



Stock No. : 1565

ST.SHINE OPTICAL CO., LTD

2023 Annual Report (Translation)

Prepared by St.Shine Optica Co., Ltd.
Annual report available at - Market Observation Post System:
<http://mops.twse.com.tw>
Company website: <https://www.stshine.com.tw/>

----Disclaimer----

The translation is for reference only. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

1. Name, designation, contact number, and e-mail of spokesperson and acting spokesperson:

Name of spokesperson: Hua-Ling Chou
Title: Deputy Manager of Audit Division
TEL: (02)2647-1578
E-mail: S0505@stshine.com.tw
Name of acting spokesperson: Eris Lin
Title: Finance Manager
TEL: (02)8691-6000
E-mail: SA600@stshine.com.tw

2. Address and contact number of the headquarter, branches and factory sites:

Company address:

4F and 5F, No. 276-2, Section 1, Datong Road, Xizhi District, New Taipei City

Factory address:

4F and 5F, No. 276-2, Section 1, Datong Road, Xizhi District, New Taipei City (1st Plant)

4F and 12F, No. 306-3, Section 1, Datong Road, Xizhi District, New Taipei City (2nd Plant)

No. 147, Kangning Street, Xizhi District, New Taipei City (Kangning Plant)

3F and 4F, No. 308-6, Section 1, Datong Road, Xizhi District, New Taipei City (Yatai Plant)

No. 46, Dunan Street, Qidu District, Keelung City (Wudu Plant)

5F and 6F, No. 93 and 95, Section 1, Xintai 5th Road, Xizhi District, New Taipei City

TEL: (02)8691-6000

3. Name, address, website, and contact number of share administration agency:

Name: Share Administration Department, Yuanta Securities Co., Ltd.
Address: B1, No. 210, Section 3, Chengde Road, Datong District, Taipei City
Website: <http://www.yuanta.com.tw>
TEL: (02)2586-5859

4. Name of CPA and the name, address, website and contact number of the accounting firm for the latest financial report:

Name of CPA: Sheng-Wei Teng, Shu-Fen Yu
Name of accounting firm: PwC Taiwan
Address: 27F International Trade Building, No. 333, Section 1, Keelung Road, Xinyi District, Taipei City 110
Website: <https://www.pwc.tw/zh.html>
TEL: (02)2729-6666

5. Name of overseas exchange where securities are listed, and method of inquiry: N/A

6. Company website:

<https://www.stshine.com.tw/>

ST.SHINE OPTICAL CO., LTD

Table of Contents		Page
I.	Report to Shareholders	1
II.	Company Profile	4
III.	Corporate Governance Report	
1.	Organization	5
2.	Background information of directors, supervisors, the CEO, vice presidents, assistant vice presidents, and heads of various departments and branches	6
3.	Remuneration paid to directors, supervisors, the CEO, and vice presidents in the last year	13
4.	Corporate governance implementation	19
5.	Disclosure of CPA's remuneration	43
6.	Change of CPA	45
7.	The company's Chairman, President, or any managers involved in financial or accounting affairs being employed by the accounting firm or any of its affiliated company in the last year; including their names, job titles, and the periods during which they were employed by the auditor's firm or any of its affiliated company	45
8.	Details of shares transferred or pledged by directors, supervisors, managers and shareholders with more than 10% ownership interest in the last year, up till the publication date of this annual report	45
9.	Relationships among the top-ten shareholders	46
10.	Investments jointly held by the Company, the Company's directors, supervisors, managers, and enterprises directly or indirectly controlled by the Company; disclose shareholding in aggregate of the above parties:	47
IV.	Funding Status	
1.	Capital and outstanding shares	48
2.	Corporate bonds	53
3.	Preferred shares	53
4.	Depository receipts	53
5.	Disclosure relating to employee warrants and restricted employee shares	53
6.	Issuance of new shares for business acquisition or share exchange	53
7.	Progress on planned use of capital	53
V.	Operational Overview	
1.	Business activities	54
2.	Market, production and sales overview	61
3.	Employees	69
4.	Contribution to environmental protection	70
5.	Labor/management relations	70
6.	Cyber security management	73
7.	Major contracts	74
VI.	Financial Summary	
1.	Summarized financial information for the last 5 years	75
2.	Financial analysis for the last 5 years	79

Table of Contents		Page
3.	Audit Committie’s Review Report of the latest financial report	81
4.	Latest financial statements.	81
5.	The latest audited standalone financial statements	81
6.	Financial distress encountered by the company and affiliated enterprises in the last year, up till the publication date of this annual report	81
VII.	Review and Analysis of Financial Position and Business Performance, and Risk Management Issues	
1.	Financial position	83
2.	Financial performance	84
3.	Cash flow	84
4.	Material capital expenditures in the last year and impact on business performance	85
5.	Causes of profit or loss incurred on investments in the last year, and any improvements or investments planned for the next year	85
6.	Evaluation of risk management issues in the last year up till the publication date of this annual report	85
7.	Other material issues	88
VIII.	Special Remarks	
1.	Affiliated enterprises	89
2.	Private placement of securities in the last year up till the publication date of this annual report	92
3.	Holding or disposal of the company's shares by subsidiaries in the last year, up till the publication date of this annual report	92
4.	Other supplementary information	92
IX.	Occurrences Significant to Shareholders' Equity or Securities Price, as Defined in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act, in the Last Year Up Till the Publication Date of Annual Report	92

I. Report to Shareholders

Ladies and Gentlemen:

Thank you to all shareholders for participating the General Shareholders Meeting. I would like to express our deepest gratitude to you all and would like to report the business performance of 2023.

Consolidated revenue for the year of 2023 was NT\$4,393,888 thousand, a decrease of 12.18% from the NT\$5,003,499 thousand of 2022. The 2023 operating results and the business plan for this year are as follows:

(I) 2023 Consolidated Revenue and Loss

Unit:NTD thousands	
Item	Amount
Operating Income	4,393,888
Gross Profit	975,246
Operating Expenses	369,547
Net Operating Income	605,699
Net Income Before Taxes	678,918
Net Income	545,954

(II) 2023 Consolidated Financial Status and Profitability Analysis

Item		2023
Ratio of Liability to Assets (%)		20.86
Current Ratio (%)		306.87
Ratio of Return on Total Assets (%)		6.90
Ratio of Return on Shareholders' Equity (%)		8.8
Ratio to Issued Capital Stock	Operating Income (%)	120.13
	Net Income Before Taxes (%)	134.66
Profit Ratio (%)		12.42
Earnings per Share (NTD)		10.83

(III) Research and Development

1. Initiate process development and improvement to upgrade quality and reduce costs.
2. Implement diversified product design and meet the needs of different customers to increase market share.
3. Master the movement of market and product development, continue to develop new products, and meet the needs of all markets.
4. Strive to outsource raw materials in order to provide more comfortable products to consumers.

(IV) Current (2024) Annual Business Plan Outline

1. Operating Strategies

For overseas market, obtain licenses of new markets to expand international markets. For domestic market, strengthen cooperation with current distributors and expand new distributors to increase market share.

2. Expected Sales Quantity and Basis

Prepare the 2024 sales forecast in volume according to data compilation and analysis, including industrial environment, market supply and demand, the Company's sales and production capacity, and marketing capabilities and prospects.

Main Products	Expected Sales Volume (Thousand Boxes)
Contact Lenses	40,198

3. Major Production and Marketing Policy

- (1) Master market development and provide consumers with a varied product selection.
- (2) Develop new materials, provide more comfortable products to serve customers, and increase the market competitiveness of products.
- (3) Improve the production process and increase the automation production ratio.
- (4) Strengthen cooperation with current customers and actively develop new customers to increase market share.

(V) Future development strategies

The Company's strategic focus on developed markets is starting to yield positive results. As contact lens markets start to mature in many of the world's developing nations, the Company will be transferring its successful experiences from Taiwan and international markets while at the same time introduce broader variety of products to increase market share.

(VI) Impacts of the competitive environment, regulatory environment, and overall business environment

1. External competition

Contact lens is a form of medical device and is regulated as such. Its technology-intensive nature presents a high barrier of entry. The world's top-4 contact lens brands, namely Johnson & Johnson, Alcon, Cooper and Bausch & Lomb, aggregately account for more than 90% share of the global market, but because their strategies are all focused on marketing their own brands, they leave little margin for the intermediary channels. Out of concern for profitability, distributors are opening themselves to ODM products, which works in favor of the Company as an ODM. According to market statistics, online sale of contact lens has increased in weight in recent years in markets such as USA, Japan and China. Although this development may impact sales at physical channels, the Internet actually presents a wider sales channel. However, due to the different regulations imposed by different countries, it is premature to establish the actual impact of online sales.

2. The regulatory environment

As mentioned above, contact lens is considered as medical device, which is why production and sale shall comply with relevant regulations in the respective countries' competent authority. The Global Harmonization Working Party (GHWP) is dedicated to the promotion of medical device laws and the creation of harmonization standards. GHWP's members currently comprise health authorities, medical device manufacturers and Conformity Assessment Bodies from Asia, Africa, The Middle East and South America. It also collaborates with international organizations such as International Medical Device Regulators Forum (IMDRF) to establish guidelines for medical device regulations. In doing so, they aim to align medical device regulations around the world. As a result of this movement, sale of contact lens across borders will be subject to prior certification or registration, which presents additional barrier for entry into foreign markets.

The U.S. FDA implemented the Unique Device Identifier (UDI) system in 2013 whereas the European Union promulgated the Medical Device Regulation in 2017 that raised the standard of medical device certification, traceability and clinical trial by a substantial degree. The IMDRF has implemented a Medical Device Single Audit Program (MDSAP). In order to improve the domestic medical equipment management system and bring medical equipment management in line with international standards and meet the needs of domestic practical management, Taiwan implemented the "Medical Devices Act" in 2021 to improve the domestic medical equipment management system. It is evident that more rigorous approaches are being undertaken around the domestic and world for the supervision and monitoring of medical device. All of the Company's products and quality management systems have met the requirements of local and international regulations,

whereas the certifications needed to sell products have also been obtained by the Company or clients with our assistance. The Company has accumulated abundant experience to ensure effective control over application timing; therefore the change should work in the Company's favor.

3. The overall business environment

Overall, the Company expects to grow in line with the growth of the contact lens market in the future.

Lastly, we would like to thank the shareholders once again for their support to us, and hope for their ongoing guidance to St.Shine Optical in the future.

Best regards.

Chairman Ming-Hsien Chen

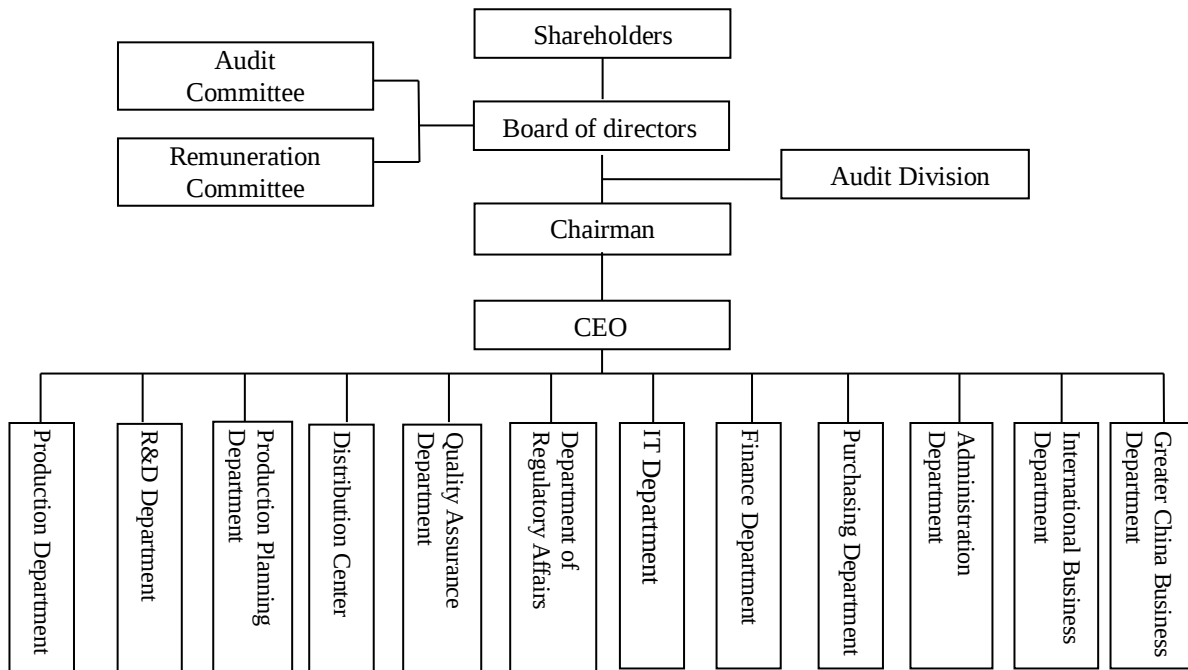
II. Company Profile

1. Date of establishment: September 24, 1986.
2. Corporate history
 - 1986 "ST. Shine Optical Co., Ltd." was founded.
 - 1992 Acquired factory premise in Xizhi City and established it as a lathe plant.
Developed engineering system for the manufacturing of "aspherical multifocal" contact lens.
 - 1994 Acquired new factory premise and established GMP Class II clean packaging room, microbial and animal laboratory.
 - 1996 Passed certification for ISO 9001 and CE label, and acquired new plant premise.
 - 1997 Established Xizhi 2nd Plant (cast-molding plant), implemented automated cast-molded lens production system and completed the trial run.
 - 1998 Began mass production of cast-molded disposable contact lens. The cast-molding plant also passed certification for ISO and CE in Europe.
 - 1999 The lathe plant received GMP certification for contact lens.
(The Company was the first contact lens manufacturer to pass GMP certification in Taiwan)
 - 2000 The cast-molding plant passed domestic GMP certification.
 - 2001 Completed development of cast-molded toric lens.
 - 2002 Product received certification from the U.S. FDA.
Made indirect investments into Optical Connection Inc. (USA) and Shine Optical B.V. (Netherlands).
 - 2003 Shares were registered on the Emerging Stock Market on July 28.
 - 2004 Launched daily contact lens.
Shares were listed for trading on Taipei Exchange (TPEX) on March 30.
 - 2005 Launched cosmetic disposable contact lens.
 - 2007 Established Kangning Plant (cast-molding plant), which passed domestic GMP certification.
Launched daily aspherical contact lenses.
 - 2008 Launched Ticon Cosmetic Daily Disposable Soft Contact Lens.
Established Chinese subsidiary (Shanghai Ticon).
Launched Ticon Toric Daily Disposable Soft Contact Lens.
 - 2010 Launched Ticon Wonderful Daily Disposable Soft Contact Lens.
 - 2011 Established Yatai Plant (cast-molding plant).
 - 2013 Launched Ticon Charm Cosmetic Daily Disposable Soft Contact Lens.
Launched Ticon Cosmetic Monthly Disposable Soft Contact Lens.
Established Taike Plant.
 - 2014 Established Wudu Plant (cast-molding plant).
Ticon Charm Cosmetic Monthly Disposable Soft Contact Lens.
 - 2015 Launched Ticon Daily Aspherical Soft Contact Lens - Progressive Multifocal.
 - 2016 Launched Ticon O2 Daily Disposable Soft Contact Lens.
 - 2017 Launched Ticon The Moment Daily Disposable Aspherical Soft Contact Lens.
Launched Ticon The Moment Cosmetic Daily Disposable Soft Contact Lens.
Established Xike Plant (cast-molding plant).
 - 2018 Launched Ticon The Moment Cosmetic Monthly Disposable Soft Contact Lens.
 - 2021 Established Japan subsidiary (St. Shine Optical Japan).
 - 2022 Accredited to Taiwan QMS

III. Corporate Governance Report

1. Organization

(1) Organization structure



(2) Responsibilities of main departments

Department name	Responsibilities
Audit Division	Establishment, amendment and review of internal audit system; review, modification and audit of the internal control system
Greater China Business Department	Responsible for goal-setting, planning, sale and customer service for the Greater China market.
International Business Department	Responsible for marketing planning, market development and customer service for international businesses.
Administration Department	Responsible for the establishment of management system, human resource administration and general affairs.
Purchasing Department	Responsible for the procurement of production-related materials, equipment and office equipment.
Finance Department	Responsible for capital management, planning and execution, accounting, budget planning, share administration, and transaction cycle control.
IT Department	Responsible for the implementation of department operating systems, and the management, planning and maintenance of computer information.
Department of Regulatory Affairs	Responsible for medical device compliance affairs, product certification, system certification and quality document control.
Quality Assurance Department	Responsible for quality examination, function testing and quality assurance.
Distribution Center	Responsible for the management in shipping of finished goods.
Production Planning Department	Responsible for the management of raw materials, supplies and semi-finished goods, and production scheduling and arrangement.
R&D Department	Responsible for the design of new products and technologies, planning and execution of R&D projects, and providing technical support and consultation for new products.
Production Department	Responsible for production task planning and factory management.

2. Background information of directors, supervisors, the CEO, vice presidents, assistant vice presidents, and heads of various departments and branches

(1) Directors

1. Director information(I)

April 15, 2024

Title	Nationality or place of registration	Name	Gender Age	Date elected	Term (years)	Date First Elected/ apointed	Shareholding when Elected		Current Shareholding		Spouse and Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Concurrent Position at St.Shine and other companies	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.	Yun-Ming Investment Co., Ltd.	-	2021.7.2	3	2018.6.14	1,751,000	3.47	1,751,000	3.47	N/A	N/A	N/A	N/A	Honorary Ph.D in Engineering, National Kaohsiung University of Science and Technology Postgraduate studies in Business Administration, National Chengchi University Department of Electronic Engineering, National Kaohsiung University of Science and Technology Sales Manager of Kang De Mei Optics Co.	Vice President of Greater China Businesses Department of St.Shine Representative of corporate director of Shine Optical (Samoa) Holding Groups, Inc. Director of Shine Optical HK Limited Director of Poya International Co., Ltd. Director of 3D Global Biotech Inc.	None	None	None	None
		Representative: Ming-Hsien Chen	Male 60-70			1986.8.14	293,589	0.58	293,589	0.58	13,018	0.03	1,751,000	3.47						
Director	R.O.C.	Johnson Chou	Male 60-70	2021.7.2	3	1998.12.24	1,388,612	2.75	1,388,612	2.75	0	0	0	0	Department of Electronic Engineering, Ta Hwa University of Science and Technology Factory Manager of Kang De Mei Optics Co.	CEO of St.Shine Director of Shanghai Ticon Optical Limited Representative Director of St. Shine Optical Japan Co., Ltd.	Manager	Yu-Yi Chou	Brother and sister	None
																	Manager	Yu-Yu Chou	Brothers	
Director	R.O.C.	Ying-Chieh Chu	Male 50-60	2021.7.2	3	2009.6.10	402,000	0.80	402,000	0.80	24,926	0.05	0	0	Department of Electronics, KaiNan High School Sales Representative of Greater China Businesses Department of St.Shine	None	None	None	None	None
Director	R.O.C.	Peter Ho	Male 60-70	2021.7.2	3	2012.6.12	203,749	0.40	203,749	0.40	307,356	0.61	50,000	0.1	Master of National Development and Mainland China Studies, Chinese Culture University President of Keelung City Elite Conversational English Institute	Supervisor of Autocontrol Technology Co., Ltd	Deputy Manager	Chen-Chih Ho	Father and son	None
Director	R.O.C.	Bao-Da Co., Ltd	-	2021.7.2	3	2021.7.2	297,309	0.59	297,309	0.59	N/A	N/A	N/A	N/A	B.H.M.S MBA in Hospitality Management, Switzerland Assistant Marketing Manager of Sales & Marketing Department of The Sherwood Taipei Engineering Project Management Officer of Hon Hai Precision Industry Co., Ltd.	Sr. Digital Development & Product Management Specialist of Heineken Brouwerijen B.V. Taiwan Branch	None	None	None	None
		Representative: Yu Hao Chen	Male 30-40			2021.7.2	129,124	0.26	129,124	0.26	0	0	0	0						
Independent Director	R.O.C.	Chang-Chou Li	Male 50-60	2021.7.2	3	2021.7.2	0	0	0	0	0	0	0	0	Master of Science in Accounting, University of Illinois at Urbana-Champaign, USA Partner of PricewaterhouseCoopers Taiwan	CPA of Zhi Cheng Accounting Firm Independent Director of Evergreen Marine Corporation Independent Director of Silicon Optonics, Inc. Independent Director of Hotai Insurance Co., Ltd.	None	None	None	None

Title	Nationality or place of registration	Name	Gender Age	Date elected	Term (years)	Date First Elected/ appointed	Shareholding when Elected		Current Shareholding		Spouse and Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Concurrent Position at St.Shine and other companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	R.O.C.	I –Yen Lu	Male 50-60	2021.7.2	3	2021.7.2	0	0	0	0	0	0	0	0	Master of Mechanical Engineering, National Chiao Tung University Vice Chairman of Digiwin Software Co.Ltd.	Chairman of Strait Capital Investment Group Chairman of Zeyu Investment Consultant Co., Ltd. Chairman of ChengTai Biotech Co., Ltd. Chairman of Hong Chang Memory Technology Co., Ltd Director and CEO of Sun Well Healthcare Co., Ltd. Representative of Corporate Director of Hivox Biotech Inc. Director of Sunwise Investment Co., Ltd. Director of Strait Capital Co., Ltd. Independent Director of Insyde Software Corp. Chairman of Rich Ever Management Limited Company Supervisor of Yixinli Investment Co., Ltd.	None	None	None	None
Independent Director	R.O.C.	James S. J. Cheng	Male 50-60	2021.7.2	3	2021.7.2	0	0	0	0	0	0	0	0	Division of Judicature in the Department of Law in the Law & Commerce College, National Chung Hsing University Partner of Tsar & Tsai Law Firm	Supervisor of the Board of TungNan University Director of the MAPECT Supervisor of the ACAMS Taiwan Chapter Independent Director of Highpoint Service Network Corporation Independent Director of BRIM Biotechnology, Inc. Director of Chinatrust Investment Co., Ltd.	None	None	None	None

Note: None of the shareholding presented in the above chart contains "shares placed under trust with discretion reserved."

*Major Shareholders of the institutional shareholders

April 15, 2024

St.Shine’s Director that is an Institutional Shareholder	Major Shareholders of St.Shine’s Director that is an Institutional Shareholder
Yun-Ming Investment Co., Ltd	Ming-Hsien Chen (77.47%)
	Pi-Chen Liu (22.49%)
Bao-Da Co., Ltd	Wen-Chen Tseng (95.87%)
	Yu-Hao Chen (2.065%)
	Yu-Chieh Chen (2.065%)

2. Director information(II)

(1) Disclosure of information on professional qualifications of directors and independence of independent directors:

Qualification Name	Professional qualifications and experience	Independent status	Number of positions as independent director in other public companies
Chairman Ming-Hsien Chen	• More than five years of work experience required by the company's business • Chairman of St.Shine • Director of Poya International Co., Ltd. • Director of 3D Global Biotech Inc.	N/A	None
Director Johnson Chou	• More than five years of work experience required by the company's business • CEO of St.Shine • Director of Shanghai Ticon Optical Limited • Representative Director of St. Shine Optical Japan Co., Ltd.		None
Director Ying-Chieh Chu	• More than five years of work experience required by the company's business • Worked as Sales Representative of Greater China Businesses Department of St.Shine		None
Director Peter Ho	• Good at business work experience • Director of St.Shine • Supervisor of Autocontrol Technology Co., Ltd • Worked as President of Keelung City Elite Conversational English Institute • Worked as Supervisor of St.Shine		None
Director Yu Hao Chen	• Good at business work experience • Sr. Digital Development & Product Management Specialist of Heineken Brouwerijen B.V. Taiwan Branch • Worked as Engineering Project Management Officer of Hon Hai Precision Industry Co., Ltd.		None
Independent Director Chang-Chou Li	• Good at financial accounting expertise • CPA of the ROC • CPA of Zhi Cheng Accounting Firm • Independent Director of Evergreen Marine Corporation • Independent Director of Silicon Optronics, Inc. • Independent Director of Hotai Insurance Co., Ltd. • Worked as Partner of PricewaterhouseCoopers Taiwan	All of independent directors meet the requirements of independence which is listed below: 1. Comply with the relevant provisions of Article 14-2 of the	3

Qualification Name	Professional qualifications and experience	Independent status	Number of positions as independent director in other public companies
Independent Director I–Yen Lu	• Good at business work experience • Chairman of Strait Capital Investment Group • Chairman of Zeyu Investment Consultant Co., Ltd. • Chairman of ChengTai Biotech Co., Ltd. • Chairman of Hong Chang Memory Technology Co., Ltd • Director and CEO of Sun Well Healthcare Co., Ltd. • Representative of Corporate Director of Hivox Biotech Inc. • Director of Sunwise Investment Co., Ltd. • Director of Strait Capital Co., Ltd. • Independent Director of Insyde Software Corp. • Chairman of Rich Ever Management Limited Company • Supervisor of Yixinli Investment Co., Ltd. • Worked as Vice Chairman of Digiwin Software Co.Ltd.	"Securities and Exchange Act" and "Regulations on the establishment of independent directors of public companies and matters to be followed" promulgated by the Financial Supervisory Commission. 2. The person, their spouse, or their relatives within the second degree of kinship (or using the name of another person) does not hold shares in the Company 3. No remuneration received in the last two years for providing business, legal, financial, or accounting services to the Company or the Company's affiliates.	1
Independent Director James S. J. Cheng	• Good at legal expertise • Lawyer of the ROC • Partner of the Tsar & Tsai Law Firm • Supervisor of the Board of TungNan University • Director of the MAPECT • Supervisor of the ACAMS Taiwan Chapter • Independent Director of Highpoint Service Network Corporation • Independent Director of BRIM Biotechnology, Inc. • Director of Chinatrust Investment Co., Ltd.		2
Note : All of the above directors did not have the any of the situations set forth in Article 30 of the Company Act.			

(2) Diversification and Independence of the Board

A. Board Diversity

The company has formulated the "Corporate Governance Best-Practice Principles" to formulate a policy of diversification of board members to strengthen corporate governance and promote the development of sound board composition and structure. The composition of the board of directors should consider the company's operation, business model and development needs to formulate appropriate diversification policies, such as: basic conditions (age, gender), professional background (professional, marketing, technology, finance, law), professional knowledge and skills. The company's current board of directors is composed of eight directors with different professional backgrounds, including three independent directors and five directors. The directors have rich experience in industrial management, technology research and development, marketing management, financial accounting, legal and tax administration, etc. which are in line with the company's operational development needs and the effectiveness of functional committees. The company also pays attention to gender equality in the composition of the board of directors, aiming at at least one female director. Currently, all board members are male. In the future, we will try our best to increase the number of female directors to achieve the goal. The implementation of the board diversity policy is as follows:

Core of diversify Name		Basic Components				Professional background	Professional knowledge and capabilities							
		gender	Employee	age	Tenure and seniority of independent directors (less than 3 years)		Operational judgment	Accounting and financial analysis abilities	Operation and management ability	Crisis Management capability	Industry Expertise	Global market view	Leadership	Decision-making ability
Director	Ming-Hsien Chen	Male	V	60-70		Industrial management Marketing administration	V	V	V	V	V	V	V	V
	Johnson Chou	Male	V	60-70		Industrial management Technology development Marketing administration	V	V	V	V	V	V	V	V
	Ying-Chieh Chu	Male		50-60		Industrial management Marketing administration	V		V	V	V			V
	Peter Ho	Male		60-70		Industrial management	V		V	V	V	V		V
	Yu Hao Chen	Male		30-40		Technology development Marketing administration	V	V		V		V	V	V
Independent director	Chang-Chou Li	Male		50-60	V	Financial and accounting Legal and tax administration	V	V	V	V	V	V	V	V
	I –Yen Lu	Male		50-60	V	Industrial management	V	V	V	V		V	V	V
	James S. J. Cheng	Male		50-60	V	Law	V		V	V		V	V	V

The specific management objectives of the board diversity policy and their achievement status are as follows:

Diversity management objectives	Achievement status
The number of independent directors exceeds one third of the board seats	Done
It is advisable that the number of the directors who concurrently serve as the managers of the Company should not exceed one-third of the board seats.	Done
The independent directors have served for less than three consecutive terms	Done

B. Independence of the Board of Directors:

The nomination of director candidates follows the company's Articles of Incorporation and adopts a candidate nomination system to evaluate each candidate's academic (experience) qualifications, professional background, integrity, or related professional qualifications. After approval by the board of directors, the candidates are presented to the shareholders' meeting for election. The Company's Board of Directors consists of 8 directors, namely 3 independent directors and 3 directors not as employee, as well as the independent directors

are more than one third of the board seats, the directors not as employee are three quarters of the board seats. As of 2023.12.31, all of independent directors comply with the regulations of the Securities and Futures Bureau and none of the circumstances prescribed in paragraph 3 and paragraph 4, Article 26-3 of the Securities Exchange Act exist among the directors and independent directors. The Board of Directors of the Company is independent (Please refer to page 8 of this Annual Report - Disclosure of information on professional qualifications of directors and independence of independent directors). The Experience (Education), Gender and Work Experience (Please refer to page 6-7 of this Annual Report - Information of directors).

(2) Background information of the CEO, vice presidents, assistant vice presidents, and heads of departments and branch offices

April 15, 2024

Title	Nationality	Name	Gender	Date elected/appointed	Shareholding		Spouse and Minor Shareholding		Shareholding by Nominee Arrangement		Main career (academic) achievements	Concurrent positions in other companies	Spouse or relatives of second degree or closer acting as managers			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
CEO	R.O.C.	Johnson Chou	Male	2001.3.8	1,388,612	2.75	0	0	0	0	Department of Electronic Engineering, Ta Hwa University of Science and Technology Factory Manager of Kang De Mei Optics Co.	Director of Shanghai Ticon Optical Limited Representative Director of St. Shine Optical Japan Co., Ltd.	Manager	Yu-Yi Chou	Brother and sister	None
													Manager	Yu-Yi Chou	Brothers	
Vice President of Greater China Businesses Department	R.O.C.	Ming-Hsien Chen	Male	2002.5.28	293,589	0.58	13,018	0.03	1,750,000	3.47	Honorary Ph.D in Engineering, National Kaohsiung University of Sciences and Technology Postgraduate studies in Business Administration, National Chengchi University Department of Electronic Engineering, National Kaohsiung University of Sciences and Technology Sales Manager of Kang De Mei Optics Co.	Director of Shine Optical HK Limited Representative of corporate director of Shine Optical (Samoa) Holding Groups, Inc. - Director of Poya International Co., Ltd. Director of 3D Global Biotech Inc.	None	None	None	None
Manager of International Businesses Department	Malaysia	Jason Ong	Male	2006.7.1	0	0	1,000	0	0	0	MBA, University of Wollongong, Australia	None	None	None	None	None
Manager of Administrative Department	R.O.C.	Yu-Yi Chou	Male	2014.10.1	3	0	0	0	0	0	Department of Electronics Engineering/Graduate Institute of Management Science, National Chiao Tung University	Director of Shanghai Ticon Optical Limited	CEO	Yu-Ran Chou	Brothers	None
													Manager	Yu-Yi Chou	Brother and sister	None
Deputy Manager of Procurement Department	R.O.C.	Chen-Chih Ho	Male	2021.1.1	6,000	0.01	0	0	0	0	Institute of NanoEngineering and MicroSystems, National Tsing Hua University	None	None	None	None	None
Manager of Medical device Compliance Department	R.O.C.	Po-Hua Lai	Male	2006.9.1	0	0	0	0	0	0	MBA, Soochow University Manager of Semiconductor Microwave Quality Service Department	None	None	None	None	None
Manager of Finance Department	R.O.C.	Eris Lin	Female	2020.9.23	0	0	0	0	0	0	Department of Accounting of Fu Jen Catholic University Audit Manager of PwC TW Accounting Manager of CHC Healthcare Group	None	None	None	None	None
Manager of IT Department	R.O.C.	Tung-Ya Luo	Male	2015.2.1	43,000	0.09	0	0	0	0	Department of Computer Science and Engineering, Tatung University	None	None	None	None	None
Manager of Production Department	R.O.C.	Chien-Hua Ku	Male	2002.4.1	0	0	0	0	0	0	Department of Electronic Engineering, Xiehe High School of Industry and Commerce Salesperson of Chuan Ku Automobile Co.	None	None	None	None	None
Manager of Production Planning Department	R.O.C.	Chia-Yu Ku	Female	2004.12.26	20,000	0.04	4,000	0.01	0	0	Chihlee Institute of Technology	None	None	None	None	None
Manager of Dispatch Center	R.O.C.	Yu-Yi Chou	Female	2000.1.1	91,343	0.18	0	0	0	0	Department of General Commerce, Shixin Senior Commercial Vocational School Officer of Cathay Beverage	None	CEO	Yu-Ran Chou	Brother and sister	None
													Manager	Yu-Yi Chou	Brother and sister	None
Manager of R&D Department	R.O.C.	Pei-Lung Kuo	Male	2003.6.30	5,789	0.01	3,000	0.01	0	0	Ph.D of Chemistry, National Tsing Hua University Factory Manager of Forte Chemical Co., Ltd	None	None	None	None	None
Deputy Manager of Internal Audit Office	R.O.C.	Hua-Ling Chou	Female	2004.12.26	35,000	0.07	0	0	0	0	Master of Business Administration, National Cheng Kung University Deputy Manager of DINKUM & Co., CPAs	None	None	None	None	None
Deputy Manager of Quality Assurance Department	R.O.C.	Ming-Li Lin	Male	2001.5.1	2,010	0	0	0	0	0	Department of Industrial Engineering and Engineering Management, Tungnan University Technician of Tony Optical Co.	None	None	None	None	None

Note: None of the shareholding presented in the above chart contains "shares placed under trust with discretion reserved."

