	(316,295)
Changes in lease liabilities	—	—	—	1,600	1,600
Exchange influence	(286)	—	(98)	—	(384)
At December 31, 2023	<u>\$ 98,097</u>	<u>\$1,210,000</u>	<u>\$ 13,624</u>	<u>\$ 14,185</u>	<u>\$1,335,906</u>

	Short-term borrowings	Long-term borrowings	Guarantee deposits received	Lease liabilities	Liabilities from financing activities-gross
At January 1, 2022	\$ 602,478	\$1,790,000	\$ 6,357	\$ 4,512	\$2,403,347
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
Exchange influence	1,696	—	77	—	1,773
At December 31, 2022	<u>\$ 31,499</u>	<u>\$1,590,000</u>	<u>\$ 13,477</u>	<u>\$ 16,009</u>	<u>\$1,650,985</u>

(27) Capital management

Based on the characteristics of the current operating industry and the future development of the consolidated 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, 2023	December 31, 2022
<u>Financial assets</u>		
Cash and Equivalent Cash	\$ 150,608	\$ 61,331
Financial assets measured at amortized cost-current	26,171	15,917
Notes receivable	296	40
Accounts receivable	548,234	693,284
Other receivable (including non-current)	24,367	24,512
Other financial assets- non-current	82,932	71,580
Financial assets at fair value through other comprehensive income-non-current	—	11,282
Refundable Deposits	6,974	7,185
<u>Financial liabilities</u>		
Short-term borrowings	98,097	31,499
Notes payable	200	930
Accounts payable	134,327	84,217
Other payable	152,426	154,934
Long-term debt (including current portion)	1,210,000	1,590,000
Guarantee deposit received	13,624	13,477

2. Financial risk management

The financial risk management objective of the consolidated 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 consolidated 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 consolidated 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 consolidated company's significant foreign currency financial assets and liabilities is as follows:

Unit: Foreign currency yuan /NT\$ thousand

	December 31, 2023					
	Foreign currency	Exchange rate	NTD	Sensitivity analysis		
				Degree of variation	Effect on profit or loss (before tax)	Effect on profit or loss
<u>Financial assets</u>						
<u>Monetary items</u>						
JPY	418,412,736	0.2172	90,879	+10%	9,088	7,270
USD	23,441,231	30.73	720,335	+10%	72,033	57,627
EUR	1,307	33.98	44	+10%	4	4
KRW	40,000	0.0239	1	+10%	—	—
CNY	3,051,610	4.327	13,204	+10%	1,320	1,056
Non-Monetary items						
JPY	50,134,185	0.2159	10,822			
Financial liabilities						
<u>Monetary items</u>						
JPY	892,752,651	0.2172	193,906	+10%	(19,391)	(15,512)
USD	1,025,767	30.71	31,501	+10%	(3,150)	(2,520)
Non-Monetary items						
USD	173,684	30.74	5,340			
CNY	113,850	4.391	500			

December 31, 2022

				Sensitivity analysis		
	Foreign currency	Exchange rate	NTD	Degree of variation	Effect on profit or loss (before tax)	Effect on profit or loss
<u>Financial assets</u>						
<u>Monetary items</u>						
JPY	107,778,679	0.2324	25,048	+10%	2,505	2,004
USD	27,263,370	30.71	837,259	+10%	83,726	66,981
EUR	1,300	32.72	43	+10%	4	3
KRW	40,000	0.0246	1	+10%	—	—
CNY	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)
Non-Monetary items						
USD	617,233	30.61	18,891			
CNY	277,830	4.384	1,218			

B. Monetary items of the consolidated company have a significant impact due to exchange rate fluctuations and all exchange loss recognized is NT\$1,231 thousand and NT\$113,161 thousand (including realized and unrealized) in 2023 and 2022, 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 consolidated 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 consolidated company will decrease by NT\$1,432 thousand and NT\$2,110 thousand in 2023 and 2022, respectively.

4. Credit risk management

Credit risk refers to the risk of a counterparty breaching contractual obligations and causing financial loss to the consolidated 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 consolidated 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 consolidated 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, 2023 and 2022, the balance of accounts receivable of the top ten customers accounted for the balance of accounts receivable of the consolidated company, the percentages are 77% and 82%, 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 consolidated 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 consolidated 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 consolidated company's financial liabilities based on contractual undiscounted payments.

	December 31, 2023				
	Within 1 year	2~3 years	4~5 years	More than 5 years	Total
<u>Non-derivative financial liabilities</u>					
Notes and accounts payable	\$ 134,527	\$ —	\$ —	\$ —	\$ 134,527
Other payables	152,426	—	—	—	152,426
Lease liabilities	3,795	6,785	4,147	216	14,943
Loan	98,460	1,296,968	—	—	1,395,428
Guarantee deposit received	245	1,000	7,187	5,192	13,624
Total	<u>\$ 389,453</u>	<u>\$ 1,304,753</u>	<u>\$ 11,334</u>	<u>\$ 5,408</u>	<u>\$ 1,710,948</u>

	December 31, 2022				
	Within 1 year	2~3 years	4~5 years	More than 5 years	Total
<u>Non-derivative financial liabilities</u>					
Notes and accounts payable	\$ 85,147	\$ —	\$ —	\$ —	\$ 85,147
Other payables	154,934	—	—	—	154,934
Lease liabilities	3,714	6,624	6,663	—	17,001
Loan	1,636,331	—	—	—	1,636,331
Guarantee deposit received	—	—	8,187	5,290	13,477
Total	\$ 1,880,126	\$ 6,624	\$ 14,850	\$ 5,290	\$ 1,906,890

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, 2023, and 2022, 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, 2023			
	Level 1	Level 2	Level 3	Total
<u>Repeatable fair value:</u>				
Financial assets measured at fair value through other comprehensive gains and losses	\$ —	\$ —	\$ —	\$ —

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

(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 is no change in the fair value of financial assets in 2023 and 2022.

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

	January 1 ~ December 31, 2023					At December 31
	At January 1	Additions in the period	Recognized in other comprehensive income	Disposals in the period	Effect of exchange rate changes	
Financial assets measured at fair value through other comprehensive gains and losses	\$ 11,282	\$ —	\$ 41,443	\$ (52,725)	\$ —	\$ —

	January 1 ~ December 31, 2022					At December 31
	At January 1	Additions in the period	Recognized in other comprehensive income	Disposals in the period	Effect of exchange rate changes	
Financial assets measured at fair value through other comprehensive gains and losses	\$ 29,847	\$ —	\$ (6,952)	\$ (11,789)	\$ 176	\$ 11,282

(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:

			Changes in fair value reflected in the profit and loss of the current period		Changes in fair value reflected in other comprehensive profit or loss	
	Input value	Move up or down changes	favorable changes	unfavorabl e changes	favorable changes	unfavorabl e changes
<u>December 31, 2023</u>						
Measured at fair value through other comprehensive profit and loss						
Investments accounted for using equity method with No Active Market	P/B multiplier	±5%	—	—	—	—
<u>December 31, 2022</u>						
Measured at fair value through other comprehensive profit and loss						
Investments accounted for using equity method with No Active Market	P/B multiplier	±5%	—	—	564	(564)

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

The transactions amounts and balances between the Company and its subsidiaries (being related parties of the Company) have been eliminated in the preparation of the consolidated financial statements and are not disclosed in these notes.

(1) Name and relationship of related parties

Name of related party	Relationship with the Company
Peter Chao	Main management
Shenzhen Lihuasheng Technology Co., Ltd. (Lihuasheng Technology)	Associate Company
Lihuasheng (Hong Kong) Optoelectronics Technology Co., Ltd. (Lihuasheng Hong Kong)	Other related party (The representative person and the representative of the associate company are the same)
Lihuasheng (Shenzhen) Optoelectronics Technology Co., Ltd. (Lihuasheng Optoelectronics)	Other related party (The representative person and the representative of the associate company are the same)

(2) The Company's significant related party transactions

1. Operating revenue

Name of related party	2023	2022
Lihuasheng Hong Kong	\$ 15,871	\$ 150,829

The prices of transactions between the company and its related parties are not comparable in other transactions under the same circumstances in 2023 and 2022. The credit period for related parties is approximately 90~120 days for monthly settlement, and approximately 30~120 days for general customers.

2. Purchases

Name of related party	2023	2022
Lihuasheng Hong Kong	\$ —	\$ 109

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

3. Manufacturing cost - processing cost

Name of related party	2023	2022
Lihuasheng Hong Kong	\$ 20,518	\$ 69,669

4. Deduction of operating costs - income from sale of scraps

Name of related party	2023	2022
Lihuasheng Hong Kong	\$ 9,869	\$ 12,889

5. Operating expenses

Name of related party	2023	2022
Lihuasheng Hong Kong	\$ 3,473	\$ 3,670

6. Net Accounts receivable

Name of related party	December 31, 2023	December 31, 2022
Lihuasheng Hong Kong	\$ 64,333	\$ 103,708
Less: Allowance for losses	(64,333)	(88,560)
	\$ —	\$ 15,148

Information on changes in allowance losses is as follows:

	2023	2022
Beginning balance	\$ 88,560	\$ 88,560
Provision for impairment loss in the current period	(24,227)	—
Ending balance	\$ 64,333	\$ 88,560

7. Other receivables

Name of related party	December 31, 2023	December 31, 2022
Lihuasheng Hong Kong	\$ 12,062	\$ 11,044
Lihuasheng Optoelectronics		
Sub-total		
Less: Allowance for losses	(12,009)	(4,830)
Total	\$ 53	\$ 6,214

The information on changes in provision for losses is as follows:

	2023	2022
Beginning balance	\$ 15,290	\$ 2,127
Provision for impairment loss in the current period	2,903	13,197
Exchange Influence	(126)	(34)
Ending balance	\$ 18,067	\$ 15,290

8. Advance payment

Name of related party	December 31, 2023	December 31, 2022
Peter Chao	\$ —	\$ 400

9. Accounts payable

Name of related party	December 31, 2023	December 31, 2022
Lihuasheng Hong Kong	\$ 133	\$ 4,231

10. Other payables

Name of related party	December 31, 2023	December 31, 2022
Lihuasheng Hong Kong	\$ —	\$ 1,537

11. Property transaction

	January 1~December 31, 2022	
Selling machine equipment	Disposal price	Disposal gains
Lihuasheng Hong Kong	\$ 6,336	\$ 5,657
Lihuasheng Optoelectronics	9,698	3,160
	\$ 16,034	\$ 8,817

12. Loan to related party (Listed other non-current assets)

Name of related party	December 31, 2023	December 31, 2022
Lihuasheng Technology	\$ 8,654	\$ —
Less: Allowance for losses	(8,364)	—
Net amount	\$ 290	\$ —

The information on changes in provision for losses is as follows

Name of related party	2023	2022
Beginning balance	\$ —	\$ —
Provision for impairment loss in the current period	8,364	—
Ending balance	\$ 8,364	\$ —

The consolidated company provided unsecured loans to Lihuasheng Technology at an interest rate of 1%.

(3) Rewards for the main management

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

	December 31, 2023	December 31, 2022
Salary and other short-term benefits	\$ 22,223	\$ 14,489
Resignation benefits	108	108
Total	\$ 22,331	\$ 14,597

(8) **Pledged assets**

Item	Content	Carry amount	
		December 31, 2023	December 31, 2022
Other financial assets-current	Provided to financial institutions as collateral for long- and short-term loans	\$ 82,932	\$ 71,580
Real estate, plant and equipment	Provided to financial institutions as collateral for long- and short-term loans	1,221,081	1,394,870
Investment real estate	Provided to financial institutions as collateral for long- and short-term loans	—	550,047
Deposit for guarantee	Deposits for customs and lease guarantees, etc.	6,974	7,185
Total		\$ 1,310,987	\$ 2,023,682

(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, 2023	December 31, 2022
JPY	\$ 557,800	\$ 313,105
USD	\$ 194	\$ 93
NTD	\$ 9,760	\$ 14,406

- (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, 2023	December 31, 2022
\$ 653,000	\$ 4,333,358

(10) Significant loss from disaster: None.

(11) Significant subsequent events: None.

(12) Others: None.

(13) Additional disclosures

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

(1) Information on significant transactions:

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

(2) Information on investees:

- (a) Names, locations and other information of investee companies : Please refer to table 5.

(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 6.
- (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 1~6.

(4) Major shareholders information: Attached Table 7.

(14) Segment information

Information provided to main operating decision makers for allocating resources and evaluating department performance, focusing on the types of products or services delivered or provided. The accounting policies between the operating department of the consolidated company and a summary of the important accounting policies described in Note 4 have no major difference. The reporting departments of the consolidated company were as follows:

TFT department:

Mainly responsible for the production and sales polarizers of digital cameras, digital photo frames, mobile phones, LCD projectors, notebook computers, LCD monitors, color TVs (Full HD) and car navigation systems, etc.

TN/STN department:

Mainly responsible for the production and sales of polarizers of electronic watches, computers, handheld game consoles, electronic dictionaries, mobile phones, stock cameras, etc.

Other department:

Mainly responsible for the production and sales of polarizers of touch panel, sunglasses, precision coating and related optical materials.