3. Remuneration paid to directors, supervisors, the CEO, and vice presidents in the last year (2023)

(1) Director remuneration (including independent directors)

Unit: NTD thousands

Title	Name	Director remuneration								Sum of A, B, C and D & as a percentage of net income (%) (Note 10)		Remuneration received as employee								The sum of A, B, C, D, E, F and G & as a percentage of net income (%) (Note 10)		Remuneration from mother company or invested businesses other than subsidiaries (Note 11)		
		Compensation (A)(Note 2)		Pension (B)		Director remuneration (C)(Note 3)		Fees for services rendered (D) (Note 4)				Salaries, bonuses, special allowances etc. (E) (Note 5)		Pension (F) (Note 12)		Employee remuneration (G) (Note 6)								
		The Company	All companies included in the financial statements(Note 7)	The Company	All companies included in the financial statements(Note 7)	The Company	All companies included in the financial statements(Note 7)	The Company	All companies included in the financial statements(Note 7)	The Company	All companies included in the financial statements(Note 7)	The Company	All companies included in the financial statements(Note 7)	The Company	All companies included in the financial statements(Note 7)	The Company		All companies included in the financial statements (Note 7)		The Company	All companies included in the financial statements(Note 7)			
Chairman	Yun-Ming Investment Co., Ltd. Representative : Ming-Hsien Chen	0	0	0	0	8,800	8,800	75	75	8,875 1.63%	8,875 1.63%	16,995	16,995	0	0	7,160	0	7,160	0	33,030 6.05%	33,030 6.05%	0		
Director	Johnson Chou																							
Director	Ying-Chieh Chu																							
Director	Peter Ho																							
Director	Bao-Da Co., Ltd Representative :Yu Hao Chen																							
Independent Director	Chang Chou Li	2,700	2,700	0	0	0	0	117	117	2,817 0.52%	2,817 0.52%	0	0	0	0	0	0	0	0	2,817 0.52%	2,817 0.52%	0		
Independent Director	I-Yen Lu																							
Independent Director	James S. J. Cheng																							
1. For the remuneration of independent directors, besides referring to results of director performance evaluations, the Remuneration Committee considers each director's degree of participation and contribution to the Company's operations, links the reasonableness and fairness of performance and risks to remuneration, considers the Company's business performance and the remuneration standards of competitors, and makes recommendations to the Board of Directors in accordance with Article 16 of the Company's Articles of Incorporation.																								
2. In addition to the above remuneration, director remuneration shall be disclosed as follows when received from companies included in the consolidated financial statements and reinvestment companies in the most recent year to compensate directors for their services, such as being independent contractors: 0																								

Remuneration bracket table

Range of remuneration paid to directors	Name of director			
	Sum of the first 4 items (A+B+C+D)		Sum of the first 7 items (A+B+C+D+E+F+G)	
	The Company (Note 8)	All companies included in the financial statements (Note 9) H	The Company (Note 8)	All companies included in the financial statements (Note 9) I
Below NT\$ 1,000,000	Independent Director: Chang Chou Li, I-Yen Lu, James S. J. Cheng	Independent Director: Chang Chou Li, I-Yen Lu, James S. J. Cheng	Independent Director: Chang Chou Li, I-Yen Lu, James S. J. Cheng	Independent Director: Chang Chou Li, I-Yen Lu, James S. J. Cheng
NT\$ 1,000,000 (inclusive) ~ NT\$ 2,000,000 (non-inclusive)	Johnson Chou , Ying-Chieh Chu, Peter Ho, Bao-Da Co., Ltd Representative:Yu Hao Chen	Johnson Chou , Ying-Chieh Chu, Peter Ho, Bao-Da Co., Ltd Representative:Yu Hao Chen	Johnson Chou , Ying-Chieh Chu, Peter Ho, Bao-Da Co., Ltd Representative:Yu Hao Chen	Johnson Chou , Ying-Chieh Chu, Peter Ho, Bao-Da Co., Ltd Representative:Yu Hao Chen
NT\$ 2,000,000 (inclusive) ~ NT\$ 3,500,000 (non-inclusive)	Yun-Ming Investment Co., Ltd. Representative: Ming-Hsien Chen	Yun-Ming Investment Co., Ltd. Representative: Ming-Hsien Chen	Yun-Ming Investment Co., Ltd. Representative:Ming-Hsien Chen, Johnson Chou	Yun-Ming Investment Co., Ltd. Representative:Ming-Hsien Chen, Johnson Chou
NT\$ 3,500,000 (inclusive) ~ NT\$ 5,000,000 (non-inclusive)				
NT\$ 5,000,000 (inclusive) ~ NT\$ 10,000,000 (non-inclusive)				
NT\$ 10,000,000 (inclusive) ~ NT\$ 15,000,000 (non-inclusive)				
NT\$ 15,000,000 (inclusive) ~ NT\$ 30,000,000 (non-inclusive)				
NT\$ 30,000,000 (inclusive) ~ NT\$ 50,000,000 (non-inclusive)				
NT\$ 50,000,000 (inclusive) ~ NT\$ 100,000,000 (non-inclusive)				
NT\$ 100,000,000 and above				
Total	8	8	8	8

Note 1: The names of the directors shall be separately listed and directors and independent directors also shall be separately listed, whereas the amount of benefits and allowances is presented in aggregate sums.

Note 2: Refers to director remuneration in the last year (2023) (including salaries, allowances, severance pay, various bonuses and incentives etc.).

Note 3: Represents the amount of director remuneration that the board has passed as part of the latest (2023) earnings appropriation.

Note 4: Refers to compensation paid for services rendered (including travel, special allowances, subsidies, accommodation, corporate vehicle and in-kind benefits) in the last year (2023).

Note 5: Refers to any salaries, allowances, severance pay, bonuses, incentives, travel allowances, special allowances, subsidies, accommodation, vehicles, in-kind benefits etc. that the director received in the last (2023) year for assuming the role of a company employee (such as President, vice president, manager or other employee). Part of the salary expense was recognized according to IFRS2 - "Share-based Payment." Amounts including employee stock options, restricted employee shares and subscription to cash issues are treated as remuneration.

Note 6: Refers to any compensation that the director received (in cash or in shares) in the last year (2023) for assuming the role of an employee (such as President, vice president, manager or other employee). The amount of employee compensation proposed by the board of directors in the last year has been disclosed (where the amount could not be

estimated, the actual percentage paid in the last year was used to estimate this year's proposal). A separate chart - "Remuneration for President and Vice Presidents" has been provided for reference.

Note 7: The disclosure includes all companies included in the consolidated financial statements (including the Company), and represents total amount of remuneration paid by all companies above to the Company's directors.

Note 8: The amount of remuneration paid by the Company to each director has been disclosed in ranges.

Note 9: The details represent the range of remuneration paid by the consolidated entity (including the Company) to each director.

Note 10: Net income refers to that in the most recent year (2023). If IFRSs have been adopted, net income shall refer to the amount of after-tax profit shown in the latest financial reports of the consolidated/standalone entity.

Note 11: This field represents all forms of remuneration that the director received from the Company's mother company or invested businesses other than subsidiaries.

Note 12: The amount of pension actually paid to the Company's directors in the last year (2023) amounted to NT\$0. The amount of pension contribution expensed during the year was NT\$0.

(2) Supervisor remuneration : Not applicable.

(3) Remuneration to the CEO and vice presidents

Unit: NTD thousands

Title	Name	Salary (A) (Note 2)		Pension (B) (Note 10)		Bonus and special allowances (C) (Note 3)		Employee remuneration (D) (Note 4)				The sum of A, B, C and D & as a percentage of after-tax profit (%) (Note 8)		Remuneration from mother company or invested businesses other than the subsidiaries (Note 9)
		The Company	All companies included in the financial statements (Note 5)	The Company	All companies included in the financial statements (Note 5)	The Company	All companies included in the financial statements (Note 5)	The Company		All companies included in the financial statements (Note 5)		The Company	All companies included in the financial statements (Note 5)	
								Amount paid in cash	Amount paid in shares	Amount paid in cash	Amount paid in shares			
CEO	Johnson Chou	6,498	6,498	0	0	10,497	10,497	7,160	0	7,160	0	24,155 4.42%	24,155 4.42%	None
Vice President	Ming-Hsien Chen													

Remuneration bracket table

CEO's and vice presidents' remuneration brackets	Names of CEO and vice presidents	
	The Company (Note 6)	All companies included in the financial statements (Note 7) E
Below NT\$ 1,000,000		
NT\$ 1,000,000 (inclusive) ~ NT\$ 2,000,000 (non-inclusive)		
NT\$ 2,000,000 (inclusive) ~ NT\$ 3,500,000 (non-inclusive)		
NT\$ 3,500,000 (inclusive) ~ NT\$ 5,000,000 (non-inclusive)		
NT\$ 5,000,000 (inclusive) ~ NT\$ 10,000,000 (non-inclusive)	Ming-Hsien Chen	Ming-Hsien Chen
NT\$ 10,000,000 (inclusive) ~ NT\$ 15,000,000 (non-inclusive)	Johnson Chou	Johnson Chou
NT\$ 15,000,000 (inclusive) ~ NT\$ 30,000,000 (non-inclusive)		
NT\$ 30,000,000 (inclusive) ~ NT\$ 50,000,000 (non-inclusive)		
NT\$ 50,000,000 (inclusive) ~ NT\$ 100,000,000 (non-inclusive)		
NT\$ 100,000,000 and above		
Total	2	2

* Disclosure is mandatory for persons who hold positions equivalent to a President or vice president.

Note 1: The names of CEO and vice presidents are presented separately, whereas the amount of benefits and allowances is presented in aggregate sums.

Note 2: Refers to salaries, allowances, and severance pay made to the CEO and vice presidents in the last year (2023).

Note 3: Refers to other compensations such as bonuses, incentives, travel allowances, special allowances, subsidies, accommodation, corporate vehicle or other in-kind benefits made to the CEO and vice presidents in the last year (2022). Part of the salary expense was recognized according to IFRS2 - "Share-based Payment." Amounts including employee stock options, restricted employee shares and subscription to cash issues are treated as remuneration.

Note 4: Represents the amount of employee remuneration that the board of directors has resolved for the CEO and vice presidents (in cash and in shares) in the last year (2023).

Note 5: Remuneration is presented in aggregate of all amounts paid by all companies covered by the consolidated financial statements (including the Company) to the Company's CEO /vice presidents.

Note 6: The amount of remuneration paid by the Company to its CEO /vice presidents are disclosed separately in ranges.

Note 7: The disclosure includes the sum of amounts paid by the consolidated entity (including the Company) to the Company's President/vice presidents. The names of CEO /vice presidents have been disclosed separately in ranges.

Note 8: Net income refers to that in the most recent year (2023). If IFRSs have been adopted, net income shall refer to the amount of after-tax profit shown in the latest financial reports of the consolidated/standalone entity.

Note 9: This field represents all forms of remuneration that the Company's CEO /vice presidents received from the Company's invested businesses other than subsidiaries.

Note 10: The amount of pension actually paid to the Company's CEO and vice presidents in the last year (2023) amounted to NT\$0. The amount of pension contribution expensed during the year was NT\$0.

Names of managers entitled to employee remuneration and amount entitled

April 15, 2024/Unit: NTD thousands

	Title (Note 1)	Name (Note 1)	Amount paid in shares	Amount paid in cash	Total	Total as a percentage of net income (%)
Manager	CEO	Johnson Chou	0	7,660	7,660	1.42
	Vice President	Ming-Hsien Chen				
	Head of Finance & Accounting Dep.	Eris Lin				

* Represents the amount of employee remuneration that the board of directors has resolved for managers (in cash and in shares) in the last year (2023). Net income refers to that in the most recent year (2023). If IFRSs have been adopted, net income shall refer to the amount of after-tax profit shown in the latest financial reports of the consolidated/standalone entity.

Note 1: Names and titles have been disclosed separately, whereas the amount of remuneration has been disclosed in aggregate.

Note 2: According to Letter No. Tai-Tsai-Cheng-3-0920001301 dated March 27, 2003, the following managerial roles are subject to reporting:

- (1) CEO or other position of equivalent grade
- (2) Vice president or other position of equivalent grade
- (3) Assistant vice president or other position of equivalent grade
- (4) Head of Finance Department
- (5) Head of Accounting Department
- (6) Any other signatories involved in the Company's administrative affairs.

Note 3: This chart includes directors, the CEO and vice presidents who have received remuneration (in cash or in shares) as employee.

(4) Amount of remuneration paid in the last 2 years (2022 and 2023) by the Company and all companies included in the consolidated financial statements to the Company's directors, supervisors, CEO, and vice presidents, and their respective proportions to standalone and consolidated net income, as well as the policies, standards, and packages by which they were paid, the procedures through which remunerations were determined, and their association with business performance and future risks.

1. Remuneration paid to the Company's directors, supervisors, CEO and vice presidents, and percentage relative to consolidated or standalone net income, are shown below: 2022 – 4.18%, 2023 – 6.57%.

2. The policies, standards, and portfolios for payment of remuneration:

The company has established the "Remuneration Measures for Directors, Functional Committee Members and Managers" and has been approved by the Board of Directors. The regulations on the salaries, bonuses and employee remuneration of independent directors, directors and managers are as follows:

(1) Chairman and Directors

The board of directors is authorized to make a decision based on the extent of its participation in the company's operations and the value of its contribution, and with reference to the recommendations of the remuneration committee and the usual standards of the industry. The relevant performance appraisals and reasonable remuneration of the company's chairman and directors are reviewed by the remuneration committee and then proposed to the board of directors for decision.

(2) Managers

Their appointment, dismissal and remuneration shall be handled in accordance with Article 29 of the Company Law. In addition, according to Article 24 of the company's Articles of Incorporation, if the company makes a profit in the current year, it shall allocate no less than 3% as employee compensation. The salary and remuneration items of the company's managers are all reviewed by the remuneration committee and then proposed to the board of directors for decision.

(3) The portfolio of remuneration paid by the company is determined in accordance with the organizational regulations of the remuneration committee, including cash remuneration, stock options, dividends, pensions or severance pay, various allowances and other substantial incentives. Its scope should be consistent with the standards for matters that should be recorded in the annual reports of publicly listed companies regarding directors and managers' remuneration.

3. Association with business performance and future risks:

Directors' and managers' salary and remuneration are determined after taking into consideration several factors including peer level, total compensation, business performance and future risks, all of which are highly related to the responsibilities and performances of each individual. Remuneration is also assessed and reviewed regularly by the Remuneration Committee.

The bonuses of the CEO and vice president were reduced by NT 3,053 thousand (22.5%) compared with 2022, and the employee compensation allocated to managers was reduced by NT 2,156 thousand (21.96%) compared with 2022.

4. Corporate governance implementation

(1) Board of Directors Meeting Status

The Board of Directors convened total of 5 meetings in year 2023; The directors' attendance status is as follows.

Title	Name (Note 1)	Attendance in Person	By Proxy	Attendance Rate in Person (%)	Remarks
Chairman	Yun-Ming Investment Co., Ltd. Representative: Ming-Hsien Chen	5	0	100	Re-elected on 2021.7.2 shareholders' meeting
Director	Johnson Chou	5	0	100	Re-elected on 2021.7.2 shareholders' meeting
Director	Ying-Chieh Chu	5	0	100	Re-elected on 2021.7.2 shareholders' meeting
Director	Peter Ho	5	0	100	Elected on 2021.7.2 shareholders' meeting
Director	Bao-Da Co., Ltd Representative: Yu Hao Chen	5	0	100	Elected on 2021.7.2 shareholders' meeting
Independent Director	Chang Chou Li	5	0	100	Elected on 2021.7.2 shareholders' meeting
Independent Director	I -Yen Lu	5	0	100	Elected on 2021.7.2 shareholders' meeting
Independent Director	James S. J. Cheng	5	0	100	Elected on 2021.7.2 shareholders' meeting

Other remarks:

- For board of directors meetings that meet any of the following descriptions, state the date, session, the discussed agenda, independent directors' opinions and how the Company has responded to such opinions:
 (1) Securities and Exchange Act §14-3 resolutions: None.
 (2) Any other documented objections or qualified opinions raised by independent director against board resolution in relation to matters other than those described above: None.
- Disclosure regarding avoidance of interest-conflicting motions, including the names of directors concerned, the motions, the avoidance reason of conflicting interests, and the voting process:

Meeting date	Names of directors	Motions	Reason of avoidance	Voting process
2023.01.05	Ming-Hsien Chen 、 Johnson Chou	The allocation of 2022 managers' year-end bonus.	Self-interest conflicting	Did not vote.
	Ming-Hsien Chen 、 Johnson Chou	The 2023 salary and remuneration of managers.	Self-interest conflicting	Did not vote.
2023.08.02	Ming-Hsien Chen 、 Johnson Chou 、 Ying-Chieh Chu 、 Peter Ho 、 Yu Hao Chen	The allocation of 2022 director and supervisor remuneration.	Self-interest conflicting	Did not vote.
	Ming-Hsien Chen 、 Johnson Chou	The allocation of 2022 employees' remuneration of managerial role.	Self-interest conflicting	Did not vote.

3. Implementation of self-evaluations by the Company's Board of Directors:

The implementation status of the "Self-Evaluation or Peer Evaluation of the Board of Directors" was listed below.

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method
Annually	2023.1.1~ 2023.12.31	The board as a whole, individual directors and functional committees (including Audit Committee & Remuneration Committee)	1. Internal evaluation of the board 2. Self-evaluation/ Peer evaluation by individual board members 3. Self-evaluation of functional committees
Evaluation contents			
To evaluate the performance of - The board of directors - Participation in the operation of the company; - Improvement of the quality of the board of directors' decision making; - Composition and structure of the board of directors; - Election and continuing education of the directors - Internal control. - Individual directors - Alignment of the goals and missions of the company; - Awareness of the duties of a director; - Participation in the operation of the company; - Management of internal relationship and communication; - The director's professionalism and continuing education; and - Internal control. - Functional committees - Participation in the operation of the company; - Awareness of the duties of the functional committee; - Improvement of quality of decisions made by the functional committee; - Makeup of the functional committee and election of its members and - Internal control.			
Evaluation results			
The evaluation of the 2022 annual board of directors was completed in January 2023, and the evaluation results of each item were "Excellent", and it was reported to the remuneration committee and the board of directors on March 21, 2023.			

4. Enhancements to the functionality of the board of directors in the current and the most recent year (2021) (e.g. establishment of an Audit Committee, improvement of information transparency etc.), and the progress of such enhancements:

- Enhanced board of directors' efficiency: The Company has implemented "Board of Directors Conference Rules" as a means to guide board meeting proceedings and follow up on board resolutions, and in doing so enhance board functionality.
- Enhanced board of directors' operation: The Company has established an audit committee and a salary and remuneration committee to assist the board of directors in performing its duties and supervision responsibilities, and to regularly evaluate the performance of the board of directors.
- Enhancement of directors' knowledge: The Company organizes training courses for directors and supervisors, which help them to maintain professional advantage and capacity.
- Enhancement of information transparency: The Company implements a spokesperson system, makes timely disclosure of information relevant to shareholders and stakeholders, and updates information regularly on its website.
- Director and supervisor liability insurance: The Company renews director and supervisor liability insurance each year to insure itself against the consequences of directors' and supervisors' duties.
- The company has set up a Corporate Governance Officer to be responsible for handling matters requested by directors, so as to assist directors in performing their duties in a timely and effective manner.

(2) Operation of the Audit Committee:

1. The audit committee of the company is composed of 3 independent directors. For the professional qualifications and experience of each independent director, please refer to page 8 Director information(II) - Information Disclosure of Directors' Professional Qualifications and Independent Directors' Independence.

The company's audit committee holds regular meetings in front of the board of directors every quarter to review the implementation of the company's internal control system, major financial business activities, and review financial reports, communicate with certified public accountants, and invite relevant responsible persons to attend and explain when necessary, so as to effectively supervise the company's operations and risk control.

The important deliberations and reports of the audit committee of the company in 2023 are as follows:

- A. Review quarterly and annual financial reports.
- B. Formulate or revise the internal control system and related important measures.
- C. Evaluation of the qualifications and independence of CPAs.
- D. Appointment and remuneration of CPAs.
- E. Report of audit execution.
- F. Report of important financial and business.
- G. Review material asset transactions.
- H. Formulate risk management policies and procedures.
- I. Discussion on other related issues.

2. In the most recent year (2023), the Audit Committee has held 5 meetings (A). The attendance of the Independent Directors was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate in Person (%) (B / A)	Note
Independent Director	Chang Chou Li	5	0	100	-
Independent Director	I -Yen Lu	5	0	100	-
Independent Director	James S. J. Cheng	5	0	100	-

Other matters:

1. If the operation of Audit Committee has any of the following circumstances, the meeting date, session and content of audit committee meeting, independent director's opposition or subject to qualified opinions or major suggestion, as well as audit committee's resolutions and the Company's response to the opinion of the Audit Committee shall be stated.

- (1) The matters listed in Article 14-5 of the Securities Exchange Act.

Date/Term of the Audit Committee	Motion Contents
2023.3.21 The ninth meeting of the first term	1. The proposal for 2022 Individual Financial Statements and Consolidated Financial Statements
	2. The proposal for 2022 "Declaration of Internal Control System"
	3. The proposal for independent assessment, appointment and remuneration of CPAs, and formulation of "non-certification service pre-licensing policy".
	4. The proposal for the amendment to the "Internal Control System"

	Independent directors' Opinions: None.
	Audit Committee Resolution: All the present members agreed to pass and submitted to the board of directors for discussion.
	Company's Response to Audit Committee’s Opinion: Submit to the board of directors for discussion and handled in accordance with its resolutions.
2023.05.03 The tenth meeting of the first term	1. The proposal for the formulation of “Rules governing financial and business matters between the company and its related parties”.
	Independent directors' Opinions: None.
	Audit Committee Resolution: All the present members agreed to pass and submitted to the board of directors for discussion.
	Company's Response to Audit Committee’s Opinion: Submit to the board of directors for discussion and handled in accordance with its resolutions.
2023.11.01 The twelfth meeting of the first term	1. The proposal for the formulation of “Risk Management Policy and Procedures”.
	2. The proposal for the amendment to the “Audit Committee Charter”.
	Independent directors' Opinions: None.
	Audit Committee Resolution: All the present members agreed to pass and submitted to the board of directors for discussion.
	Company's Response to Audit Committee’s Opinion: Submit to the board of directors for discussion and handled in accordance with its resolutions.

(2)Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors : None.

2. If there are independent directors’ avoidance of motions in conflict of interest, the independent directors’ names, contents of motion, causes for avoidance and voting shall be specified : none.

3. Communication status between independent directors and internal audit supervisors and certified public accountants (should include significant matters, methods, results, etc. of the communication carried out on the Company's financial and business status):

(1) Principles of communication between independent directors and the head of internal audit and CPA.

A. Usually the head of internal audit and CPA may directly contact independent directors as needed, and the communication is good.

B. The members of audit committee will review the audit report and working papers submitted by the audit office every month. If there is any question or instruction, they will inquire or instruct the head of internal audit by e-mail.

C. The head of internal audit also attends the audit committee to report the implementation of internal audit task to independent directors.

D. During the quarterly audit committee meetings, the CPA reports the results of the audit or review of the financial statements, as well as other communication matters required by relevant laws and regulations. During the process, if the independent directors have any opinions, they can put forward discussions and the CPA will make supplementary explanations.

E. If other major events occur, or when independent directors, accountants and the head of internal audit deem it necessary to communicate individually, meetings may be held from time to time for communication.

(2) Communication status between independent directors and the head of internal audit :

Meeting Date	Content of motion	Communication results
2023.3.21 Audit Committee	1. Report the results of the 2022Q4 audit tasks execution. 2. Amend internal control system. 3. Discuss the 2022 Declaration of Internal Control System.	No objection
2023.5.3 Audit	1. Report the results of the 2023Q1 audit tasks execution.	No objection

	Committee	2. Response measures to legal changes.	
	2023.8.3 Audit Committee	1. Report the results of the 2023Q2 audit tasks execution.	No objection
	2023.11.1 Audit Committee	1. Report the results of the 2023Q3 audit tasks execution. 2. Discuss the 2024 Internal Audit Program. 3. Audit Program risk assessment instructions.	No objection

(三) Communication status between independent directors and the CPA

Meeting Date	Content of motion	Communication results
2023.3.21 Audit Committee	1. CPA reports the results of the forth quarter 2022 consolidated financial report review. 2. State the criteria for checking the materiality of financial statements. 3. Communication of legal changes.	No objection
2022.5.3 Audit Committee	1. CPA reports the results of the first quarter 2023 consolidated financial report review.	No objection
2023.8.3 Audit Committee	1. CPA reports the results of the second quarter 2023 consolidated financial report review. 2. Communication of legal changes. 3. Communication of the implementation schedule of corporate governance matters.	No objection
2022.11.1 Audit Committee	1. CPA reports the results of the third quarter 2023 consolidated financial report review. 2. CPAs' 2023 annual audit plan.	No objection

(3) Supervisors' involvement in board of directors meetings: Not applicable.

(4) Deviation and causes of deviation of the Company's actual governance from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies

Assessment	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
1. Has the Company established and disclosed its corporate governance principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"?	V		The Company has established "Code of Practice on Corporate Governance" according to the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and disclosed on MOPS and company's website.	The Corporate Governance Principles will be established after election of directors of this year.

Assessment	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
2. Shareholding structure and shareholders' interests (1) Has the Company implemented a set of internal procedures to handle shareholders' suggestions, queries, disputes and litigations?	V		(1) The Company has spokesperson and acting spokesperson available to communicate with external parties and investors. Dedicated personnel and share service agency have also been assigned to handle shareholders' suggestions and queries. Issues that concern law or litigation are referred to the legal affairs department or to the legal advisor.	No material deviation is found.
(2) Is the Company constantly informed of the identities of its major shareholders and the ultimate controller? (3) Has the Company established and implemented risk management practices and firewalls for companies it is affiliated with? (4) Has the Company established internal policies that prevent insiders from trading securities against non-public information?	V		(2) The Company has assigned dedicated personnel to monitor the identity of its controlling entity, major shareholders and the ultimate controller. (3) The Company has implemented "Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises" and "Subsidiary Monitoring Policy" that regulate business and financial dealings between affiliated enterprises. All relevant risk controls and firewalls have been properly established. (4) The Company has implemented "Internal material information processing and insider transaction prevention management procedures" which clearly prohibit company insiders from using undisclosed information on the market to buy and sell securities. The Company also promotes relevant regulations from time to time, and reminds directors in the annual on prohibit insider trading courses that they are not allowed to trade their stocks during the closed period of 30 days before the announcement of annual financial reports and 15 days before the announcement of quarterly financial reports.	

Assessment	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
3. Assembly and obligations of the board of directors (1) Has the board devised and implemented policies to ensure diversity of its members? (2) Apart from the Remuneration Committee and Audit Committee, has the Company assembled other functional committees at its own discretion? (3) Does the company establish standards and method for evaluating Board performance, conduct annual performance evaluations, submit performance evaluation results to the Board, and use the results as a basis for determining the remuneration and nomination of individual directors?	V	V	(1) The company has regulated the diversity policy of the board of directors in the "Code of Practice on Corporate Governance". According to the policy, specific management objectives have been set and implemented. For details of the implementation, please refer to page 9 of the annual report – 2.Diversification and Independence of the Board. (2) Currently, based on company scale and operation need, Remuneration Committee and Audit Committee are the only functional committees within the Company. (3) In January 2022, all directors and members of the functional committee will conduct a self-assessment of the performance of the board of directors and functional committees in 2021 in the form of self-assessment. All internal performance evaluations in 2021 have reached the evaluation standard of "Excellent". The evaluation results was submitted to the Remuneration Committee for approval on March 22, 2022 and submitted to the Board of Directors for reference in the re-election of each term of directors.	No material deviation is found
(4) Are external auditors' independence assessed on a regular basis?	V		(4) The company regularly evaluates the independence and suitability of CPAs every year. The main evaluation items are: A. Confirm that the company has no direct or indirect material financial interest or material close business and potential employment relationship with the CPAs. B. Confirm that the CPAs have not received gifts of great value from the company, directors and managers of the company, or held shares in the company. C. Confirm that the CPAs and their spouses or dependent relatives and their audit team have not served as the company's directors, managers or positions that have a significant impact on audit cases during the audit period or in the past two years, and also confirmed that they will not hold the related jobs of	

Assessment	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			aforementioned positions in future audit periods. D. Confirm that the CPAs have not provided audit services for the company for seven consecutive years. E. Confirm that the CPA complies with the provisions on independence stipulated in Announcement No. 10 of Professional Ethics of Accountants, and obtain the "Statement of Independence" issued by the CPA. In addition, starting from this year (2023), the company follows the "Guidelines for Interpretation of Audit Quality Indicators (AQI) by the Audit Committee" issued by the competent authority and has obtained information on five aspects and 13 audit quality indicators (AQIs) provided by accounting firms to evaluates the audit quality of accounting firms and audit teams, and confirm that the audit experience, turnover rate, professional support and case quality control review of accountants and firms are better than the average level of the industry. The accounting firm has also continued to introduce digital audit tools in the past 3 years in order to reduce risk and improve audit quality. The above evaluation results have been discussed and approved by the Audit Committee on March 21, 2023 and submitted to the Board of Directors for approval.	