(1) Department revenue and operating results

The income and operating results of the consolidated company's continuing operations were based on the analysis of the reporting department, such as under:

	Unit: Thousand New Taiwan Dollars				
	2023				
	TFT	TN/STN	Others	Adjustments and Eliminations	Consolidation
Revenue from external customers	\$1,567,725	\$ 381,182	\$ 55,757	\$ —	\$2,004,664
Segment income (loss)	256,197	163,909	(31,729)	—	388,377
	2022				
	TFT	TN/STN	Others	Adjustments and Eliminations	Consolidation
Revenue from external customers	\$2,432,907	\$ 461,859	\$ 52,680	\$ —	\$2,947,446
Segment income (loss)	350,327	205,592	(18,866)	—	537,053

(2) Adjustment information of departmental profit and loss

1. Revenue from external customers provided by the consolidated company to the main operating decision maker. The accounting policy was consistent with the operating income in the consolidated income statement.
2. The adjustment of the profit and loss of the operating department and the net profit before tax should be reported as follows:

	2023	2022
Reportable department's departmental profit and loss	\$ 388,377	\$ 537,053
Uncategorized related profit and loss	(184,244)	(199,642)
Non-operating income and expenses	(6,536)	103,046
Net profit before tax	\$ 197,597	\$ 440,457

3. Departmental profit and loss refers to the gross profit earned by each department and minus the allocated operating expenses. It does not include headquarters management costs and some operating expenses, interest income, and disposal fixed assets gains and losses, exchange gains and losses, depreciation of idle assets, interest expenses, other non-industry profit and loss and income tax, etc. This measurement amount is provided to the main operating decision. It is used to allocate resources to the department and evaluate its performance.

(3) Departmental assets and liabilities

The measurement of the assets and liabilities of the consolidated company is not the measurement index of the operating decision maker, so the measured amount of assets and liabilities that should be disclosed was zero.

(4) Geographical information

Geographical information of the consolidated company in 2023 and 2022 was as follows:

	2023		2022	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 164,306	\$ 2,128,558	\$ 228,600	\$ 2,174,925
Mainland China	1,797,713	214,990	2,661,865	230,655
Korean	3,530	—	8,148	—
Japan	5,210	—	14,996	—
Others	33,905	—	33,837	—
Total	\$ 2,004,664	\$ 2,343,548	\$ 2,947,446	\$ 2,405,580

Non-current assets do not include items classified as financial instruments, cash deposits as collateral, deferred tax assets, and net defined benefit assets.

(5) Major customer information

Major customers which sales amount reached 10% of the total operating income of the consolidated company in 2023 and 2022 are as follows:

	2023	2022
A Customer	\$ 425,180	\$ 951,987
B Customer	350,748	548,204
C Customer	227,009	163,298
D Customer	217,746	182,621
	\$ 1,220,683	\$ 1,846,110

【Attached Table 1】

Financing provided to other parties

(Expressed in thousands of New Taiwan dollars)

No. (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the period (Note 3)	Ending balance (Note 8)	Actual amount drawn down	Interest rate	Nature of loan (Note 4)	Amounts of transaction with the borrower (Note 5)	Reason for short-term financing (Note 6)	Amounts of allowance	Collateral		Limit on loans granted to a single party (Note 7/9/10)	Ceiling on total loans granted (Note 7/9/10)
													Item	Value		
0	OPTIMAX	Optimax Technology (Suzhou) Co., Ltd	Other receivables	Yes	\$ 187,479	\$ 177,535	\$ 177,535	—	Short-term financing purpose	\$ —	Business operation	\$ —	None	None	\$ 978,274	\$ 978,274
1	Optimax Technology (Suzhou) Co., Ltd	Shenzhen Lihuasheng Technology Co., Ltd.	Long-term receivables	Yes	\$ 8,654	\$ 19,472	\$ 8,654	1%	Short-term financing purpose	\$ —	Business operation	\$ 8,364	None	None	\$ 16,474	\$ 16,474

Note 1: Explanation of the numbering column is as follows:

A. Issuer fills in 0.

B. Invested companies are sequentially numbered by company type, starting with Arabic numeral 1.

Note 2: Items such as accounts receivable from related parties, accounts receivable from related persons, shareholder transactions, prepayments, temporary payments, etc., if of a nature of fund lending, should be filled in this column.

Note 3: Maximum balance of funds lent to others during the year.

Note 4: The nature of funds lent for business transactions or where short-term financing is necessary.

Note 5: For funds lent as part of business transactions, the amount of business transactions should be filled in. Business transaction amount refers to the amount of business transactions between the lending company and the borrower from the transaction date to the end of the previous fiscal year.

Note 6: For funds lent for short-term financing needs, specific reasons for the necessary lending and the purpose of the funds lent to the borrower should be explained, such as loan repayment, equipment purchase, operating turnover, etc.

Note 7: The company should fill in the procedure for lending funds to others, specify the individual limits for lending to each party, and the total limit for lending funds, and explain in the remarks column the method of calculating the individual and total limits for lending funds.

Note 8: If a public company processes fund lending and endorsements in accordance with Article 14, Paragraph 1 of the Guidelines for the Handling of Fund Lending and Endorsements by Public Companies, although the funds have not been disbursed, the amount resolved by the board of directors should still be included in the disclosed balance to disclose the risks it undertakes; however, upon subsequent repayment of funds, the balance after repayment should be disclosed to reflect adjustments to the risk. If a public company processes fund lending in accordance with Paragraph 2 of Article 14 of the Guidelines, authorizing the chairman of the board to make disbursements or use revolving funds within a certain limit and period, the amount of fund lending approved by the board of directors should still be used as the disclosed balance, although funds have been subsequently repaid, considering the possibility of further disbursements, the amount approved by the board of directors should still be used as the disclosed balance.

Note 9: The operating procedures for lending funds to others by the Company are as follows:

A. Due to business transactions, the amount lent to individual parties must not exceed the amount of business transactions between the company and the individual party, and must not exceed 40% of the latest audited financial report net worth of the company; the total amount lent must not exceed 40% of the latest audited financial report net worth of the company. The above-mentioned business transaction amount refers to the higher of the purchase or sale amount between the two parties.

B. Due to the necessity of short-term financing, the amount lent to individual parties must not exceed 40% of the latest audited financial report net worth of the company.

C. Due to business transactions and the necessity of short-term financing, the total amount lent must not exceed 40% of the latest audited financial report net worth of the company.

Note 10: The operating procedures for lending funds to others by Optimax Technology (Suzhou) Co., Ltd. are as follows:

A. Due to business transactions, the amount lent to individual parties must not exceed the amount of business transactions between the company and the individual party, and must not exceed 40% of the latest audited financial report net worth of the company; the total amount lent must not exceed 40% of the latest audited financial report net worth of the company. The above-mentioned business transaction amount refers to the higher of the purchase or sale amount between the two parties.

B. Due to the necessity of short-term financing, the amount lent to individual parties must not exceed 40% of the latest audited financial report net worth of the company.

C. Due to business transactions or the necessity of short-term financing for companies holding 20% (inclusive) or more of shares, the total amount lent must not exceed 40% of the latest audited financial report net worth of the company.

【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, 2023				Footnote
				Shares	Carrying amount	Ownership (%)	Fair value	
OPTIMAX	Common Stock: (Hong Kong) Yute Optimax Technology Co., Ltd	—	Financial assets at fair value through other comprehensive profit or loss — non-current	1,700	\$ —	17%	\$ —	—
Optimax Technology (Suzhou) Co., Ltd	Investment Amount: 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

Company name	Counter party	Relationship with the counter party	Receivable-Related Parties Balance as at December 31, 2023 (Note 1)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
OPTIMAX	Optimax Technology (Suzhou) Co., Ltd	Subsidiary	Other Receivable \$ 177,535	—	\$ —	—	\$ —	\$ —

Note 1: Please list separately accounts receivable from related parties, bills receivable, other receivables, etc.

Note 2: Paid-in capital refers to the paid-in capital of the parent company. For issuers with no par value or a par value per share not equal to ten New Taiwan dollars, the transaction amount requirement for 20% of paid-in capital is calculated based on 10% of the equity attributable to owners of the parent company on the balance sheet.

【Attached Table 4】

Significant inter-company transactions

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan dollars)

No. (Note 1)	Company name	Counter party	Relationship (Note 2)	Transaction			
				Account	Amount	Transaction term	Percentage of Consolidated total operating revenues or total assets (Note 4)
0	OPTIMAX	Optimax Technology (Suzhou) Co., Ltd	1	Other receivable	\$ 177,535		4%
1	ART OPTRONICS CORP.	OPTIMAX	2	Sales Revenue	\$ 16,274	The credit period is 7 days after delivery with telegraphic transfer	1%

【Attached Table 4-1】

Significant inter-company transactions

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan dollars)

No. (Note 1)	Company name	Counter party	Relationship (Note 2)	Transaction			
				Account	Amount	Transaction term	Percentage of Consolidated total operating revenues or total assets (Note 4)
0	OPTIMAX	Optimax Technology (Suzhou) Co., Ltd	1	Other receivable	\$ 177,535		4%

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 5】

Names, locations and other information of investee companies (excluding mainland China)

Investor	Investee (Note 1)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2023			Net profit (loss) of the investee for the current period	Investment income (loss) recognized for the period	Footnote
				Balance as at December 31, 2023	Balance as at December 31, 2022	Number of shares	Owner ship (%)	Carrying amount			
OPTIMAX	ART OPTRONICS CORP.	Taiwan	Manufacture and sales	2,011	2,011	225,000	100%	834	(34)	(34)	Subsidiary
	OPTIMAX OPTOELECTRONIC (MAURITIUS) CORP. (OOMC)	MAURITIUS	Investment	614,524 (USD 19,000,000)	614,524 (USD 19,000,000)	19,000,000	100%	41,186	(574)	(574)	Subsidiary
	Information Security Technology INC.	Taiwan	Integrated Circuit (IC) Design Industry	120,000	—	24,000,000	24.54%	107,663	(19,823)	(12,337)	Associate company

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 6】

Information on investments in mainland China

Investee in Mainland China	Main business activities	Paid-in capital (Note 5)	Investment method	Accumulated amount of remittance from Taiwan as of January 1, 2023 (Note 5)	Amount remitted from Taiwan or amount remitted back to Taiwan for the current period		Accumulated amount of remittance from Taiwan as of December 31, 2023 (Note 5)	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, 2023	Investment returns have been repatriated as of the end of this period
					Remitted to mainland China	Remitted back to Taiwan					
Optimax Technology (Suzhou) Co., Ltd	Manufacturing and selling of polarizers	\$ 614,524 (USD19,000,000)	(Note 1(1))	\$ 614,524 (USD19,000,000)	\$ —	\$ —	\$ 614,524 (USD19,000,000)	100%	\$ (574) (Note 2)	\$ 41,186	\$ —
Shenzhen Lihuasheng Technology Co., Ltd	Manufacturing and selling of polarizers	\$ 34,660 (CNY8,000,000)	(Note 1(2))	—	—	—	—	32%	\$ (10,433)	—	—

Accumulated amount of remittance from Taiwan to mainland China as of December 31, 2023 (Note 5)	Investment amounts authorized by Investment Commission, MOEA (Note 4)	Upper limit on investment by Investment Commission, MOEA (Note 3)
\$ 614,524 (USD19,000,000)	\$ 678,691 (USD22,100,000)	\$ 1,467,412

Note 1: The methods of investing in Mainland China are as follows:

- (1) Investment in mainland China through OPTIMAX OPTOELECTRONIC (MAURITIUS) CORP.
- (2) Reinvestment in mainland China invested enterprise. (Optimax Technology (Suzhou) Co., Ltd.)

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 7】Major shareholders information

Major shareholders Name	Shareholding	Shareholding ratio
Peter Chao	16,450,416	9.67%
Long-Shi Lin	9,614,782	5.65%

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 : The above information, if related to shareholders holding shares under trust arrangements, shall be disclosed individually under the trustee's trust account. As for shareholders who are required to report their ownership exceeding ten percent under securities regulations, their holdings include both personal shares and shares held under trust arrangements where they have decision-making authority over the trust assets. For information regarding the reporting of insider shareholdings, please refer to the Market Observation Post System (MOPS).

OPTIMAX TECHNOLOGY CORPORATION

**Parent Company Only Financial Statements
Independent Auditors' Report
December 31, 2023 and 2022**

Address: No. 37, Lane 659, Pingdong Rd., Pingzhen District, Taoyuan City, Taiwan, R.O.C
Telephone: 886-3-460-6677

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

Independent Auditors' Report

To Optimax Technology Corporation

Opinion

We have audited the Parent Company Only balance sheets of Optimax Technology Corporation as of December 31, 2023, and December 31, 2022, along with the Parent Company Only statements of comprehensive income, changes in equity, and cash flows for the periods from January 1, 2023, to December 31, 2023, and from January 1, 2022, to December 31, 2022, as well as the notes to the Parent Company Only financial statements (including a summary of significant accounting policies).

Based on the opinion of our auditor and the audit reports of other auditors (please refer to the Other Matters section), the Parent Company Only financial statements mentioned above have been prepared in all material respects in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. They are sufficient to express the financial position of Optimax Technology Corporation as of December 31, 2023, and December 31, 2022, as well as the financial performance and cash flows for the periods from January 1, 2023, to December 31, 2023, and from January 1, 2022, to December 31, 2022.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Financial Statements Audit and Attestation Engagements of Certified Public Accountants and Auditing Standards. Our responsibility under those standards will be further described in the section titled "The Accountants' Responsibilities in Auditing the Parent Company Only Financial Statements." We have stayed independent from Optimax Technology Corporation as required by The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled other responsibilities as stipulated by the Norm. Based on the audit results of our auditor and the audit reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Key Audit Matters

The key audit matters are those matters that, in the auditor's professional judgment, were of most significance in the audit of the Parent Company Only financial statements of Optimax Technology Corporation for the year ended December 31, 2023. These matters were addressed in the overall audit of the Parent Company Only financial statements and were considered in forming the audit opinion. The auditor does not provide a separate opinion on these matters.

Key Audit Matters for the Parent Company Only financial statements of Optimax Technology Corporation. for the year ended December 31, 2023, are as follows:

1. Inventory Valuation

For the accounting policies of inventories, please refer to Note 4 (5) of the Parent Company Only 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 Parent Company Only Financial Statements; For the description of important accounting items in inventories, please refer to Note 6 (6) of the Parent Company Only 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 (11) of the Parent Company Only Financial Statements; For the uncertainty of the accounting estimates and assumptions of the asset impairment assessment, please refer to Note 5 of the Parent Company Only Financial Statements; For the description of important accounting items in Property, plant and equipment, please refer to Note 6 (8) of the Parent Company Only 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.

Other Matters

Incorporated in the Parent Company Only financial statements is the investment in an associated company accounted for using the equity method. The financial statements of this associated company have not been audited by our auditor but by another auditor. Therefore, our auditor's opinion on the Parent Company Only financial statements includes the amounts pertaining to the associated company's financial statements accounted for using the equity method, as per the audit report of the other auditor.

As of December 31, 2023, the carrying amount of the investment in the associated company, accounted for using the equity method but not audited by our auditor, was NT\$107,663 thousand, representing 3% of total assets. For the year ended December 31, 2023, our share of the comprehensive loss from the associated company accounted for using the equity method was NT\$(12,337) thousand, representing (6)% of total comprehensive income.

The Management's Responsibility and Governing Body of the Parent Company Only Financial Statements

It is the management's responsibility to fairly present the Parent Company Only 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 Parent Company Only Financial Statements so as to avoid material misstatements due to fraud or errors therein.

In preparing for the Parent Company Only 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 Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance on whether the Parent Company Only 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 Parent Company Only 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 Parent Company Only 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 Parent Company Only 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 Parent Company Only 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 Parent Company Only Financial Statements (including the related notes), and determined whether the Parent Company Only Financial Statements present related transactions and events fairly.
6. 6. Acquire sufficient and appropriate audit evidence for the financial information of the investee company that adopts the equity method to express opinions on Parent Company Only 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 Parent Company Only Financial Statements of Optimax Technology Corporation of 2023. 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)

Accountant: Hsin-Liang Wu / Ying-Lai Chou

Approved audit number: FSC (6) No. 09600000880 / (80) Taiwan Financial Certificate (6) No. 53585

March 14, 2024

OPTIMAX TECHNOLOGY CORPORATION**Parent Company Only Balance Sheets December 31, 2023 and 2022**

(Expressed in Thousands of New Taiwan Dollars)

Assets	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
Current assets				
Cash and cash equivalents	\$ 144,915	4	58,843	1
Current financial assets at amortized cost	3,500	—	3,500	—
Accounts receivable, net	548,234	13	678,136	16
Accounts receivable – related parties	—	—	15,148	—
Other receivables	190,273	4	190,795	5
Current inventories	686,954	17	959,703	22
Prepayments	11,391	—	4,022	—
Other current financial assets	82,932	2	71,580	2
Other current assets	1,422	—	2,638	—
Total current assets	1,669,621	40	1,984,365	46
Noncurrent assets				
Non-current financial assets at fair value through other comprehensive income	—	—	11,282	—
Investments accounted for using equity method	149,683	4	42,413	1
Property, plant and equipment	1,556,660	38	1,571,275	36
Right-of-use assets	13,348	—	15,979	—
Investment property, net	557,804	14	571,685	13
Deferred tax assets	144,736	4	156,540	4
Net defined benefit assets - non-current	6,428	—	3,090	—
Other non-current assets	7,705	—	23,156	—
Total non-current assets	2,436,364	60	2,395,420	54
Total Assets	\$ 4,105,985	100	4,379,785	100
Liabilities and Stockholders' Equity				
Current liabilities				
Short-term loans	\$ 98,097	3	\$31,499	1
Accounts payable	130,842	3	83,570	2
Other payables	150,810	4	151,019	4
Current income tax liability	12,735	—	16,911	—
Current provisions	15,810	—	14,434	—
Current lease liabilities	3,484	—	3,362	—
Current Portion of Long-term Debt	—	—	1,590,000	37
Current refund liabilities	2,461	—	18,175	—
Other current liabilities	15,560	—	14,214	—
Total current liabilities	429,799	10	1,923,184	44
Noncurrent liabilities				
Long-term borrowings	1,210,000	30	—	—
Deferred tax liabilities	1,367	—	238	—
Non-current lease liabilities	10,701	—	12,647	—
Deposits received	8,432	—	8,187	—
Total non-current liabilities	1,230,500	30	21,072	—
Total liabilities	1,660,299	40	1,944,256	44
Equity				
Common stock	1,700,000	42	1,700,000	39
Retained earnings :				
Statutory surplus reserve	81,278	2	35,500	1
Special surplus reserve	35,651	1	—	—
Undistributed surplus	700,304	17	777,279	18
Other components of equity	(29,948)	(1)	(35,651)	(1)
Treasury Stocks	(41,599)	(1)	(41,599)	(1)
Total equity	2,445,686	60	2,435,529	56
Total liabilities and equity	\$ 4,105,985	100	4,379,785	100

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

OPTIMAX TECHNOLOGY CORPORATION

Parent Company Only Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

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

	2023		2022	
	Amount	%	Amount	%
Total operating revenue	\$ 2,004,664	100	2,947,446	100
Total operating costs	(1,471,475)	(73)	(2,202,824)	(75)
Gross profit from operations	533,189	27	744,622	25
Operating expenses				
Selling expenses	(127,196)	(6)	(168,370)	(6)
Administrative expenses	(153,618)	(8)	(165,094)	(5)
Research and development expenses	(52,834)	(3)	(57,318)	(2)
Expected credit loss income	22,120	1	6,582	—
Total operating expenses	(311,528)	(16)	(384,200)	(13)
Net operating income	221,661	11	360,422	12
Non-operating income and loss				
Interest income	3,308	—	607	—
Other income	42,852	2	38,410	1
Other gains and losses	(8,052)	—	114,744	4
Finance costs	(42,048)	(2)	(49,758)	(1)
Expected credit loss expense	(7,179)	—	(2,703)	—
Share of profit or loss from subsidiaries and associates accounted for using the equity method	(12,945)	(1)	(21,265)	(1)
Total non-operating income and expenses	(24,064)	(1)	80,035	3
Profit from continuing operations before tax	197,597	10	440,457	15
Total tax (expense) income	(25,065)	(1)	3,115	—
Net Income	172,532	9	443,572	15
Other comprehensive income				
Components of other comprehensive income that will not be reclassified to profit or loss				
Remeasurement of defined benefit obligations	(2,433)	—	5,645	—
Unrealised gains (losses) measured at fair value through other comprehensive income	41,443	2	3,071	—
Unrealised gains (losses) from subsidiaries accounted for using equity method in equity instruments measured at fair value through other comprehensive income	985	—	(10,316)	—
Components of other comprehensive income that will be reclassified to profit or loss				
Exchange differences on translating the financial statements of foreign operations	(770)	—	1,159	—
Other comprehensive income for the period (net of tax)	39,225	2	(441)	—
Total comprehensive income	\$ 211,757	11	443,131	15
Earnings per share				
Basic earnings per share	\$ 1.03		2.62	
Diluted earnings per share	\$ 1.03		2.62	

OPTIMAX TECHNOLOGY CORPORATION**Parent Company Only Statements of Changes in Equity****For the years ended December 31, 2023 and 2022**

(Expressed in Thousands of New Taiwan Dollars)

Accounting Title	Common stock	Retained earnings			Other components of equity		Treasure Stocks	Total equity
		Statutory surplus reserve	Special surplus reserve	Undistributed surplus	Foreign Currency translation differences	Unrealized gains(losses) from financial assets at fair value through other comprehensive income		
Balance as of January 1, 2022	\$ 1,700,000	\$ —	\$ —	\$ 355,003	\$ (4,108)	\$ (16,898)	\$ —	\$ 2,033,997
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)
Balance at of December 31, 2022	\$ 1,700,000	\$ 35,500	\$ —	\$ 777,279	\$ (2,949)	\$ (32,702)	\$ (41,599)	\$ 2,435,529
Balance as of January 1, 2023	\$ 1,700,000	\$ 35,500	\$ —	\$ 777,279	\$ (2,949)	\$ (32,702)	\$ (41,599)	\$ 2,435,529
Appropriation and distribution of retained earnings:								
Statutory surplus reserve	—	45,778	—	(45,778)	—	—	—	—
Special surplus reserve	—	—	35,651	(35,651)	—	—	—	—
Ordinary cash dividend	—	—	—	(201,600)	—	—	—	(201,600)
Net Income	—	—	—	172,532	—	—	—	172,532
Other comprehensive income(loss)	—	—	—	(2,433)	(770)	42,428	—	39,225
Total comprehensive income (loss)	—	—	—	170,099	(770)	42,428	—	211,757
Disposal of gains (losses) measured at fair value through other comprehensive income	—	—	—	35,955	—	(35,955)	—	—
Balance at of December 31, 2023	\$ 1,700,000	\$ 81,278	\$ 35,651	\$ 700,304	\$ (3,719)	\$ (26,229)	\$ (41,599)	\$ 2,445,686

OPTIMAX TECHNOLOGY CORPORATION**Parent Company Only Statements of Cash Flows****For the years ended December 31, 2023 and 2022**

(Expressed in Thousands of New Taiwan Dollars)

	2023	2022
Cash flows from operating activities :		
Income before income tax	\$ 197,597	440,457
Adjustments to reconcile profit (loss) :		
Depreciation expense	64,325	66,183
Amortization expense	45	158
Expected credit loss income	(14,941)	(3,879)
Interest expense	42,048	49,758
Interest income	(3,309)	(607)
Share of profit or loss from subsidiaries and associates accounted for using the equity method	12,945	21,265
Loss on disposal of property, plant and equipment	8,865	3,665
Property, plant and equipment reclassification expense	4	—
Loss on disposal of investment properties	—	1,065
Gain on disposal of non-current assets classified as held for sale	(6,368)	(2,872)
Reversal of impairment loss on non-financial assets	(39)	(2,534)
Unrealized foreign exchange gain	(61,517)	(46,716)
Changes in operating assets and liabilities :		
Accounts receivable	153,768	69,458
Other receivable	(6,351)	2,277
Inventories	272,749	205,058
Prepayments	(7,264)	27,184
Other current assets	159	599
Accounts payable	48,436	(57,215)
Other payable	(1,296)	7,372
Provisions	1,376	(1,002)
Other current liabilities	(14,368)	6,994
Net defined benefit assets	(5,771)	(5,970)
Cash generated from operation	681,093	780,698
Interest received	3,235	611
Interest paid	(41,072)	(49,774)
Income taxes paid	(16,308)	(6)
Net cash inflows from operations	626,948	731,529
Cash flows from investing activities :		
Disposal of financial assets at fair value through other comprehensive income	\$ 52,725	11,789
Disposal of financial assets measured at amortized cost	—	50,000
Acquisition of investments accounted for using the equity method	(120,000)	—
Disposal of non-current assets as held for sale	7,425	—
Acquisition of property, plant and equipment	(25,352)	(18,149)
Disposal of property, plant and equipment	1,667	1,081
Acquisition of investment properties	(231)	(21,796)
Decrease (Increase) in other financial assets	(11,352)	13,446
Increase in other non-current assets	(462)	(15,192)
Net cash inflows (outflows) from investing activities	(95,580)	21,179
Cash flows from financing activities :		
Increase (decrease) in short-term loans	66,884	(572,675)
Payments of long-term debt	2,840,000	—
Repayments of long-term debt	(3,220,000)	(200,000)
Increase in guarantee deposits received	245	7,587
Decrease in guarantee deposits received	—	(544)
Payment of cash dividends	(201,600)	—
Payments of lease liabilities	(3,424)	(3,544)
Shares Buyback (Treasure Stocks)	—	(41,599)
Net cash outflows from financing activities	(517,895)	(810,775)
Effect of change rate changes on cash and cash equivalents	72,599	48,777
Net increase (decrease) in cash and cash equivalents	86,072	(9,290)
Cash and cash equivalents at beginning of year	58,843	68,133
Cash and cash equivalents at end of year	\$ 144,915	58,843

OPTIMAX TECHNOLOGY CORPORATION
Notes to Parent Company Only Financial Statements
For the year ended December 31, 2023 and 2022

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

1. Organization and business

- (1) Optimax Technology Corporation (hereinafter referred to as "the Company") is incorporated In March 1998. The Company is primarily engaged in the manufacturing and sales of polarizers.
- (2) The Company was approved for listing in August 2002, and its stock has been traded on the Taiwan Stock Exchange since October 2002.
- (3) This parent company only financial report is presented in the Company's functional currency, New Taiwan Dollar (NTD).