Assessment	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
4. Does the public company have a suitable number of competent corporate governance personnel, and has it appointed a head of corporate governance responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their duties, assisting directors and supervisors with regulatory compliance, handling matters related to Board meetings and shareholders' meetings, and preparing proceedings for Board meetings and shareholders' meetings)?	V		The company's head of the finance and accounting, manager Eris Lin, serves as the Corporate Governance Officer, responsible for corporate governance-related affairs. Eris has held the position of financial director of a public company for more than 3 years and meets the eligibility requirements. Her main responsibilities are to handle matters related to the board of directors and shareholders' meetings according to law, and prepare the minutes of the board of directors and shareholders' meetings, assist directors in their appointment and continuing education, provide directors with information needed to execute their business and assist directors in complying with laws and regulations, conduct performance evaluation of directors once a year in accordance with the company's "Rules for Self-Evaluation or Peer Evaluation of Board of Directors" ...etc. The company's Corporate Governance Officer is the first appointment, and has completed 18 hours of training in accordance with the "Taipei Exchange Directions for Compliance Requirements for the Appointment and Exercise of Powers of the Boards of Directors of TPEX Listed Companies". The 2023 training situation please refers to page 30.	No material deviation is found
5. Has the Company provided proper communication channels and created dedicated sections on its website to address corporate social responsibility issues that are of significant concern to stakeholders (including but not limited to shareholders, employees, customers and suppliers)?		V	The company's main stakeholders are identified as shareholders and investors, customers, suppliers, employees, governments and competent authorities, and communities. The company has set up an "Investor Relations" section on the company's website. Issues of concern to stakeholders are communicated through relevant business windows, through questionnaires, email communications, physical meetings and telephone conferences, etc. Understand their expectations and needs, respond appropriately to important issues of concern to stakeholders, and will report the results of communication with stakeholders to the board of directors.	No material deviation is found
6. Does the Company engage a share administration agency to handle shareholder meeting affairs?	V		The Company engages the Shareholder Service Department of Yuanta Securities to handle the Company's share administration affairs.	No material deviation is found

Assessment	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
7. Information disclosure				
(1) Has the Company established a website that discloses financial, business, and corporate governance-related information?	V		(1) The Company has complied with legal requirements by inputting financial, business and corporate governance information into the Market Observation Post System (MOPS) and by publishing it on the investor relations section of the Company's webpage.	No material deviation is found
(2) Has the Company adopted other means to disclose information (e.g. English website, assignment of specific personnel to collect and disclose corporate information, implementation of a spokesperson system, broadcasting of investor conferences via the Company website)?	V		(2) The Company has created an English website and an investor relations section, and assigned dedicated personnel to gather and disclose information. The Company also has a spokesperson system in place. All information relating to the Company's financial and business performance is communicated externally through the spokesperson and the acting spokesperson. Investor seminars are held on an unscheduled basis, and all information disseminated through seminars is published on website where shareholders and stakeholders may access to inquire.	No material deviation is found
(3) Does the company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?		V	(3) The Company only announces and reports financial reports and monthly revenue within deadline.	It will be done in accordance with the Company's actual practices in the future.
8. Does the Company have other information that enables a better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholders' interests, continuing education of directors/supervisors, implementation of risk management policies and risk measurements, implementation of customer policy, and insuring against liabilities of company directors and supervisors)?	V		1. Employee rights: In addition to the employee welfare committee, pension system and shuttle bus service, the Company also encourages employees to participate in various training courses and technical conferences, and arranges group insurance coverage for employees. The Company values its relationship with workers and offers equal employment opportunities. 2. Employee care: The Company pays great attention to work environment and employees' safety. Dedicated personnel have been assigned to oversee workers' safety, and employee health checkups are being arranged regularly. 3. Investor relations: The Company discloses information in a truthful and open manner as required by law. It has spokesperson in place to serve as a communication channel for the protection of investors' interest and for the	No material deviation is found

Assessment	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			fulfillment of its duties to shareholders. 4. Supplier relations: The Company places great emphasis on supplier relations. Suppliers are assessed on a regular basis, and the Company maintains strong interaction with all of its suppliers. 5. Stakeholders' interests: The Company has implemented a multitude of communication channels to protect stakeholders' interest. It responds to stakeholders' requests with integrity and accountability. 6. Directors' ongoing education: All of the company's directors undergo training in accordance with "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies." The names and hours of courses completed by the current board of directors in 2023 are shown in the following chart. 7. Risk management policies and risk assessment standards: The company has established and implemented its own internal control system, which is reviewed and amended regularly to reduce business risks. 8. Insurance against directors' and supervisors' liabilities: The company has purchased insurance coverage to protect itself from directors' and supervisors' liabilities as required in the Articles of Incorporation.	
9. Please explain the improvements made, based on the latest Corporate Governance Evaluation results published by TWSE Corporate Governance Center, and propose enhancement measures for any issues that are yet to be rectified. 1. The improvement of the company's corporate governance evaluation in 2023 is as follows: (1) Formulate and disclose on the company's website internal regulations that prohibit directors or employees and other insiders from using undisclosed information in the market to buy and sell securities. The content includes (but is not limited to) that directors are not allowed to trade their stocks during the closed period of 30 days before the announcement of annual financial reports and 15 days before the announcement of quarterly financial reports. (2) Formulate a policy on diversity of board members, and disclose the specific management goals and implementation status of the diversity policy on the company's website and annual report. (3) The company's website or annual report discloses the identity of the identified stakeholders, issues of concern, communication channels and response methods. (4) Formulate and disclose in detail on the company's website a whistleblowing system for illegal (including corruption) and unethical behavior by internal and external personnel. 2. The company's 2023 corporate governance evaluation is expected to (already) improve in 2024 as follows: (1) Regularly conduct internal performance evaluations of functional committees (which should at least include the audit committee and remuneration committee) every year, and disclose the implementation status and evaluation				

Assessment	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
results on the company's website or annual report. (2) Establish an information security risk management structure, formulate information security policies, specific management plans, and invest resources in information security management, and disclose them on the company's website or annual report. (3) The annual report discloses the link between performance evaluation and remuneration of directors and managers. (4) The company's website or annual report discloses the integrity management policy approved by the board of directors, specifies specific practices and plans to prevent dishonest behavior, and explains the implementation status.				

Directors' and management on-going education in 2023:

Title	Name	Course date	Organizer	Course name	Training hours	complies with the regulations
Chairman	Ming-Hsien Chen	2023/09/25	Taiwan Corporate Governance Association	Insider trading prevention and response methods	3	Yes
		2023/09/25		Risks and opportunities of climate change and net-zero emission policies on business operations	3	Yes
Director	Johnson Chou	2023/03/28	Securities and Futures Institute	How directors and supervisors supervise the company to establish and promote a sound risk management system	3	Yes
		2023/09/19		How the board of directors uses OKR to improve corporate governance effectiveness	3	Yes
Director	Ying-Chieh Chu	2023/10/05	Securities and Futures Institute	Introduction and case analysis of short-term trading by company insiders	3	Yes
		2023/10/05		Challenges and opportunities of sustainable development path and introduction to greenhouse gas inventory	3	Yes
Director	Peter Ho	2023/03/07	Securities and Futures Institute	Sharing of Corporate M&A Practices - Focusing on Hostile M&A	3	Yes
		2023/04/28		Early warning and type analysis of corporate financial crises	3	Yes
Director	Yu Hao Chen	2023/05/04	Securities and Futures Institute	Sustainable Finance and Investment ESG Trends	3	Yes
		2023/07/07	Taiwan Corporate Governance Association	Technical development and application opportunities of chatbot ChatGPT	3	Yes
Independent Director	Chang Chou Li	2023/04/07	Taiwan Insurance Institute	Lecture- Analysis of TCFD's implementation of climate governance strategies	3	Yes
		2023/07/14	Taiwan Corporate Governance Association	Risks and opportunities of climate change and net-zero emission policies on business operations	3	Yes
		2023/10/05	Taiwan Insurance Institute	Special Lecture on Corporate Governance (2023, 17th Issue)- Analysis of the principle of fair hospitality	3	Yes
		2023/10/30	Taiwan Corporate Governance Association	Legal and Auditing of AI Applications	3	Yes
		2023/11/07	Taiwan Insurance Institute	Special Lecture on Corporate Governance- International anti-corruption and whistleblower protection practices	3	Yes

Title	Name	Course date	Organizer	Course name	Training hours	complies with the regulations
Independent Director	I –Yen Lu	2023/05/18	Securities and Futures Institute	Shareholders’ meetings, management rights and equity strategies	3	Yes
		2023/07/07	Taiwan Corporate Governance Association	Technical development and application opportunities of chatbot ChatGPT	3	Yes
Independent Director	James S. J. Cheng	2023/04/25	Taiwan Corporate Governance Association	Offensive and defensive strategies in management rights disputes and legal liability risks of company leaders (independent directors)	3	Yes
		2023/12/12		The 19th (2023) International Summit Forum on Corporate Governance—Create a new situation in governance and enhance corporate value	6	Yes
Head of Finance & Accounting and Corporate Governance Officer	Eris Lin	2023/07/13	Co-hosted by Taiwan Stock Exchange and TPEX	"Sustainable Development Action Plan for Listed OTC Companies" Publicity Meeting	3	Yes
		2023/08/09	TPEX	Publicity and briefing session on insider equity of listed companies	3	Yes
		2023/11/16	Co-hosted by CTCI Education Foundation and Taiwan Institute for Sustainable Energy	2023 The 6th Global Corporate Sustainability Forum GCSF	6	Yes

(5) Composition, responsibilities, and functionality of the Remuneration Committee:

1. Information of Remuneration Committee members:

Conditions		Professional qualifications and Experiences	Independence Condition	Number of positions as Remuneration Committee member in other public companies
Identity	Name			
Convener/ Independent Director	Chang Chou Li	Please refer to page 8-9 of this Annual Report - Disclosure of information on professional qualifications of directors and independence of independent directors	All members meet the following qualifications: 1. The provisions of Article 6, Paragraph 1 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange". 2. I (or in the name of others), my spouse and minor children do not hold any shares in the company. 3. No amount of remuneration for providing business, legal, financial, accounting and other services to the company or its affiliates in the last two years.	2
Independent Director	I –Yen Lu			1
Independent Director	James S. J. Cheng			2

2. The rights and responsibilities of the Company’s Remuneration Committee are as follows:

- (1) Review this Charter regularly and propose amendments.
- (2) Establish and regularly review the policies, systems, standards, and structures of the performance evaluation and salary and remuneration for the Company’s directors, supervisors, and managers.

- (3) Regularly assess the performance of the Company's directors, supervisors, and managers, and determine the content and amount of their salary and remuneration.

3. Functionality of the Remuneration Committee

- (1) The Company's Remuneration Committee comprises 3 members.
 (2) Duration of service of the current board: from 2021.7.22~2024.7.1.
 (3) The Remuneration Committee held 3 meetings in the most recent year(2023); details of members' eligibility and attendance are as follows:

members' eligibility and attendance are as follows:					
Title	Name	Actual attendance (B)	Proxy attendance	Actual attendance rate (%) (B/A)	Remarks
Current convener and members					
Convener	Chang Chou Li	3	0	100	Term: 2021.7.2~2024.7.1
Committee member	I-Yen Lu	3	0	100	Term: 2021.7.2~2024.7.1
Committee member	James S. J. Cheng	3	0	100	Term: 2021.7.2~2024.7.1
The 2023 Remuneration Committee's discussions, resolutions and the company's handling of the Remuneration Committee's opinions are as follows:					
Meeting time	Agenda and subsequent actions				
2023. 1. 5	1. The proposal for the annual bonus to the management of 2022.				
	2. The 2023 salary and remuneration of managers.				
	Resolution: Passed unanimously by all attending members.				
	The company's handling of the Remuneration Committee's opinions : Proposal to the board - Passed unanimously by all attending directors except for the following parties who recused themselves due to conflict of interest. Annual Bonus for Employees in a Managerial Role - The Company's managers (Chairman Ming-Hsien Chen and Director Johnson Chou) avoided discussion and voting due to conflict of interest.				
2023. 3. 21	The allocation of 2022 employee, director remuneration.				
	Resolution: Passed unanimously by all attending members.				
	The company's handling of the Remuneration Committee's opinions : Proposal to the board. - Passed unanimously by all attending directors.				
2023. 8. 2	1. The allocation of 2022 director remuneration.				
	2. The allocation of 2022 employees' remuneration of managerial role.				
	Resolution: Passed unanimously by all attending members.				
2023. 8. 2	The company's handling of the Remuneration Committee's opinions : Proposal to the board - Passed unanimously by all attending directors except for the following parties who recused themselves due to conflict of interest.				
	1. Director and Supervisor Remuneration - Representative of Yun-Ming Investment Co., Ltd., directors (Ming-Hsien Chen, Johnson Chou, Ying-Chieh Chu, Yu Hao Chen and Peter Ho) avoided discussion and voting due to conflict of interest.				
	2. Profit Sharing for Employees in a Managerial Role - The Company's managers (Chairman Ming-Hsien Chen and Director Johnson Chou) avoided discussion and voting due to conflict of interest.				
Other remarks:					
1. In the event where the Remuneration Committee's proposal is rejected or amended in a board of directors meeting, please describe the date and session of the meeting, details of the motion, the board's resolution, and how the Company had handled the Compensation Committee's proposals (describe the differences and reasons, if any, should the board of directors approve a solution that was more favorable than the one proposed by the Remuneration Committee): None					

2. Should any member object or express qualified opinions to the resolution made by the Remuneration Committee, whether on-record or in writing, please describe the date and session of the meeting, details of the motion, the entire members' opinions, and how their opinions were addressed: None.

(6) Implementation of promoting sustainable development and differences and reasons from the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies".

Assessment	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
1. Has the company established a governance structure to promote sustainable development, and set up a full-time (part-time) unit to promote sustainable development, with the board of directors authorizing senior management to handle it, and what is the situation of board supervision?		V	The company's part-time units that jointly promote the company's sustainable development are mainly the administrative department and the unit responsible for investor relations (spokesperson). It is expected to establish a development group under the supervision of the board of directors.	There is any discrepancies will be based on the company's overall operating conditions and the assessment of the impact of various issues on the operation to formulate relevant policies and corresponding measures.
2. Does the company conduct risk assessments on environmental, social and corporate governance issues related to the company's operations and formulate relevant risk management policies or strategies based on the principle of materiality?		V	After assessment, the risks of environmental, social and corporate governance issues related to the company's operations have no significant impact on the company's investors and other stakeholders.	
3. Environmental issues (1) Has the company developed an appropriate environmental management system, given its distinctive characteristics? (2) Is the company committed to achieving efficient use of resources, and using renewable materials that produce less impact on the environment?		V	(1)The company has not established an environmental management system, but there are other policies and ISO operating procedures that achieve similar purpose. (2)1. Most of the waste generated by the Company is collected by resource contractors for recycling and reuse. 2. High-efficiency and environment-friendly fluorescent lighting is being used gradually on all factory premises. 3. Reuse of wastewater and waste paper has been enforced in daily work activities. 4. Using FSC-certified sustainable paper and recycled pulp in the packaging of its own brand Ticon, we will do our best to reduce plastic packaging and do our part to protect the earth.	
(3) Does the company evaluate potential risks and opportunities brought by climate change, and take response measures to climate-related issues? (4) Does the company compile statistics of greenhouse gas emissions, water use, and total weight of waste in the past two	V	V	(3)It has been evaluated that the industries to which the company belongs primarily affect non-climate changes, so the issues related to climate change have not yet been included in risk management. (4) Although the company currently does not count the greenhouse gas emissions, water consumption and total weight of waste in the past two	

Assessment	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
years, and does it establish policies for energy conservation & carbon reduction, greenhouse gas emission reduction, water use reduction, and other waste management?			years, it still actively promotes energy conservation and carbon reduction. The implementation is as follows: A. The company makes dynamic adjustments to the duration and temperature of air conditioning, and prioritizes the purchase of environment-friendly and energy-efficient products over others. By reducing carbon emission and energy, the company hopes to mitigate impact of climate change on business operations. B. The company planned another equipment energy-saving improvement project in 2023 and applied for subsidies from the Energy Bureau of the Ministry of Economic Affairs. This investment in energy-saving equipment totaled 19,288 thousand NTD, saving oil equivalent of 130.4kLOE/year, reducing tCO₂ by 684.4 tons/year, and saving electricity. The capacity is 1,363,638kWh/year; the total energy saving rate after improvement is 47.4%.	
4. Social issues (1) Has the Company developed its policies and procedures in accordance with laws and International Bill of Human Rights?	V		(1) The Company has implemented personnel policy and work rules according to labor regulations, and disclosed work rules to the local labor authority and posted on the company's inside website to remind them of their rights.	No material deviation is found
(2) Does the company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries?	V		(2) In addition to the establishment of an employee welfare committee and the implementation of the pension system in accordance with the regulations, the company's articles stipulate that if the company makes a profit in the year, no less than 3% should be allocated for employee compensation, which is distributed by stock or cash by the board of directors. Distribute, the distributing target includes the employees of the subordinate company that meet certain conditions.	

Assessment	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
(3) Does the Company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?	V		(3) The Company has dedicated OSH officers on-site to oversee employees' safety and health. The OSH officers have been empowered to make improvements to the work environment as deemed appropriate for the safety and comfort of employees. Employees who work in hazardous workplaces have been instructed to use protective gear in order to keep hazard exposure to the minimum. The Company organizes employee health checkups and monitors results on a yearly basis (usually in Q4). Special health checkups are arranged for employees involved in special lines of work (such as exposure to excessive noise).	
(4) Has the Company implemented an effective training program that helps employees develop skills over their career?	V		(4) The Company provides internal as well as external training to help employees develop skills throughout their career. The Company also encourages employees to discuss with the management about career planning based on their preference, skill set, value and goal. The implementation of relevant education and training please refers to page 69.	
(5) Does the company comply with relevant regulations and international standards in customer health and safety, customer privacy, and marketing and labeling its goods and services, and has it established consumer rights protection policies and complaint procedures?	V		(5) The high-quality medical devices produced by our company are in compliance with relevant regulations and international standards. Their products are accompanied by instruction manuals. In response to consumer complaints, the business unit also immediately took measures to deal with it, and set up a 0800 dedicated line to protect consumer rights.	
(6) Does the company have a supplier management policy, require suppliers to comply with regulations on environmental protection, occupational safety and health, and labor rights, and what is its implementation status?	V		(6) The company has not signed all contracts with major suppliers. However, if the supplier is found to be in violation of corporate social responsibility and has a significant impact on the environment and society, it will consider temporarily or terminating its business.	
5. Does the company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as corporate social responsibility reports?		V	The company has not yet prepared a corporate social responsibility report.	At this stage, there are no immediate plans to prepare the sustainability report, and it is expected to complete the initial

Assessment	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
Do the reports above obtain assurance from a third party verification unit?				preparation before the end of June 2025.
6. If the Company has established its sustainable development codes in accordance with "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies", please describe its current practices and any deviations from the Best Practice Principles: Not applicable.				
7. Other important information for understanding the Company's sustainable development implementation:				
(1) Community engagement and social contribution: ST. Shine Optical is committed to the Taiwan market. All of the Company's production sites are located in Taiwan, including New Taipei City (Xizhi District) and Keelung City. Together, they provide thousands of job opportunities to locals and are highly respected for it. (2) Environmental protection: Most of the waste generated by the Company is collected by professional contractors. No pollution of the environment had occurred in the last year. (3) Social service and public welfare: The company joins hands with community sponsorship, blood donation activities, participates in international optometry symposium and provides opportunities for industry-university cooperation in domestic colleges and universities. (4) Human rights: The Company treats its employees equally and offers fair employment opportunities irrespective of gender, religion, and political association. The Company has created a good work environment where employees are free from discrimination and harassment. (5) Safety and health: The Company is dedicated to promoting safety and health policies and making ongoing improvements to production procedures and the work environment. Owing to the effort of its employees, the Company has been able to continually improve the safety and health of its work environment.				

Implementation status of climate-related information

Items	Implementation status
1. Describe the board of directors' and management's oversight and governance of climate-related risks and opportunities.	The company has set up a part-time unit for greenhouse gas inventory, and appointed the manager of the administration department as the management representative to coordinate and plan matters related to greenhouse gas inventory, and regularly report the implementation progress to the board of directors quarterly. In addition, the company has established a risk management team in November 2023, and the "Risk Management Policies and Procedures" have been approved by the Audit Committee and the Board of Directors. The risk management team is the driving and executing unit, the audit committee is the oversight unit, and the governance unit is the board of directors. The audit division is an independent unit under the Board of Directors and is responsible for formulating audit plans for the implementation of risk management. The company plans to compile risk information (including climate-related risks) provided by each unit starting from 2024, and issue risk management-related reports to the audit committee and the board of directors.

Items	Implementation status		
2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term).	【Short-term】 In response to the increase in operating costs caused by rising electricity bills and raw materials, the company has adopted an equipment energy-saving plan and prioritized the purchase of environmentally friendly and energy-saving labeled products to reduce the financial impact of increased operating costs. 【Medium term】 In response to possible carbon tax levies in the sales market and interruptions in the supply of raw materials, the company has gradually conducted carbon inventories internally and adopted multiple suppliers to reduce carbon tax costs and spread the risk of production interruptions. 【Long term】 Climate change may cause industrial transformation or adjustment, so automation and smart production will be opportunities and challenges that the company may face.		
3. Describe the financial impact of extreme weather events and transformative actions.	Possible extreme weather events such as interruption of raw materials, decline in equipment operation efficiency and threats to human health and safety have not yet had a significant impact on the company's finances at this stage.		
4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.	It is expected that the cross-department "risk management team" will identify, evaluate and summarize climate risks, issue risk management related reports, and submit them to the audit committee and the board of directors.		
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.	The company did not adopt scenario analysis of climate change.		
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.	The company did not yet have a transition plan for managing climate-related risks.		
7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated. The Company has not implemented internal carbon pricing.	The company did not yet use internal carbon pricing.		
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.	The company did not yet set climate-related targets.		
9. Greenhouse gas inventory and assurance, reduction targets, strategies and specific action plans.	Schedule	Estimated finish time	
	Establish part-time units, the number of part-time personnel, and their scope of duties.	2023.04 (finished)	
	Develop audit plan.	2023.04 (finished)	
	Develop verification plan.	2024.12	

(7) Implementation status of honest business operations and the differences and reasons from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies"

Assessment	Actual governance			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
1. Establishment of integrity policies and solutions (1) Did the company establish an ethical corporate management policy that was approved by the Board of Directors, and declare its ethical corporate management policy and methods in its regulations and external documents, as well as the commitment of its Board and management to implementing the management policies? (2) Does the company establish mechanisms for assessing the risk of unethical conduct, periodically analyze and assess operating activities within the scope of business with relatively high risk of unethical conduct, and formulate an unethical conduct prevention plan on this basis, which at least includes preventive measures for conduct specified in Article 7, Paragraph 2 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies? (3) Did the company specify operating procedures, guidelines for conduct, punishments for violation, rules of appeal in the unethical conduct prevention plan, and does it implement and periodically review and revise the plan?	V		(1) The Company has established the "Ethical Corporate Management Best-Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct" to clearly define the principle, procedure and practice of ethical management. We also post them on the company's outside and inside website to convey to directors, supervisors, management, employees and interested parties. (2) The company has formulated the relevant operating procedures for preventing dishonest behavior in the "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct", which have covered the items in paragraph 2 of Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies". The above procedures have been disclosed on the company's website. (3) The company's "Code of Ethics and Conduct", "Procedures for Ethical Management and Guidelines for Conduct" and related internal regulations have clearly defined disciplinary measures and complaint systems for violations, and implemented them through internal education and training.	No material deviation is found.
2. Enforcing ethical management (1) Does the Company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners? (2) Did the company establish a dedicated unit under the board of directors to promote ethical corporate management, and periodically (at least once a year) report to the Board of Directors and supervise the implementation of the ethical corporate management policy and unethical conduct prevention plan?	V		(1) The Company systematically assesses its customers and suppliers. From December 1, 2020, the ethical behavior clause has been included in all new contracts. (2) The company is jointly responsible for the promotion and promotion of corporate integrity management by the audit office and the administration department, and the audit division reports to the board members on the implementation of the above work on November 1, 2023.	No material deviation is found.

Assessment	Actual governance			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			The implementation of relevant work in 2023 is as follows: 1. Formulate integrity management policies and plans (1) Relevant measures and regulations have been formulated and published on the company's website (2) Review changes in laws and regulations, and revise relevant rules and regulations (3) Except for special circumstances, the ethical behavior clause has been included in all new contracts. 2. Education and training (1) It has been included in the education and training of new recruits, and 9 education and publicity courses have been held in 2023. 3. Whistle-blowing system (1) Set up mailboxes to accept internal and external whistleblowing. (2) The "Code of Ethical Conduct" clearly stipulates the punishment and complaint system. (3) The "Ethical Management Procedures and Code of Conduct" clearly stipulates the acceptance procedures and processing levels of unethical conduct behaviors. In 2023, no violations of ethical management were found, and no internal and external whistleblowings related to violations of ethical management were received, and the implementation situation was normal.	
(3) Does the Company have any policy that prevents conflict of interest, and channels that facilitate the report of conflicting interests?	V		(3) The Company's directors, supervisors and managers have strictly adhered to the avoidance of conflicting interests. Any conflict of interest arising from work duties may be reported directly to the President or the board of directors.	

Assessment	Actual governance			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
(4) Does the company have effective accounting system and internal control systems set up to facilitate ethical corporate management, does the internal auditing unit formulate audit plans based on unethical conduct risk assessment results, and does it audit compliance with the unethical conduct prevention plan or commission a CPA to perform the audit? (5) Does the Company organize internal or external training on a regular basis to maintain business integrity?	V		(4) The company has established a complete and effective accounting system and internal control system. The internal audit unit formulates an audit plan based on the risk assessment results, and executes various audit operations according to the plan. If special circumstances occur, a separate project audit will be arranged. (5) The company has posted the "Procedures for Ethical Management and Guidelines for Conduct" on the bulletin board and the company's website, and organizes education and training from time to time as necessary to help employees establish the basic concept of integrity management and the code of conduct that should be followed.	
3. Whistleblowing system (1) Does the Company provide incentives and means for employees to report misconducts? Does the Company assign dedicated personnel to investigate the reported misconducts? (2) Does the company establish standard operating procedures for investigating reported cases, and does it take subsequent measures and implement a confidentiality mechanism after completing investigation?	V	V	(1) The company has formulated a "Whistleblowing Procedures", which includes specific reporting procedures, has a reporting hotline and a reporting mailbox, and has designated the audit department as the unit to accept reports. (2) The Company's Whistleblowing Procedures has stipulated standard operating procedures for the investigation of reporting matters. If the report is found to be true, the Company will handle it in accordance with laws or relevant internal regulations of the company, or pursue legal liability. If major violations are discovered through investigation or the company is in danger of suffering major damage, the unit that accepts the report shall make a case report to the Audit Committee and may handle it in accordance with legal procedures if necessary. It is also required that the parties involved in the complaint and the relevant personnel responsible for handling the case shall not disclose it to the public and have the responsibility to keep it confidential to avoid unfair treatment, retaliation or threats to	No material deviation is found.

Assessment	Actual governance			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
(3) Has the Company provided proper whistleblower protection?	V		the whistleblower. Violators shall be dealt with according to the company's internal reward and punishment regulations. (3) The Company has measures in place to protect informants from any form of mistreatment.	
4. Enhancing information disclosure Has the Company disclosed its integrity principles and progress onto its website and MOPS?	V		The company's website and MOPS have disclosed the contents of the "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct".	No material deviation is found.
5. If the Company has established business integrity policies in accordance with "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: No material deviation is found.				
6. Other information relevant to understanding the Company's business integrity (e.g. reviews of business integrity principles): None.				

(8) Corporate governance principles and inquiry methods: The company has formulated the "Code of Practice on Corporate Governance" and related regulations. Please refer to the company's website (<https://www.stshine.com.tw>) and MOPS.

(9) Other information material to the understanding of corporate governance: The company has formulated the "Internal material information processing and insider transaction prevention management procedures", which clearly regulates the internal material information processing and disclosure mechanism, avoids improper disclosure of information, and ensures the consistency and correctness of the information published by the company.

(10) Internal control:

1. Declaration of internal control system: Please see page 42.

2. If the internal control system was reviewed by an external CPA, the result of such review must be disclosed: None.

(11) Penalties imposed against the Company for regulatory violation, or penalties against employees for violation of internal control system in the most recent year up until the publication date of this annual report; describe areas of weakness and any corrective actions taken: None

(12) Major resolutions passed in shareholder meetings and board of directors meetings in the most recent year up until the publication date of this annual report (2023)

1. Shareholder meeting resolutions and execution

(1) Acknowledgment of the Company's 2022 year-end accounts.

Execution: Votes in favor account for shares present at the time of voting are 97.65%; resolution passed.

(2) Acknowledgment of the Company's 2022 earnings distribution.

Execution: Votes in favor account for shares present at the time of voting are 98.57%; resolution passed.

Adopted by the board of directors meeting dated August 2, 2023, a resolution was passed to set the dividend baseline date at August 26, 2023. Actual payment of cash dividend was made on September 15, 2023.

2. Major board of directors meeting resolutions

(1) Board of directors meeting dated January 5, 2023

- A. Passed the appointment of chief information security officer.
- B. Passed managers' 2022 year-end bonus.
- C. Passed 2023 salary and remuneration of managers.

(2) Board of directors meeting dated March 21, 2023

- A. Passed the allocation of 2022 director/supervisor/employee remuneration.
- B. Passed the 2022 individual financial statements and consolidated financial statements.
- C. Passed the 2022 earnings distribution.
- D. Passed CPA re-appointment and remuneration for the Company's 2023 financial statement auditing service.(including passing the CPA independence assessment and passing the audit quality assessment in accordance with the "Guidelines for Interpretation of Audit Quality Indicators by the Audit Committee").
- E. Passed related matters about 2023 annual general meeting of shareholders and acceptance of shareholders' proposal rights.

(3) Board of directors meeting dated May 3, 2023: None.

(4) Board of directors meeting dated August 2, 2023

- A. Passed the allocation of 2022 director remuneration.
- B. Passed the allocation of 2022 employees' remuneration of managerial role.
- C. Passed the cash dividend baseline date.

(5) Board of directors meeting dated November 1, 2023: None.

(6) Board of directors meeting dated January 4, 2024

- A. Passed the organizational adjustment of information security center.
- B. Passed managers' 2023 year-end bonus.
- C. Passed 2024 salary and remuneration of managers.

(7) Board of directors meeting dated March 13, 2024

- A. Passed the allocation of 2023 employee and director remuneration.
- B. Passed the 2023 individual financial statements and consolidated financial statements.
- C. Passed the 2023 earnings distribution.
- D. Passes CPA re-appointment and their remuneration, and formulated the "non-certified service pre-licensing policy".
- E. Passed the amendment to the "Procedures for the Acquisition or Disposal of Assets".
- F. Passed the comprehensive re-election of directors (including independent directors)
- G. Passed the nomination and review of director (including independent director) candidates by the board of directors
- H. Passed the lifting of non-competition restrictions on new directors and their representatives.
- I. Pass the 2024 regular shareholders' meeting and accept proposals and nomination rights from shareholders holding more than 1% of the shares.

(8) Board of directors meeting dated May 9, 2024

- A. Passed the allocation of 2023 director remuneration.
- B. Passed the allocation of 2023 employees' remuneration of managerial role.

- (13) Documented opinions or declarations made by directors or supervisors against board resolutions in the most recent year (2023), up until the publication date of this annual report: No director or supervisor had made documented opinion or declaration against any major resolution passed by the board of directors.
- (14) Resignation or dismissal of the Chairman, President, head of accounting, head of finance, chief internal auditor, or head of R&D in the most recent year (2023) up until the publication date of this annual report: The Company encountered no resignation or dismissal of its Chairman, President, head of accounting, head of finance, Chief Internal Auditor or head of R&D:None.

St.Shine Optical Co., Ltd.
Declaration of Internal Control System

Date: March 13, 2024

The following declaration had been made based on the 2023 self-assessment of the Company's internal control system:

1. The Company acknowledges and understands that the establishment, implementation and maintenance of the internal control system are the responsibility of the board and managers, and that such a system has been implemented within the Company. The purpose of this system is to provide reasonable assurance in terms of business performance, efficiency (including profitability, performance, asset security etc.), reliable, timely and transparent financial reporting, and regulatory compliance.
2. There are inherent limitations to even the most well-designed internal control system. As such, an effective internal control system can only reasonably assure achievement of the three goals mentioned above. Furthermore, changes in the environment and circumstances may all affect the effectiveness of the internal control system. The internal control system of the Company features a self-monitoring mechanism that rectifies any deficiencies immediately upon discovery.
3. The Company evaluates the design and execution of its internal control system based on the criteria specified in "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "The Governing Principles") to determine whether existing policies continue to be effective. Assessment criteria introduced by "The Governing Principles" consisted of five main elements, each representing a different stage of internal control: 1. Control environment; 2. Risk evaluation and response; 3. Procedural control; 4. Information and communication; and 5. Supervision. Each element further encompasses several sub-elements. Please refer to "The Governing Principles" for more details.
4. The Company has adopted the abovementioned criteria to validate the effectiveness of its internal control system design and execution.
5. Based on the assessments described above, the Company considers the design and execution of its internal control system to be effective as at December 31, 2022. This system (including the supervision and management of subsidiaries) has provided assurance with regards to the Company's business results, target accomplishments, reliability, timeliness and transparency of reported financial information, and its compliance with relevant laws.
6. This declaration constitutes part of the Company's annual report and prospectus, and shall be disclosed to the public. Any illegal misrepresentation or concealment in the public statement above are subject to the legal consequences described in Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This declaration was passed unanimously without objection by all 8 directors present at the board meeting dated March 13, 2024.

St.Shine Optical Co., Ltd.

Chairman: Ming-Hsien Chen

CEO : Johnson Chou

5. Disclosure of CPAs' remuneration

Unit: NTD thousands

Name of accounting firm	Name of CPA	Audit period	Audit fee	Non-audit fees	Total	Remarks
PwC Taiwan	Sheng-Wei Teng	2023FY	3,750	80	3,830	
	Shu-Fen Yu					

(1) Change of accounting firm that resulted in the reduction of audit remuneration from the previous year; disclose audit remuneration before and after the change and the cause of such change: No change of accounting firm had taken place in 2024.

(2) Any reduction in audit remuneration by more than 10% compared to the previous year; state the amount, the percentage and reason of such variation: None.

6. Change of CPA: None

7. The Company's Chairman, President, or any managers involved in financial or accounting affairs being employed by the accounting firm or any of its affiliated company in the last year: None

8. Details of shares transferred or pledged by directors, supervisors, managers and shareholders with more than 10% ownership interest in the last year (2023), up until the publication date of this annual report

(1) Change of shareholding of directors, supervisors, managers and major shareholders

Unit: shares

Title	Name	2023		Year-to-date as at April 15	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman and Vice President	Ming-Hsien Chen	0	0	0	0
Director and CEO	Johnson Chou	0	0	0	0
Director	Ying-Chieh Chu	0	0	0	0
Director	Peter Ho	0	0	0	0
Director	Yu Hao Chen	0	0	0	0
Independent Director	Chang Chou Li	0	0	0	0
Independent Director	I-Yen Lu	0	0	0	0
Independent Director	James S. J. Cheng	0	0	0	0
Manager of Finance Department	Eris Lin	0	0	0	0

(2) Details of shares pledged by directors, supervisors, managers and shareholders with more than 10% ownership interest with a related party: None.