2. Approval of financial statements

These parent company only financial statements were approved and authorized for issue by the Board of Directors of Optimax Technology Corporation on March 14, 2024.

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 2023 are as follows:

New, Amended and Revised Standards, and Interpretations	Effective date by International Accounting Standards Board
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
Amendments to IAS 12, 'International tax reform - pillar two model rules'	May 23, 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.

- (4) 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 2024 are as follows:

New, Amended and Revised Standards, and Interpretations	Effective date by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024
Amendments to IAS 7 and IFRS 7, 'Supplier finance arrangements'	January 1, 2024

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

- (5) 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:

New, Amended and Revised Standards, and Interpretations	Effective date by International Accounting Standards Board
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
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 21, 'Lack of exchangeability'	January 1, 2025

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

- (1) Compliance statement
The Parent Company Only 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 financial instruments measured at fair value and net defined benefit assets recognized by deducting the fair value of plan assets from the present value of defined benefit obligations, the financial statements of this entity are prepared on a historical cost basis.
The preparation of the Parent Company Only financial statements requires the use of significant accounting estimates, and the application of the company's accounting policies also involves management's judgment. For details on highly judgmental or complex items, or significant assumptions and estimates related to the Parent Company Only financial statements, please refer to Note 5.

In preparing the Parent Company Only financial statements, investments in subsidiaries or associate companies are accounted for using the equity method. To ensure that the current year's profit or loss, other comprehensive income, and equity in the entity's financial statements are consistent with those attributable to the owners of the parent company in the consolidated financial statements, adjustments are made for certain accounting differences between the Parent Company Only and Consolidation basis in "Investments Accounted for Using the Equity Method," "Share of Profit or Loss of Subsidiaries and Associate Companies Accounted for Using the Equity Method," "Share of Other Comprehensive Income of Subsidiaries and Associate Companies Accounted for 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
 - (2) sold or consumed within the normal operating cycle.
 - (3) Assets held mainly for trading purposes.
 - (4) Assets that are expected to be realized within twelve months from the balance sheet date.
 - (5) 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 Parent Company Only 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

1. Investment in subsidiary

A subsidiary refers to an entity controlled by the Company. Under the equity method, investments are initially recognized at cost, and subsequent changes in the carrying amount reflect the Company's share of the subsidiary's profit or loss and other comprehensive income, as well as dividends received or declared. Additionally, changes in other equity of the subsidiary attributable to the Company are recognized based on the ownership percentage.

When changes in ownership interest in a subsidiary do not result in loss of control, they are accounted for as equity transactions. Any difference between the carrying amount of the investment and the consideration paid or received is directly recognized in equity.

If the Company's share of losses in a subsidiary equals or exceeds its equity in that subsidiary (including the carrying amount of the subsidiary under the equity method and the Company's share of other comprehensive income), losses continue to be recognized to the extent of the Company's ownership percentage.

Any excess of the cost of acquisition over the Company's share of the identifiable net assets of a subsidiary at the acquisition date is recognized as goodwill. Goodwill is included in the carrying amount of the investment and is not amortized. Any excess of the Company's share of the identifiable net assets over the cost of acquisition is recognized as income.

Impairment assessments are based on the overall consideration of cash-generating units in the financial statements and comparing their recoverable amounts with their carrying amounts. Reversals of

impairment losses are recognized as income when the asset's recoverable amount increases, limited to the asset's carrying amount after impairment loss reversal, not exceeding the carrying amount that would have been determined had no impairment loss been recognized, reduced by any subsequent amortization. Impairment losses attributable to goodwill cannot be reversed in subsequent periods.

When control over a subsidiary is lost, the fair value of the Company's remaining investment in the former subsidiary at the date control is lost is measured, and any difference between the fair value of the remaining investment and any consideration received or receivable and the carrying amount of the investment at the date control is lost is recognized in profit or loss for the period. Additionally, all amounts recognized in other comprehensive income related to the subsidiary are accounted for on the same basis as would be required if the Company disposed of the relevant assets or liabilities directly.

In the Parent Company Only financial statements, intragroup transactions resulting in unrealized gains or losses are eliminated. Gains or losses arising from intragroup and downstream transactions are recognized in the Parent Company Only financial statements only to the extent that they relate to transactions with entities other than the parent.

2. Investment in associate company

An associate company refers to an entity over which the Company has significant influence but is not a subsidiary or a joint venture. The Company accounts for investments in associates using the equity method.

Under the equity method, investments in associates are initially recognized at cost, and subsequent changes in the carrying amount reflect the Company's share of the associate's profit or loss, other comprehensive income, and distributions of profits. Additionally, changes in the Company's equity in the associate are recognized based on the ownership percentage.

If the Company does not subscribe for new shares issued by an associate, resulting in a change in its ownership percentage and consequently impacting the net equity of the investment, the adjustment to the capital surplus accounts for changes in the equity of associates and investments accounted for using the equity method. Any amounts related to the associate recognized in other comprehensive income are reclassified proportionally based on the reduced ownership percentage. This accounting treatment aligns with the basis required when associates directly dispose of relevant assets or liabilities. If the adjustment requires a debit to capital surplus and the balance of the capital surplus generated by investments accounted for using the equity method is insufficient, the difference is debited to retained earnings.

When the Company's share of losses in an associate equals or exceeds its equity in that associate (including the carrying amount of the investment under the equity method and the company's share of other comprehensive income), further losses are no longer recognized. The Company only recognizes additional losses and liabilities within the scope of statutory obligations, presumed obligations, or payments already made on behalf of the associate.

Impairment assessments involve comparing the total carrying amount of the investment (including goodwill) to its recoverable amount and recognizing impairment losses without allocating them to any specific asset, including goodwill. Any reversal of impairment losses is recognized only to the extent that the recoverable amount of the investment increases subsequently.

When the Company ceases to apply the equity method for an investment, the remaining equity interest in the former associate is measured at fair value, and any difference between the fair value and the carrying amount of the investment at the cessation date is recognized in profit or loss for the period. Additionally, all amounts related to the former associate recognized in other comprehensive income are accounted for on the same basis required when associates directly dispose of relevant assets or liabilities.

Gains or losses arising from transactions with associates are recognized in the financial statements only to the extent that they do not relate to the Company's equity interest in the associate company.

(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 Parent Company Only 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:

- (c) 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.
- (d) 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 Parent Company Only 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 Parent Company Only 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 and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand	\$ 948	\$ 316
Demand deposits and checking account	128,157	58,527
Cash equivalents		
Bank Time deposit	15,810	—
Total	<u>\$ 144,915</u>	<u>\$ 58,843</u>

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

Equity instrument investment

	December 31, 2023	December 31, 2022
<u>Non-current</u>		
Domestic stock company shares	\$ —	\$ 11,282
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, 2023	December 31, 2022
<u>Current</u>		
Domestic investment		
Time deposits with original maturity more than three months	\$ 3,500	\$ 3,500
Interest rate range	1.565%	1.440%

(4) Net notes and accounts receivable

	December 31, 2023	December 31, 2022
<u>Notes receivable</u>		
<u>(Listed on other current assets)</u>		
Occurs due to business	\$ 3,709	\$ 3,453
Less: loss allowance	(3,413)	(3,413)
	\$ 296	\$ 40
<u>Accounts receivable</u>		
Measured at amortized cost		
Total book amount	\$ 553,303	\$ 687,969
Less: loss allowance	(5,069)	(9,833)
	\$ 548,234	\$ 678,136

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 (including related parties) of the company is as follows:

	December 31, 2023					
	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	0.33%~0.83%	0.41%~1.02%	0.48%~1.21%	0.56%~1.60%	0.72%~100%	
Carrying amount	\$ 423,097	\$ 82,633	\$ 34,625	\$ 10,877	\$ 66,404	\$ 617,636
Loss allowance for lifetime expected credit losses	(1,544)	(346)	(167)	(1,241)	(66,104)	(69,402)
Amortized cost	\$ 421,553	\$ 82,287	\$ 34,458	\$ 9,636	\$ 300	\$ 548,234

	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	\$ 507,034	\$ 125,517	\$ 42,531	\$ 4,179	\$ 14,023	\$ 693,284

5. The information on the changes in allowance for doubtful accounts and notes receivable (including related parties) is as follows:

2023		
	Notes receivable	Accounts receivable
Balance at the beginning of the period	\$ 3,413	\$ 98,393
Impairment Loss in the current period	—	(22,120)
Write-off amount in the current period	—	(6,871)
Balance at the end of the period	\$ 3,413	\$ 69,402

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

(5) Other accounts receivable

	December 31, 2023	December 31, 2022
Operating lease receivable	\$ —	\$ 49
Refundable business tax	12,084	6,799
Other accounts receivable-other	601	198
Other accounts receivable- related party	189,597	188,579
Sub-total	202,282	195,625
Less: loss allowance	(12,009)	(4,830)
Total	\$ 190,273	\$ 190,795

The information on the changes in allowance for doubtful accounts for other receivables is as follows:

	2023	2022
Balance at the beginning of the period	\$ 4,830	\$ 2,127
Impairment Loss in the current period	7,179	2,703
Balance at the end of the period	\$ 12,009	\$ 4,830

(6) Inventories

	December 31, 2023	December 31, 2022
Finished goods	\$ 183,764	\$ 316,016
Work in process	239,304	326,062
Raw materials	254,295	314,770
Inventory in transit	9,591	2,855
Total	\$ 686,954	\$ 959,703

The current period recognized inventory-related expenses are as follows:

	2023	2022
Inventories sold	\$ 1,494,781	\$ 2,199,834
Gain from price recovery of inventory	(49,981)	13,175
Inventory (Reversal of Impairment) Loss	68,561	46,411
Income from Sale of Scrap and Wastes	(42,037)	(56,587)
Others	151	(9)
Total	\$ 1,471,475	\$ 2,202,824

The increase in the net realizable value of inventory in 2023 primarily resulted from the sale of inventory for which valuation allowances had been recognized in previous years.

(7) Investments accounted for using equity method

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Investment in subsidiaries</u>		
Non-listed company		
OPTIMAX OPTOELECTRONIC (MAURITIUS) CORP.	\$ 41,186	\$ 41,545
ART OPTRONICS CORP.	834	868
<u>Significant associated company</u>		
Non-listed company		
Intelligent Information Security Technology INC.	107,663	—
	<u>\$ 149,683</u>	<u>\$ 42,413</u>

1. As of the balance sheet date, the ownership interest and voting percentage in subsidiaries and associated companies of the Company are as follows:

<u>Company Name</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
OPTIMAX OPTOELECTRONIC (MAURITIUS) CORP.	100%	100%
ART OPTRONICS CORP.	100%	100%
Intelligent Information Security Technology INC.	24.54%	—

Please refer to Table 5 and 6 for information regarding the nature of business, principal business locations, and countries of registration of the invested subsidiaries and associate companies. Table 5 contains details about the invested company names, locations, etc., while Table 6 provides information on investments in mainland China.

2. Significant associated company:

The management of our company, aiming to capitalize on global IoT cybersecurity opportunities, resolved at the board meeting on March 23, 2023, to invest in Intelligent Information Security Technology INC. (hereinafter referred to as "Intelligent Information Security"). We paid an investment amount of NT\$120,000 thousand in April 2023, holding a 24.54% stake in Intelligent Information Security, which grants us significant influence over its operations. We evaluate our investment in Intelligent Information Security using the equity method.

The investment agreement and commitment agreement with the major original shareholders of Intelligent Information Security contain the following key provisions:

- (1) The major original shareholders of Intelligent Information Security are allowed to recruit key talents necessary for the operation and development of Intelligent Information Security, and only then are they permitted to transfer technical shares under their names. However, prior written consent from our company must be obtained before any such transfer.

Additionally, within two years after our company's investment, the major original shareholders of Intelligent Information Security are prohibited from selling, entrusting, transferring, gifting, pledging, or otherwise encumbering their shares to third parties. Furthermore, within two to five years after our company's investment, they are restricted from selling, entrusting, transferring, gifting, pledging, or otherwise encumbering more than 30% of their shares to third parties. Shares transferred within the 30% limit cannot be sold to competitors of Intelligent Information Security.

Our company has the right of first refusal when the major original shareholders of Intelligent Information Security intend to sell, transfer, or dispose of their shares. When transferring shares within five years after our company's investment, the major original shareholders must ensure that the third-party buyer accepts the same restrictions as outlined in the original commitment agreement and provide a commitment letter consistent with the obligations in the original agreement.

- (2) Apart from the aforementioned restrictions on transfer, once the stipulated transfer restriction period has elapsed, the major original shareholders of Intelligent Information Security must promptly notify our company of any intention to sell, transfer, or dispose of their shares to third parties. Upon receiving such notice, our company has 30 days to notify the major original shareholders of Intelligent Information Security in writing, specifying the decision to jointly sell the shares to the same third party under the same conditions. If the major original shareholders of Intelligent Information Security receive a joint sale notice from our company, they must specify the number of shares they intend to sell within 30 days, and they must sell these shares together to the third party.

However, if the total number of shares proposed for sale by both parties exceeds the number of shares the third party intends to purchase, the number of shares proposed for sale by each party should be reduced in proportion to their respective shareholding until it matches the number of shares the third party intends to purchase.