9. Relationships among the top-ten shareholders:

April 15, 2024; unit: shares

Name	Current Shareholding		Spouse and minor Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees	
	Shares	%	Shares	%	Shares	%	Name	Relationship
Yun Ming Investment Co., Ltd. Chairman: Pi-Chen Liu	1,751,000	3.47%	N/A	N/A	N/A	N/A	Yili Investment Co., Ltd.	Note
	13,018	0.03%	293,589	0.58%	0	0%		
Cathay Life Insurance Co., Ltd. Chairman: Ming-He Syong	1,460,000	2.90%	N/A	N/A	N/A	N/A	None	None
	Data Not Available							
Johnson Chou	1,388,612	2.75%	0	0%	0	0%	None	None
TransGlobe Life Insurance Inc. Chairman: Wen-Hui Lin	1,320,000	2.62%	N/A	N/A	N/A	N/A	None	None
	Data Not Available							
JPMorgan Chase Bank Taipei Branch as Master Custodian for Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equiry Index Funds	648,000	1.29%	N/A	N/A	N/A	N/A	None	None
Kuang-Min, Shih	618,000	1.23%	Data Not Available					
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	560,727	1.11%	N/A	N/A	N/A	N/A	None	None
ISHARES Core MSCI Emerging Markets ETF Investment Account under the custody of Standard Chartered Bank (Department of Business)	451,000	0.89%	N/A	N/A	N/A	N/A	None	None
Yili Investment Co., Ltd. Chairman:,Shuo-Yi Chen	432,000	0.86%	N/A	N/A	N/A	N/A	Yun Ming Investment Co., Ltd.	Note
	24,137	0.05%	0	0%	0	0%		
Ying-Chieh Chu	402,000	0.80%	N/A	N/A	N/A	N/A	None	None

Note1: The representative of Yun Ming Investment Co., Ltd. and the representative of Yili Investment Co., Ltd. have a mother-son relationship.

10. Investments jointly held by the Company, the Company's directors, supervisors, managers, and enterprises directly or indirectly controlled by the Company; disclose shareholding in aggregate of the above parties:

April 15, 2024; unit: shares

Investees (Note)	Held by the Company		Held by directors, supervisors, managers, and directly or indirectly controlled enterprises		Aggregate ownership	
	Shares held	%	Shares held	%	Shares held	%
Shine Optical (Samoa) Holding Groups, Inc.	1,900,000	100%	-	-	1,900,000	100%
Shine Optical HK Limited	-	-	1,850,000	100%	1,850,000	100%
Shanghai Ticon Optical Limited	-	-	Capital contribution US\$ 1,800,000	100%	Capital contribution US\$ 1,800,000	100%
St. Shine Optical Japan Co., Ltd	800	100%	-	-	800	100%

Note: The above investments were accounted using the equity method.

IV. Funding Status

1. Capital and outstanding shares

(1) Source of capital

1. Changes in share capital

Unit: shares; NTD

Year / months	Issue price (NTD)	Authorized capital		Paid-up capital		Remarks	
		Shares held (shares)	Amount (NTD)	Shares held (shares)	Amount (NTD)	Source of capital	Others
1986.09	25,000	200	5,000,000	200	5,000,000	Initial capital at incorporation	None
1991.12	25,000	800	20,000,000	800	20,000,000	Cash issue	None
1994.09	10,000	5,000	50,000,000	5,000	50,000,000	Cash issue	None
1996.12	10,000	10,000	100,000,000	10,000	100,000,000	Cash issue	None
1998.12	10,000	19,000	190,000,000	19,000	190,000,000	Cash issue	None
1999.12	10	13,300,000	133,000,000	13,300,000	133,000,000	Capital reduction for cash	None
1999.12	10	36,100,000	361,000,000	19,000,000	190,000,000	Cash issue	None
2001.08	10	36,100,000	361,000,000	14,300,000	143,000,000	Capital reduction for cash	None
2001.08	10	36,100,000	361,000,000	19,000,000	190,000,000	Cash issue	None
2001.10	10	36,100,000	361,000,000	20,360,000	203,600,000	Cash issue	None
2002.08	10	39,710,000	397,100,000	25,360,000	253,600,000	Capitalization of retained earnings	None
2003.09	10	39,710,000	397,100,000	31,012,000	310,120,000	Capitalization of retained earnings	Note 1
2003.09	10	39,710,000	397,100,000	32,212,000	322,120,000	Cash issue	Note 2
2004.06	10	35,822,000	358,220,000	32,212,000	322,120,000	Amendment of the Articles of Incorporation	None
2004.06	10	52,286,000	522,860,000	32,212,000	322,120,000	Amendment of the Articles of Incorporation	None
2004.09	10	52,286,000	522,860,000	36,328,000	363,280,000	Capitalization of retained earnings	Note 3
2005.06	10	52,286,000	522,860,000	38,828,000	388,280,000	Cash issue	Note 4
2005.10	10	52,286,000	522,860,000	40,990,000	409,900,000	Capitalization of retained earnings	Note 5
2006.02	10	52,286,000	522,860,000	41,663,500	416,635,000	Exercise of employee warrant	Note 6
2006.10	10	52,286,000	522,860,000	44,076,675	440,766,750	Capitalization of retained earnings	Note 7
2006.10	10	52,286,000	522,860,000	44,559,175	445,591,750	Exercise of employee warrant	Note 6

Year / months	Issue price (NTD)	Authorized capital		Paid-up capital		Remarks	
		Shares held (shares)	Amount (NTD)	Shares held (shares)	Amount (NTD)	Source of capital	Others
2007.02	10	52,286,000	522,860,000	47,634,175	476,341,750	Cash issue of 3,000,000 shares and exercise of employee warrant 75,000 shares	Note 6, Note 8
2007.09	10	88,000,000	880,000,000	50,315,884	503,158,840	Capitalization of retained earnings	Note 9
2009.09	10	88,000,000	880,000,000	50,416,516	504,165,160	Capitalization of retained earnings	Note 10

*No share offering was paid in property other than cash.

Note 1: Date approved by Securities and Futures Institute and reference No.:

Tai-Tsai-Cheng-(I)-0920131651, 2003.07.15

Note 2: Date approved by Securities and Futures Institute and reference No.:

Tai-Tsai-Cheng-(I)-0920134712, 2003.07.31

Note 3: Date approved by Securities and Futures Institute and reference No.:

Tai-Tsai-Cheng-(I)-0930128419 2004.07.28

Note 4: Date approved by Financial Supervisory Commission and reference No.:

Jin-Guan-Zheng-1-0940109765, 2005.04.04

Note 5: Date approved by Financial Supervisory Commission and reference No.:

Jin-Guan-Zheng-1-0940130325, 2005.07.26

Note 6: Date approved by Securities and Futures Institute and reference No.:

Tai-Tsai-Cheng-(I)-0910165870 2002.12.18

Tai-Tsai-Cheng-(I)-0920114483, 2003.04.28

Note 7: Date approved by Financial Supervisory Commission and reference No.:

Jin-Guan-Zheng-1-0950137786, 2006.08.24

Note 8: Date approved by Financial Supervisory Commission and reference No.:

Jin-Guan-Zheng-1-0950156183, 2006.12.11

Note 9: Date approved by Financial Supervisory Commission and reference No.:

Jin-Guan-Zheng-1-0960035555, 2007.07.10

Note 10: Date approved by Financial Supervisory Commission and reference No.:

Jin-Guan-Zheng-Fa-0980037477, 2009.07.27

2. Share categories

April 15, 2024; unit: shares

Share category	Authorized capital			Remarks
	Outstanding shares	Unissued shares	Total	
Registered common shares	50,416,516	37,583,484	88,000,000	Outstanding shares were listed for trading on TPEX.

(2) Status of Shareholders

April 15, 2024

Shareholders structure QTY	Government institutions	Financial institutions	Other corporate entities	Natural persons	Foreign institutions and foreigners	Total
Number of Shareholders	0	3	233	27,690	123	28,049
Shareholding (shares)	0	2,820,000	5,321,126	36,705,341	5,570,049	50,416,516
Percentage (%)	0	5.59	10.55	72.81	11.05	100.00

(3) Shareholding Distribution Status

Face value: NT\$10 per share

April 15, 2024

Class of Shareholding (Unit : share)	Number of shareholders (persons)	Shareholding (shares)	Percentage (%)
1 to 999	19,001	801,785	1.59
1,000 to 5,000	7,769	13,979,356	27.73
5,001 to 10,000	702	5,374,092	10.66
10,001 to 15,000	199	2,528,088	5.01
15,001 to 20,000	110	1,983,024	3.93
20,001 to 30,000	98	2,456,045	4.87
30,001 to 40,000	41	1,446,094	2.87
40,001 to 50,000	33	1,485,504	2.95
50,001 to 100,000	43	2,922,018	5.80
100,001 to 200,000	28	4,365,011	8.66
200,001 to 400,000	15	4,044,160	8.02
400,001 to 600,000	4	1,845,727	3.66
600,001 to 800,000	2	1,266,000	2.51
800,001 to 1,000,000	0	0	0
1,000,001 and above	4	5,919,612	11.74
Total	28,049	50,416,516	100.00

(4) List of major shareholders:

The names of shareholders with more than 5% ownership interest, names of top-10 shareholders, and the actual number and percentage of shares held

April 15, 2024

Shareholder's name	Shareholding (shares)	Percentage (%)
Yun Ming Investment Co., Ltd.	1,751,000	3.47
Cathay Life Insurance Co., Ltd.	1,460,000	2.90
Johnson Chou	1,388,612	2.75
TransGlobe Life Insurance Inc.	1,320,000	2.62
JPMorgan Chase Bank Taipei Branch as Master Custodian for Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equiry Index Funds	648,000	1.29
Kuang-Min, Shih	618,000	1.23
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	560,727	1.11
ISHARES Core MSCI Emerging Markets ETF Investment Account under the custody of Standard Chartered Bank (Department of Business)	451,000	0.89
Yili Investment Co., Ltd. Chairman:, Shuo-Yi Chen	432,000	0.86
Ying-Chieh Chu	402,000	0.80

(5) Information relating to market price, net worth, earnings, and dividends per share for the last 2 years

Unit: NTD

Item		Year	2022	2023	2024, up until March 31
Market price per share	High		339.0	277.5	206.5
	Low		207.5	181.0	186.0
	Average		262.94	222.4	192.94
Net worth per share	Before distribution		124.32	121.71	118.48
	After distribution		110.82	114.71	-
Earnings per share	Weighted average outstanding shares (shares)		50,416,516	50,416,516	50,416,516
	Earnings per share		20.21	10.83	3.77
Dividends per share	Cash dividends		13.5	7 _(Note)	-
	Stock dividends	From earnings	-	-	-
		From capital reserves	-	-	-
	Cumulative unpaid dividends		-	-	-
Analysis of investment returns	P/E ratio		13.01	20.54	-
	Price to dividends ratio		19.48	31.77 _(Note)	-
	Cash dividend yield		5.13%	3.15% _(Note)	-

Note: On March 13, 2024, the board of directors resolved to distribute a cash dividend of NTD 7 per share, which will be reported to the shareholders' meeting on June 13, 2024. °

(6) Dividend policy and execution

1. Dividend policy stated in the Company's Articles of Incorporation:

- (1) The Company's earnings, if any, should be applied to pay taxes and make up for losses, and then 10% of the earnings shall be appropriated as legal reserve. However, when the legal reserve is equivalent to the paid-in capital, the appropriation of legal reserve can be ceased. In addition, the special reserve will be appropriated or reversed according to laws and regulations or depending on business needs. The remaining amount, if any, plus the accumulated undistributed earnings will be available for distribution according to the proposal of the Board of Directors. The issuance of new shares should be presented in the Shareholders Meeting for resolutions.

'A company may, by a resolution adopted by a majority of the shareholders present who represent two-thirds or more of the total number of its outstanding shares of the company, have the surplus profit distributable as dividends and bonuses in accordance with paragraph 5, Article 240 of the Company Act, or have the legal reserve and capital reserve in whole or in part may be paid in cash, and submitted to the shareholders' meeting in accordance with paragraph 1, Article 240 of the Company Act.

- (2) The Company's dividend decisions involve several factors including the current business environment and growth stage, its future capital requirements and long-term financial plan, and shareholders' needs for cash flow. At least 10% of proposed dividends shall be distributed in cash.

2. Execution situation

The company's surplus can be distributed by stocks or cash. Since the company's stocks have been listed in TPEx, the board of directors and the shareholders' meeting has resolved all (100%) cash dividends, and the distribution rate is between 64%~ 85%. In the future, the company expects to maintain a stable cash dividend distribution policy, and considers whether to distribute stock dividends depending on future funding needs and the degree of equity expansion.

3. Dividend distribution proposed for this board of directors:

The Company's 2023 earnings appropriation was passed during the board of directors meeting held on March 13, 2024. It has been passed to distribute cash dividends totaling NT\$352,915,612 from 2023 undistributed earnings, which is equivalent to NT\$7.0 per share. The board of directors will set another baseline date, cash dividend distribution date and other related matters.

(7) Impacts of proposed stock dividends on the Company's business performance and earnings per share:
Not applicable.

(8) Employee/director remuneration

1. Percentage and range of employee/director remuneration:

Annual profits concluded by the Company are subject to employee remuneration of no less than 3%, which the board of directors may decide to distribute in cash or in shares. Employees of subsidiaries who meet certain criteria are also entitled to receive remuneration. Up to 3% of the aforementioned profit may be distributed as director remuneration at the discretion of the board

of directors.

Profits must first be taken to offset against cumulative losses, if any, before the remainder can be distributed as employee/director remuneration in the above percentages.

2. Basis of calculation for employee/director/supervisor remuneration and share-based compensations; and accounting treatments for any discrepancies between the amounts estimated and the amounts paid: Not applicable as no discrepancy existed.

3. Remuneration passed by the board of directors

The Company's 2023 employee/director/supervisor remuneration was passed during the board of directors meeting held on March 13, 2024. Details of the remuneration approved by the board are shown below:

- (1) Employee/director/supervisor remuneration, in cash or in shares.

Item	Amount of distribution (NTD)
Employee remuneration	64,000,000
Directors 'and supervisors 'remuneration	8,800,000

Note: The above amounts were indifferent from the amounts estimated in the year the expense was recognized.

- (2) Percentage of employees 'remuneration paid in shares, relative to net income and total employees 'remuneration shown in standalone financial statements: Not applicable.

4. Actual payment of employee/director/supervisor remuneration in the previous year (including the number of shares allocated, the sum of cash paid, and the price at which shares were issued), and any differences from the figures estimated (explain the amount, the cause, and treatment of such discrepancies).

Actual payment of 2022 employee/director/supervisor remuneration

Item	Actual payment (NTD)
Employee remuneration	80,000,000
Directors 'and supervisors 'remuneration	10,000,000

Note: The actual amounts above were indifferent from the amounts recognized.

- (9) Buyback of company shares: None.

2. Corporate bonds: None.

3. Preferred shares: None.

4. Depository receipts: None.

5. Disclosure relating to employee warrants and restricted employee shares: None.

6. Issuance of new shares for business acquisition or share exchange: None.

7. Progress on planned use of capital: Not applicable.

V. Operational Overview

1. Business activities

(1) Scope of business

1. Principal business activities
 - (1) Production of medical device.
 - (2) Wholesale and retail sale of medical device.
 - (3) Refraction test and prescription eyewear service.
 - (4) International trade.
 - (5) Wholesale and retail sale of computers and office equipment

2. Main products and weight

Main products and weight in 2023:

Unit: NTD thousands

Business activities	2023	Revenue weight (%)
Disposable lens	4,387,469	99.85
Others	6,419	0.15
Total	4,393,888	100.00

Note: Others represent income from sale of raw materials

3. The Company's current products

The Company is primarily involved in the production and sale of disposable soft contact lenses. The Company's product portfolio comprises two main categories of contact lens, which are distinguishable by useful life:

(1) Conventional Contact Lens

Conventional contact lenses are lathe-cut. Depending on the hydrophilicity of the lens material, products can be further distinguished between Rigid Gas Permeable Contact Lens (RGP) and Conventional Soft Contact Lens. Depending on the corrective function and purpose, the lenses can be further distinguished between myopia, hyperopia, astigmatism and presbyopia. Conventional contact lenses usually have a useful life of 1~2 years.

(2) Disposable Soft Contact Lens

Disposable soft contact lenses are mostly cast-molded using permeable, soft material. Currently, the Company is capable of designing and producing disposable soft contact lenses of different water contact and structure. They are available in different disposal cycles including daily, weekly and monthly. Depending on the corrective function and purpose, the lenses can be further distinguished between myopia, hyperopia, astigmatism and presbyopia, and aberration control lenses and high definition lenses that are intended to enhance image quality. There are also colored contact lenses that change the color of the retina, and contact lenses that provide cosmetic effects.

Furthermore, cast-molded soft contact lenses can be made and sold in finished or semi-finished form to accommodate customers' requirements. Finished goods are lenses that have undergone all production steps and have been packaged and sterilized. Semi-finished products are dry lenses that have yet to be hydrated or removed from mold.

4. Sales location and model

The Company markets its products under a proprietary brand within the Greater China region. "Ticon®" is the brand under which products are marketed in Taiwan. For export sales, the Company designs and produces under customers' private labels. The Company's products are exported to Japan, Germany, UK, Canada, the Netherlands, Italy, and countries in Southeast Asia, the Middle East, Central/South America and Africa.

5. New products planned for the future

(1) Raw material development and design for Moisture Retarding Contact Lens

Amongst users that wear lenses for vision correction, 10% of whom are susceptible to dry eye syndrome (DES) and are unable to wear contact lenses for a long time. Furthermore, wearing contact lenses in high-latitude regions and for long periods of time in an air-conditioned environment can cause tears to evaporate, causing discomfort to the eye. The Company has introduced moisturized products with hyaluronic acid content, and will continue to work with contractors and customers to develop new formula for contact lens materials that would deliver long-term moisturization. This product will be sold domestically and in foreign markets to satisfy the needs of this particular group of consumers. In the future, the Company will continue exploring new materials that would achieve more effective moisturization at lower cost.

(2) Daily disposable contact lens with specific features

Daily disposable contact lenses have emerged to become one of the mainstream varieties of contact lens today as they do not require cleaning and maintenance, and can be disposed once used. Apart from spherical daily disposable contact lenses, which can be used to correct myopia/hyperopia, there are also other people who need daily disposable contact lenses with special features to correct astigmatism, presbyopia and for cosmetic purpose. In addition to the launch of toric daily disposable contact lens in 2008, cosmetic daily disposable contact lens with colored retina in 2010 and progressive multifocal daily disposable contact lens for users who have trouble adjusting between near/far objects in 2015, the Company continues to develop new daily disposable contact lenses to satisfy the needs of other user groups. Introduction of new contact lenses with special features should improve the Company's market penetration and market share.

(3) Development of silicone hydrogel" material

"Silicone hydrogel" offers the comfort of soft contact lens and high oxygen permeability of silicon lens, which allows users to wear for long periods of time without developing cornea disease. This feature makes it possible to develop a new variety of contact lenses called Extended Wear, one that users can wear to sleep without having to remove, clean and maintain everyday, while at the same time minimizing the harm that contact lenses can do to the eyes after long-term wear. Convenience, safety and comfort are the three main features and it is now a mainstream product in the European and American markets..

(2) Industry overview

1. Current and future industry prospects

(1) Current state of industry

Contact lens is recognized as medical device; its main purpose is to correct human vision and offers cosmetic benefits at the same time. From glass-based, polymethyl methacrylate (PMMA) and hard, uncomfortable materials in the early days, contact lens materials are

progressing towards delivering high oxygen permeability and comfort, thus giving rise to the application of more comfortable and water permeable material called hydroxyethyl methacrylate (HEMA). Since then, the use of material has evolved from rigid gas permeable (RGP) to "silicone hydrogel" that enables more long-term wear. As for contact lens features, they have expanded from the correction of myopia and hyperopia to the correction of astigmatism and presbyopia, and high-end aberration correction in the latest development. The introduction of colored contact lenses also brings cosmetic function to the product.

The earliest users who tried out contact lenses out of curiosity are entering the age where they need correction for presbyopia. As a result, the market has increasing demand for functional lenses that offer features such as bifocal, multifocal etc. Demand in this respect is expected to grow at a rate of at least 10% yearly. As for colored contact lenses, their versatility to offer zero diopter or vision correction features has made them popular among young people, and are expected to sustain a growth rate of 5%~10% per year.

(2) Industry development

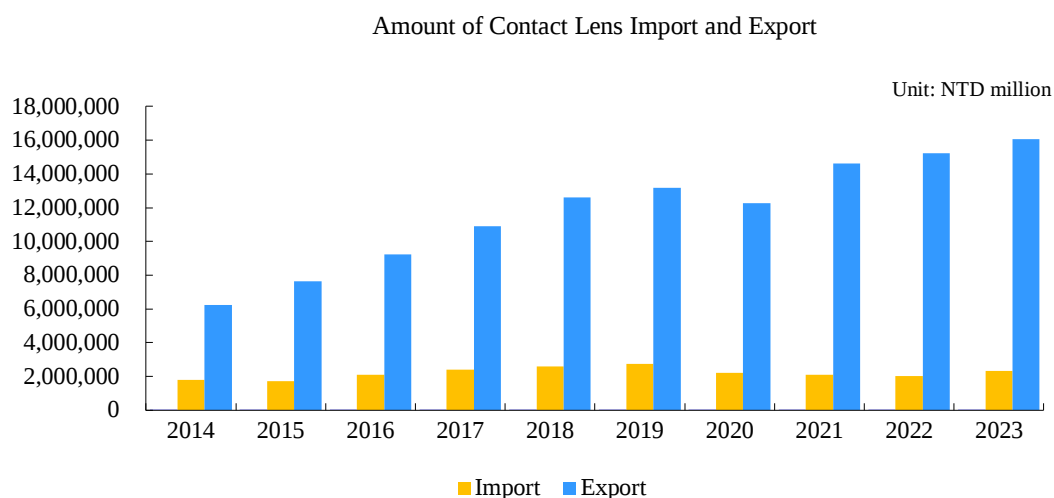
According to data provided by Contact Lens Spectrum, the size of the global contact lens market has been estimated at US\$ 10 billion in 2023, and is growing at a steady rate each year except of years which are affected by the COVID-19.

Statistics have indicated two main reasons that drive the growth of the contact lens market. One of which is the "transition towards higher value and special feature lenses," including toric soft contact lens, multifocal contact lens for presbyopia, and colored contact lens for young people. This transition not only increases sales volume, but more importantly, it widens consumers' price tolerance and allows manufacturers to sell the additional features at higher margin. The second reason is the "ever-growing international market." Countries along the Pacific Ocean, especially Japan and Australia and Europe will see the highest growth in contact lens users. Emerging markets, too, have seen the percentage of contact lens users grow relative to the overall population in recent years due to strong economic development and strengthened spending power.

Due to environmental and regulatory differences, contact lenses have performed differently in various markets. GP lenses have achieved relatively high market share in Japan, Germany and Israel, but only 10% in other countries. Daily disposable contact lenses exhibit the most diverse performance between markets. It's about 40% of wearers in the American continent choose daily disposable, compared to 50% in Europe; over 60% in Asia Pacific because of the cheap price. Toric and multifocal lenses, too, have performed differently in various markets. In some countries, the market share of spherical lenses exceeds toric lenses only marginally by 10%. There is virtually no market for GP lenses in China despite the country's rapid economic growth, and sale of daily disposable lenses is relatively low compared to other countries. Nearly 50% of users still prefer soft lenses of monthly or longer cycle. These differences will eventually create disequilibrium in the demand and supply of a single product within a particular region, a shortfall that most major brands adopting the global marketing approach can not react in time, which therefore creates opportunities for OEMs.

Contact lens is a more highly established industry in Taiwan compared to other biotech and medical device. According to statistics published by Customs of The Republic of China in the last 10 years, Taiwan's contact lens export has been stably increasing . This shows that the

local contact lens market is becoming less dependent upon imported goods. With the increase in market maturity and saturation, both imports and exports are gradually showing a flat trend.



Source: Customs of R.O.C.

2. Association between upstream, midstream, and downstream industry participants

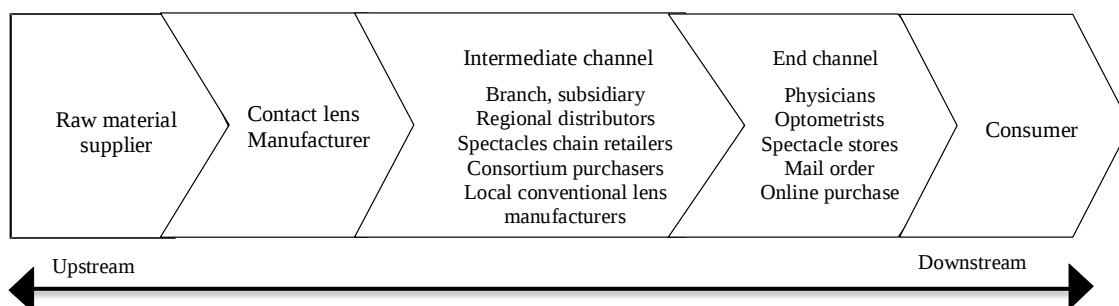
Raw material suppliers represent the upstream of the contact lens industry. High polymers such as HEMA, EGDMA and NVP are the main chemicals used in the production of contact lens.

Contact lens manufacturers are mid-stream players of the industry. Those with R&D capabilities are able to purchase raw chemicals (such as: HEMA, EGDMA, NVP etc.) and produce contact lens materials using proprietary formula, while manufacturers without R&D capability can only purchase readily prepared materials from suppliers, and therefore have a limited choice of supply source.

Distributors represent the downstream of the industry, which can be further distinguished between retailers that interact directly with consumers, including optometrists, ophthalmologists, spectacle stores, pharmacies/cosmeceutical channel, supermarkets, mail order merchants and online merchants, and intermediaries that connect retailers to contact lens manufacturers, including regional distributors, physicians and consortium purchasers. Uprise of the Internet has made mail order and online order two very popular ways of purchasing contact lenses. Mail order and online merchants often skip the intermediaries and purchase directly from contact lens manufacturers for lower cost and availability; some have even merged or engaged the manufacturers to develop new, exclusive products. In countries where there are strict requirements that all contact lenses must be accompanied by a prescription, the purchasing procedures have been made too complicated to the point that consumers simply do not purchase contact lenses online or over mail order. These are the main areas where manufacturers may be in risk of losing customers or are presented with stagnant growth.

If a consumer wishes to purchase lathe-cut contact lenses at a retailer, the optometrist or physician will perform a refraction test, issue a prescription and place an order with the lathe-cutting manufacturer. The manufacturer then produces lenses according to the prescription and hands them over to the consumer via the optometrist/physician. If a consumer wishes to purchase disposable contact lenses, a set of mass-produced, standardized disposable contact lenses that match the prescription can be readily acquired at any retail channel.

Contact lens supply chain



Source: Compiled by the Company.

3. Product trend and competition

(1) Product trends

A. Moisturized contact lenses

Cooper has launched a new contact lens material that contains phosphorylchlorine (PC) and made an FDA-certified claim about the material's benefits in preventing DES from wearing contact lenses. Alcon and Johnson & Johnson, on the other hand, have chosen to add moisturizing high polymers that gradually realize moisture to keep the surface moisturized. In light of how quickly these products have appealed to consumers' right after launch, the Company brought new selections to the market since 2007 with the launch of moisturized contact lenses with hyaluronic acid, MPCP...etc.

B. Colored lens

Apart from lenses that change the color of the cornea, there are also cosmetic lenses that make eyes appeal larger like dolls, and hence the name - "doll eye contacts." After Johnson & Johnson launched its daily disposable "doll eye contacts" in Japan with the endorsement of Japanese celebrities, the product quickly gained the attention of Asian consumers, which posed significant impact on colored lenses in East Asia. In light of this challenge, the Company responded by introducing a similar product locally in 2008, and followed up with the introduction of daily disposable colored lenses that also achieve enlargement effects in 2010 and after to provide consumers with a broader selection.

C. "Silicone hydrogel" contact lenses

Colored and enlargement contact lenses are preferred by young people for their cosmetic effects, and are supported by strong, consistent demand. Meanwhile, contact lenses made from a new material called "silicone hydrogel," which offers both the comfort of ordinary hydrogel and high oxygen permeability of silicone, are increasingly popular in Europe and America.

"Silicone hydrogel" absorbs water, which helps maintain flexibility in the lens; in addition, hydrophilic treatment on the surface makes the lens easy to wear for users. Silicone hydrogel also offers high oxygen permeability (3~6 times that of ordinary hydrogel) that reduces the risk of corneal edema or eye diseases caused by lack of oxygen after wearing for long periods of time. The high oxygen permeability of silicone hydrogel makes it possible to develop a new variety of contact lenses called Extended Wear, one that users can wear to sleep without having to remove, clean and maintain every day,

while at the same time minimizing the harm that contact lenses can do to the eyes after long-term wear.

The material and surface hydrophilicity of contact lenses have been improved continuously in recent years. New silicone hydrogel-based contact lenses with their appropriate hydrophilicity and high oxygen permeability have made the products easier to wear for longer periods in a single day without feeling dry. It is a solution that addresses comfort, health and safety all at the same time.

(2) Product competition

A. Product competition

Growth of the world's contact lens market is still dominated by the disposable variety (including daily, weekly, monthly and quarterly disposable lenses). Based on an overall analysis of available market data, daily disposable spherical lenses currently account for 50% of market share (gradually rise), while non-daily disposable spherical lenses are slightly below 20% (gradually decrease), and speciality lenses represent 30% of the market.

The strategy by Johnson & Johnson to launch weekly disposable silicone hydrogel-based contact lenses at low price has caused significant impact to the contact lens market. From USA to the rest of the world, silicone hydrogel is cannibalizing the market share of ordinary hydrogel. According to the market survey published in the annual reports of Cooper Company and Contact Lens Spectrum, silicone hydrogel-based lenses have captured an over 60% market share in the U.S., and demand is also rising progressively in Europe. In Asian markets, however, the high popularity and convenience of daily disposable lenses may have overshadowed the high oxygen permeability offered by silicone hydrogel. Johnson & Johnson recognized the differences of the European market and the deregulation that was happening in the UK, which was why it launched daily disposable silicone hydrogel lens first in the UK in 2008 as the first step towards growing demands for silicone hydrogel lenses in Europe. Companies including Alcon and Cooper soon followed and launched daily disposable silicone hydrogel lenses in Europe. As silicone hydrogel become popular, these multinational brands are starting to bring daily disposable silicone hydrogel lenses into American and Asian markets.

Demand for spherical soft lenses has saturated, prompting manufacturers to look towards special-purpose lenses for product and market segmentation. Special-purpose lenses with toric, bifocal, multifocal or progressive multifocal features account for two-fifths of the U.S. market. Toric lens provides consumers with more customized correction for astigmatism, and since approximately one-quarter of people with low vision in the U.S. require astigmatism correction, toric lens has been the fastest growing segment of all. Colored or cosmetic contact lenses are preferred by young people for their cosmetic effects, and are supported by strong, consistent demand.

As production technology evolves, production of disposable lenses becomes consistent, which enables manufacturers to shift production focus from monthly, weekly to daily disposable in the special-purpose lens segment. These daily disposable special-purpose lenses have the potential to increase overall penetration of disposable products and increase total market value. Meanwhile, introduction of moisturized daily disposable lenses should contribute towards expanding the market share of daily

disposable lenses worldwide and compete head-to-head against silicone hydrogel-based products. If manufacturers are able to improve the success rate of disposable multifocal lenses for people with presbyopia and incorporate this moisturization technology into production, they may be able to slow down the rate at which silicone hydrogel is cannibalizing the market of ordinary hydrogel.

B. Market competition

Johnson & Johnson, Alcon, Cooper and Bausch & Lomb are the main suppliers of the contact lens market. Their aggressive marketing and promotion of proprietary brands in recent years have deprived distributors of profit margin and provoked intensive competition with local, private brand distributors for intermediaries and small/medium-size customers. In addition to making domestic and export sales under the proprietary brand, the Company also provides service as an ODM and produces products that are sold in other parts of the world under customers' brands. With flexible production capacity at its disposal and the support of customers' global marketing team, the Company has been able to market its products to Europe, America, Asia and Australia.

In Taiwan, advertising of daily disposable contact lenses was not approved by the Department of Health (now known as the Ministry of Health and Welfare) until 2003. Since then, manufactures including Johnson & Johnson, Bausch & Lomb and Alcon have made intensive efforts to advertise and promote daily disposable contact lenses in Taiwan. As a result, brand impression has become a key decision factor to consumers when choosing daily disposable products. In light of this development, the Company began advertising through media in 2007 to promote awareness of the proprietary brand - Ticon®. As time passes, the invested advertisements start to yield positive results, which are reflected in Ticon's® increasing market share in Taiwan. Deregulation on the advertisement of daily disposable lenses fueled the growth of contact lens in Taiwan. Based on data published by the customs authority, contact lens import has increased from 48.5 million pieces in 2003 to 266 million pieces in 2018, which is over 5 times over a period of 15 years.

As colored and enlargement lenses started to appeal to consumers in Asia, the Company introduced its own colored/enlargement lenses in Taiwan in June 2008 and subsequently followed up with new variety including fortnightly and daily disposables, thereby providing consumers with broader selections.

(3) Technological research and development

1. R&D expenses made in the last year (2023) up until the publication date of this annual report

Unit: NTD thousands

Year	2023	2024, up until March 31
Amount	69,910	25,055

2. Technologies or products successfully developed in the last year (2023):
 - (1) Improvement of automation in inspection and packaging processes.
 - (2) 60 % (Omafilcon A) color contact lense.

(4) Long and short-term business plans

1. Short-term development plan

(1) Marketing strategies

- A. Expand the market of daily disposable contact lens
- B. Develop flexibility and customization capacity
- C. Establish strategic cooperation with upstream and downstream participants

(2) R&D direction

Regional differences have given rise to niche market opportunities, which the Company intends to exploit by offering broader product variety, more comprehensive product line and industry-leading ODM service.

(3) Production strategies

Continually improve production procedures and level of automation, and thereby reduce production cost.

2. Long-term plan

(1) Marketing strategies

- A. Penetrate deep into global markets
- B. Develop a respected regional brand

(2) R&D direction

The Company will strive to expand the functionality of its R&D Department and recruit additional R&D talents, and build a stronger team that will support the Company's plan to develop differentiated product lines. The Company plans to expand the market of hydrogel-based products by developing multifocal products that meet customers' needs. Furthermore, the Company will take initiative in the development of "silicone hydrogel" material to accommodate the world's product trends.

2. Market, production and sales overview

(1) Market analysis

1. Locations where products are mainly sold

Unit: NTD thousands

Sales destination	2023 net sales	Percentage (%)
Asia	3,204,386	72.93
Europe	468,229	10.66
America	203,523	4.63
Domestic	517,750	11.78
Total	4,393,888	100.00

Source: Compiled by the Company

2. Share of the contact lens market

According to Contact Lens Spectrum's 2023 annual report, the size of the global contact lens market has been estimated at US\$ 10 billion in 2023. Judging by the Company's annual revenues, the Company's worldwide market share is approximately 1.5%.

3. Future market supply, demand and growth

North America is currently the world's largest contact lens market, representing over 1/3 of global sales. Asian and European markets are comparable in size, and Japan alone represents

about 20% of the sale, which makes it one of the world's major markets. Although Taiwan's population is relatively small compared to other markets, a significant portion of the population has been diagnosed with myopia, which makes consumers highly willing to spend on contact lenses. This is the main reason that Taiwan as a whole accounts for 2% of the world's contact lens demand, whereas other markets such as South America, Africa and Australia account for only 5%.

An analysis of growth prospects by region shows slow growth in the number of contact lens wearers in Europe and America, where consumers are more receptive to the more costly disposable contact lens; as a result, sales value has been rising steadily in the two markets. In Asia, where the number of people with myopia is high and utilization of contact lens is low, consumers are becoming more receptive to contact lenses, and the increasing number of wearers combined with rising amount of spending make Asia the market with high growth potentials. China, in particular, has a population of 1.3 billion and about 350 million of whom are diagnosed with myopia, but only less than 10% of people wear contact lenses, which is far lower than the 20% average exhibited by other developed nations. Given the rapid increase in consumers' receptiveness and spending towards contact lenses, China will undoubtedly become one of the fastest growing regions.

In terms of supply, the world's top-4 manufacturers (Johnson & Johnson, Alcon, Cooper and Bausch & Lomb) have all been expanding production capacity through acquisition or factory construction. Their product line expansion efforts are starting to yield results, as can be seen in the intensive competition among brands. In an attempt to secure market share and growth, all major brands have begun offering products with special features such as toric and multifocal lenses.

Competition among international contact lens brands has been extremely intensive in recent years. Their aggressive marketing and promotion of proprietary brands have deprived distributors of profit margin and provoked intensive competition with local, private brand distributors for intermediaries and small/medium-size customers. This growing discontent among distributors and small/medium-size customers toward international brands has presented the Company with a niche opportunity. The Company has deployed a comprehensive marketing network throughout Europe, America, Japan and the Greater China region. It has the production capacity to meet the needs of existing and potential customers.

4. Competitive advantage

(1) Mainstream cast-molding production

In 1987, Johnson & Johnson introduced the cast-molding technique that greatly increased the efficiency and reduced the cost of producing disposable contact lenses. Since then, all of the world's major manufacturers have adopted the cast-molding method for producing contact lenses. The Company had fully adopted the cast-molding approach when it first began production of disposable products. Owing to the efforts of the technology team, the Company was able to make products of consistent quality in mass volume, and became one of the few manufacturers in the world besides the top-4 to succeed in cast-molding production.

(2) Rigorous certification

Contact lenses are used on the human eye and have been considered as medical device. To ensure product safety, governments around the world have imposed strict review

procedures on the production and sale of contact lenses. Industry participants often have to pass certification of the local government before engaging in related business activities. The certification generally comprises two aspects: system and product. The purpose of a system certification is to certify the quality of a company's operating procedures, and represents quality assurance on a broader sense. Product certification, on the other hand, aims to certify the quality of product sold, which requires long-term clinical data to be used as proof. All producers of medical device are required to obtain system certification and product sale permit before launching products to the market. Through efforts and experiences accumulated over the years, the management has successfully developed contact lenses of broad specifications and variety, and the products are being highly recognized for the vision correction benefits and the comfort they offer. In addition, the company has obtained international certification ISO 13485, EU EC Certificate, MDSAP, Taiwan QMS, US FDA (510k) and other multinational certifications. These certifications are a testament to the Company's excellent product quality, which will prove useful to the Company's efforts in expanding the domestic and overseas markets. Details are as follows:

Name of certification		Purpose	Time obtained	Description
Quality Management System of Medical Device	ISO 13485:2016	To certify the quality management system conform to the international standard of medical device quality management.	1. ISO 13485:1996 certification obtained since 2002 2. Converted to ISO 13485:2003 in 2006 3. Converted to ISO 13485:2016 in 2019	System certification
	MDSAP	MDSAP is established by International Medical Device Regulators Forum (IMDRF) as the requirements of integrated certification related to quality management system for the health authorities of USA, Canada, Australia etc.	MDSAP obtained since 2018	System certification
European Union	EN ISO 13485:2016	The manufacturer whose medical devices are selling in EU shall establish the quality management system of medical device according to the requirements.	1. EN46001 certification obtained since 1996 2. Converted to EN ISO 13485:2000 in 2003 3. Converted to EN ISO 13485:2003 in 2006 4. Converted to EN ISO 13485:2012 in 2013 5. Converted to EN ISO 13485:2016 in 2019	System certification
	EC Certificate	To certify the requirements of Medical Device Directive (MDD) 93/42/EEC have been met and the manufacturer qualifies to use CE marking on the products.	Since 1996	Product certification

Name of certification		Purpose	Time obtained	Description
Taiwan	QMS	According to the "Medical Device Act", the quality system of a medical device manufacturer should meet the requirements of the Quality Management System Regulations (QMS).	From 1999, we have successively obtained GMP certifications are listed below: 1. Since 1999 (Ta Tung Plant) 2. Since 2000 (Hsi Chih II Plant) 3. Since 2007 (Kang Ning Plant) 4. Since 2011(Asia-Pacific Plant) 5. Since 2013 (Taiwan Science Plant) 6. Since 2014 (Wudu Plant) 7. Since 2018 (Xike Plant) Convert to QMS certification from 2022 (whole plant)	System certification
Taiwan	Product registration	Medical devices must be registered with the Ministry of Health and Welfare before they are sold within the Republic of China.	Permissions obtained since 1991 in succession	Product certification
USA	510(k)	Medical devices exported to the United States must be approved by the U.S. FDA before they are sold in the U.S. market.	Permissions obtained since 2002 in succession	Product certification
Canada	MDSAP	The manufacturer whose medical devices are placing on the Canada market shall have quality management system which conforms to the requirements of Health Canada.	1. ISO 13485:2003 under CMDCAS obtained since 2006 2. Converted to MDSAP in 2018(certificate is in process)	System certification
	Medical Device Licence	Medical devices selling in Canada shall obtain Medical Device Licence from Health Canada before they are placed on the market.	Permissions obtained since 2006 in succession	Product certification
China	Product registration	Medical devices shall be approved by and registered with the National Medical Products Administration before they are sold within China market.	Permissions obtained since 2002 in succession	Product certification
Korea	KGMP	The manufacturer whose medical devices are placing on the Korea market shall have quality management system which conforms to KGMP requirements of the Ministry of Food and Drug Safety (MFDS).	KGMP obtained since 2014	System certification
Singapore	Product registration	Medical devices selling in Singapore shall be registered with the Health Sciences Authority (HSA) before they are placed on the market.	Since 2016	Product certification

Name of certification		Purpose	Time obtained	Description
Philippine	Product certificate	Medical devices selling in Philippine shall obtain certificate from the Food and Drug Administration (PFDA) before they are placed on the market.	Since 2016	Product certification
Malaysia	Product certificate	Medical devices selling in Malaysia shall obtain certificate from the Medical Device Authority (MDA) before they are placed on the market.	Since 2017	Product certification
Australia	Product registration	Medical devices selling in Australia shall be registered with the Therapeutic Goods Administration (TGA) before they are placed on the market.	Since 2017	Product certification
Indonesia	Product certificate	Medical devices selling in Indonesia shall obtain certificates from the Ministry of Health (MOH) before they are placed on the market.	Since 2018	Product certification
Vietnam	Product certificate	Medical devices selling in Vietnam shall obtain certificates from the Ministry of Health (MOH) before they are placed on the market.	Since 2022	Product certification
Thailand	Product certificate	Medical devices selling in Thailand shall obtain certificates from the THAI FDA before they are placed on the market.	Since 2023	Product certification

(3) Ability to design products and develop production procedures

The main purpose of contact lens is to correct vision defects, for which the Company has committed significant resources into the development of raw materials, mold design and equipment research, while at the same time incorporating high polymers, optical technology, optometry knowledge, and new lens/mold design to bring clearer vision to contact lens wearers.

(4) Flexibility and responsiveness

The world's top-4 contact lens manufacturers all operate on a scale that far exceeds the Company's; however, their sizes make them less flexible. The Company, on the other hand, is founded on the success of the Taiwan market and approaches each foreign market with a very different strategy. The Company's persistence in delivering the highest quality, flexible pricing and customized product is well-supported by the local distribution, which enables fast decision-making and increased share in a highly competitive market.

(5) Effective marketing network

The Company has been focusing on the development of export sales in recent years in an attempt to expand global market share especially in Asian market. In order to establishing strong customer relations with customers, closer access to market information and gain ODM customers, the company has established subsidiaries in Shanghai and Japan.

(6) A highly experienced management team

The Company has been operating in the contact lens business for more than 20 years, and has accumulated strong experience over time. For further improvement of operational efficiency and business development, the Company will continue recruiting professional talents and support them with robust training, and ultimately enhance the Company's compliance and R&D capacity to provide better service for customers.

5. Future opportunities, threats, and responsive strategies

(1) Opportunities

A. Closed industry with high barrier of entry

The world's top-4 manufacturers of mainstream disposable contact lenses account for more than 90% of market share, and all of which are western companies. There are currently a very limited number of disposable contact lens manufacturers in the world, which makes the critical know-how difficult to obtain. Furthermore, the high degree of complexity, the broad variety of specifications and the extensive time taken for local health authorities to approve products all contribute to the high barrier of entry. The Company was founded in 1986 and began by focusing on the production of conventional lathe-cut lens. As disposable contact lenses emerged to become the market's mainstream, the Company responded to the change and commenced cast-molded production of disposable lenses in 1997. After many years of dedication to the business, the Company has established itself as Taiwan's largest and the world's 5th largest contact lens manufacturer. Given the competitive landscape and high barrier entry of the contact lens industry, it is extremely difficult for late comers to accomplish success in the short term.

B. Limited number of ODMs

All of the world's top-4 contact lens manufacturers have concentrated their efforts on promoting proprietary brands, and Cooper is the only company among them that provides ODM service on a small scale. These manufacturers have long neglected the ODM service because of the low margin and potential conflict with the proprietary brand. This prolonged absence of ODM service presents great opportunities for the Company. The Company has had success marketing its own brand in Taiwan, and acknowledges the fact that in order to venture abroad, it must begin by tapping into the ODM service that the big players have long neglected, which is why the Company has established close working relationship with distributors in Japan and Europe. This ODM approach has so far yielded positive results, and the Company will continue its plan to expand into the global market through this approach.

(2) Threats

A. Scarcity of professional talents

The contact lens industry is characterized by high barrier of entry and low number of participants. As a result, there is constant shortage in the supply of operational, business, R&D and production talents. Failure to recruit suitable talents will put the Company's growth in stagnation.

*Responsive strategies:

i. Enhance internal training and knowledge transfer

Members of the Company's management team all have more than 20 years of experience in the contact lens business. Through implementation of internal training

and knowledge transfer systems the Company hopes to put its strong experience into good use and develop talents that can support the Company's growth.

ii. Recruit professional talents

For further improvement of operational efficiency and business development, the Company will continue recruiting professional talents and support them with robust training, and ultimately enhance the Company's compliance and R&D capacity to provide better service for customers.

B. Channel domination by international manufacturers

The world's top-4 manufacturers enjoy dominant brand awareness and aggregately account for a 90% share of the market. The remaining manufacturers are too small to compete with the large players, and therefore are unlikely to accomplish any rapid market expansion.

*Responsive strategies:

i. ODM service for local distributors

There are many dominant distributors around the world that are looking to launch contact lens brands of their own, but because the top manufacturers have all devoted focus on their own brands, the distributors' intentions have gone unnoticed for long period of time. This presents an entry into the international markets, one that the Company may exploit by combining its exceptional product quality with the influence of local distributors.

ii. Flexibility and responsiveness

The world's top-4 contact lens manufacturers have accumulated strong brand awareness over time, but because they operate on such a large scale and have a strong brand image to maintain, they tend to be inflexible in terms of business operation. The Company, on the other hand, is founded on the success of the Taiwan market and approaches each foreign market with a very different strategy. The Company has the flexibility to provide ODM service for local distributors in one region while at the same time introduce its proprietary brand in another. Combined with a flexible pricing strategy and the ability to make quick decisions, the Company will be able to work closely with downstream customers to secure its foothold in overseas markets.

(2) Main product applications and production processes

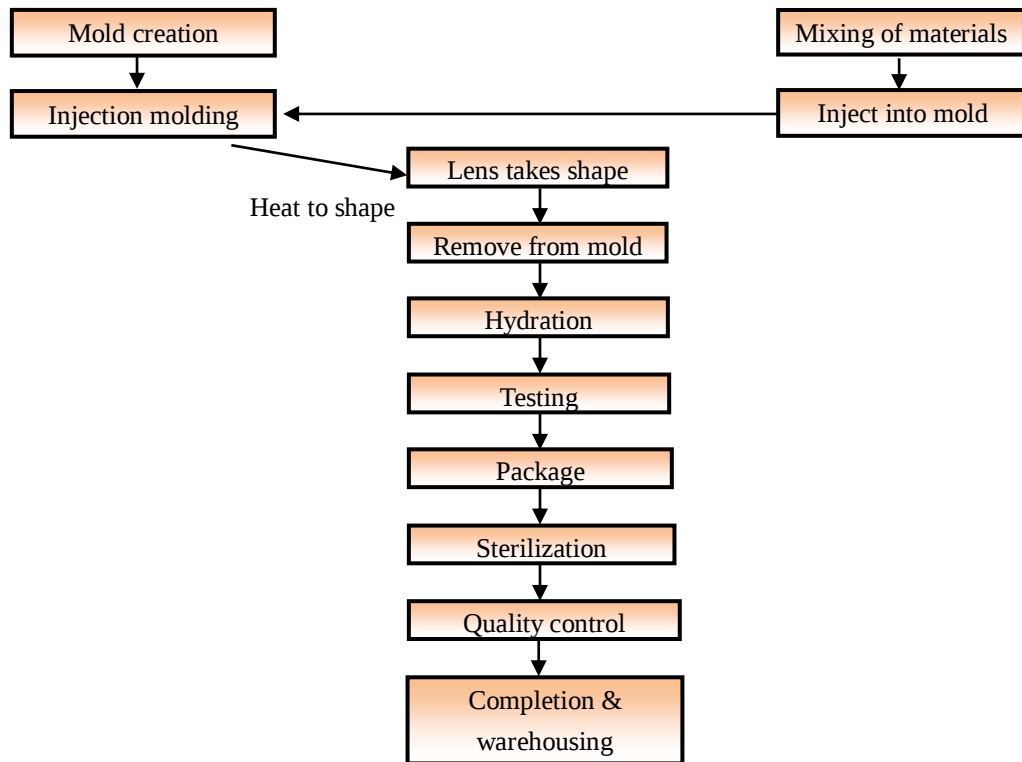
1. Main product applications

Contact lens is the Company's primary product. The lenses are made from high polymer and are used to cover the cornea to correct vision defects such as myopia, hyperopia, astigmatism and presbyopia. Apart from their corrective functions, contact lenses are also used for cosmetic purposes such as changing the color of the cornea.

2. Production processes of main products

Disposable soft contact lens adopts cast-molding technology. It begins by designing a metallic mold for a particular lens; this metallic mold is then used to produce plastic molds in large quantity. Raw material is injected into plastic molds where it is pressed and heated to shape. The product is then removed from mold to undergo several procedures including hydration, testing, packaging and sterilization until completion.

Cast-molding procedures for disposable soft contact lenses



(3) Supply of key materials:

Key materials used in products include: HEMA/BLANK, saline solution, plastic container, PP, aluminum foil and packaging materials. The Company has established strong, long-term relationship with major suppliers local and abroad, and therefore considers the source of its supply to be abundant and sustainable.

(4) List of main buyers and sellers in the last two years:

- Names of suppliers representing more than 10% of total purchases in any of the previous two years; explain reasons for any variation:

	2022				2023				As of 2024 first quarter			
Item	Name	Amount (\$,000)	As a percentage of annual net purchases (%)	Relationship with the issuer	Name	Amount (\$,000)	As a percentage of annual net purchases (%)	Relationship with the issuer	Name	Amount (\$,000)	As a percentage of net purchases (%) in the first quarter of the current year	Relationship with the issuer
1	Supplier A	126,402	15.71	None	Supplier C	110,282	16.67	None	Supplier A	24,691	17.95	None
2	Supplier C	113,663	14.13	None	Supplier A	85,908	12.98	None	Supplier D	17,750	12.91	None
3.	-	-	-	-	-	-	-	-	Supplier M	13,995	10.18	None
	Others	564,440	70.16		Others	465,525	70.35		Others	81,093	58.96	
	Net purchase	804,505	100.00		Net purchase	661,715	100.00		Net purchase	137,529	100.00	

Cause of difference: Due to the decline of the 2023 sales, the purchase amount is also decrease accordingly.

2. Names of customers representing more than 10% of total sales in any of the previous two years; explain reasons for any variation:

Item	2022				2023				As of 2024 first quarter			
	Name	Amount (\$,000)	As a percentage of annual net sales (%)	Relationship with the issuer	Name	Amount (\$,000)	As a percentage of annual net sales (%)	Relationship with the issuer	Name	Amount (\$,000)	As a percentage of net sales (%) in the first quarter of the current year	Relationship with the issuer
1	Customer C	1,451,589	29.01	None	Customer C	1,334,400	30.37	None	Customer C	319,140	29.02	None
2	Customer G	1,348,764	26.96	None	Customer G	1,023,815	23.30	None	Customer G	264,056	24.01	None
	Others	2,203,146	44.03		Others	2,035,673	46.33		Others	516,549	46.97	
	Net sales	5,003,499	100.00		Net sales	4,393,888	100.00		Net sales	1,099,745	100.00	

Cause of difference: In 2023, net sales decreased compared with 2022 due to market competition and exchange rate fluctuations affecting customer orders.

- (5) Production volume and value in the last two years:

Unit: thousand boxes; NTD thousands

Year	2022			2023		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Production volume/value Main products						
Disposable lens	62,780	47,710	3,770,781	44,943	36,662	2,862,932
Total	62,780	47,710	3,770,781	44,943	36,662	2,862,932

Cause of difference: In 2023, production will be relatively reduced due to declining sales.

- (6) Sales volume and value in the last two years:

Unit: thousand boxes/pieces; NTD thousands

Year	2022				2023			
	Domestic sale		Export sale		Domestic sale		Export sale	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Sales volume/value Main products								
Disposable lens	5,267	445,295	39,367	4,552,277	4,866	513,142	33,462	3,874,327
Others	-	2,974	-	2,953	-	4,608	-	1,811
Total	5,267	448,269	39,367	4,555,230	4,866	517,750	33,462	3,876,138

Note : Others represent income from sale of raw materials and solution..

3. Employees: Employee size, average years of service, average age, and academic background in the last 2 years up until the publication date of this annual report

Year		2022	2023	2024, as at March 31
No. of employees	Technicians	631	599	579
	Managerial personnel	246	244	239
	Direct employees	2,029	1,741	1,603
	Total	2,906	2,584	2,421
Average age		36.4	37.8	38.2
Average years of service		7.9	9.2	9.6
Academic	Doctoral Degree	0.07%	0.08%	0.08%

Year		2022	2023	2024, as at March 31
qualification	Masters Degree	0.72%	0.89%	0.91%
	Bachelors Degree	34.97%	35.92%	36.56%
	Senior high school	50.34%	49.57%	49.15%
	Below senior high school	13.90%	13.54%	13.30%

4. Contribution on environmental protection

- (1) Any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided:

Penalty date	Violation Contents	
2024.04.01	Document number	新北環稽字第 40-113-030068 號
	Article	(1) Waste Disposal Act-Art. 36.1 (2) Methods and Facilities Standards for the Storage, Clearance and Disposal of Industrial Waste-Art. 7.1(2)
	Description	It was found that other mixtures of the aforementioned chemical substances or waste containers (waste code: B-0399) were stored on site, but the packaging materials were not classified and numbered, and the name of the enterprise that generated the waste, storage date, quantity, composition, and characteristics of hazardous industrial waste were not marked. symbol.
	Penalty	Fined NTD 60,000 and need to go to environment class for 2 hours.

- (2) Describe the current pollution situation and how improving the situation may affect the Company's earnings, competitiveness, and capital expenditure; estimate major capital expenditures on environmental protection in the next 3 years: The Company does not generate pollution and is not affected by EU ROHS directors.

5. Labor/management relations

- (1) Availability and execution of employee welfare, education, training and retirement policies. Elaborate on the agreements between employers and employees, and protection of employees' rights:

1. Employee welfare measures:

- (1) The Company complies with laws and provides employees with: Labor Insurance coverage, National Health Insurance coverage, and welfare fund contributions at a percentage of revenue.
- (2) Employees are given days off during public holidays in compliance with regulations.
- (3) Year-end bonus and profit-sharing: The Company pays interim profit-sharing and year-end bonus based on several factors including: current year's corporate performance, individual work performance, seniority, and the assigned duties.
- (4) Employee welfare committee: The Company has assembled an employee welfare committee in accordance with law to handle employees' benefits (such as wedding/funeral/childbirth/children's education subsidies) and other welfare-related issues such as festive bonus,

birthday vouchers, trips and recreational activities.

(5) The Company collaborates with merchants to bring shopping discounts to employees.

2. Employee training and education:

(1) Orientation: The orientation covers the corporate organization and system, work duties, professional knowledge, and environmental safety and health training.

(2) The Company has a set of "Employee Training Policy" in place that guides employees through the required training courses. Employees are also encouraged to participate in external training and technical conferences. Furthermore, the Company makes arrangements to have scholars and experts host training sessions at the Company's premise from time to time.

(3) The following chart shows training courses organized in 2023:

Training and education	Participants (No. of enrollments)	Training hours (hours)	Expense (NTD)
External training - specialist training	172	1,115	412,360
Internal training - specialist training	3,487	3,974	623,683
Internal training - orientation	340	510	11,800

Note: All internal training instructors were company employees and paid lecturer fees for NTD 11,800.

3. Retirement system and implementation:

The Company has complied with the Labor Standards Act by assembling an Employee Pension Fund Supervisory Committee and making monthly contributions to the pension fund. These contributions are deposited into an account held with the Bank of Taiwan under the committee's name. The committee handles the management and disbursement of the pension fund. The Company has also complied with the Labor Pension Act by making monthly contributions of no less than 6% of employees' salary into employees' individual accounts held with the Bureau of Labor Insurance for those who have opted or are subject to the new pension system after July 1, 2005. Management and disbursement of the pension fund are handled by the Bureau of Labor Insurance.

4. Work environment, employee safety and protection measures:

(1) The Company has assigned dedicated OSH officers in accordance with the "Occupational Safety and Health Act" to oversee environmental and occupational safety and health issues within the Company. The OSH officers have been empowered to make improvements to the work environment as deemed appropriate for the safety and comfort of employees.

(2) The company has set up an "Occupational Safety and Health Committee". The chairman is concurrently held by the chairman, and the vice-chairman is concurrently held by the general manager. Each factory meets once every three months to communicate and discuss safety and health issues and also follows "Occupational Safety and Health Policy" to promote the implementation of environmental safety and health management.

(3) In order to maintain the safety and health of employees and implement self-management of occupational safety and health, the "Occupational Safety and Health Management Plan" and "Occupational Safety and Health Code of Practice" have been formulated and reported to the competent authority for verification. "Occupational safety and health education and training rules" are based on the implementation of safety and health education and training, arrange new, transferred or in-service employees to participate in education and training, improve employees' awareness of occupational safety and health, and create a zero-disaster workplace.

- (4) In order to ensure the safety of the working environment in the factory, according to the "Implementation Regulations on Labor Working Environment Monitoring", a qualified working environment monitoring agency is regularly appointed to conduct working environment monitoring every six months, so as to understand the actual situation of exposure to hazards in the working environment, and monitor the impact of the working environment on the workers in the factory. In the case of exposure, if the measurement results show abnormality, engineering control and administrative management improvement shall be carried out immediately for the abnormal area, and appropriate personal protective equipment shall be provided for employees to use in order to reduce the exposure hazard to an acceptable range.
 - (5) In order to eliminate potential operational hazards, an "Automatic inspection plan" is formulated to conduct regular automatic inspections of dangerous machinery, power equipment, fire safety equipment, water dispensers and other mechanical equipment and appliances. Ensure the safety of the operation and operation of the company's facilities and equipment.
 - (6) Each factory has set up a self-defense fire fighting group, and arranges regional evacuation and disaster prevention drills in situations such as fire and chemical leakage from time to time every year, so as to implement emergency response and disaster prevention work, reduce the impact of disasters on employees and the company, and ensure employee safety.
 - (7) It is the company's responsibility to take care of the physical and mental health of employees. The company has resident nurses and employs doctors to provide on-site services and consultations in each factory on a regular basis. It provides health check services that are superior to legal items and frequencies, and regularly implements free employee health checks and special health checks every year. Inspection, follow-up will conduct statistical analysis on the results of health inspections, implement classification according to health risk management, track high-risk healthy groups, and promote workplace health promotion and occupational disease prevention. A total of 2,330 health inspections in 2021; special health inspections (noise) in each factory area a total of 128 people.
 - (8) In order to prevent female employees from being exposed to maternal health hazards in the workplace, the maternal health protection and management process is formulated. After a comprehensive evaluation by the clinic service physician, measures such as graded management and on-site improvement are adopted to ensure the physical and mental health of pregnant, postpartum, and breastfeeding female employees. Health, more regularly provide maternal health education information, and set up a "breastfeeding room" to meet the needs of breastfeeding female employees.
 - (9) In order to promote harmony in the workplace and protect all employees from being physically or mentally violated and causing mental illness during the performance of their duties, a "Prevention plan for illegal violations in the performance of duties" has been specifically formulated, and no management executives of any company will be tolerated. There are workplace bullying behaviors, and we will never tolerate workplace violence against employees of the company by colleagues or business contacts and strangers.
 - (10) Since 2017, the company has installed automatic external cardiac defibrillators (AEDs) in all factories, and conducts AED operation education and training for emergency personnel every year in case of emergency
5. Labor-management negotiations: To enhance the frequency and depth of communication

between labor and the management, the Company has been holding labor-management meetings regularly since 2003 and using it as a formal, trusted and effective communication channel.

- (2) In the most recent year (2023) and up to the date of publication of the annual report, losses suffered due to labor disputes (including violations of the Labor Standards Act as a result of labor inspections) should be listed: the date of punishment, the brand name of the punishment, the provisions of the violation of laws and regulations, the content of the violation of laws and regulations, and the punishment content), and disclose the estimated amount and response measures that may occur currently and in the future. If it cannot be reasonably estimated, the fact that it cannot be reasonably estimated should be explained: None.

6. Cyber Security Management

I .State cyber security management structure, policies, detailed management schemes and resources invested on cyber security, etc.

(1)Cyber security management policies and structure

In order to ensure the company's cyber security and protect the rights and interests of the company and its stakeholders, on January 5, 2023, the board of directors of the company approved the appointment of the information security manager and information security officer and set up a cyber security center, supervised by the manager director. The cyber security center is responsible for formulating annual cyber security strategies, cyber security plans, and cyber security audit benchmarks; Use of resources, coordinate cyber security incident management, plan and arrange cyber security education and cooperate with audit units to conduct cyber security audit operations. In order to effectively implement cyber security management, the cyber security center ensures the effective operation of cyber and network systems and maintains their confidentiality, integrity and availability. According to the management cycle mechanism of Plan-Do-Check-Act (PDCA), review the applicability and protection measures of the cyber security system, continuously review the effectiveness and improve the management plan of cyber and network system security.

(2) Cyber security management schemes

- Establish a management mechanism for the use and protection of host, network and electronic data to ensure the normal operation of information and network systems and maintain the correct, security of data.
- Establish security protection measures for the physical information environment, and regularly implement relevant maintenance.
- Clearly regulate the use authority of the network and information systems to prevent unauthorized access and harm.
- Implement business continuity management drills to ensure the company's business continuity.
- All personnel of the company are responsible for maintaining cyber security and should abide by the company's relevant cyber security management regulations.
- In the planning and design stage of a new system, equipment or project, various information security requirements should be specified to ensure the confidentiality, integrity and availability of internal and external information, and reduce the leakage of sensitive information (including personal data) and the risk of violation of laws and regulations.
- Formulate a information security management system, review the use of all personnel and equipment within the scope of the system on a regular or irregular basis, and formulate and implement corrective and preventive measures according to the report to continuously improve information security.

(3) Investment on cyber security management resources

- Complete information asset inventory and risk assessment to understand the company's information assets, evaluate their value, identify possible risks, and ensure compliance with relevant compliance requirements.
- In order to effectively use cyber security information and strengthen the information security defense system, join the [Taiwan CERT/CSIRT Alliance] .
- Build a backup and backup mechanism for the core system to minimize the risk of system interruption and data damage and loss.
- Conduct network security education and training for employees to prevent malicious software, botnet attacks, phishing scams, data extortion and other harmful software from entering the company and causing losses.

- Conduct disaster recovery drills to verify that backup and backup mechanisms are functioning properly to ensure business continuity.
- Entrust external experts to perform security assessments and drills such as network and information system vulnerability scanning, penetration testing, source code scanning, and social engineering drills to help review the effectiveness of the information security system and thereby strengthen the company's security capabilities.

II .As of the publication date of the annual report, any damages, possible influences and countermeasures due to significant cyber security events, which are unable to estimate reasonably, shall state the facts:The Company had no significant cyber security event occurred.