- (3) The major original shareholders of Intelligent Information Security who contributed non-cash investments agree that within two years of our company's investment and the issuance of shares, in the event of bankruptcy, dissolution, liquidation, sale of all or most of the company's assets, merger with another company, or similar events involving Intelligent Information Security, they will not participate in the distribution nor request cash payment for their shares. Furthermore, when distributing surplus assets, our company is entitled to participate in the distribution in proportion to the amount of cash investment made by each shareholder.
- (4) The summarized financial information below is prepared based on the consolidated financial statements of associated enterprises in accordance with IFRSs, and adjustments have been made to reflect investments accounted for using the equity method.

Intelligent Information Security

Technology INC.

	December 31, 2023
Current assets	\$ 102,484
Non-current assets	13,618
Current liabilities	(3,332)
Non-current liabilities	(710)
Equity	\$ 112,060
Company's ownership percentage	24.54%
Equity held by the company	\$ 27,499
Patent rights	80,164
Investment carrying amount	\$ 107,663

	2023
Operating revenue	\$ —
Net loss for the period	\$ (19,823)
Total comprehensive income	\$ (19,823)

3. The investments accounted for using the equity method and the profits and losses attributable to the Company are recognized based on the financial statements of subsidiaries and associated companies audited by the accountants for the same periods.

(8) Property, plant and equipment

Item	2023				
	Balance at January 1, 2023	Additions	Disposals	Reclassification	Balance at December 31, 2023
<u>Cost</u>					
Land	\$ 364,697	\$ —	\$ —	\$ —	\$ 364,697
Buildings	2,495,494	545	(3,005)	—	2,493,034
Machinery	3,574,341	13,790	(513,475)	—	3,074,656
Transportation equipment	103,182	108	(1,503)	—	101,787
Office equipment	96,525	1,216	(107)	—	97,634
Other equipment	40,741	5,169	(8,116)	—	37,794
Work in Progress	—	16,067	—	5,200	21,267
Sub-total	6,674,980	36,895	(526,206)	5,200	6,190,869
<u>Accumulated depreciation</u>					
Buildings	1,429,266	36,749	(2,870)	—	1,463,145
Machinery	3,434,172	8,274	(503,175)	—	2,939,271
Transportation equipment	99,175	363	(1,472)	—	98,066
Office equipment	89,642	377	(101)	—	89,918
Other equipment	37,998	450	(8,052)	—	30,396
Sub-total	5,090,253	46,213	(515,670)	—	4,620,796
<u>Accumulated impairment</u>					
Buildings	17	—	—	—	17
Machinery	9,542	—	(38)	—	9,504
Transportation equipment	1,158	—	(1)	—	1,157
Office equipment	2,707	—	—	—	2,707
Other equipment	28	—	—	—	28
Sub-total	13,452	—	(39)	—	13,413
Total	\$ 1,571,275	\$ (9,318)	\$ (10,497)	\$ 5,200	\$ 1,556,660

Item	2022				
	Balance at January 1, 2022	Additions	Disposals	Reclassification	Balance at December 31, 2022
<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 equipment	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 equipment	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 equipment	404	—	(376)	—	28
Sub-total	15,634	—	(2,182)	—	13,452
Total	\$2,124,887	\$ (16,440)	\$ (4,847)	\$ (532,325)	\$1,571,275

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, 2023	December 31, 2022
Carrying amount of right-of-use asset		
Land	\$ 10,279	\$ 12,849
Transportation equipment	1,536	2,786
Office equipment	1,533	344
Total	\$ 13,348	\$ 15,979
	2023	2022
Depreciation expense of right-of-use assets		
Land	\$ 2,570	\$ 1,668
Transportation equipment	1,250	1,363
Office equipment	411	459
Total	\$ 4,231	\$ 3,490

- (2) The additions of the right-of-use assets of the company in 2023 and 2022 are respectively NT\$1,600 thousand and NT\$15,041 thousand.
- (3) Except for the addition and recognition of depreciation expenses listed above, there is no significant sublease or depreciation of the right-of-use assets of the company in 2023 and 2022.

2. Leasing liabilities

	December 31, 2023	December 31, 2022
Carrying amount of leasing liabilities		
Current	\$ 3,484	\$ 3,362
Non-current	\$ 10,701	\$ 12,647

The discount rate ranges for lease liabilities are as follows:

	December 31, 2023	December 31, 2022
Land	2.5580%	2.5580%
Transportation Equipment	1.8513%~2.5580%	1.8513%~2.5580%
Office Equipment	2.5580%	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 6 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.

4. Other rental information

	2023	2022
Short-term rental expenses	\$ 61	\$ 145
Low-value asset lease expenses	\$ 24	\$ 20
Total cash outflow from lease	\$ 3,781	\$ 3,780

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:

	2023	2022
Rental income	\$ 48,752	\$ 38,501

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

	December 31, 2023	December 31, 2022
The 1 st year	\$ 47,546	\$ 50,820
The 2 nd year	46,636	49,422
The 3 th year	45,886	49,636
The 4 th year	7,273	48,136
The 5 th year	—	7,273
Total	\$ 147,341	\$ 205,287

(11) Investment property

2023					
Item	Balance at January 1, 2023	Additions	Disposals	Reclassification	Balance at December 31, 2023
<u>Cost</u>					
Land	\$ 133,248	\$ —	\$ —	\$ —	\$ 133,248
Buildings	731,378	—	—	—	731,378
Sub-total	864,626	—	—	—	864,626
<u>Accumulated depreciation</u>					
Buildings	292,915	13,881	—	—	306,796
Sub-total	292,915	13,881	—	—	306,796
<u>Accumulated impairment</u>					
Buildings	26	—	—	—	26
Total	\$ 571,685	\$ (13,881)	\$ —	\$ —	\$ 557,804
2022					
Item	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	\$ 31,117	\$ 10,365	\$ (1,065)	\$ 531,268	\$ 571,685

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, 2023 and 2022 was as follows:

	December 31, 2023	December 31, 2022
Fair value	\$ 970,169	\$ 970,921

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

	2023	2022
Rental income from investment real estate	\$ 46,796	\$ 37,233
Direct operating expenses incurred by investment real estate that generates rental income in the current period	\$ 18,031	\$ 27,809

4. The company acquired a land in 2022, 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, 2023	December 31, 2022
Collateral borrowings	\$ 98,097	\$ 31,499
Interest rate	1.3742%~2.5%	1.5856%

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

(13) Accounts payable

	December 31, 2023	December 31, 2022
Account payable	\$ 130,842	\$ 83,570

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, 2023	December 31, 2022
Payable salary and bonus	\$ 59,574	\$ 56,445
Payable remuneration to employees and directors	7,481	6,707
Rent payable	78	127
Payable labor fees	1,150	1,150
Payable insurance premium	6,121	6,428
Pension payable	2,347	2,635
Interest payable	2,256	1,280
Equipment payment payable	1,093	409
Commission payable	21,221	23,262
Others	49,489	52,576
Total	\$ 150,810	\$ 151,019

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, 2023	December 31, 2022
Employee benefit liability provision	\$ 15,810	\$ 14,434

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, 2023	December 31, 2022
Medium and long-term bank mortgage loans	\$ 1,210,000	\$ 1,590,000
Less: part due within one year	—	(1,590,000)
Long-term borrowings	\$ 1,210,000	\$ —
Interest rate	2.6%	2.558%

1. Due to overall operations and financial planning, on September 27, 2023, the Company entered into a 3-year loan agreement with Sunny Bank for a total amount of NT\$1,360,000 thousand. Repayments are scheduled every 3 months for a total of 12 installments. Each installment from the 1st to the 11th consists of NT\$30,000 thousand principal repayment, with the remaining outstanding balance due in a lump sum at maturity, with the option for early repayment. The maturity date is October 6, 2026. The Company's loan balances were NT\$1,210,000 thousand as of December 31, 2023, and NT\$0 as of December 31, 2022.
2. Due to overall operations and financial planning, on December 27, 2021, the Company entered into a 2-year mortgage loan agreement with EnTie Bank for a total amount of NT\$1,790,000 thousand, with the principal repayable in full at maturity on May 20, 2023. The Company's loan balances were NT\$0 as of December 31, 2023, and NT\$1,590,000 thousand as of December 31, 2022.
3. For details regarding assets pledged as collateral for long-term loans, please refer to Note 8.

(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 Company recognized retirement benefit expenses related to defined contribution plans amounting to NT\$14,597 thousand and NT\$15,888 thousand for the years ended in 2023 and 2022, 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, 2023	December 31, 2022
Present value of defined benefit obligation	\$ (65,959)	\$ (66,200)
Fair value of planned assets	72,387	69,290
Net defined benefit	<u>\$ 6,428</u>	<u>\$ 3,090</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
Balance at January 1, 2023	\$ (66,200)	\$ 69,290	\$ 3,090
Service cost			
Current service cost	(90)	—	(90)
Interest (expense) income	(985)	1,078	93
Recognized in profit and loss	<u>(1,075)</u>	<u>1,078</u>	<u>3</u>
Remeasurement			
Return on plan assets (excluded the amount included in interest income or expenses)	—	374	374
Impact of changes in demographic assumptions	(679)	—	(679)
Impact of changes in financial assumptions	(1,827)	—	(1,827)
Experience adjustment	(301)	—	(301)
Recognized in other comprehensive income	<u>(2,807)</u>	<u>374</u>	<u>(2,433)</u>
Contributed Retirement Fund	<u>—</u>	<u>5,768</u>	<u>5,768</u>
Pay pension	<u>4,123</u>	<u>(4,123)</u>	<u>—</u>
Balance at December 31, 2023	<u>\$ (65,959)</u>	<u>\$ 72,387</u>	<u>\$ 6,428</u>

	Present value of defined benefit obligation	Fair value of planned assets	Net defined benefit (liabilities)
Balance at January 1, 2022	\$ (68,700)	\$ 60,175	\$ (8,525)
Service cost			
Current service cost	(76)	—	(76)
Interest (expense) income	(515)	474	(41)
Recognized in profit and loss	(591)	474	(117)
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	(3,999)	—	(3,999)
Recognized in other comprehensive income	1,138	4,507	5,645
Contributed Retirement Fund	—	6,087	6,087
Pay pension	1,953	(1,953)	—
Balance at December 31, 2022	\$ (66,200)	\$ 69,290	\$ 3,090

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

- (4) 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.
- (5) 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.
- (6) 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, 2023	December 31, 2022
Discount Rate	1.250%	1.500%
Expected salary increase rate	2.0000%	2.0000%

The changes in the main actuarial assumptions that were adopted on December 31, 2023 and 2022, will increase (decrease) the present value of defined benefit obligations by the following amounts:

December 31, 2023	Actuarial assumptions increased by 0.25%	Actuarial assumptions reduced by 0.25%
Discount Rate	\$ (1,834)	\$ 1,908
Expected salary increase rate	\$ 1,859	\$ (1,796)

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

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, 2023 and 2022, the planned provision amount and the weighted average duration of the retirement plan are as follows:

	December 31, 2023	December 31, 2022
Expected amount to be withdrawn within 1 year	\$ 5,676	\$ 6,223
Determining the average maturity of benefit obligations period	11.3 years	11.9 years

(18) Equity

1. Common stock

	December 31, 2023	December 31, 2022
Rated equity	\$ 10,000,000	\$ 10,000,000
Issued share capital	\$ 1,700,000	\$ 1,700,000

As of December 31, 2023 and December 31, 2022, the Company's nominal number of shares is 1,000,000 thousand shares, each with a par value of NT\$10, and the issued shares were 170,000 thousand 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 30% 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 14, 2024, our company passed a resolution through the board of directors to propose the profit distribution plan for the year 2023.

The proposed distribution is as follows:

	Amount	dividend per share (in NT dollars)
Statutory Surplus Reserve	\$ 20,605	\$ —
Special Surplus Reserve	(5,703)	—
Cash Dividend	168,000	1
	<u>\$ 182,902</u>	

The resolution on profit distribution for the year of 2023 is still pending and awaiting approval at the shareholder's meeting scheduled on June 20, 2024. 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 20, 2023, the Company passed a resolution at the shareholder's meeting to allocate profits and losses in 2022.

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

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.

- (7) On June 23, 2022, our company passed a resolution at the shareholder's meeting regarding the deficit in 2021. 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 Differences on Translation of Foreign Financial Statements	Unrealized Gain or Loss on Financial Assets Measured at fair value through other comprehensive income	Total
Balance at January 1, 2023	\$ (2,949)	\$ (32,702)	\$ (35,651)
Generated in the period			
Exchange Differences on Translation of Foreign Financial Statements	(770)	—	(770)
Evaluation adjustment	—	42,428	42,428
Accumulated gains or losses from disposal of equity instruments are transferred to retained earnings	—	(35,955)	(35,955)
Balance at December 31, 2023	<u>\$ (3,719)</u>	<u>\$ (26,229)</u>	<u>\$ (29,948)</u>

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

4. Treasury Stock

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

(Unit : 1,000 shares)

Reasons for Share Repurchase	January 1~ December 31, 2023			Ending balance of shares
	Beginning balance of shares	Shares repurchased in current period	Shares cancelled in current period	
Transfer shares to employees	2,000	—	—	2,000

Reasons for Share Repurchase	January 1~ December 31, 2022			Ending balance of shares
	Beginning balance of shares	Shares repurchased in current period	Shares cancelled in current period	
Transfer shares 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) To incentivize and boost employee morale, the Company, on August 11, 2022, resolved at the board meeting to repurchase 2,000 thousand shares of treasury stock. The repurchase period was scheduled from August 12, 2022 to October 11, 2022, at a repurchase price ranging from NT\$11.03 to NT\$23.85 per share. The Company executed the repurchase on August 24, 2022, acquiring 2,000 thousand shares for a total amount of NT\$41,599 thousand.