7. Major contracts

April 15, 2024

Contract Property	Affiliated Person	Start/Expiration date of Contract	Contents	Restrictions
Long-term loan	Hua Nan Bank of Xizhi Branch	2006/10/2 ~ 2026/10/2	Borrowed from October 2006, and Principal is payable monthly in installments from the next month.	Land and Buildings
Long-term loan	CTBC Bank	2017/9/15 ~ 2027/9/15	Borrowed from September 2017, and Principal is payable monthly in installments from the next month	Land and Buildings
Long-term loan	Land Bank of Taiwan of Xindian Branch	2017/9/15 ~ 2027/9/15	Borrowed from September 2017, and Principal is payable monthly in installments from the next month	Land and Buildings
Long-term loan	Chang Hwa Bank of Nankang Science Industial Park Branch	2017/9/15 ~ 2027/9/15	Borrowed from September 2017, and Principal is payable monthly in installments from the next month	Land and Buildings
Long-term loan	CTBC Bank	2019/3/22 ~ 2029/3/22	Borrowed from March 2019, and Principal is payable monthly in installments from the next month	Land and Buildings
Long-term loan	Land Bank of Taiwan of Xindian Branch	2019/3/22 ~ 2027/9/15	Borrowed from March 2019, and Principal is payable monthly in installments from the next month	Land and Buildings
Long-term loan	Chang Hwa Bank of Nankang Science Industial Park Branch	2019/3/22 ~ 2027/9/15	Borrowed from March 2019, and Principal is payable monthly in installments from the next month	Land and Buildings

VI. Financial Summary

1. Summarized financial information for the last 5 years:

(1) Summary balance sheet and statement of comprehensive income

Summary balance sheet - IFRS-compliant (consolidated)

Unit: NTD thousands

Item \ Year		Financial information for the last 5 years					Financial information as at March 31, 2024
		2019	2020	2021	2022	2023	
Current assets		3,992,640	3,802,748	4,498,204	4,345,060	3,905,024	3,910,503
Equity-accounted investments		-	-	-	10,818	12,381	14,496
Property, plant, and equipment		4,116,520	3,960,373	3,793,271	3,658,997	3,546,118	3,504,607
Right-of-use assets		103,297	99,036	89,707	90,916	59,506	107,847
Intangible assets		4,228	3,131	3,117	2,371	3,946	4,309
Other assets		199,884	179,430	215,705	193,533	227,277	228,801
Total assets		8,416,569	8,044,718	8,600,004	8,301,695	7,754,252	7,770,563
Current liabilities	Before distribution	1,712,084	1,648,889	2,060,527	1,565,436	1,272,499	1,427,757
	After distribution	2,619,581	2,253,887	2,816,775	2,246,059 (Note 2)	1,625,415 (Note 2)	1,427,757 (Note 2)
Non-current liabilities		941,087	769,850	568,270	468,497	345,683	369,251
Total liabilities	Before distribution	2,653,171	2,418,739	2,628,797	2,033,933	1,618,182	1,797,008
	After distribution	3,560,668	3,023,737	3,385,045	2,714,556 (Note 2)	1,971,098 (Note 2)	1,797,008 (Note 2)
Equity attributable to parent company shareholders		5,763,398	5,625,979	5,971,207	6,267,762	6,136,070	5,973,555
Share capital		504,165	504,165	504,165	504,165	504,165	504,165
Capital reserves		526,000	526,000	526,000	526,000	526,000	526,000
Retained earnings	Before distribution	4,734,719	4,601,667	4,950,416	5,237,554	5,104,988	4,942,033
	After distribution	3,827,222	3,996,669	4,194,168	4,556,931 (Note 2)	4,752,072 (Note 2)	4,942,033 (Note 2)
Other equity items		(1,486)	(5,853)	(9,374)	43	917	1,357
Treasury stock		-	-	-	-	-	-
Non-controlling equity		-	-	-	-	-	-
Total equity	Before distribution	5,763,398	5,625,979	5,971,207	6,267,762	6,136,070	5,973,555
	After distribution	4,855,901	5,020,981	5,214,959	5,587,139 (Note 2)	5,783,154 (Note 2)	5,973,555 (Note 2)

Note 1: All above financial information has been audited or auditor-reviewed.

Note 2: The 2023 earnings distribution has been approved by the board of directors.

Summary statement of comprehensive income - IFRS-compliant (consolidated)

Unit: NTD thousands

Item \ Year	Financial information for the last 5 years					Financial information as at March 31, 2024
	2019	2020	2021	2022	2023	
Operating revenues	6,346,670	5,006,588	5,401,607	5,003,499	4,393,888	1,099,745
Gross profit	2,126,714	1,372,656	1,611,152	1,474,400	975,246	264,125
Operating profit	1,649,811	1,000,649	1,231,287	1,072,647	605,699	165,083
Non-operating income and expenses	(35,067)	(59,354)	(77,628)	208,446	73,219	72,406
Profit before tax	1,614,744	941,295	1,153,659	1,281,093	678,918	237,489
Current net income	1,287,234	745,109	947,759	1,019,054	545,954	189,961
Loss from discontinued operations		-	-	-	-	-
Current net income (loss)	1,287,234	745,109	947,759	1,019,054	545,954	189,961
Other current comprehensive income (net, after tax)	6,401	24,969	2,467	33,749	2,977	440
Total comprehensive income - current	1,293,635	770,078	950,226	1,052,803	548,931	190,401
Net income attributable to parent company shareholders	1,287,234	745,109	947,759	1,019,054	545,954	189,961
Net income attributable to non-controlling shareholders	-	-	-	-	-	-
Comprehensive income attributable to: Parent company shareholders	1,293,635	770,078	950,226	1,052,803	548,931	190,401
Comprehensive income attributable to: Non-controlling shareholders		-	-	-	-	-
Earnings per share	25.53	14.78	18.80	20.21	10.83	3.77

Note 1: All above financial information has been audited or auditor-reviewed.

Summary balance sheet - IFRS-compliant (standalone)

Unit: NTD thousands

Item \ Year		Financial information for the last 5 years				
		2019	2020	2021	2022	2023
Current assets		3,884,650	3,690,418	4,383,971	4,326,272	3,893,810
Equity-accounted investments		112,678	113,595	115,916	30,135	24,263
Property, plant, and equipment		4,116,009	3,960,046	3,793,101	3,658,842	3,545,971
Right-of-use assets		103,269	98,308	89,678	90,916	59,506
Intangible assets		4,228	3,131	3,117	2,371	3,946
Other assets		199,824	179,400	215,682	193,488	227,223
Total assets		8,420,658	8,044,898	8,601,465	8,302,024	7,754,719
Current liabilities	Before distribution	1,716,173	1,649,069	2,061,988	1,565,765	1,272,966
	After distribution	2,623,670	2,254,067	2,818,236	2,246,388	1,625,882 (Note 2)
Non-current liabilities		941,087	769,850	568,270	468,497	345,683
Total liabilities	Before distribution	2,657,260	2,418,919	2,630,258	2,034,262	1,618,649
	After distribution	3,564,757	3,023,917	3,386,506	2,714,885	1,971,565 (Note 2)
Equity attributable to parent company shareholders		5,763,398	5,625,979	5,971,207	6,267,762	6,136,070
Share capital		504,165	504,165	504,165	504,165	504,165
Capital reserves		526,000	526,000	526,000	526,000	526,000
Retained earnings	Before distribution	4,734,719	4,601,667	4,950,416	5,237,554	5,104,988
	After distribution	3,827,222	3,996,669	4,194,168	4,556,931	4,752,072 (Note 2)
Other equity items		(1,486)	(5,853)	(9,374)	43	917
Treasury stock		-	-	-	-	-
Non-controlling shareholders		-	-	-	-	-
Total equity	Before distribution	5,763,398	5,625,979	5,971,207	6,267,762	6,136,070
	After distribution	4,855,901	5,020,981	5,214,959	5,587,139	5,783,154 (Note 2)

Note 1: All above financial information has been audited or auditor-reviewed.

Note 2: The 2023 earnings distribution has been approved by the board of directors

Summary statement of comprehensive income - IFRS-compliant (standalone)

Unit: NTD thousands

Item \ Year	Financial information for the last 5 years				
	2019	2020	2021	2022	2023
Operating revenues	6,346,670	5,006,588	5,401,607	5,003,499	4,393,717
Gross profit	2,127,866	1,373,706	1,615,082	1,474,400	975,075
Operating profit	1,643,861	995,984	1,227,926	1,077,059	612,962
Non-operating income and expenses	(29,361)	(55,138)	(74,367)	203,992	65,906
Profit before tax	1,614,500	940,846	1,153,559	1,281,051	678,868
Current net income	1,287,234	745,109	947,759	1,019,054	545,954
Loss from discontinued operations	-	-	-	-	-
Current net income (loss)	1,287,234	745,109	947,759	1,019,054	545,954
Other comprehensive income for the current period (net, after-tax)	6,401	24,969	2,467	33,749	2,977
Total comprehensive income - current	1,293,635	770,078	950,226	1,052,803	548,931
Earnings per share	25.53	14.78	18.80	20.21	10.83

Note 1: All above financial information has been audited or auditor-reviewed.

(2) Names of auditors and audit opinions for the last 5 years

Year	Name of accounting firm	Name of CPA	Audit opinion
2019	PwC Taiwan	Sheng-Wei Teng, Shu-Fen Yu	Unqualified opinion
2020	PwC Taiwan	Sheng-Wei Teng, Shu-Fen Yu	Unqualified opinion
2021	PwC Taiwan	Sheng-Wei Teng, Shu-Fen Yu	Unqualified opinion
2022	PwC Taiwan	Sheng-Wei Teng, Shu-Fen Yu	Unqualified opinion
2023	PwC Taiwan	Sheng-Wei Teng, Shu-Fen Yu	Unqualified opinion

2. Financial analysis for the last 5 years

Financial analysis - IFRS-compliant (consolidated)

Analysis		Year	Financial analysis for the last 5 years					Financial information as at March 31, 2024
			2019	2020	2021	2022	2023	
Financial structure	Debt to asset ratio (%)		31.52	30.06	30.56	24.50	20.86	23.12
	Long-term capital to property, plants and equipment (%)		162.86	161.49	172.39	184.10	182.78	180.98
Solvency	Current ratio (%)		233.20	230.62	218.30	277.56	306.87	273.89
	Quick ratio (%)		158.53	160.93	158.16	187.64	215.13	197.46
	Interest coverage ratio (times)		102.89	70.84	110.71	131.85	67.34	104.57
Operating efficiency	Receivables turnover (times)		7.89	6.49	5.98	6.26	6.42	6.12
	Average cash collection (days)		46	56	61	58	57	60
	Inventory turnover (times)		3.66	3.12	3.29	2.77	2.76	3.10
	Payables turnover (times)		13.16	12.55	11.99	12.32	13.40	13.19
	Average inventory turnover (days)		100	117	111	132	132	118
	Property, plant and equipment turnover (times)		1.54	1.26	1.42	1.36	1.23	1.24
	Total asset turnover (times)		0.75	0.62	0.62	0.60	0.56	0.56
Profitability	Return on assets (%)		15.15	9.18	11.48	12.15	6.90	9.88
	Return on equity (%)		22.25	13.08	16.34	16.65	8.80	12.54
	Pre-tax profit to paid-up capital (%)		320.28	186.70	228.82	254.10	134.66	188.42
	Net profit margin (%)		20.28	14.88	17.54	20.36	12.42	17.27
	Earnings per share (NTD)		25.53	14.78	18.80	20.21	10.83	3.77
Cash flow	Cash flow ratio (%)		80.21	51.34	60.16	82.29	75.89	9.57
	Cash flow adequacy ratio (%)		93.45	84.34	75.96	95.60	101.74	120.61
	Cash reinvestment ratio (%)		0.41	(0.68)	6.82	5.44	2.95	1.42
Degree of leverage	Operating leverage		3.44	4.47	3.95	4.13	6.33	5.87
	Financial leverage		1.00	1.01	1.00	1.00	1.01	1.01
Reasons for changes in financial ratios in the last 2 years. (Unnecessary if the variation was less than 20%)								
1. Interest coverage ratio (times): Due to the pre-tax profits decrease in 2023, resulting in a decrease in interest coverage ratio compared with the same period last year.								
2. Profitability: Due to the decline in operating revenue in 2023, gross profit will decrease compared with the same period last year, resulting in various financial ratios of profitability being lower than the same period last year.								
3. Cash reinvestment ratio (%): Due to the decrease in operating revenue and net profit in 2023, resulting in a decrease in net cash inflow from operating activities compared with the same period last year.								
4. Operating leverage: Due to the reduction in production caused from the decline in operating revenue in 2023, and the idle production capacity affected costs and expenses, the operating leverage will be higher than last year.								

Note 1: All above financial information was calculated based on audited consolidated financial statements..

Financial analysis - IFRS-compliant (standalone)

Analysis \ Year		Financial analysis for the last 5 years				
		2019	2020	2021	2022	2023
Financial structure	Debt to asset ratio (%)	31.55	30.06	30.57	24.50	20.87
	Long-term capital to property, plants and equipment (%)	162.88	161.50	172.40	184.10	182.79
Solvency	Current ratio (%)	226.35	223.78	212.60	276.30	305.88
	Quick ratio (%)	151.89	154.13	152.53	186.45	214.21
	Interest coverage ratio (times)	102.91	70.87	110.75	131.85	67.34
Operating efficiency	Receivables turnover (times)	7.90	6.49	5.98	6.26	6.42
	Average cash collection (days)	46	56	61	58	57
	Inventory turnover (times)	3.66	3.12	3.29	2.77	2.76
	Payables turnover (times)	13.16	12.55	11.97	12.32	13.40
	Average inventory turnover (days)	100	117	111	132	132
	Property, plant and equipment turnover (times)	1.54	1.26	1.42	1.36	1.21
	Total asset turnover (times)	0.75	0.62	0.62	0.60	0.54
Profitability	Return on assets (%)	15.14	9.18	11.49	12.15	6.90
	Return on equity (%)	22.25	13.08	16.34	16.65	8.80
	Pre-tax profit to paid-up capital (%)	320.23	186.61	228.80	254.09	134.65
	Net profit margin (%)	20.28	14.88	17.54	20.36	12.42
	Earnings per share (NTD)	25.53	14.78	18.80	20.21	10.83
Cash flow	Cash flow ratio (%)	79.65	50.76	59.94	82.46	76.40
	Cash flow adequacy ratio (%)	93.27	84.06	75.77	95.43	104.40
	Cash reinvestment ratio (%)	0.34	(0.79)	6.78	5.47	3.02
Degree of leverage	Operating leverage	3.44	4.48	3.94	4.10	6.25
	Financial leverage	1.00	1.01	1.00	1.00	1.01
Reasons for changes in financial ratios in the last 2 years. (Unnecessary if the variation was less than 20%) Sames as the reason of “Financial analysis - IFRS-compliant (consolidated).”						

Below are the formulas used in various financial analyses:

1. Financial structure

- (1) Debt to asset ratio = total liabilities / total assets.
- (2) Long-term capital to property, plants and equipment = (total equity + non-current liabilities) / net property, plant and equipment.

2. Solvency

- (1) Current ratio = current assets / current liabilities.
- (2) Quick ratio = (current assets - inventory - prepayments) / current liabilities.
- (3) Interest coverage ratio = net profit before interest and tax / interest expenses for the current period.

3. Operating efficiency

- (1) Receivables turnover (including accounts receivable and notes receivable from business activities) = net sales / average receivables balance (including accounts receivable and notes receivable from business activities).
- (2) Average cash collection days = 365 / receivables turnover.
- (3) Inventory turnover = cost of sales / average inventory balance.
- (4) Payables turnover (including accounts payable and notes payable for business activities) = cost of sales / average payables balance (including accounts payable and notes payable for business activities).
- (5) Average inventory turnover days = 365 / inventory turnover.
- (6) Property, plant and equipment turnover = net sales / average net property, plant and equipment balance.
- (7) Total asset turnover = net sales / average total assets.

4. Profitability

- (1) Return on assets = (net income + interest expenses x (1 - tax rate)) / average asset balance.
- (2) Return on equity = net income / average shareholders' equity.

- (3) Net profit margin = net income / net sales.
 - (4) Earnings per share = (net income attributable to parent company shareholders - preferred share dividends) / weighted average outstanding shares.
 - 5. Cash flow
 - (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
 - (2) Cash flow adequacy ratio = net cash flow from operating activities for the previous 5 years / (capital expenditure + increase in inventory + cash dividends) for the previous 5 years.
 - (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital).
 - 6. Degree of leverage:
 - (1) Degree of operating leverage = (net operating revenues - variable operating costs and expenses) / operating profit.
 - (2) Degree of financial leverage = operating profit / (operating profit - interest expense).
-
- 3. Audit Committee's Review Report of the latest (2023) financial report: Please refer to Page 80.
 - 4. Latest (2023) financial statements: Please refer to Page 91 to 145.
 - 5. The latest (2023) audited standalone financial statements: Please refer to Pag 146 to 211.
 - 6. Financial distress encountered by the company and affiliated enterprises in the last year (2023), up until the publication date of this annual report: None.

Audit Committee's Review Report

TO : 2024 Annual General Meeting

St. Shine Optical Co., Ltd.

The Board of Directors has prepared the Company's 2023 business report, financial statements (including consolidated financial statements), and proposal for distribution of earnings. The CPA firm of PricewaterhouseCoopers, Taiwan has audited the financial statements (including consolidated financial statements) and issued the audit reports. The above business report, financial statements (including consolidated financial statements), and proposal for distribution of earnings have been reviewed and determined to be correct and accurate by the Audit Committee members of St. Shine Optical Co., Ltd. In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

St. Shine Optical Co., Ltd.

Convener of the Audit Committee: Chang-Chou Li

March 13, 2024

VII. Review and Analysis of Financial Position and Business Performance, and Risk Management Issues

1. Financial position

Comparative analysis of financial position

Unit: NTD thousands

Item \ Year	2023	2022	Difference	
			Amount	%
Current assets	3,905,024	4,345,060	(440,036)	(10.13)
Equity-accounted investments	12,381	10,818	1,563	14.45
Property, plant, and equipment	3,546,118	3,658,997	(112,879)	(3.08)
Right-of-use assets	59,506	90,916	(31,410)	(34.55)
Intangible assets	3,946	2,371	1,575	66.43
Other assets	227,277	193,533	33,744	17.44
Total assets	7,754,252	8,301,695	(547,443)	(6.59)
Current liabilities	1,272,499	1,565,436	(292,937)	(18.71)
Non-current liabilities	345,683	468,497	(122,814)	(26.21)
Total liabilities	1,618,182	2,033,933	(415,751)	(20.44)
Share capital	504,165	504,165	-	-
Capital reserves	526,000	526,000	-	-
Retained earnings	5,104,988	5,237,554	(132,566)	(2.53)
Other equity items	917	43	874	2,032.56
Total equity	6,136,070	6,267,762	(131,692)	(2.10)
Explanation of major differences:				
1. Right-of-use assets: Due to the provision of depreciation, there is a decrease in 2023 compared with the same period last year.				
2. Intangible assets: Due to the purchase of new computer software in 2023, intangible assets have increased.				
3. Non-current liabilities: Due to the decrease in long-term borrowings, there is a decrease in 2023 compared with the same period last year.				
4. Total liabilities: Both long-term and short-term borrowings decreased in 2023, so the total debt decreased compared with last year.				
5. Other equity items: Due to the increase in foreign investment exchange differences in 2023.				

2. Financial performance

(1) Comparative analysis of financial performance

Unit: NTD thousands

Item \ Year	2023	2022	Amount change	Ratio change(%)
Operating revenues	4,393,888	5,003,499	(609,611)	(12.18)
Operating costs	3,418,643	3,529,098	(110,455)	(3.13)
Gross profit	975,246	1,474,400	(499,154)	(33.85)
Operating expenses	369,547	401,753	(32,206)	(8.02)
Operating profits	605,699	1,072,647	(466,948)	(43.53)
Non-operating income and expenses	73,219	208,446	(135,227)	(64.87)
Profit before tax	678,918	1,281,093	(602,175)	(47.00)
Income tax expense	132,964	262,039	(129,075)	(49.26)
Current net income	545,954	1,019,054	(473,100)	(46.43)

•Explanation of major differences:

1. Gross profit: Due to the decrease in operating revenue in 2023, resulting production decrease and unit costs increase relatively, so the gross profit is lower than in 2022.
2. Operating profits: Due to the gross profit in 2023 is lower than that in 2022, the operating profits are also decrease relatively.
3. Non-operating income and expenses: Due to the foreign currency exchange benefits are less in 2023 than in the same period last year.
4. Profit before tax, Income tax expense and Current net income: This is all due to the aforementioned decrease in gross profit in 2023 compared with the same period last year.

•Expected sales, the basis of estimation, likely impacts on the Company's future financial position, and responsive plans: Please refer to "Report to Shareholders."

3. Cash flow

(1) Analysis of cash flow changes for the last year (2023)

Unit: NTD thousands

Item	2023	2022	Amount change	Ratio change(%)
Operating activities	965,764	1,288,248	(322,484)	(25.03)
Investing activities	(155,274)	(180,738)	25,464	(14.09)
Financing activities	(1,029,899)	(1,193,183)	163,284	(13.68)
Total	(219,409)	(85,673)	(133,736)	156.10
Explanation of major differences:				
Operating activities: Due to the decline in sales and net profit in 2023, the net cash inflow from operating activities decreased compared with the same period last year.				

(2) Liquidity analysis for the year

Item	December 31, 2023	December 31, 2022	Ratio change(%)
Cash flow ratio (%)	75.89	82.29	(6.40)
Cash flow adequacy ratio (%)	101.74	95.60	6.14
Cash reinvestment ratio (%)	2.95	5.44	(2.49)
Explanation of major differences: Did not change too much.			

(3) Liquidity analysis for the next year

Opening cash balance	Projected net cash flow from operating activities for the year	Expected cash outflow for the year	Expected cash surplus (deficit)	Financing of cash deficits	
				Investment plans	Financing plans
2,063,672	746,639	597,133	2,213,178	-	-
1. Analysis of cash flow for the year: (1) The Company expects generate net cash inflow from operating activities for the next year due to revenue and expenses will remain normal. (2) Cash outflow: The Company expects to incur additional cash outflow in the coming year for acquisition of machinery and repayment of bank loans. 2. Financing of cash deficits: N/A.					

4. Material capital expenditures in the last year (2023) and impact on business performance: None

5. Causes of profit or loss incurred on investments in the last year (2023), and any improvements or investments planned for the next year

The Company invests overseas mainly for purposes such as local market development, information gathering, global marketing integration, and construction of after-sale service network. In an attempt to expand into the Greater China market, the Company founded a holding company - Shine Optical (Samoa) Holding Groups Inc., created Shine Optical HK Limited under the holding company, and invested a new Chinese company named Shanghai Ticon Optical Limited through the Hong Kong subsidiary. In addition, in order to increase the competitiveness of the Japanese market, the board of directors has approved the establishment of the Japanese reinvestment business on November 6, 2020, and the establishment has been completed in January 2021.

Among the all investees of the Company, Shine Optical B.V., a subsidiary company of the Netherlands, was liquidated on December 19, 2017 due to the completion of phased tasks, and the liquidation was completed in April 2022; the holding company Shine Optical Holding Groups Inc. is also completed the dissolution and liquidation in October 2022, and there was no significant profit or loss.

6. Evaluation of risk management issues in the last year (2023) up until the publication date of this annual report

(1) Impact of interest rate, exchange rate, and inflation on the company's earnings, and responsive measures

1. Impacts of interest rate variations to the Company's profit and loss, and responsive measures in the future

① Interest rate changes:

The Company borrows short-term loan on credit and long-term loan against mortgage from banks to finance its working capital requirements. As a result, any change in interest rate would affect profitability in the given year. Effect of interest income and interest expense on the Company's operating profit in 2023 and 2022 is presented below:

Item	Unit: NTD thousands	
	2023	2022
Interest income A	37,857	11,836
Interest expense B	10,233	9,790
Operating profit C	605,699	1,072,647

Item	2023	2022
Interest income as a percentage of operating profit (A/C)	6.25%	1.10%
Interest expense as a percentage of operating profit (B/C)	1.69%	0.91%

Most of the company's interest income comes from foreign currency deposits. The average exchange rate of the US dollar in 2023 is higher than that in 2022, and the interest income in 2023 is 37,857 thousand NTD, which is higher than the same period last year. And because the operating profit in 2023 is lower than last year, the interest income accounts for the operating profit. The profit ratio was 6.25% higher than last year, and interest expenses were 10,233 thousand NTD, accounting for 1.69% of the operating profit ratio.

② Responsive measures for interest rate changes:

- (1) The Company monitors interest rate changes on a daily basis, and takes appropriate measures in a timely manner.
- (2) When interest rate falls, the Company borrows at a lower rate to re-finance higher interest rate loans; when interest rate rises to the point that is likely to erode overall profitability, the Company will consider raising capital through cash issue at premium.

2. Exchange rate changes

① Impact of exchange rate variation on the Company's revenues and profitability:

Unit: NTD thousands

Item	2023	2022
Net gain/loss on exchange A	32,620	193,332
Operating revenues B	4,393,888	5,003,499
Operating profit C	605,699	1,072,647
Net gain/loss on exchange as a percentage of operating revenues (A/B)	0.74%	3.86%
Net gain/loss on exchange as a percentage of operating profit (A/C)	5.39%	18.02%

The Company's product lines consist mainly of soft contact lens. Products are sold domestically and exported overseas to countries in Europe, America and Asia. Most export transactions are denominated in USD, EUR and RMB; therefore any change in exchange rate would affect profitability in the current period. As shown in the above table, the Company incurred 32,620 thousands NTD of gain on foreign exchange that represented 0.74% of operating revenues and 5.39% of operating profit in 2023 due to depreciation of the NTD currency.

② Hedging measures undertaken by the Company:

- (1) The Treasury Department not only maintains close communication with foreign currency departments of various banks, but also monitors market exchange rates, trends and changes constantly to minimize adverse impacts.
- (2) Effects of exchange rate variation are taken into consideration when offering quotes to customers. The Company adopts a conservative estimate and two-way exchange rate in this regard in order to minimize the impacts that exchange rate volatility may have on product margin.
- (3) The Company has foreign currency term deposit accounts established with partnered banks. Foreign currency holding positions are adjusted as required to minimize impact of exchange rate changes.

3. Inflation/deflation

Increase in the price of resources and supplies worldwide in recent years produced slight inflationary pressure. However, the Company has yet to encounter any material impact from

inflation. The Company also pays constant attention to the price of raw materials and maintains close interaction with suppliers, which prevents the Company's profits from being eroded due to change in raw material costs.

- (2) Policies on high-risk and highly leveraged investments, loans to third parties, endorsements / guarantees, and trading of derivatives; describe the main causes of any profits or losses incurred and future responsive measures

Based on the principle of conservative, the Company did not engage in any high-risk, highly leveraged investment, endorsement and guarantee to third parties or derivative transaction in the last year (2023) and up until the publication date of this annual report. The Company also has established “Procedures for the Acquisition and Disposal of Assets” and “Loans and Endorsement & Guarantee Operational Procedures” for engaging in related operations.

- (3) Future research and development plans and projected expenses

The Company is a professional manufacturer of contact lenses, and devotes resources into the research, development and production of safe, functional and comfortable contact lenses. By developing new materials/formula and production automation technology, the Company is able to bring new products into the market and increase the efficiency of existing production procedures. In the future, the Company will adhere to its R&D philosophy and continue to invest resources into reducing production cost and expanding product applications. The proportion of R&D expenses expected to be invested in 2024 will increase slightly compared with 2023, accounting for approximately 2% of revenue. (R&D expenses in 2023 accounted for approximately 1% of revenues)

- (4) Financial impacts and responsive measures in the event of changes in local and foreign regulations

Changes in key policies and laws local and abroad did not have any material impact on the Company in the last year (2023) and up until the publication date of annual report.

- (5) Financial impacts and responsive measures in the event of technological (including cyber security risks) or industrial changes

The company always pays attention to the technological changes and technological development trends related to the industry in which it operates, quickly grasps industry trends and information on competition in the industry, and strives to improve research and development capabilities and strengthen computer network security protection to maintain competitiveness. The company also strengthens the company's cyber security by implementing relevant measures such as the cyber security incident notification and related emergency response, and the implementation of cyber security education and training.

In the last year (2023) and up until the publication date of annual report, the changes in technology and industry have had no significant impact on the financial business of the Company.

- (6) Crisis management, impacts, and responsive measures in the event of a change in corporate image

The Company has always maintained good reputation and encountered no significant change in the last year that resulted in corporate crisis.

- (7) Expected benefits, risks and responsive measures in relation to mergers and acquisitions

The Company has no merger or acquisition planned in the last year (2023) or as of the publication date of this annual report.

- (8) Expected benefits, risks and responsive measures associated with plant expansions: N/A

- (9) Risks and responsive measures associated with concentrated sales or purchases

The Company strives to achieve diversification of its suppliers and customers, and therefore should not be exposed to any risk of concentrated sale or purchase.

- (10) Impacts, risks and responsive measures following a major transfer of shareholding by directors, supervisors, or shareholders with more than 10% ownership interest

There has been no major transfer of shares by any director, supervisor or shareholder with more than 10% ownership interest.

(11) Impacts, risks and responsive measures associated with a change of management

The management focuses on the Company's main businesses and has the assistance/support of directors and supervisors. The Company is not prone to any risk associated with a change of management.

(12) Litigation and non-contentious cases

Major litigations, non-contentious cases, or administrative litigations involving the Company's directors, supervisors, President, person-in-charge, any shareholder with more than 10% ownership interest, or any subsidiary in the last year (2023) up until the publication date of annual report, whether concluded or pending judgment, which may present significant impact to shareholders' interests or securities price: None.

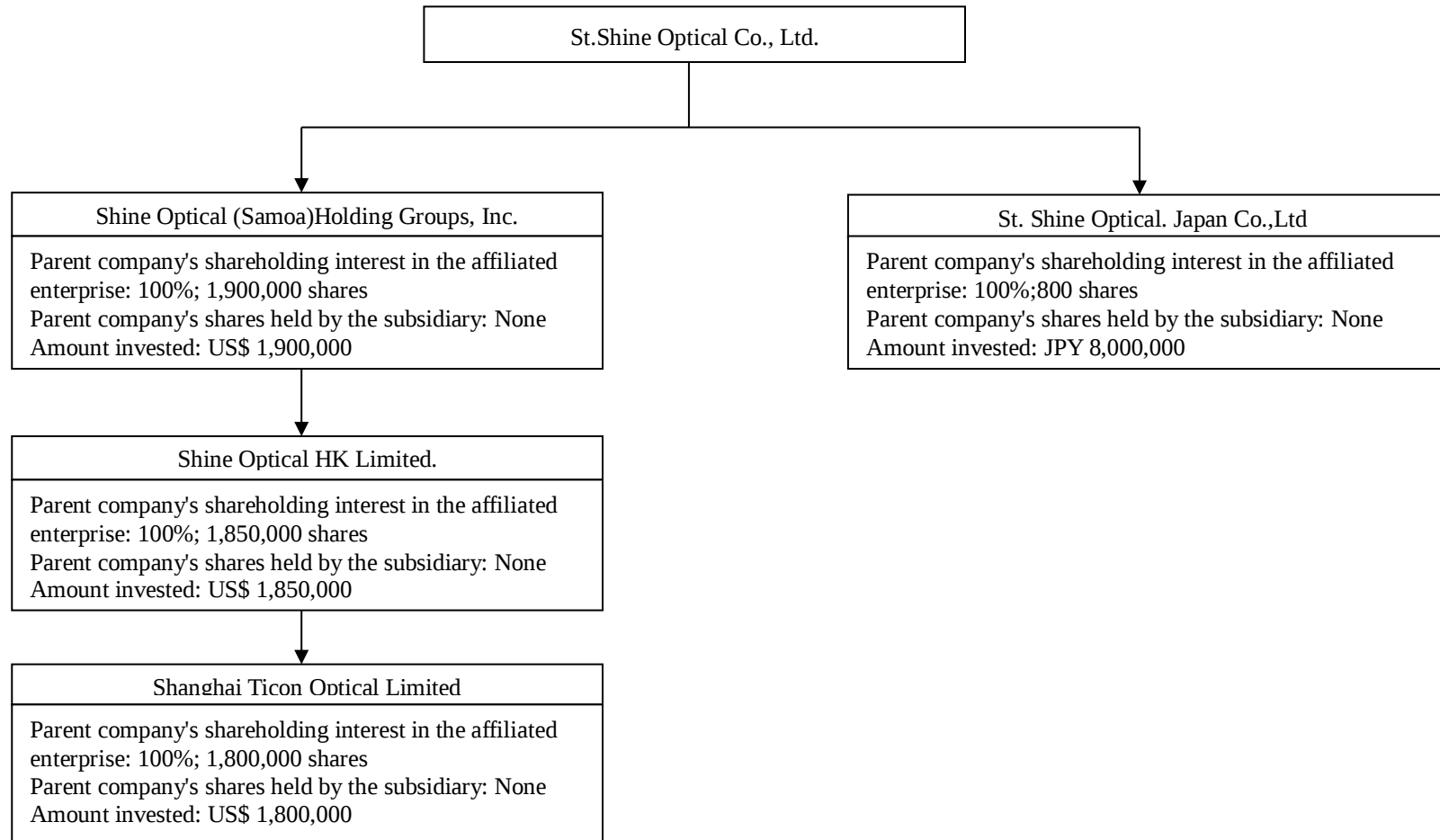
(13) Other material risks and responsive measures: None.

7. Other material issues: None.

VIII. Special Remarks

1. Affiliated enterprises
 - (1) Consolidated business report
 1. Affiliated enterprises chart

December 31, 2023



2. Profile of affiliated enterprises

Unit: thousands

Company name	Date of establishment	Address	Paid-in capital	Main business activities
Shine Optical (Samoa) Holding Groups, Inc.	2007.09.21	Note 4 (3)	US\$ 1,900	Investment and trading
Shine Optical HK Limited	2007.10.31	Note 4 (4)	US\$ 1,850	Investment and trading
Shanghai Ticon Optical Limited	2008.01.25	Note 4 (5)	US\$ 1,800	Sale of contact lens
St.Shine Optical Japan Co.,Ltd	2021.01.06	Note 4 (6)	JPY 8,000	Contact lens import, export, retail and wholesale

Note 1: All affiliated enterprises have been disclosed regardless of their size.

Note 2: For affiliated enterprises with factories that manufacture and sell products amounting to 10% of operating revenues and above, the factory name, date of establishment, address and category of products manufactured are disclosed.