(19) Earnings per share

	2023	2022
Basic earnings per share(NTD)	\$ 1.03	\$ 2.62
Diluted earnings per share(NTD)	\$ 1.03	\$ 2.62

The basic and diluted earnings per share of the Company are as follows:

1. Basic earnings per share

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

	2023	2022
Net profit for the current period (thousand NTD)	\$ 172,532	\$ 443,572
The weighted average number of ordinary shares to calculate the basic earnings per share (thousand shares)	168,000	169,256
Basic earnings per share (NTD)	\$ 1.03	\$ 2.62

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:

	2023	2022
Net profit for the current period (thousand NTD)	\$ 172,532	\$ 443,572
The weighted average number of ordinary shares to calculate the basic earnings per share (thousand shares)	168,000	169,256
Employee bonus expense (thousand shares)	161	261
The weighted average number of ordinary shares to calculate the diluted earnings per share (thousand shares)	168,161	169,517
Diluted earnings per share (NTD)	\$ 1.03	\$ 2.62

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

	2023	2022
Customer contract revenue		
Commodity sales revenue	\$ 2,004,664	\$ 2,947,446

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

2. Contract balance

	December 31, 2023	December 31, 2022
Accounts receivable (Note 6 (4) 、7)	\$ 548,234	\$ 693,284
Contract liabilities-current (list other current liabilities)		
Commodity sales	\$ 3,374	\$ 2,001

Funds from contract liabilities at the beginning of the period recognized as operating income were NT\$1,406 thousand and NT\$826 thousand in 2023 and 2022.

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\$25,979 thousand and NT\$41,697 thousand in 2023 and 2022, respectively. The balance of refund liabilities are NT\$2,461 thousand and NT\$18,175 thousand on December 31, 2023 and 2022, respectively

(21) Other income

	2023	2022
Rental income	\$ 48,752	\$ 38,501
Less: depreciation	(13,603)	(11,733)
Other	7,703	11,642
Total	\$ 42,852	\$ 38,410

(22) Other gains and losses

	2023	2022
Losses on disposal of real estate, plant and equipment	\$ (8,865)	\$ (3,665)
Losses on disposal of investment real estate	—	(1,065)
Gains on disposal of interest in non-current assets held for sell	6,368	2,872
Foreign exchange profit	4,579	128,366
Reversal of Impairment losses in non-current assets held for sell	—	352
Reversal of Impairment profit -real estate, plant and equipment	39	2,182
Depreciation expense	(1,023)	(995)
Miscellaneous Disbursements	(9,150)	(13,303)
Total	<u>\$ (8,052)</u>	<u>\$ 114,744</u>

(23) Financial costs

	2023	2022
Interest expense		
Bank loan	\$ 41,625	\$ 49,670
Lease liability	362	71
Others	61	17
Total	<u>\$ 42,048</u>	<u>\$ 49,758</u>

(24) Income Tax

1. The income tax expenses (income) of the Company in 2023 and 2022 were as follows:

	2023	2022
Tax calculated based on profit before tax and statutory tax rate (20%)	\$ 39,520	\$ 88,091
Expenses disallowed by tax regulation	(19,583)	170
Sale of land profit exempt from income tax	(7,191)	(1,711)
Income tax impact of loss deduction	(12,746)	(86,550)
Temporary differences in the current period	12,933	(20,057)
Additional tax on undistributed earnings	8,737	15,975
Difference in tax payable based on the basic tax amount	4,243	967
Income tax adjustment for prior years	(848)	—
Income tax expense (benefit)	<u>\$ 25,065</u>	<u>\$ (3,115)</u>

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

	2023	2022
Current tax:		
Current tax on profit in current period	\$ 12,132	\$ 16,942
Deferred tax:		
Origination and reversal of temporary differences	12,933	(20,057)
Income tax expense (benefit) recognized in the income statement	\$ 25,065	\$ (3,115)

2. The Company did not directly recognize any income tax in equity or other comprehensive income for the years ended in 2023 and 2022.

3. Current income tax liabilities

	December 31, 2023	December 31, 2022
Current income tax liabilities	\$ 12,735	\$ 16,911

4. Deferred income tax liabilities

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

	2023			
	Balance at January 1, 2023	Recognized in profit and loss	Recognized in other comprehensive profit and loss	Balance at December 31, 2023
Temporary differences				
Unrealized exchange loss	\$ 16,992	\$ (12,303)	\$ —	\$ 4,689
Unrealized inventory decline loss	44,254	(9,996)	—	34,258
Allowance for excess of bad debts	19,744	(4,015)	—	15,729
Unrealized Impairment of assets	5,445	(8)	—	5,437
Investment using the equity method	60,513	18,230	—	78,743
Unrealized employees paid	2,887	275	—	3,162
Unallocated manufacturing expenses	3,010	(806)	—	2,204
Unrealized sales discount	3,695	(3,181)	—	514
	\$ 156,540	\$ (11,804)	\$ —	\$ 144,736

	2022			
	Balance at January 1, 2022	Recognized in profit and loss	Recognized in other comprehensive profit and loss	Balance at December 31, 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 contributed	1,008	(1,008)	—	—
	<u>\$ 137,040</u>	<u>\$ 19,500</u>	<u>\$ —</u>	<u>\$ 156,540</u>

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

	2023			
	Balance at January 1, 2023	Recognized in profit and loss	Recognized in other comprehensive profit and loss	Balance at December 31, 2023
Temporary differences				
Sales in transit	\$ 52	\$ (25)	\$ —	\$ 27
Pension listed excess of pension contributed	186	1,154	—	1,340
	<u>\$ 238</u>	<u>\$ 1,129</u>	<u>\$ —</u>	<u>\$ 1,367</u>

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

5. Items not recognized as deferred income tax assets

	December 31, 2023	December 31, 2022
Loss deduction amount	\$ 370,697	\$ 434,425
Temporary difference amount	\$ 236,537	\$ 326,339

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, 2023, the company's undeducted loss and the deduction exclusion period was as follows:

Year incurred	Amount filed/ assessed	Expiry year	Loss deduction
2017	Amount assessed	2027	\$ 108,544
2018	Amount assessed	2028	9,170
2019	Amount assessed	2029	69,643
2020	Amount estimated	2030	183,340
			\$ 370,697

(25) Expense by nature

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

Nature \ Function	2023			
	Recognized in cost of sales	Recognized in operating expenses	Recognized in non-operating expenses	Total
Employee benefits expenses:				
Salaries and wages	\$ 246,767	\$ 120,310	\$ —	\$ 367,077
Labor and health insurances	27,328	10,413	—	37,741
Pension	13,729	865	—	14,594
Director's Remuneration	—	1,214	—	1,214
Other employee benefits	21,254	4,162	—	25,416
Depreciation	39,303	10,396	14,626	64,325
Amortization	—	45	—	45

Nature \ Function	2022			
	Recognized in cost of sales	Recognized in operating expenses	Recognized in non-operating 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

- (1) The average number of employees of the company in 2023 and 2022 are 594 and 607, respectively, of which the number of directors who are not employees are 10 and 10, respectively.
- (2) The company's average employee benefits in 2023 and 2022 were NT\$762 thousand and NT\$777 thousand, respectively, and the average employee salaries were NT\$629 thousand and NT\$642 thousand, respectively, and the average employee salary cost adjustment change situation is -2%.
- (3) The company adopted an audit committee to replace the supervisory system in 2023 and 2022. 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) The Company allocates 1% to 10% of the pre-tax profits before deducting the distribution of employee remuneration and director's remuneration for the fiscal year as employee remuneration, which may be distributed in the form of stocks or cash as determined by the board of directors. The recipients of such distribution may include employees of subsidiary companies who meet certain conditions. Additionally, up to 1% is allocated for director's remuneration. The distribution of employee remuneration and director's remuneration shall be resolved by the board of directors with the attendance of at least two-thirds of the directors and the affirmative vote of more than half of the attending directors, and shall be reported to the shareholders' meeting.
- (2) The estimated employee remuneration and director's remuneration for the years 2023 and 2022 are respectively resolved by the board of directors on March 14, 2024 and March 23, 2023 as follows:

Estimated provision ratio

	2023	2022
Employee remuneration	1%	1%
Director's remuneration	0.5%	0.5%

Amount

	2023	2022
Employee remuneration	\$ 2,013	\$ 4,471
Director's remuneration	\$ 1,006	\$ 2,236

After the annual financial statements of the Company are approved for issuance, any subsequent changes in amounts are adjusted based on accounting estimates and recorded in the following fiscal year.

The distribution amounts for employee remuneration and director's remuneration for the year 2022, as resolved, were consistent with the amounts recognized in 2022 financial statements.

Due to the pre-existing accumulated losses recognized by the shareholders' meeting as of the year 2021, the Company did not estimate provisions for employee remuneration and \ director's remuneration.

- (3) Information regarding employee remuneration and director's remuneration approved by the Company's board of directors can be found on the Taiwan Stock Exchange's "Market Observation Post System" (MOPS).

(26) Cash flow information

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

(1) Non-current assets held for sell

	2023	2022
Current Disposal	\$ 7,425	\$ 3,246
Plus: Beginning balance of accounts receivable for equipment	2,703	—
Less: The beginning balance of prepaid items	—	(543)
Less: The year-end accounts receivable for equipment payments	(2,827)	(2,703)
Exchange influence	124	—
Cash payback in this period	<u>\$ 7,425</u>	<u>\$ —</u>

(2) Property, plant and equipment

	2023	2022
Current increase	\$ 36,895	\$ 34,591
Plus: Equipment payment due at the beginning of the period	178	4,655
Less: Equipment payment due at the end of the period	(1,093)	(178)
Less: the number of prepaid equipment transfers	(10,628)	(20,919)
Cash paid in this period	<u>\$ 25,352</u>	<u>\$ 18,149</u>

	2023	2022
Current Disposal	\$ 1,667	\$ 3,364
Plus: Beginning balance of accounts receivable for equipment	5,600	3,317
Less: The year-end accounts receivable for equipment payments	(5,600)	(5,600)
Exchange influence	—	—
Cash paid in this period	<u>\$ 1,667</u>	<u>\$ 1,081</u>

(3) Investment real estate

	2023	2022
Current increase	\$ —	\$ 22,027
Plus: Equipment payment due at the beginning of the period	231	
Less: Equipment payment due at the end of the period	—	(231)
Cash paid in this period	<u>\$ 231</u>	<u>\$ 21,796</u>

2. Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings	Guarantee deposits received	Lease liabilities	Liabilities from financing activities-gross
At January 1, 2023	\$ 31,499	\$1,590,000	\$ 8,187	\$ 16,009	\$1,645,695
Changes in cash flow from financing activities	66,884	(380,000)	245	(3,424)	(316,295)
Changes in lease liabilities	—	—	—	1,600	1,600
Exchange influence	(286)	—	—	—	(286)
At December 31, 2023	\$ 98,097	\$1,210,000	\$ 8,432	\$ 14,185	\$1,330,714
	Short-term borrowings	Long-term borrowings	Guarantee deposits received	Lease liabilities	Liabilities from financing 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
Exchange influence	1,696	—	—	—	1,696
At December 31, 2022	\$ 31,499	\$1,590,000	\$ 8,187	\$ 16,009	\$1,645,695

(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, 2023	December 31, 2022
<u>Financial assets</u>		
Cash and Equivalent Cash	\$ 144,915	\$ 58,843
Financial assets measured at amortized cost-current	3,500	3,500
Notes receivable	296	40
Accounts receivable	548,234	693,284
Other receivable	190,273	190,795
Other financial assets- non-current	82,932	71,580
Financial assets at fair value through other comprehensive income-non-current	—	11,282
Refundable Deposits	6,960	7,170
<u>Financial liabilities</u>		
Short-term borrowings	\$ 98,097	\$ 31,499
Notes payable	200	930
Accounts payable	130,842	83,570
Other payable	150,810	151,019
Long-term debt (including current portion)	1,210,000	1,590,000
Guarantee deposit received	8,432	8,187

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, 2023						
	Foreign currency	Exchange rate	NTD	Sensitivity analysis		
				Degree of variation	Effect on profit or loss (before tax)	Effect on profit or loss
<u>Financial assets</u>						
<u>Monetary items</u>						
JPY	415,835,943	0.2172	90,320	+10%	9,032	7,226
USD	29,214,927	30.73	897,645	+10%	89,764	71,812
EUR	1,307	33.98	44	+10%	4	4
KRW	40,000	0.0239	1	+10%	—	—
CNY	3,051,610	4.327	13,204	+10%	1,320	1,056
Non-Monetary items						
JPY	50,134,185	0.2159	10,822			
<u>Financial liabilities</u>						
<u>Monetary items</u>						
JPY	892,752,651	0.2172	193,906	+10%	(19,391)	(15,512)
USD	1,025,767	30.71	31,501	+10%	(3,150)	(2,520)
Non-Monetary items						
USD	173,684	30.74	5,340			
CNY	113,850	4.391	500			
December 31, 2022						
	Foreign currency	Exchange rate	NTD	Sensitivity analysis		
				Degree of variation	Effect on profit or loss (before tax)	Effect on profit 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%	—	—
CNY	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)
Non-Monetary items						
USD	617,233	30.61	18,891			
CNY	277,830	4.384	1,218			

B. Monetary items of the company have a significant impact due to exchange rate fluctuations and all exchange loss recognized was NT\$4,597 thousand and NT\$128,366 thousand (including realized and unrealized) in 2023 and 2022, 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\$1,432 thousand and NT\$2,110 thousand in 2023 and 2022, 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, 2023 and 2022, the balance of accounts receivable of the top ten customers accounted for the balance of accounts receivable of the company, the percentages are 77% and 82%, 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, 2023					
	Within 1 year	2~3 years	4~5 years	More than 5 years	Total
<u>Non-derivative financial liabilities</u>					
Notes and accounts payable	\$ 131,042	\$ —	\$ —	\$ —	\$ 131,042
Other payables	150,810	—	—	—	150,810
Lease liabilities	3,795	6,785	4,147	216	14,943
Loan	98,460	1,296,968	—	—	1,395,428
Guarantee deposit received	245	1,000	7,187	—	8,432
Total	\$ 384,352	\$ 1,304,753	\$ 11,334	\$ 216	\$ 1,700,655

December 31, 2022					
	Within 1 year	2~3 years	4~5 years	More than 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	\$ 1,875,564	\$ 6,624	\$ 14,850	\$ —	\$ 1,897,038

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, 2023, and 2022, 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, 2023				
	Level 1	Level 2	Level 3	Total
<u>Repeatability fair value:</u>				
Financial assets measured at fair value through other comprehensive gains and losses	\$ —	\$ —	\$ —	\$ —
December 31, 2022				
	Level 1	Level 2	Level 3	Total
<u>Repeatability fair value:</u>				
Financial assets measured at fair value through other comprehensive gains and losses	\$ —	\$ —	\$ 11,282	\$ 11,282

- (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 2023 and 2022.
- (6) The following chart is the movement of Level 3:

January 1 ~ December 31, 2023				
	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	\$ 11,282	\$ —	\$ 41,443	\$ (52,725)
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)

- (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:

			Changes in fair value reflected in the profit and loss of the current period		Changes in fair value reflected in other comprehensive profit or loss	
	Input value	Move up or down changes	favorable changes	unfavorabl e changes	favorable changes	unfavorabl e changes
<u>December 31, 2023</u>						
Measured at fair value through other comprehensive profit and loss						
Investments accounted for using equity method with No Active Market	P/B multiplier	±5%	—	—	—	—
<u>December 31, 2022</u>						
Measured at fair value through other comprehensive profit and loss						
Investments accounted for using equity method with No Active Market	P/B multiplier	±5%	—	—	564	(564)

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

Name of related party	Relationship with the Company
ART OPTRONICS CORP.	Subsidiary
Optimax Technology (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 associate company are the same)

(2) The Company's significant related party transactions

1. Operating revenue

Name of related party	2023	2022
Lihuasheng Hong Kong	\$ 15,871	\$ 150,829

The prices of transactions between the company and its related parties were not comparable in other transactions under the same circumstances in 2023 and 2022. The credit period for related parties is approximately 90~120 days for monthly settlement, and approximately 30~120 days for general customers.

2. Purchases

Name of related party	2023	2022
ART OPTRONICS CORP.	\$ 16,274	\$ 9,793
Lihuasheng Hong Kong	—	109
	\$ 16,274	\$ 9,902

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

3. Manufacturing cost - processing cost

Name of related party	2023	2022
Lihuasheng Hong Kong	\$ 20,518	\$ 69,669

4. Deduction of operating costs - income from sale of scraps

Name of related party	2023	2022
Lihuasheng Hong Kong	\$ 9,869	\$ 12,889

5. Operating expenses

Name of related party	2023	2022
Optimax Technology (Suzhou) Co., Ltd	\$ 7,463	\$ 6,007
Lihuasheng Hong Kong	3,473	3,670
	<u>\$ 10,936</u>	<u>\$ 9,677</u>

6. Net Accounts receivable

Name of related party	December 31, 2023	December 31, 2022
Lihuasheng Hong Kong	\$ 64,333	\$ 103,708
Less: Allowance for losses	(64,333)	(88,560)
	<u>\$ —</u>	<u>\$ 15,148</u>

Information on changes in allowance losses is as follows:

	2023	2022
Beginning balance	\$ 88,560	\$ 88,560
Provision for impairment loss in the current period	(24,227)	—
Ending balance	<u>\$ 64,333</u>	<u>\$ 88,560</u>

7. Other receivables (excluding advances to suppliers)

Name of related party	December 31, 2023	December 31, 2022
Lihuasheng Hong Kong	\$ 12,062	\$ 11,044
Less: Allowance for losses	(12,009)	(4,830)
	<u>\$ 53</u>	<u>\$ 6,214</u>

The information on changes in provision for losses is as follows:

	2023	2022
Beginning balance	\$ 4,830	\$ 2,127
Provision for impairment loss in the current period	7,179	2,703
Ending balance	<u>\$ 12,009</u>	<u>\$ 4,830</u>

8. Advance payment

Name of related party	December 31, 2023	December 31, 2022
Peter Chao	\$ —	\$ 400

9. Accounts payable

Name of related party	December 31, 2023	December 31, 2022
Lihuasheng Hong Kong	\$ 133	\$ 4,231

10. Other payables

Name of related party	December 31, 2023	December 31, 2022
Lihuasheng Hong Kong	\$ —	\$ 1,537

11. Property transaction

	January 1~December 31, 2022	
Selling machine equipment	Disposal price	Disposal gains
Lihuasheng Hong Kong	\$ 6,336	\$ 5,657

12. Loan to related party (Funding provided to related party)

Name of related party	December 31, 2023	December 31, 2022
Optimax Technology (Suzhou) Co., Ltd	\$ 177,535	\$ 177,535
Interest income		
Name of related party	2023	2022
Optimax Technology (Suzhou) Co., Ltd	\$ —	\$ —

(3) Rewards for the main management

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

	December 31, 2023	December 31, 2022
Salary and other short-term benefits	\$ 22,223	\$ 14,489
Resignation benefits	108	108
Total	\$ 22,331	\$ 14,597

(8) Pledged assets

Item	Content	Carry amount	
		December 31, 2023	December 31, 2022
Other financial assets-current	Provided to financial institutions as collateral for long- and short-term loans	\$ 82,932	\$ 71,580
Real estate, plant and equipment	Provided to financial institutions as collateral for long- and short-term loans	1,221,081	1,394,870
Investment real estate	Provided to financial institutions as collateral for long- and short-term loans	—	550,047
Deposit for guarantee	Deposits for customs and lease guarantees, etc.	6,960	7,170
Total		\$ 1,310,973	\$ 2,023,667

(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, 2023	December 31, 2022
JPY	\$ 557,800	\$ 313,105
USD	\$ 194	\$ 93
NTD	\$ 9,760	\$ 14,406

- (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, 2023	December 31, 2022
\$ 653,000	\$ 4,333,358

(10) Significant loss from disaster: None.

(11) Significant subsequent events: None.

(12) Others: None.

(13) Additional disclosures

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

(5) Information on significant transactions:

11. Financing provided to other parties: Attached Table 1.
12. Provision of endorsements and guarantees to others: None.
13. Holding of marketable securities at the end of the period (excluding subsidiaries, joint ventures and associates): Attached Table 2.
14. Acquisition or sale of the same security with the accumulated cost reaching NT\$300 million or 20% of paid-in capital or more: None.
15. Acquisition of property reaching NT\$300 million or 20% of paid-in capital or more: None.
16. Disposal of property reaching NT\$300 million or 20% of paid-in capital or more: Attached None.
17. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
18. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Attached Table 3.
19. Provision of endorsements and guarantees to others: None.
20. Holding of marketable securities at the end of the period (excluding subsidiaries, joint ventures and associates): Attached Table 4.

(6) Information on investees:

- (b) Names, locations and other information of investee companies : Please refer to table 5.

(7) Information on investments in mainland China:

- (c) 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 6.
- (d) 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 1~6.

(8) Major shareholders information: Attached Table 7.

(14) Segment information

Please refer to the Consolidated Financial Statements Independent Auditors' Report of the year in 2023.

【Attached Table 1】

Financing provided to other parties

(Expressed in thousands of New Taiwan dollars)

No. (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the period (Note 3)	Ending balance (Note 8)	Actual amount drawn down	Interest rate	Nature of loan (Note 4)	Amounts of transaction with the borrower (Note 5)	Reason for short-term financing (Note 6)	Amounts of allowance	Collateral		Limit on loans granted to a single party (Note 7/9/10)	Ceiling on total loans granted (Note 7/9/10)
													Item	Value		
0	OPTIMAX	Optimax Technology (Suzhou) Co., Ltd	Other receivables	Yes	\$ 187,479	\$ 177,535	\$ 177,535	—	Short-term financing purpose	\$ —	Business operation	\$ —	None	None	\$ 978,274	\$ 978,274
1	Optimax Technology (Suzhou) Co., Ltd	Shenzhen Lihuasheng Technology Co., Ltd.	Long-term receivables	Yes	\$ 8,654	\$ 19,472	\$ 8,654	1%	Short-term financing purpose	\$ —	Business operation	\$ 8,364	None	None	\$ 16,474	\$ 16,474

Note 1: Explanation of the numbering column is as follows:

A. Issuer fills in 0.

B. Invested companies are sequentially numbered by company type, starting with Arabic numeral 1.

Note 2: Items such as accounts receivable from related parties, accounts receivable from related persons, shareholder transactions, prepayments, temporary payments, etc., if of a nature of fund lending, should be filled in this column.

Note 3: Maximum balance of funds lent to others during the year.

Note 4: The nature of funds lent for business transactions or where short-term financing is necessary.

Note 5: For funds lent as part of business transactions, the amount of business transactions should be filled in. Business transaction amount refers to the amount of business transactions between the lending company and the borrower from the transaction date to the end of the previous fiscal year.

Note 6: For funds lent for short-term financing needs, specific reasons for the necessary lending and the purpose of the funds lent to the borrower should be explained, such as loan repayment, equipment purchase, operating turnover, etc.

Note 7: The company should fill in the procedure for lending funds to others, specify the individual limits for lending to each party, and the total limit for lending funds, and explain in the remarks column the method of calculating the individual and total limits for lending funds.

Note 8: If a public company processes fund lending and endorsements in accordance with Article 14, Paragraph 1 of the Guidelines for the Handling of Fund Lending and Endorsements by Public Companies, although the funds have not been disbursed, the amount resolved by the board of directors should still be included in the disclosed balance to disclose the risks it undertakes; however, upon subsequent repayment of funds, the balance after repayment should be disclosed to reflect adjustments to the risk. If a public company processes fund lending in accordance with Paragraph 2 of Article 14 of the Guidelines, authorizing the chairman of the board to make disbursements or use revolving funds within a certain limit and period, the amount of fund lending approved by the board of directors should still be used as the disclosed balance, although funds have been subsequently repaid, considering the possibility of further disbursements, the amount approved by the board of directors should still be used as the disclosed balance.

Note 9: The operating procedures for lending funds to others by the Company are as follows:

B. Due to business transactions, the amount lent to individual parties must not exceed the amount of business transactions between the company and the individual party, and must not exceed 40% of the latest audited financial report net worth of the company; the total amount lent must not exceed 40% of the latest audited financial report net worth of the company. The above-mentioned business transaction amount refers to the higher of the purchase or sale amount between the two parties.

B. Due to the necessity of short-term financing, the amount lent to individual parties must not exceed 40% of the latest audited financial report net worth of the company.

C. Due to business transactions and the necessity of short-term financing, the total amount lent must not exceed 40% of the latest audited financial report net worth of the company.

Note 10: The operating procedures for lending funds to others by Optimax Technology (Suzhou) Co., Ltd. are as follows:

A. Due to business transactions, the amount lent to individual parties must not exceed the amount of business transactions between the company and the individual party, and must not exceed 40% of the latest audited financial report net worth of the company; the total amount lent must not exceed 40% of the latest audited financial report net worth of the company. The above-mentioned business transaction amount refers to the higher of the purchase or sale amount between the two parties.

B. Due to the necessity of short-term financing, the amount lent to individual parties must not exceed 40% of the latest audited financial report net worth of the company.

C. Due to business transactions or the necessity of short-term financing for companies holding 20% (inclusive) or more of shares, the total amount lent must not exceed 40% of the latest audited financial report net worth of the company.

【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, 2023				Footnote
				Shares	Carrying amount	Ownership (%)	Fair value	
OPTIMAX	Common Stock: (Hong Kong) Yute Optimax Technology Co., Ltd	—	Financial assets at fair value through other comprehensive profit or loss — non-current	1,700	\$ —	17%	\$ —	—
Optimax Technology (Suzhou) Co., Ltd	Investment Amount: 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

Company name	Counter party	Relationship with the counter party	Receivable-Related Parties Balance as at December 31, 2023 (Note 1)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
OPTIMAX	Optimax Technology (Suzhou) Co., Ltd	Subsidiary	Other Receivable \$ 177,535	—	\$ —	—	\$ —	\$ —

Note 1: Please list separately accounts receivable from related parties, bills receivable, other receivables, etc.