Note 3: For foreign affiliated enterprises, the company name, address and date of establish are presented in English, whereas the paid-up capital is presented in foreign currency (while showing exchange rate as at the date of report)

Note 4: (1) P.O. Box 1225, Apia, Samoa

(2) Unit 1708 Dominion Centre, No. 43-59 Queen's Road East, Wanchai, Hong Kong

(3) Unit 1226, No. 58 Miaojing Road, Minhang District, Shanghai, People's Republic of China

(4) No. 6-62, Koshiya 1-chome, Koshiya City, Saitama Prefecture, Japan

3. Existence of controlling and subordinate relationship as defined in Article 369-3 of The Company Act:

As shown in the affiliated enterprises chart above, all of the affiliated enterprises are subsidiaries of the Company.

4. Coordination and job specialization among affiliated companies toward the common business activity:

(1) Common business activity among affiliated companies: Trading of contact lens, optical lens and accessories.

(2) Describe the nature of coordination or job specialization among affiliated enterprises:

The Company currently owns Shine Optical (Samoa) Holding Groups, Inc., and through which it created Shine Optical HK Limited, and Shanghai Ticon Optical Limited under the Hong Kong subsidiary and inveted in Japan to establish a subsidiary- St. Shine Optical. Japan Co.,Ltd. The Shanghai and Janpan subsidiary is being used for local market development, information gathering, global marketing integration, and construction of after-sale service network.

5. Directors, supervisors, and President of affiliated enterprises:

Company name	Title (Note 1)	Name or name of representative	Shares held (Notes 2+3)	
			Shares held	Shareholding percentage
Shine Optical (Samoa) Holding Groups, Inc.	Director	St.Shine Optica Co., Ltd. Representative: Ming-Hsien Chen	1,900,000	100%
Shine Optical HK Limited	Director	St.Shine Optica Co., Ltd.	1,850,000	100%
	Director	Ming-Hsien Chen		
Shanghai Ticon Optical Limited	Director	Min-Ping Chen	Capital contribution US\$ 1,800,000	100%
	Director	Johnson Chou		
	Director	Yu-Yu Chou		
	Supervisor	Cheng-Yen Lee		
St.Shine Optical Japan Co.,Ltd	Representative Director	Johnson Chou	800	100%

Note 1: If the affiliated enterprise is a foreign company, equivalent position is disclosed.

Note 2: If the invested company is a limited liability company, the number and percentage of shares held are disclosed; for all other forms of entity, the amount and percentage of capital contribution are disclosed.

Note 3: All affiliated enterprises are 100%-owned subsidiaries of the Company.

6. Performance of affiliated enterprises:

Unit: NTD thousands

Company name	Capital	Total assets	Total liabilities	Net worth	Operating revenues	Operating profits	Current period profit/loss (after-tax)	Earnings per share (after-tax, NTD)
Shine Optical (Samoa) Holding Groups, Inc.	58,340	10,128	-	10,128	-	(16)	(7,149)	(3.76)
Shine Optical HK Limited	56,804	8,868	-	8,868	-	(171)	(7,147)	(3.86)
Shanghai Ticon Optical Limited	55,189	10,689	1,848	8,841	8,476	(6,995)	(6,978)	Note4

Company name	Capital	Total assets	Total liabilities	Net worth	Operating revenues	Operating profits	Current period profit/loss (after-tax)	Earnings per share (after-tax, NTD)
St.Shine Optical Japan Co., Ltd	1,738	1,754	-	1,754	1,497	(80)	17	-

Note 1: All affiliated enterprises have been disclosed regardless of their size.

Note 2: For foreign affiliated enterprises, the figures are converted into NTD using exchange rate as at the date of report.

Note 3: The balance sheet exchange rates used are as follows: USD/NTD = 30.705, EUR/NTD = 33.98, RMB/NTD = 4.327 and JPY/NTD=0.2172. The income statement exchange rates used are as follows: USD/NTD =31.155, EUR/NTD = 33.697, RMB/NTD = 4.395 and JPY/NTD=0.2221.

Note4: Limited company has no shares issued, so not applicable °

(2) Enterprise reports: Refer to the consolidated report.

2. Private placement of securities in the last year (2023) up till the publication date of this annual report: None.

3. Holding or disposal of the Company's shares by subsidiaries in the last year (2023), up until the publication date of this annual report: None.

4. Other supplementary information: None.

IX. Occurrences Significant to Shareholders' Equity or Securities Price, as Defined in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act, in the Last Year (2023) Up Till the Publication Date of Annual Report: None.

**ST. SHINE OPTICAL CO., LTD. AND
SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2023 AND 2022

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 the Board of Directors and Shareholders of St. Shine Optical Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of St. Shine Optical Co., Ltd. and its subsidiaries (the “Group”) as at December 31, 2023 and 2022, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Group's 2023 consolidated financial statements. These matters were 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.

Key audit matters for the Group's 2023 consolidated financial statements are stated as follows:

Key audit matter - Appropriateness of timing of sales revenue recognition

Description

Refer to Note 4(25) for accounting policy on revenue recognition and Note 6(15) for the details of sales revenue.

The Group's revenue is primarily from export of goods. Sales revenue is recognised when the control of the products has transferred to the customers based on the information listed in the export declaration. As the procedures for the timing of revenue recognition involves the manual checking of the status of delivery and related documents, this may lead to some errors in the timing of revenue recognition near the end of the financial reporting date. Thus, we considered the appropriateness of timing of sales revenue recognition as one of the key audit matters.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

- A. Obtained an understanding of, assessed and tested management's internal control procedures on revenue recognition, and confirmed whether the related internal controls were reasonable and operating effectively.
- B. Performed cut-off test on sales revenue transactions, including checking the order terms, export declaration and delivery information in order to confirm whether the accounting treatment of revenue recognition timing was appropriate.

Key audit matter - Assessment of allowance for inventory valuation losses

Description

Refer to Note 4(12) for the accounting policy on inventory valuation, Note 5 for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(4) for the details of allowance for inventory valuation losses.

The Group is primarily engaged in manufacturing and trading of contact lenses. As the contact lenses market is competitive, frequent releases of new products result in potential price fluctuations and product marginalization in the market. These factors may affect the estimation of the net realisable values of inventories.

The Group's inventories are measured at the lower of cost and net realisable value, which involves subjective judgement resulting in a high degree of estimation uncertainty. Thus, we considered the assessment of allowance for inventory valuation losses as one of the key audit matters.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

- A. Based on the understanding of the Group's operations and industry characteristics, assessed the reasonableness of provision policies and procedures on allowance for inventory valuation losses, including inventory clearance, the reasonableness of obsolete inventory, and the consistency of accounting estimates.
- B. Tested the statements prepared by the Group to verify whether the information that the Group used to calculate inventory valuation loss was consistent with the Group's policy, sampled individual part numbers to verify whether the selling price and net realisable value were calculated correctly, and assessed the reasonableness of allowance for inventory valuation losses.
- C. Verified the appropriateness of system logic used in the Group's inventory aging reports to confirm whether the information on the reports is consistent with its policies.
- D. Selected samples of individual inventory item numbers and checked them against historical data on inventory clearance and discount, compared the samples against prior allowance for inventory valuation losses and referred to subsequent transactions in order to assess the reasonableness of the Group's allowance for inventory valuation losses.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of St. Shine Optical Co., Ltd. as at and for the years ended December 31, 2023 and 2022.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is

necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

- A. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting

estimates and related disclosures made by management.

- D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- E. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Teng, Sheng-wei

Yu, Shu-Fen

For and on behalf of PricewaterhouseCoopers, Taiwan

March 13, 2024

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance consolidated with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers, Taiwan cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

ST. SHINE OPTICAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

			December 31, 2023		December 31, 2022	
			Amount	%	Amount	%
Assets						
Notes						
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 2,063,672	26	\$ 2,283,352	27
1136	Current financial assets at	6(2)				
	amortised cost		-	-	30,710	-
1150	Notes receivable, net	6(3)	2,052	-	4,494	-
1170	Accounts receivable, net	6(3)	681,079	9	634,001	8
1180	Accounts receivable due from	7				
	related parties, net		825	-	815	-
1200	Other receivables		16,728	-	11,558	-
130X	Inventories	6(4)	1,087,297	14	1,327,345	16
1410	Prepayments		49,802	1	51,855	1
1470	Other current assets		3,569	-	930	-
11XX	Total current assets		3,905,024	50	4,345,060	52
Non-current assets						
1550	Investment accounted for using	6(5)				
	equity method		12,381	-	10,818	-
1600	Property, plant and equipment	6(6) and 8	3,546,118	46	3,658,997	44
1755	Right-of-use assets	6(7)	59,506	1	90,916	1
1780	Intangible assets		3,946	-	2,371	-
1840	Deferred income tax assets	6(22)	48,944	1	51,930	1
1900	Other non-current assets	6(11)	178,333	2	141,603	2
15XX	Total non-current assets		3,849,228	50	3,956,635	48
1XXX	Total assets		\$ 7,754,252	100	\$ 8,301,695	100

(Continued)

ST. SHINE OPTICAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Liabilities and Equity			December 31, 2023		December 31, 2022	
			Amount	%	Amount	%
Current liabilities						
2100	Short-term borrowings	6(8)	\$ -	-	\$ 200,000	2
2130	Contract liabilities - current	6(15)	43,139	1	11,881	-
2150	Notes payable		210,380	3	185,408	2
2170	Accounts payable		53,589	1	61,484	1
2200	Other payables	6(9)	679,488	9	723,106	9
2230	Current income tax liabilities		143,061	2	218,166	3
2280	Lease liabilities - current		32,170	-	43,802	1
2320	Long-term liabilities, current portion	6(10) and 8	102,883	1	102,664	1
2399	Other current liabilities		7,789	-	18,925	-
21XX	Total current liabilities		1,272,499	17	1,565,436	19
Non-current liabilities						
2540	Long-term borrowings	6(10) and 8	289,228	4	392,094	5
2570	Deferred income tax liabilities	6(22)	28,840	-	28,618	-
2580	Lease liabilities - non-current		27,615	-	47,785	1
25XX	Total non-current liabilities		345,683	4	468,497	6
2XXX	Total liabilities		1,618,182	21	2,033,933	25
Equity attributable to owners of the parent						
	Share capital	6(12)				
3110	Ordinary share		504,165	6	504,165	6
	Capital surplus	6(13)				
3200	Capital surplus		526,000	7	526,000	6
	Retained earnings	6(14)				
3310	Legal reserve		1,958,133	25	1,853,795	22
3320	Special reserve		-	-	9,374	-
3350	Unappropriated retained earnings		3,146,855	41	3,374,385	41
	Other equity interest					
3400	Other equity interest		917	-	43	-
3XXX	Total equity		6,136,070	79	6,267,762	75
	Significant contingent liabilities and unrecognised contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	Total liabilities and equity		\$ 7,754,252	100	\$ 8,301,695	100

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

ST. SHINE OPTICAL CO., LTD. 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 SHARE AMOUNTS)

			For the years ended December 31,			
			2023		2022	
Items	Notes		Amount	%	Amount	%
4000 Operating revenue	6(15) and 7		\$ 4,393,888	100	\$ 5,003,499	100
5000 Operating costs	6(4) (20) (21)	(	3,418,643)	(78)	(3,529,098)	(71)
5900 Gross profit			975,245	22	1,474,401	29
5910 Unrealised profit from sales		-	-	-	(1)	-
5920 Realised profit from sales			1	-	-	-
5950 Gross profit			975,246	22	1,474,400	29
Operating expenses	6 (20) (21)					
6100 Selling expenses		(	176,456)	(4)	(196,898)	(4)
6200 General and administrative expenses		(	128,137)	(3)	(160,126)	(3)
6300 Research and development expenses		(	69,910)	(1)	(48,825)	(1)
6450 Expected credit impairment gain	12(2)		4,956	-	4,096	-
6000 Total operating expenses		(	369,547)	(8)	(401,753)	(8)
6900 Operating profit			605,699	14	1,072,647	21
Non-operating income and expenses						
7100 Interest income	6(2) (16)		37,857	1	11,836	-
7010 Other income	6(17)		12,906	-	11,259	-
7020 Other gains and losses	6(7) (18)		32,532	-	198,337	4
7050 Finance costs	6(7) (19)	(	10,233)	-	(9,790)	-
7060 Share of profit (loss) of associates and joint ventures accounted for using equity method	6(5)		157	-	(3,196)	-
7000 Total non-operating income and expenses			73,219	1	208,446	4
7900 Profit before income tax			678,918	15	1,281,093	25
7950 Income tax expense	6(22)	(	132,964)	(3)	(262,039)	(5)
8200 Profit for the year			\$ 545,954	12	\$ 1,019,054	20
Other comprehensive income, net						
Components of other comprehensive income that will not be reclassified to profit or loss						
8311 Gain on remeasurement of defined benefit plans	6(11)	\$	2,629	-	\$ 30,414	1
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(22)	(	526)	-	(6,082)	-
Components of other comprehensive income that will be subsequently reclassified to profit or loss						
8361 Exchange differences on translation of foreign financial statements			1,103	-	9,417	-
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(22)	(	229)	-	-	-
8300 Other comprehensive income, net		\$	2,977	-	\$ 33,749	1
8500 Total comprehensive income for the year			\$ 548,931	12	\$ 1,052,803	21
Profit attributable to:						
8610 Owners of the parent			\$ 545,954	12	\$ 1,019,054	20
Comprehensive income attributable to:						
8710 Owners of the parent			\$ 548,931	12	\$ 1,052,803	21
Basic earnings per share						
9750 Profit for the year	6(23)		\$ 10.83		\$ 20.21	
Diluted earnings per share						
9850 Profit for the year	6(23)		\$ 10.74		\$ 20.05	

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

ST. SHINE OPTICAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		Equity attributable to owners of the parent						
		Retained earnings				Other equity interest		
						Exchange differences		
						on translation of		
						foreign financial		
						statements		
Notes	Ordinary share	Capital surplus - share premium	Legal reserve	Special reserve	Unappropriated retained earnings		Total equity	
<u>For the year ended December 31, 2022</u>								
	\$ 504,165	\$ 526,000	\$ 1,758,420	\$ 5,853	\$ 3,186,143	(\$ 9,374)	\$ 5,971,207	
	-	-	-	-	1,019,054	-	1,019,054	
	-	-	-	-	24,332	9,417	33,749	
	-	-	-	-	1,043,386	9,417	1,052,803	
Appropriations and distribution of 2021 earnings	6(14)							
	-	-	95,375	-	(95,375)	-	-	
	-	-	-	3,521	(3,521)	-	-	
	-	-	-	-	(756,248)	-	(756,248)	
	\$ 504,165	\$ 526,000	\$ 1,853,795	\$ 9,374	\$ 3,374,385	\$ 43	\$ 6,267,762	
<u>For the year ended December 31, 2023</u>								
	\$ 504,165	\$ 526,000	\$ 1,853,795	\$ 9,374	\$ 3,374,385	\$ 43	\$ 6,267,762	
	-	-	-	-	545,954	-	545,954	
	-	-	-	-	2,103	874	2,977	
	-	-	-	-	548,057	874	548,931	
Appropriations and distribution of 2022 earnings	6(14)							
	-	-	104,338	-	(104,338)	-	-	
	-	-	-	(9,374)	9,374	-	-	
	-	-	-	-	(680,623)	-	(680,623)	
	\$ 504,165	\$ 526,000	\$ 1,958,133	\$ -	\$ 3,146,855	\$ 917	\$ 6,136,070	

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

ST. SHINE OPTICAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		For the years ended December 31,	
	Notes	2023	2022
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before income tax		\$ 678,918	\$ 1,281,093
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation charges	6(6) (7) (20)	307,869	315,505
Amortisation charges	6(20)	14,174	13,039
Expected credit impairment gain	12(2)	(4,956)	(4,096)
Interest expense	6(19)	10,233	9,790
Interest income	6(16)	(37,857)	(11,836)
(Gain) loss on investments accounted for using equity method	6(5)	(157)	3,196
Unrealised profit from sales		-	1
Realised profit from sales		(1)	-
Property, plant and equipment transferred to expenses	6(6)	954	-
Gain on disposal of investment		-	(4,949)
Loss (gain) on disposals of property, plant and equipment	6(18)	92	(105)
(Gain) loss on lease modifications	6(7) (18)	(30)	26
Changes in assets and liabilities relating to operating activities			
Changes in assets relating to operating activities			
Notes receivable		2,442	(511)
Accounts receivable		(42,358)	269,449
Accounts receivable due from related parties		(10)	1,462
Other receivables		2,960	4,112
Inventories		240,048	(151,434)
Prepayments		(8,215)	(15,924)
Other current assets		(2,657)	(562)
Changes in liabilities relating to operating activities			
Contract liabilities		31,258	(9,284)
Notes payable		24,972	(33,299)
Accounts payable		(7,895)	(46,969)
Other payables		(46,915)	(91,797)
Other current liabilities		(11,183)	1,977
Cash inflow generated from operations		1,151,686	1,528,884
Receipt of interest		37,985	10,778
Payment of interest		(10,269)	(9,838)
Payment of income tax		(213,638)	(241,576)
Net cash provided by operating activities		965,764	1,288,248
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease (increase) in financial assets at amortized cost - current	6(2)	30,710	(30,710)
Acquisition of investment accounted for using equity method		-	(13,995)
Acquisition of property, plant and equipment	6(24)	(146,412)	(134,973)
Proceeds from disposal of property, plant and equipment		2	179
Acquisition of intangible assets		(5,440)	(1,186)
Increase in other non-current assets		(34,134)	(53)
Net cash used in investing activities		(155,274)	(180,738)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(25)	10,000	200,000
Decrease in short-term borrowings	6(25)	(210,000)	(400,000)
Repayments of long-term borrowings	6(25)	(102,647)	(191,968)
Payments of lease liabilities	6(25)	(46,629)	(44,967)
Payment of cash dividends	6(14)	(680,623)	(756,248)
Net cash used in financing activities		(1,029,899)	(1,193,183)
Effect of exchange rate changes		(271)	14,333
Decrease in cash and cash equivalents		(219,680)	(71,340)
Cash and cash equivalents at beginning of year	6(1)	2,283,352	2,354,692
Cash and cash equivalents at end of year	6(1)	\$ 2,063,672	\$ 2,283,352

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

ST. SHINE OPTICAL CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANISATION

- (1) St. Shine Optical Co., Ltd. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of Republic of China (R.O.C.) on September 24, 1986. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in manufacturing and trading of contact lenses (soft and hard), optical lenses and its related products.
- (2) Starting from March 2004, the Company’s stock was listed on the Taiwan Over-The-Counter Securities Exchange.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorised for issuance by the Board of Directors on March 13, 2024.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

- (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS[®]”) Accounting Standards that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

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

New Standards, Interpretations and Amendments	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 Group’s financial condition and financial performance based on the Group’s assessment.

(2) Effect of new issuances of or amendments to IFRS Accounting Standards as endorsed by the FSC but not yet adopted by the Group

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

New Standards, Interpretations and Amendments	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 Group's financial condition and financial performance based on the Group's assessment.

(3) IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRS Accounting Standards as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	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 Standards Board
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 Group's financial condition and financial performance based on the Group's assessment.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International

Accounting Standards, IFRIC[®] Interpretations, and SIC[®] Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

- A. The consolidated financial statements have been prepared under the historical cost convention, except for defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between

fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			December 31, 2023	December 31, 2022	
St. Shine Optical Co., Ltd.	Shine Optical (Samoa) Holding Groups, Inc.	Investment and trading business	100	100	
St. Shine Optical Co., Ltd.	St. Shine Optical Japan Co., Ltd.	Import and export service, retail and wholesale of contact lenses and consulting business	100	100	
Shine Optical (Samoa) Holding Groups, Inc.	Shine Optical HK Limited	Investment and trading business	100	100	
Shine Optical HK Limited	Shanghai Ticon Optical Ltd.	Trading of contact lenses (soft and hard) and optical lenses	100	100	

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

D. Adjustments for subsidiaries with different balance sheet dates: Not applicable.

E. Significant restrictions: None.

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

(4) Foreign currency translation

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

[Click here to enter text.](#)

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is an associate, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even when the Group retains partial interest in the former foreign associate after losing significant influence over the former foreign associate, such transactions should be accounted for as disposal of all interest in these foreign operations.
- (c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest

in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) Classification of current and non-current items

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

- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realised within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

Otherwise they are classified as non-current assets.

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

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) 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.

Otherwise they are classified as non-current liabilities.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at amortised cost

A. Financial assets at amortised cost are those that meet all of the following criteria:

- (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
- (b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using settlement date accounting.

- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.
- D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(8) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Impairment of financial assets

For accounts receivable that have a significant financing component, at each balance sheet date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(11) Leasing arrangements (lessor) – operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(12) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. 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.

(13) Investments accounted for using equity method – associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains and losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- F. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(14) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their

estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	40 ~ 55 years
Machinery and equipment	3 ~ 13 years
Transportation equipment	3 ~ 6 years
Office equipment	4 ~ 6 years
Other equipment	3 ~ 15 years

(15) Leasing arrangements (lessee) - right-of-use assets / lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable. The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- (a) The amount of the initial measurement of lease liability;
 - (b) Any lease payments made at or before the commencement date; and
 - (c) Any initial direct costs incurred by the lessee.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

- D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the

carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognise the difference between remeasured lease liability in profit or loss.

(16) Intangible assets

Intangible assets, mainly computer software, are amortised on a straight-line basis over their estimated useful lives of 2~20 years.

(17) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(18) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(19) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(21) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(22) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the

benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.
- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognised immediately in profit or loss.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(23) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in

the year the shareholders resolve to retain the earnings.

- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(24) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's Board of Directors. Cash dividends are recorded as liabilities.

(25) Revenue recognition

Sales of goods

- A. The Group manufactures and sells a range of contact lenses. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

- B. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts and sales discounts and allowances. The sales usually are made with a credit term of 30 to 90 days, which is consistent with market practice. As the time interval between the transfer of committed goods or services and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.
- C. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(26) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group's chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

Critical accounting estimates and assumptions - evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. The Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2023, the carrying amount of inventories was \$1,087,297.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand	\$ 209	\$ 210
Checking accounts and demand deposits	1,261,839	1,312,715
Cash equivalents - time deposits	801,624	970,427
	<u>\$ 2,063,672</u>	<u>\$ 2,283,352</u>

- A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty

[Click here to enter text.](#)

default is remote.

B. The Group has no cash and cash equivalents pledged to others.

(2) Financial assets at amortised cost

Items	December 31, 2023	December 31, 2022
Current items:		
Time deposits over 3 months	\$ -	\$ 30,710

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	For the years ended December 31,	
	2023	2022
Interest income	\$ 545	\$ 201

B. The Group's financial assets at amortised cost are time deposits in banks. The Group transacted with banks which have high credit rating.

(3) Notes and accounts receivable

	December 31, 2023	December 31, 2022
Notes receivable	\$ 2,052	\$ 4,494
Less: Allowance for uncollectible accounts	-	-
	<u>\$ 2,052</u>	<u>\$ 4,494</u>
Accounts receivable	\$ 700,655	\$ 658,297
Less: Allowance for uncollectible accounts	(19,576)	(24,296)
	<u>\$ 681,079</u>	<u>\$ 634,001</u>

A. The ageing analysis of notes receivable and accounts receivable is as follows:

	December 31, 2023	December 31, 2022
Not past due	\$ 662,808	\$ 578,819
Up to 30 days	15,180	40,240
31 to 60 days	7,475	24,865
61 to 90 days	2,450	3,665
91 to 180 days	649	-
Over 181 days	14,145	15,202
	<u>\$ 702,707</u>	<u>\$ 662,791</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2023, December 31, 2022 and January 1, 2022, the balances of receivables (including notes receivable) from contracts with customers amounted to \$702,707, \$662,791, and \$931,729, respectively.

C. The Group does not hold any collateral for its accounts receivable.

D. Information relating to credit risk of notes receivable and accounts receivable is provided in Note 12(2).

(4) Inventories

December 31, 2023			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 176,352	(\$ 6,596)	\$ 169,756
Work in progress	731,155	(19,660)	711,495
Finished goods	210,100	(4,054)	206,046
	<u>\$ 1,117,607</u>	<u>(\$ 30,310)</u>	<u>\$ 1,087,297</u>
December 31, 2022			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 193,698	(\$ 8,478)	\$ 185,220
Work in progress	775,598	(14,826)	760,772
Finished goods	386,380	(5,027)	381,353
	<u>\$ 1,355,676</u>	<u>(\$ 28,331)</u>	<u>\$ 1,327,345</u>

A. None of the above inventory was pledged to others.

B. The cost of inventories recognised as expense for the year:

For the years ended December 31,		
	2023	2022
Cost of goods sold	\$ 3,424,127	\$ 3,536,216
Loss on decline in market value and obsolescence	30,688	40,832
Revenue from sale of scraps	(36,172)	(47,950)
	<u>\$ 3,418,643</u>	<u>\$ 3,529,098</u>

(5) Investment accounted for using equity method

December 31, 2023			December 31, 2022	
Name of associate	Ownership (%)	Book value	Ownership (%)	Book value
Dajing Eye Health Technology (Zhejiang) Co., Ltd.	35%	<u>\$ 12,381</u>	35%	<u>\$ 10,818</u>

The summarised financial information of the associate that is not material to the Group is as follows:

For the year ended December 31,		
	2023	2022
Profit (loss) for the year	\$ 157	(\$ 3,196)
Other comprehensive income, net of tax	-	-
Total comprehensive income (loss) for the year	<u>\$ 157</u>	<u>(\$ 3,196)</u>

(6) Property, plant and equipment

	Land	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Total
<u>At January 1, 2023</u>							
Cost	\$1,510,760	\$1,592,554	\$ 2,824,724	\$ 12,644	\$ 1,781	\$ 841,032	\$ 6,783,495
Accumulated depreciation	-	(311,738)	(2,237,940)	(9,788)	(1,446)	(563,586)	(3,124,498)
	<u>\$1,510,760</u>	<u>\$1,280,816</u>	<u>\$ 586,784</u>	<u>\$ 2,856</u>	<u>\$ 335</u>	<u>\$ 277,446</u>	<u>\$ 3,658,997</u>
<u>2023</u>							
January 1	\$1,510,760	\$1,280,816	\$ 586,784	\$ 2,856	\$ 335	\$ 277,446	\$ 3,658,997
Additions	-	-	100,710	-	89	48,979	149,778
Disposals	-	-	-	-	-	(94)	(94)
Reclassifications (Note 1)	-	-	21,104	-	-	(22,062)	(958)
Depreciation charge	-	(32,925)	(173,078)	(1,110)	(103)	(54,386)	(261,602)
Net exchange differences	-	-	-	(1)	(1)	(1)	(3)
December 31	<u>\$1,510,760</u>	<u>\$1,247,891</u>	<u>\$ 535,520</u>	<u>\$ 1,745</u>	<u>\$ 320</u>	<u>\$ 249,882</u>	<u>\$ 3,546,118</u>
<u>At December 31, 2023</u>							
Cost	\$1,510,760	\$1,592,554	\$ 2,784,645	\$ 12,630	\$ 1,865	\$ 867,631	\$ 6,770,085
Accumulated depreciation	-	(344,663)	(2,249,125)	(10,885)	(1,545)	(617,749)	(3,223,967)
	<u>\$1,510,760</u>	<u>\$1,247,891</u>	<u>\$ 535,520</u>	<u>\$ 1,745</u>	<u>\$ 320</u>	<u>\$ 249,882</u>	<u>\$ 3,546,118</u>
	Land	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Total
<u>At January 1, 2022</u>							
Cost	\$1,510,760	\$1,592,554	\$ 2,728,221	\$ 11,824	\$ 1,782	\$ 807,885	\$ 6,653,026
Accumulated depreciation	-	(278,812)	(2,058,299)	(9,734)	(1,452)	(511,458)	(2,859,755)
	<u>\$1,510,760</u>	<u>\$1,313,742</u>	<u>\$ 669,922</u>	<u>\$ 2,090</u>	<u>\$ 330</u>	<u>\$ 296,427</u>	<u>\$ 3,793,271</u>
<u>2022</u>							
January 1	\$1,510,760	\$1,313,742	\$ 669,922	\$ 2,090	\$ 330	\$ 296,427	\$ 3,793,271
Additions	-	-	69,116	1,744	220	55,290	126,370
Disposals	-	-	-	-	(53)	(21)	(74)
Reclassifications (Note 2)	-	-	31,952	-	-	(21,748)	10,204
Depreciation charge	-	(32,926)	(184,206)	(980)	(162)	(52,503)	(270,777)
Net exchange differences	-	-	-	2	-	1	3
December 31	<u>\$1,510,760</u>	<u>\$1,280,816</u>	<u>\$ 586,784</u>	<u>\$ 2,856</u>	<u>\$ 335</u>	<u>\$ 277,446</u>	<u>\$ 3,658,997</u>
<u>At December 31, 2022</u>							
Cost	\$1,510,760	\$1,592,554	\$ 2,824,724	\$ 12,644	\$ 1,781	\$ 841,032	\$ 6,783,495
Accumulated depreciation	-	(311,738)	(2,237,940)	(9,788)	(1,446)	(563,586)	(3,124,498)
	<u>\$1,510,760</u>	<u>\$1,280,816</u>	<u>\$ 586,784</u>	<u>\$ 2,856</u>	<u>\$ 335</u>	<u>\$ 277,446</u>	<u>\$ 3,658,997</u>

[Click here to enter text.](#)

Note 1: The reclassifications do not affect cash flow and pertain to the reclassification of property, plant and equipment to prepaid expenses of \$4, and the reclassification of property, plant and equipment to expenses of \$954.

Note 2: The reclassification does not affect cash flow and pertains to the reclassification of other non-current assets to property, plant and equipment of \$10,204.

A. The Group has no borrowing costs capitalised as part of property, plant and equipment.

B. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

(7) Leasing arrangements - lessee

A. The Group leases various assets including buildings, other equipment, business vehicles and multifunction printers, etc. Rental contracts are typically made for periods of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2023	December 31, 2022
	Book value	Book value
Buildings	\$ 53,789	\$ 81,459
Transportation equipment	4,437	6,921
Other equipment	1,280	2,536
	<u>\$ 59,506</u>	<u>\$ 90,916</u>
	For the years ended December 31,	
	2023	2022
	Depreciation charge	Depreciation charge
Buildings	\$ 42,511	\$ 41,103
Transportation equipment	2,484	2,357
Other equipment	1,272	1,268
	<u>\$ 46,267</u>	<u>\$ 44,728</u>

C. For the years ended December 31, 2023 and 2022, the additions to right-of-use assets were \$20,561 and \$46,785, respectively.

D. The information on profit and loss accounts relating to lease contracts is as follows:

	For the years ended December 31,	
	2023	2022
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 1,129	\$ 1,069
Expense on short-term lease contracts	844	729
Expense on leases of low-value assets	43	42
(Gain) loss on lease modifications		
(shown as other gains and losses)	(30)	26

E. For the years ended December 31, 2023 and 2022, the Group's total cash outflow for leases were \$48,645 and \$46,807, respectively.

(8) Short-term borrowings

Type of borrowings	December 31, 2022	Interest rate range	Collateral
Bank loan - credit borrowings	<u>\$ 200,000</u>	1.35%~1.38%	None

A. As of December 31, 2023, the Group has no short-term borrowings.

B. As of December 31, 2023 and 2022, the undrawn credit amount of short-term borrowings amounted to \$1,140,000 and \$937,213, respectively. The Group had no borrowings due over one year.

(9) Other payables

	December 31, 2023	December 31, 2022
Salaries and bonus payable	\$ 424,226	\$ 441,461
Employees' compensation payable	64,000	80,000
Labor and health insurance fees payable	32,125	37,939
Payables for equipment	15,557	12,191
Others	143,580	151,515
	<u>\$ 679,488</u>	<u>\$ 723,106</u>

(10) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Collateral	December 31, 2023
Long-term bank borrowings			
Secured borrowings	Borrowing period is from October 2, 2006 to March 22, 2029; principal and interest are payable monthly.	Land, buildings and structures	\$ 392,111
Less: Current portion of long-term borrowings			(102,883)
			<u>\$ 289,228</u>
Interest rate range			<u>1.68%~2.00%</u>

Type of borrowings	Borrowing period and repayment term	Collateral	December 31, 2022
Long-term bank borrowings			
Secured borrowings	Borrowing period is from October 2, 2006 to March 22, 2029; principal and interest are payable monthly.	Land, buildings and structures	\$ 494,758
Less: Current portion of long-term borrowings			(102,664)
			<u>\$ 392,094</u>
Interest rate range			<u>1.43%~1.86%</u>

Information on property, plant and equipment that were pledged as collateral for long-term borrowings is provided in Note 8.