Note 2: Paid-in capital refers to the paid-in capital of the parent company. For issuers with no par value or a par value per share not equal to ten New Taiwan dollars, the transaction amount requirement for 20% of paid-in capital is calculated based on 10% of the equity attributable to owners of the parent company on the balance sheet.

【Attached Table 4】

Significant inter-company transactions

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan dollars)

No. (Note 1)	Company name	Counter party	Relationship (Note 2)	Transaction			
				Account	Amount	Transaction term	Percentage of consolidated total operating revenues or total assets (Note 4)
0	OPTIMAX	Optimax Technology (Suzhou) Co., Ltd	1	Other receivable	\$ 177,535		4%
1	ART OPTRONICS CORP.	OPTIMAX	2	Sales Revenue	\$ 16,274	The credit period is 7 days after delivery with telegraphic transfer	1%

【Attached Table 4-1】

Significant inter-company transactions

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan dollars)

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

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 5】

Names, locations and other information of investee companies (excluding mainland China)

Investor	Investee (Note 1)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2023			Net profit (loss) of the investee for the current period	Investment income (loss) recognized for the period	Footnote
				Balance as at December 31, 2023	Balance as at December 31, 2022	Number of shares	Owner ship (%)	Carrying amount			
OPTIMAX	ART OPTRONICS CORP.	Taiwan	Manufacture and sales	2,011	2,011	225,000	100%	834	(34)	(34)	Subsidiary
	OPTIMAX OPTOELECTRONIC (MAURITIUS) CORP. (OOMC)	MAURITIUS	Investment	614,524 (USD 19,000,000)	614,524 (USD 19,000,000)	19,000,000	100%	41,186	(574)	(574)	Subsidiary
	Information Security Technology INC.	Taiwan	Integrated Circuit (IC) Design Industry	120,000	—	24,000,000	24.54%	107,663	(19,823)	(12,337)	Associate company

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 6】

Information on investments in mainland China

Investee in Mainland China	Main business activities	Paid-in capital (Note 5)	Investment method	Accumulated amount of remittance from Taiwan as of January 1, 2023 (Note 5)	Amount remitted from Taiwan or amount remitted back to Taiwan for the current period		Accumulated amount of remittance from Taiwan as of December 31, 2023 (Note 5)	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, 2023	Investment returns have been repatriated as of the end of this period
					Remitted to mainland China	Remitted back to Taiwan					
Optimax Technology (Suzhou) Co., Ltd	Manufacturing and selling of polarizers	\$ 614,524 (USD19,000,000)	(Note 1(1))	\$ 614,524 (USD19,000,000)	\$ —	\$ —	\$ 614,524 (USD19,000,000)	100%	\$ (574) (Note 2)	\$ 41,186	\$ —
Shenzhen Lihuasheng Technology Co., Ltd	Manufacturing and selling of polarizers	\$ 34,660 (CNY8,000,000)	(Note 1(2))	—	—	—	—	32%	\$ (10,433)	—	—

Accumulated amount of remittance from Taiwan to mainland China as of December 31, 2023 (Note 5)	Investment amounts authorized by Investment Commission, MOEA (Note 4)	Upper limit on investment by Investment Commission, MOEA (Note 3)
\$ 614,524 (USD19,000,000)	\$ 678,691 (USD22,100,000)	\$ 1,467,412

Note 1: The methods of investing in Mainland China are as follows:

- (3) Investment in mainland China through OPTIMAX OPTOELECTRONIC (MAURITIUS) CORP.
- (4) Reinvestment in mainland China invested enterprise. (Optimax Technology (Suzhou) Co., Ltd.)

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 7】Major shareholders information

Major shareholders Name	Shareholding	Shareholding ratio
Peter Chao	16,450,416	9.67%
Long-Shi Lin	9,614,782	5.65%

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 : The above information, if related to shareholders holding shares under trust arrangements, shall be disclosed individually under the trustee's trust account. As for shareholders who are required to report their ownership exceeding ten percent under securities regulations, their holdings include both personal shares and shares held under trust arrangements where they have decision-making authority over the trust assets. For information regarding the reporting of insider shareholdings, please refer to the Market Observation Post System (MOPS).

OPTIMAX TECHNOLOGY CORPORATION**STATEMENT OF CASH AND CASH EQUIVALENTS**

DECEMBER 31, 2023

Expressed in thousands of NTD

Item	Description	Amount
Cash on hand	Foreign currency (included USD & JPY...etc.)	\$ 948
Cash in banks		
Checking Account		44
Current Account Deposit		15,934
Foreign currency Deposit	JPY 69,567,446 元	15,110
	USD 2,946,517 元	90,488
	CNY 1,520,947 元	6,581
Cash Equivalents		
Bank Time Deposit		15,810
Total		\$ 144,915

Exchange rate :

JPY 0.2172

USD 30.71

CNY 4.327

STATEMENT OF ACCOUNTS RECEIVABLE

DECEMBER 31, 2023

Expressed in thousands of NTD

Client Name	Description	Amount	Note
Non-related parties:			
Company A		\$ 98,157	
Company B		82,857	
Company C		82,042	
Company D		55,108	
Company E		54,593	
Company F		38,149	
Others	(The amount of individual client does not exceed 5% of the account balance)	142,397	
Total		553,303	
Less : Allowance for losses		(5,069)	
Total (Net)		548,234	
Related Party :			
Lihuasheng (Hong Kong) Optoelectronics Technology Co., Ltd.		64,333	
Less : Allowance for losses		(64,333)	
Total (Net)		\$ —	

STATEMENT OF INVENTORIES

DECEMBER 31, 2023

Expressed in thousands of NTD

Item	Description	Amount		Note
		Cost	Net realizable value	
Finished goods		\$ 223,026	\$ 208,340	
Work in process		306,951	247,130	
Raw materials		318,674	283,138	
In-transit inventory		9,591	9,591	
Subtotal		858,242	\$ 748,199	
Allowance of valuation loss		(171,288)		
Total		\$ 686,954		

STATEMENT OF PREPAYMENTS

DECEMBER 31, 2023

Expressed in thousands of NTD

Item	Description	Amount
Prepaid insurance premiums	Property insurance	\$ 37
Other prepaid expenses	Others	302
Payment in advance		10,990
Input Tax		62
Total		\$ 11,391

STATEMENT OF OTHER CURRENT FINANCIAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2023

Expressed in thousands of NTD

Item	Description	Amount	Note
Current			
Accounts receivable notes		\$ 296	
Advance payment		1,044	
Temporary received		82	
Other current financial assets	Current deposits provided to financial institutions as collateral for short-term borrowing	82,932	
Total		\$ 84,354	
Non-current			
Intangible assets		\$ 73	
Prepaid equipment payment		672	
Deposits received as guarantee		6,960	
Total		\$ 7,705	

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

FOR THE YEAR ENDED DECEMBER 31, 2023

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 (Note 1)	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	\$ 41,545	—	\$ —	\$ (574)	\$ (770)	\$ 985	19,000,000	100%	\$ 41,186	—	\$ 41,186	None	
ART OPTRONICS CORP.	225,000	868	—	—	(34)	—	—	225,000	100%	834	—	834	None	
Information Security Technology INC.	—	—	24,000,000	120,000	(12,337)	—	—	24,000,000	24.54%	107,663	—	107,663	None	
Total		\$ 72,835		\$ 120,000	\$ (12,945)	\$ (770)	\$ 985			\$ 149,683		\$ 149,683		

Note 1: Other equity method investments recognize an unrealized loss of NT\$985 thousand through other comprehensive income on equity instruments measured at fair value.

STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2023

Expressed in thousands of NTD

Item	Balance, January 1, 2023	Additions	Disposals	Reclassification	Balance, December 31, 2023
Cost :					
Land	\$ 12,849	\$ —	\$ —	\$ —	\$ 12,849
Transportation equipment	4,375	—	(624)	—	3,751
Office equipment	2,180	1,600	(2,180)	—	1,600
Subtotal	19,404	1,600	(2,804)	—	18,200
Accumulated depreciation :					
Land	—	2,570	—	—	2,570
Transportation equipment	1,589	1,250	(624)	—	2,215
Office equipment	1,836	411	(2,180)	—	67
Subtotal	3,425	4,231	(2,804)	—	4,852
Total (Net)	\$ 15,979	\$ (2,631)	\$ —	\$ —	\$ 13,348

STATEMENT OF SHORT-TERM BORROWINGS

DECEMBER 31, 2023

Expressed in thousands of NTD

Creditor	Type of loan	Balance, December 31, 2023	Repayment period of the amount moved	Interest rate range	Loan Commitments	Collateral	Note
SUNNY Bank	Secured loan	\$ 1,000	2024.10.18	2.5000%	NTD 150,000	Note 8	
Mega Bank	Secured loan	19,473	2024.02.02~2024.05.05	1.3742%	230,000	Note 8	
First Bank	Secured loan	77,624	2024.01.12~2024.04.29	1.5518%~1.5624%	250,000	Note 8	
Total		\$ 98,097					

STATEMENT OF ACCOUNTS PAYABLE

DECEMBER 31, 2023

Expressed in thousands of NT

Vendor Name	Description	Amount	Note
Non-related parties:			
Company A		\$ 32,329	
Company B		25,459	
Company C		15,534	
Company D		8,422	
Company E		7,276	
Company F		6,749	
Others	(The amount of individual vendor does not exceed 5% of the account balance)	34,940	
Subtotal		130,709	
Related Party :			
Lihuasheng (Hong Kong) Optoelectronics Technology Co., Ltd.		133	
Total		\$ 130,842	

STATEMENT OF OTHER LIABILITIES

DECEMBER 31, 2023

Expressed in thousands of NT

Item	Description	Amount
Current		
Contract liabilities		\$ 3,374
Notes payable		200
Prepayments		843
Temporary received		2,367
Collection on behalf of others		8,776
Total		\$ 15,560
Non-current		
Deposit paid as a guarantee		\$ 8,432

STATEMENT OF LONG-TERM BORROWINGS

DECEMBER 31, 2023

Expressed in thousands of NT

Creditor	Loan Amount	Contract Period	Interest rate	Collateral	Note
SUNNY Bank Mid-term mortgage loan	\$ 1,210,000	Every 3 months is one term, with a total of 12 terms for repaying the loan. From the 1st to the 11th term, a principal repayment of NT\$30,000 thousand is made each term. The remaining unpaid loan balance is repaid in full at the end. The borrower may repay the loan in advance, and such repayment shall be included in the subsequent repayment amounts. The due date is October 6, 2026 .	2.6%	Property, plant and equipment	
Less: Long-term borrowings due within one year	—				
Total	\$ 1,210,000				

STATEMENT OF LEASE LIABILITIES

DECEMBER 31, 2023

Expressed in thousands of NT

Item	Rental period	Discount Rate	Amount
Land	5 years	2.5580%	\$ 11,087
Transportation equipment	3 years	1.8513%~2.5580%	1,560
Office equipment	6 years	2.5580%	1,538
Total			14,185
Less : current			(3,484)
Lease liabilities-non-current			\$ 10,701

STATEMENT OF OPERATING REVENUE

FOR THE YEAR ENDED DECEMBER 31, 2023

Expressed in thousands of NT

Item	Description	Amount	Note
Commodity sales revenue	Polarizers for TFT LCD	\$ 1,623,482	
	Polarizers for TN/STN LCD	381,182	
Total		\$ 2,004,664	

STATEMENT OF COST OF SALES

FOR THE YEAR ENDED DECEMBER 31, 2023

Expressed in thousands of NT

Item	Amount	Note
Direct consumption of raw materials		
Raw materials, beginning of year	\$ 385,821	
Add: Purchase in the period	723,277	
Less: Raw materials, end of year	(326,965)	
Transferred to expenses	(71,419)	
	710,714	
Indirect consumption of raw materials		
Raw materials, beginning of year	2,412	
Add: Purchase in the period	15,092	
Less: Raw materials, end of year	(1,300)	
Transferred to expenses	(16,092)	
	112	
Direct Labor	247,588	
Manufacturing expenses	275,322	
Manufacturing cost	1,233,736	
Add: Work in process, beginning of year	429,024	
Purchase in the period	4,151	
Less: Work in process, end of year	(306,951)	
Transferred to expenses	(1,799)	
Cost of finished goods	1,358,161	
Add: Finished goods, beginning of year	363,716	
Less: Finished goods, end of year	(223,026)	
Inventory loss	(151)	
Transferred to expenses	(3,919)	
Cost of goods of home-made product	1,494,781	
Revenue from sale of scraps	(42,037)	
Reversal of inventory write-down	(49,981)	
Unamortized fixed production overheads	68,561	
Inventory loss	151	
Cost of sales	\$ 1,471,475	

STATEMENT OF MANUFACTURING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2023

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		\$ 23,119	\$ 75,678	\$ 23,186	\$ —	
Maintenance fee		18	10,093	1,112	—	
Insurance expense		2,807	6,180	2,855	—	
Depreciation		26	6,442	3,928	—	
Research expense		—	—	17,662	—	
Commission expense		51,205	—	—	—	
Import /Export expenses		32,902	20	1,526	—	
Expected credit impairment loss	Accounts receivable	—	—	—	(22,120)	
Others	Minor amount less than 5%	17,119	55,205	2,565	—	
Total		\$ 127,196	\$ 153,618	\$ 52,834	\$ (22,120)	

**OPTIMAX TECHNOLOGY
CORPORATION**

Chairman: Peter Chao

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