(11) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligations	\$ 148,588	\$ 154,237
Fair value of plan assets	(279,254)	(281,395)
Net defined benefit asset		
(shown as other non-current assets)	<u>(\$ 130,666)</u>	<u>(\$ 127,158)</u>

(c) Movements in net defined benefit liabilities (assets) are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities (assets)
For the year ended December 31, 2023			
Balance at January 1	\$ 154,237	(\$ 281,395)	(\$ 127,158)
Current service cost	774	-	774
Interest expense (income)	2,005	(3,658)	(1,653)
	<u>157,016</u>	<u>(285,053)</u>	<u>(128,037)</u>
Remeasurements:			
Change in financial assumptions	1,358	-	1,358
Experience adjustments	(2,832)	(1,155)	(3,987)
	<u>(1,474)</u>	<u>(1,155)</u>	<u>(2,629)</u>
Paid pension	(6,954)	6,954	-
Balance at December 31	<u>\$ 148,588</u>	<u>(\$ 279,254)</u>	<u>(\$ 130,666)</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities (assets)
For the year ended December 31, 2022			
Balance at January 1	\$ 166,793	(\$ 263,866)	(\$ 97,073)
Current service cost	1,008	-	1,008
Interest expense (income)	1,168	(1,847)	(679)
	<u>168,969</u>	<u>(265,713)</u>	<u>(96,744)</u>
Remeasurements:			
Change in financial assumptions	(9,362)	-	(9,362)
Experience adjustments	(751)	(20,301)	(21,052)
	<u>(10,113)</u>	<u>(20,301)</u>	<u>(30,414)</u>
Paid pension	(4,619)	4,619	-
Balance at December 31	<u>\$ 154,237</u>	<u>(\$ 281,395)</u>	<u>(\$ 127,158)</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local

[Click here to enter text.](#)

banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2023 and 2022 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	For the years ended December 31,	
	2023	2022
Discount rate	1.20%	1.30%
Future salary increase rate	3.00%	3.00%

Future mortality rate was estimated based on the 6th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases rate	
	Increase	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
December 31, 2023				
Effect on present value of defined benefit obligation	(\$ 3,361)	\$ 3,475	\$ 3,044	(\$ 2,965)
December 31, 2022				
Effect on present value of defined benefit obligation	(\$ 3,673)	\$ 3,804	\$ 3,363	(\$ 3,270)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2024 amount to \$0.

(g) As of December 31, 2023, the weighted average duration of the retirement plan is 10 years.

The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	8,012
1-5 years		32,067
Over 5 years		56,646
	\$	<u>96,725</u>

B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The Company’s mainland China subsidiary, ShangHai Ticon Optical Ltd., has a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentage of employees’ monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.

(c) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2023 and 2022 were \$67,307 and \$69,564, respectively.

(12) Share capital

As of December 31, 2023, the Company’s authorised capital was \$880,000 and paid-in capital was \$504,165, with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

For the years ended December 31, 2023 and 2022, the number of the Company’s ordinary shares outstanding at the beginning and ending were both 50,416,516 shares.

(13) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(14) Retained earnings

A. According to the Company’s Articles of Incorporation, the current year’s earnings, if any, shall initially be used to settle all taxes and to offset any operating losses from prior years. Subsequently, 10% of the remaining amount shall be set aside as the legal reserve, with the remainder being either allocated or reversed according to statutory regulations concerning special surplus reserves. The remaining balance, if any, shall be distributed as dividends along with any accumulated undistributed earnings, subject to a proposal by the Board of Directors. The distribution of cash dividends shall be decided by the

[Click here to enter text.](#)

Board of Directors, while stock dividends shall be resolved by the shareholders during their meeting.

B. The Company's dividend policy is summarised below:

In order to meet the future capital requirements, long-term financial plan and satisfy shareholders' need of cash flow, cash dividends shall be at least 10% of total dividends distributed, taking into account the business environment and growing stage of the Company.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

E. The earnings distributions for 2022 and 2021 as resolved by the shareholders at the shareholders' meetings on June 13, 2023 and June 29, 2022, respectively, are as follows:

	For the years ended December 31,			
	2022		2021	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve appropriated	\$ 104,338	\$ -	\$ 95,375	\$ -
(Reversal) provision for special reserve	(9,374)	-	3,521	-
Cash dividends to shareholders	680,623	13.50	756,248	15.00
	<u>\$ 775,587</u>	<u>\$ 13.50</u>	<u>\$ 855,144</u>	<u>\$ 15.00</u>

- F. The earnings distribution for 2023 has been proposed by the Board of Directors on March 13, 2024 but has not yet been resolved by the shareholders as of March 13, 2024. The information is provided as follows:

	For the year ended December 31, 2023	
	Amount	Dividends per share (in dollars)
Legal reserve appropriated	\$ 54,806	\$ -
Cash dividends to shareholders	352,916	7.00
	<u>\$ 407,722</u>	<u>\$ 7.00</u>

(15) Operating revenue

	For the years ended December 31,	
	2023	2022
Revenue from contracts with customers	<u>\$ 4,393,888</u>	<u>\$ 5,003,499</u>

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods at a point in time in the following geographical regions:

	For the years ended December 31,	
	2023	2022
<u>Revenue from contracts with customers</u>		
Asia	\$ 3,204,386	\$ 3,545,230
Europe	468,229	530,706
America	203,523	479,295
Taiwan	517,750	448,268
	<u>\$ 4,393,888</u>	<u>\$ 5,003,499</u>

B. Contract liabilities

As of December 31, 2023, December 31, 2022 and January 1, 2022, the revenue-related contract liabilities - advance receipts amounted to \$43,139, \$11,881 and \$21,165, respectively. Revenue recognised that was included in the contract liabilities balance at the beginning of 2023 and 2022 were \$11,797 and \$19,058, respectively.

(16) Interest income

	For the years ended December 31,	
	2023	2022
Interest income from bank deposits	\$ 37,312	\$ 11,635
Interest income from financial assets measured at amortised cost	545	201
	<u>\$ 37,857</u>	<u>\$ 11,836</u>

(17) Other income

	For the years ended December 31,	
	2023	2022
Rent income	\$ 10	\$ 161
Income from scrapping goods for customers	10,945	8,650
Other income - others	1,951	2,448
	<u>\$ 12,906</u>	<u>\$ 11,259</u>

(18) Other gains and losses

	For the years ended December 31,	
	2023	2022
(Losses) gains on disposals of property, plant and equipment	(\$ 92)	\$ 105
Gains on disposals of investments	-	4,949
Gains (losses) on lease modifications	30	(26)
Net foreign exchange gains	32,620	193,332
Others	(26)	(23)
	<u>\$ 32,532</u>	<u>\$ 198,337</u>

(19) Finance costs

	For the years ended December 31,	
	2023	2022
Interest expense		
Bank borrowings	\$ 9,104	\$ 8,721
Lease liabilities	1,129	1,069
	<u>\$ 10,233</u>	<u>\$ 9,790</u>

(20) Expenses by nature

	For the year ended December 31, 2023		
	Operating costs	Operating expenses	Total
Employee benefit expense	\$ 1,762,706	\$ 161,033	\$ 1,923,739
Depreciation charges	294,596	13,273	307,869
Amortisation charges	10,286	3,888	14,174

	For the year ended December 31, 2022		
	Operating costs	Operating expenses	Total
Employee benefit expense	\$ 2,118,540	\$ 172,957	\$ 2,291,497
Depreciation charges	301,018	14,487	315,505
Amortisation charges	10,499	2,540	13,039

(21) Employee benefit expense

	For the years ended December 31,	
	2023	2022
Wages and salaries	\$ 1,611,865	\$ 1,955,353
Labor and health insurance fees	170,950	184,786
Pension costs	66,428	69,893
Directors' remuneration	11,692	12,892
Other personnel expenses	62,804	68,573
	<u>\$ 1,923,739</u>	<u>\$ 2,291,497</u>

- A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as follows: no lower than 3% for employees' compensation and no higher than 3% for directors' remuneration.
- B. The distribution of the aforementioned employee compensation and director remuneration shall be carried out by the Board of Directors, requiring a resolution adopted by a majority vote at a meeting attended by two-thirds of the total number of directors, with the agreement of more than half of the attending directors, and shall be reported to the shareholders' meeting
- C. For the years ended December 31, 2023 and 2022, employees' compensation was accrued at \$64,000 and \$80,000, respectively; while directors' remuneration was accrued at \$8,800 and \$10,000, respectively. The aforementioned amounts were recognised in salary expenses.

Employees' compensation and directors' remuneration for 2023 and 2022 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2023 and 2022 financial statements.

Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(22) Income tax

A. Income tax expense:

(a) Components of income tax expense:

	For the years ended December 31,	
	2023	2022
Current income tax	\$ 133,441	\$ 219,638
Tax on undistributed surplus earnings	13,390	-
Refund for prior year tax on undistributed surplus earnings	(7,773)	-
Prior year income tax overestimation	(8,547)	-
Deferred income tax	2,453	42,401
Income tax expense	<u>\$ 132,964</u>	<u>\$ 262,039</u>

(b) The income tax relating to components of other comprehensive income is as follows:

	For the years ended December 31,	
	2023	2022
Currency translation differences	\$ 229	\$ -
Remeasurement of defined benefit obligations	526	6,082

B. Reconciliation between income tax expense and accounting profit:

	For the years ended December 31,	
	2023	2022
Tax calculated based on profit before income tax and statutory tax rate	\$ 135,774	\$ 256,210
Expenses disallowed by tax regulation	120	252
Prior year income tax (overestimation) underestimation	(8,547)	647
Tax on undistributed surplus earnings	13,390	4,930
Refund for prior year tax on undistributed surplus earnings	(7,773)	-
Income tax expense	<u>\$ 132,964</u>	<u>\$ 262,039</u>

C. Amounts of deferred income tax assets or liabilities as a result of temporary differences are as follows:

2023				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
-Deferred income tax assets:				
Allowance for inventory valuation loss	\$ 5,666	\$ 396	\$ -	\$ 6,062
Unrealised foreign exchange loss	-	4,415	-	4,415
Long-term investment losses	10,034	1,395	-	11,429
Unrealised expense	24,451	(9,427)	-	15,024
Others	11,779	235	-	12,014
	<u>51,930</u>	<u>(2,986)</u>	<u>-</u>	<u>48,944</u>
-Deferred income tax liabilities:				
Prepayments for pensions	(25,432)	(176)	(526)	(26,134)
Provision for land revaluation increment tax	(2,477)	-	-	(2,477)
Unrealised foreign exchange gain	(709)	709	-	-
Currency translation differences	-	-	(229)	(229)
	<u>(28,618)</u>	<u>533</u>	<u>(755)</u>	<u>(28,840)</u>
	<u>\$ 23,312</u>	<u>(\$ 2,453)</u>	<u>(\$ 755)</u>	<u>\$ 20,104</u>
2022				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
-Deferred income tax assets:				
Allowance for inventory valuation loss	\$ 3,269	\$ 2,397	\$ -	\$ 5,666
Unrealised foreign exchange loss	13,242	(13,242)	-	-
Long-term investment losses	47,279	(37,245)	-	10,034
Unrealised expense	15,973	8,478	-	24,451
Others	14,583	(2,804)	-	11,779
	<u>94,346</u>	<u>(42,416)</u>	<u>-</u>	<u>51,930</u>
-Deferred income tax liabilities:				
Prepayments for pensions	(20,074)	724	(6,082)	(25,432)
Provision for land revaluation increment tax	(2,477)	-	-	(2,477)
Unrealised foreign exchange gain	-	(709)	-	(709)
	<u>(22,551)</u>	<u>15</u>	<u>(6,082)</u>	<u>(28,618)</u>
	<u>\$ 71,795</u>	<u>(\$ 42,401)</u>	<u>(\$ 6,082)</u>	<u>\$ 23,312</u>

[Click here to enter text.](#)

D. The Company's income tax returns through 2021 have been assessed and approved by the Tax Authority.

(23) Earnings per share

For the year ended December 31, 2023			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 545,954	50,416,516	\$ 10.83
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 545,954	50,416,516	
Assumed conversion of all dilutive potential ordinary shares - employees' compensation	-	429,003	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 545,954	50,845,519	\$ 10.74
For the year ended December 31, 2022			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,019,054	50,416,516	\$ 20.21
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,019,054	50,416,516	
Assumed conversion of all dilutive potential ordinary shares - employees' compensation	-	413,663	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 1,019,054	50,830,179	\$ 20.05

(24) Supplemental cash flow information

Investing activities with partial cash payments:

	For the years ended December 31,	
	2023	2022
Purchase of property, plant and equipment	\$ 149,778	\$ 126,370
Add: Opening balance of payable on equipment	12,191	20,794
Less: Ending balance of payable on equipment	(15,557)	(12,191)
Cash paid during the year	<u>\$ 146,412</u>	<u>\$ 134,973</u>

(25) Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings	Lease liabilities	Total liabilities from financing activities
At January 1, 2023	\$ 200,000	\$ 494,758	\$ 91,587	\$ 786,345
Changes in cash flow from financing activities	(200,000)	(102,647)	(46,629)	(349,276)
Changes in other non-cash items	-	-	14,827	14,827
At December 31, 2023	<u>\$ -</u>	<u>\$ 392,111</u>	<u>\$ 59,785</u>	<u>\$ 451,896</u>

	Short-term borrowings	Long-term borrowings	Lease liabilities	Total liabilities from financing activities
At January 1, 2022	\$ 400,000	\$ 686,726	\$ 90,592	\$ 1,177,318
Changes in cash flow from financing activities	(200,000)	(191,968)	(44,967)	(436,935)
Changes in other non-cash items	-	-	45,962	45,962
At December 31, 2022	<u>\$ 200,000</u>	<u>\$ 494,758</u>	<u>\$ 91,587</u>	<u>\$ 786,345</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Group
Camax Optical Corp. (CAMAX)	Close family members of the Company's general manager
Dajing Eye Health Technology (Zhejiang) Co., Ltd. (DAJING)	Associate

(2) Significant related party transactions

A. Operating revenue

	For the years ended December 31,	
	2023	2022
Sales of goods:		
CAMAX	\$ 2,344	\$ 10,035
DAJING	1,077	37
	<u>\$ 3,421</u>	<u>\$ 10,072</u>

The Group's credit terms for goods sold to domestic and foreign related parties are 30 to 95 days after monthly billings.

B. Receivables from related parties

	December 31, 2023	December 31, 2022
Accounts receivable:		
CAMAX	\$ 648	\$ 815
DAJING	177	-
	<u>\$ 825</u>	<u>\$ 815</u>

The receivables from related parties arise mainly from sales of products. The credit terms for the receivables are 30 to 95 days after monthly billings. The receivables are unsecured in nature and bear no interest. There is no allowance for uncollectible accounts held against receivables from related parties.

(3) Key management compensation

	For the years ended December 31,	
	2023	2022
Salaries and other short-term employee benefits	<u>\$ 37,972</u>	<u>\$ 47,156</u>

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

Assets	Book value		Purpose
	December 31, 2023	December 31, 2022	
Property, plant and equipment			
Land	\$ 558,066	\$ 558,066	Guarantee for bank financing facilities
Buildings and structures			Guarantee for bank financing facilities
	759,917	780,232	
	<u>\$ 1,317,983</u>	<u>\$ 1,338,298</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. Capital expenditures contracted for at the balance sheet date but not yet incurred are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Property, plant and equipment	<u>\$ 62,418</u>	<u>\$ 29,398</u>

B. As of December 31, 2023 and 2022, the Group's issued but unused letters of credit amounted to \$0 and \$2,787, respectively.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Refer to Note 6(14).

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total capital. Total borrowings is calculated as 'current and non-current borrowings' as shown in the consolidated balance sheet. Total capital is calculated as equity as shown in the consolidated balance sheet plus total borrowings.

During the year ended December 31, 2023, the Group's strategy, which was unchanged from 2022, was to maintain the gearing ratio within a stable range. The gearing ratios at December 31, 2023 and 2022 were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Total borrowings	<u>\$ 392,111</u>	<u>\$ 694,758</u>
Total equity	<u>6,136,070</u>	<u>6,267,762</u>
Total capital	<u>\$ 6,528,181</u>	<u>\$ 6,962,520</u>
Gearing ratio	<u>6%</u>	<u>10%</u>

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Financial assets at amortised cost		
Cash and cash equivalents	\$ 2,063,672	\$ 2,283,352
Financial assets at amortised cost	-	30,710
Notes receivable	2,052	4,494
Accounts receivable (including related parties)	681,904	634,816
Other receivables	16,728	11,558
Guarantee deposits paid (shown as other non-current assets)	9,742	8,211
	<u>\$ 2,774,098</u>	<u>\$ 2,973,141</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ -	\$ 200,000
Notes payable	210,380	185,408
Accounts payable	53,589	61,484
Other payables	679,488	723,106
Long-term borrowings (including current portion)	392,111	494,758
	<u>\$ 1,335,568</u>	<u>\$ 1,664,756</u>
Lease liabilities	<u>\$ 59,785</u>	<u>\$ 91,587</u>

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.
- (b) Risk management is carried out by the Group's treasury department ("Group treasury") under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating department. The Group provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD. Foreign exchange risk

arises from future commercial transactions and recognised assets and liabilities.

- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury.
- iii. The Group's businesses involve some non-functional currency operations. The information on assets denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2023			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 39,260	30.71	\$ 1,205,672
EUR : NTD	9,541	33.98	324,210
GBP : NTD	339	39.15	13,274
HKD : NTD	4,702	3.929	18,475
JPY : NTD	38,079	0.2172	8,271
RMB : NTD	112,408	4.327	486,389
<u>Non-monetary items</u>			
USD : NTD	\$ 330	30.71	\$ 10,128
JPY : NTD	8,075	0.2172	1,754
RMB : USD	2,043	0.14	8,841
RMB : NTD	2,861	4.327	12,381

December 31, 2022			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 52,561	30.71	\$ 1,614,152
EUR : NTD	12,696	32.72	415,423
GBP : NTD	2,431	37.09	90,177
HKD : NTD	6,017	3.938	23,697
JPY : NTD	31,453	0.2324	7,310
RMB : NTD	33,926	4.408	149,544
<u>Non-monetary items</u>			
USD : NTD	\$ 568	30.71	\$ 17,458
JPY : NTD	8,000	0.2324	1,859
RMB : USD	3,630	0.14	16,001
RMB : NTD	2,761	4.408	12,168

- iv. The total exchange gain, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2023 and 2022 amounted to \$32,620 and \$193,332, respectively.
- v. Analysis of foreign currency market risk arising from significant foreign exchange variation:

For the year ended December 31, 2023			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	1%	\$ 12,057	\$ -
EUR : NTD	1%	3,242	-
GBP : NTD	1%	133	-
HKD : NTD	1%	185	-
JPY : NTD	1%	83	-
RMB : NTD	1%	4,864	-

For the year ended December 31, 2022				
Sensitivity analysis				
	Degree of variation		Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$	16,142	\$ -
EUR : NTD	1%		4,154	-
GBP : NTD	1%		902	-
HKD : NTD	1%		237	-
JPY : NTD	1%		73	-
RMB : NTD	1%		1,495	-

Cash flow and fair value interest rate risk

- i. The Group's main interest rate risk arises from long-term borrowings with floating rates, which expose the Group to cash flow interest rate risk. During 2023 and 2022, the Group's borrowings at floating rate were mainly denominated in New Taiwan dollars.
- ii. The Group's borrowings are measured at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.
- iii. If the borrowing interest rate of New Taiwan dollars had increased/decreased by 1% with all other variables held constant, profit before tax for the years ended December 31, 2023 and 2022 would have decreased/increased by \$3,921 and \$4,948, respectively. The main factor is that changes in interest expense result from floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. The Group manages its credit risk taking into consideration the entire group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of

[Click here to enter text.](#)

Directors. The utilisation of credit limits is regularly monitored.

- iii. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 180 days.
- iv. The Group adopts the assumption under IFRS 9, that is, if the contract payments are past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- v. The Group classifies customer's accounts receivable in accordance with customer types. The Group applies the simplified approach using the provision matrix and loss rate methodology to estimate expected credit loss.
- vi. The Group wrote-off the financial assets, which cannot reasonably be expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.
- vii.(i) The Group used the forecastability of global economic information to adjust historical and timely information to assess the default possibility of accounts receivable arising from general credit rating customers. As of December 31, 2023 and 2022, the provision matrix is as follows:

	Not past due	1-30 days past due	31-60 days past due	61-90 days past due	91-180 days past due	Over 181 days past due	Total
<u>December 31, 2023</u>							
Expected loss rate	0.21%- 0.65%	3.72%- 20.41%	15.61%- 18.62%	37.32%- 57.64%	66.10%- 94.76%	100%	
Total book value	\$ 660,756	\$ 15,180	\$ 7,475	\$ 2,450	\$ 649	\$ 528	\$ 687,038
Loss allowance	1,606	596	1,388	1,412	429	528	5,959

	Not past due	1-30 days past due	31-60 days past due	61-90 days past due	91-180 days past due	Over 181 days past due	Total
<u>December 31, 2022</u>							
Expected loss rate	0.20%- 0.43%	1.52%- 11.75%	15.62%- 17.37%	46.88%- 69.03%	58.61%- 90.05%	100%	
Total book value	\$ 574,325	\$ 40,240	\$ 24,865	\$ 3,665	\$ -	\$ 652	\$ 643,747
Loss allowance	1,300	1,465	4,222	2,107	-	652	9,746

- (ii) The Group individually assesses the customers that have low credit rating and default. As of December 31, 2023 and 2022, the carrying amount of accounts receivable with low credit rating amounted to \$13,617 and \$14,550, respectively, and the Group has provided loss allowance amounting to \$13,617 and \$14,550, respectively.

- (iii) The Group assessed notes receivable from customers individually. As of December 31, 2023 and 2022, the carrying amounts of notes receivable were \$2,052 and \$4,494, respectively, with a provision for loss allowance amounting to \$0 for both years.
- (iv) The Group assessed other receivables from sales-related customers based on the loss rate. As of December 31, 2023 and 2022, the total carrying amount of other receivables and provision for loss allowance amounted to \$436 and \$1,094, \$7 and \$243, respectively.
- viii. Movements in relation to the Group applying the simplified approach to provide loss allowance for notes, accounts and other receivables are as follows:

	2023			
	Notes receivable	Accounts receivable	Other receivables	Total
At January 1	\$ -	\$ 24,296	\$ 243	\$ 24,539
Reversal of impairment loss	-	(4,720)	(236)	(4,956)
At December 31	<u>\$ -</u>	<u>\$ 19,576</u>	<u>\$ 7</u>	<u>\$ 19,583</u>

	2022			
	Notes receivable	Accounts receivable	Other receivables	Total
At January 1	\$ 12	\$ 28,623	\$ -	\$ 28,635
Provision for impairment	-	-	243	243
Reversal of impairment loss	(12)	(4,327)	-	(4,339)
At December 31	<u>\$ -</u>	<u>\$ 24,296</u>	<u>\$ 243</u>	<u>\$ 24,539</u>

For the years ended December 31, 2023 and 2022, the expected credit impairment gain on notes, accounts and other receivables arising from customers' contracts amounted to \$4,956 and \$4,096, respectively.

(c) Liquidity risk

- Cash flow forecasting is performed in the operating departments of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs and liabilities at maturity.
- Group treasury invests surplus cash in interest bearing current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.
- The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the

balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities

<u>December 31, 2023</u>	<u>Less than 3 months</u>	<u>Between 3 months and 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Notes payable	\$ 209,484	\$ 896	\$ -	\$ -	\$ -
Accounts payable	21,291	32,298	-	-	-
Other payables	599,912	79,576	-	-	-
Lease liabilities	8,967	23,981	18,079	10,164	-
Long-term borrowings (including current portion)	27,486	81,839	107,635	187,999	1,353

Non-derivative financial liabilities

<u>December 31, 2022</u>	<u>Less than 3 months</u>	<u>Between 3 months and 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 100,579	\$ 100,248	\$ -	\$ -	\$ -
Notes payable	185,408	-	-	-	-
Accounts payable	23,481	38,003	-	-	-
Other payables	622,532	100,574	-	-	-
Lease liabilities	11,268	33,510	28,657	20,145	-
Long-term borrowings (including current portion)	27,618	82,353	108,522	289,243	6,829

- iv. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

The carrying amounts of financial instruments not measured at fair value, including cash and cash equivalents, financial assets at amortised cost, notes receivable, accounts receivable, other receivables, guarantee deposits paid, short-term borrowings, notes payable, accounts payable, other payables, long-term borrowings (including current portion) and lease liabilities, are approximate to their fair values.

13. SUPPLEMENTARY DISCLOSURES

(Inter-company transactions between companies are eliminated when preparing consolidated financial statements. The following disclosures are for reference only.)

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.

[Click here to enter text.](#)

- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: No transaction exceeding NT\$20 million.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Refer to table 1.

(3) Information on investments in Mainland China

- A. Basic information: Refer to table 2.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: No transaction exceeding NT\$20 million.

(4) Major shareholders information

None.

14. OPERATING SEGMENTS INFORMATION

(1) General information

The Group is primarily engaged in manufacturing and sales of contact lenses. The Group operates business only in a single industry. The chief operating decision-maker, who allocates resources and assesses performance based on the Group's overall operating results, has identified that the Group has only one reportable operating segment.

(2) Segment information

The Group has only one operating segment so the reportable information is identical with the financial statements.

(3) Reconciliation for segment income (loss)

The segment profit before tax reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income, therefore, the adjustments for profit before tax are the same as that in the statement of comprehensive income.

(4) Information on products and services

Revenue from external customers is mainly from cast-molding lens and other products. Details of revenue are as follows:

Sales revenue:

	For the years ended December 31,	
	2023	2022
Cast-molding lens	\$ 4,387,469	\$ 4,997,572
Others	6,419	5,927
	<u>\$ 4,393,888</u>	<u>\$ 5,003,499</u>

(5) Geographical information

Geographical information for the years ended December 31, 2023 and 2022 is as follows:

	For the years ended December 31,			
	2023		2022	
	Revenue	Non-current assets	Revenue	Non-current assets
Asia	\$ 3,204,386	\$ 201	\$ 3,545,230	\$ 200
Europe	468,229	-	530,706	-
America	203,523	-	479,295	-
Taiwan	517,750	3,787,702	448,268	3,893,687
	<u>\$ 4,393,888</u>	<u>\$ 3,787,903</u>	<u>\$ 5,003,499</u>	<u>\$ 3,893,887</u>

(6) Major customer information

Major customer information of the Group for the years ended December 31, 2023 and 2022 is as follows:

Name of customer	For the years ended December 31,	
	2023	2022
	Revenue	Revenue
C	\$ 1,334,400	\$ 1,451,589
G	1,023,815	1,348,764
V	360,651	169,141

ST. SHINE OPTICAL CO., LTD. AND SUBSIDIARIES

Names, locations and other information of investee companies (not including investees in Mainland China)

For the year ended December 31, 2023

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

<u>Investor</u>	<u>Investee</u>	<u>Location</u>	<u>Main business activities</u>	<u>Initial investment amount</u>		<u>Shares held as at December 31, 2023</u>			<u>Net profit (loss) of the investee for the year ended December 31, 2023</u>	<u>Investment income (loss) recognised by the Company for the year ended December 31, 2023</u>	<u>Note</u>
				<u>Balance as at December 31, 2023</u>	<u>Balance as at December 31, 2022</u>	<u>Number of shares</u>	<u>Ownership (%)</u>	<u>Book value</u>			
St. Shine Optical Co., Ltd.	Shine Optical (Samoa) Holding Groups, Inc.	Samoa	Investment and trading business	\$ 61,498	\$ 61,498	1,900,000	100	\$ 10,128	(\$ 7,149)	(\$ 7,149)	
St. Shine Optical Co., Ltd.	St. Shine Optical Japan Co., Ltd.	Japan	Import and export business, retail and wholesale of contact lenses and consulting business	2,201	2,201	800	100	1,754	17	17	
Shine Optical (Samoa) Holding Groups, Inc.	Shine Optical HK Limited	Hong Kong	Investment and trading business	59,880	59,880	1,850,000	100	8,868	(7,147)	(7,147)	

Click here to enter text.

ST. SHINE OPTICAL CO., LTD. AND SUBSIDIARIES
Information on investments in Mainland China - Basic information
For the year ended December 31, 2023

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

<u>Investee in Mainland China</u>	<u>Main business activities</u>	<u>Paid-in capital</u>	<u>Investment method (Note 1)</u>	<u>Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2023</u>	<u>Investment Flows</u>		<u>Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023</u>	<u>Net profit (loss) of the investee for the year ended December 31, 2023</u>	<u>Ownership held by the Company (direct or indirect)</u>	<u>Investment net profit (loss) recognised by the Company for the year ended December 31, 2023 (Note 2)</u>	<u>Book value of investments in Mainland China as of December 31, 2023</u>	<u>Accumulated amount of investment income remitted back to Taiwan as of December 31, 2023</u>	<u>Note</u>
Shanghai Ticon Optical Ltd.	Trading of contact lenses (soft and hard) and optical lenses	\$ 55,692	(2) The Company's wholly-owned subsidiary, Shine Optical HK Limited, indirectly invested in Mainland China	\$ 55,692	\$ -	\$ -	\$ 55,692	(\$ 6,978)	100%	(\$ 6,978)	\$ 8,841	\$ -	
Dajing Eye Health Technology (Zhejiang) Co., Ltd.	Manufacturing and trading of soft contact lenses and care solution	44,430	(1) Directly invest in a company in Mainland China.	13,995	-	-	13,995	449	35%	157	12,381	-	

Note 1: The methods for engaging in investment in Mainland China include the following:

- (1) Direct investment in Mainland China.
- (2) Indirectly investment in Mainland China through companies registered in a third region (Please specify the name of the company in third region).
- (3) Other methods.

Note 2: Investment net profit (loss) recognised by the Company for the year ended December 31, 2023 on Shanghai Ticon Optical Ltd. was calculated based on the financial statements that were audited by R.O.C. parent company's CPA, while investment net profit (loss) recognised by the Company for the year ended December 31, 2023 on Dajing Eye Health Technology (Zhejiang) Co., Ltd. was calculated based on financial statements audited by other independent auditors.

<u>Company name</u>	<u>Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023 (Note 3)</u>	<u>Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 3)</u>	<u>Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 4)</u>
St. Shine Optical Co., Ltd.	\$ 69,687	\$ 69,687	\$ 3,681,642

Note 3: The total investment amount of USD 1.8 million invested in Shanghai Ticon Optical Ltd. was approved pursuant to the Jing-Shen-II-Zi Letter No.09600429730.

The total investment amount of RMB 3.15 million invested in Dajing Eye Health Technology (Zhejiang) Co., Ltd. was approved pursuant to the Jing-Shen - II - Zi Letter No.11100172840.

Note 4: Limitation is in accordance with (90) Tai-Cai-Zheng (1) Letter No. 006130 of Securities and Futures Commission, Ministry of Finance, R.O.C issued on November 16, 2001.

Click here to enter text.

ST. SHINE OPTICAL CO., LTD.
PARENT COMPANY ONLY
FINANCIAL STATEMENTS AND INDEPENDENT
AUDITORS' REPORT
DECEMBER 31, 2023 AND 2022

For the convenience of readers and for information purpose only, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. 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 independent auditors' report and financial statements shall prevail.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of St. Shine Optical Co., Ltd.

Opinion

We have audited the accompanying parent company only balance sheets of St. Shine Optical Co., Ltd. (the “Company”) as at December 31, 2023 and 2022, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of material accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the parent company only financial statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Company's 2023 financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's 2023 parent company only financial statements are stated as follows:

Key audit matter - Appropriateness of timing of sales revenue recognition

Description

Refer to Note 4(24) for accounting policy on revenue recognition and Note 6(15) for the details of sales revenue.

The Company's revenue is primarily from export of goods. Sales revenue is recognised when the control of the products has transferred to the customers based on the information listed in the export declaration. As the procedures for the timing of revenue recognition involves the manual checking of the status of delivery and related documents, this may lead to some errors in the timing of revenue recognition near the end of the financial reporting date. Thus, we considered the appropriateness of timing of sales revenue recognition as one of the key audit matters.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

- A. Obtained an understanding of, assessed and tested management's internal control procedures on revenue recognition, and confirmed whether the related internal controls were reasonable and operating effectively.
- B. Performed cut-off test on sales revenue transactions, including checking the order terms, export declaration and delivery information in order to confirm whether the accounting treatment of revenue recognition timing was appropriate.

Key audit matter - Assessment of allowance for inventory valuation losses

Description

Refer to Note 4(11) for the accounting policy on inventory valuation, Note 5 for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(4) for the details of allowance for inventory valuation losses.

The Company is primarily engaged in manufacturing and trading of contact lenses. As the contact lenses market is competitive, frequent releases of new products result in potential price fluctuations and product marginalization in the market. These factors may affect the estimation of the net realisable values of inventories.

The inventories of the Company are measured at the lower of cost and net realisable value, which involves subjective judgement resulting in a high degree of estimation uncertainty. Thus, we considered the assessment of allowance for inventory valuation losses as one of the key audit matters.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

- A. Based on the understanding of the Company's operations and industry characteristics, assessed the reasonableness of provision policies and procedures on allowance for inventory valuation losses, including inventory clearance, the reasonableness of obsolete inventory, and the consistency of accounting estimates.
- B. Tested the statements prepared by the Company to verify whether the information that the Company used to calculate inventory valuation loss was consistent with the Company's policy, sampled individual part numbers to verify whether the selling price and net realisable value were calculated correctly, and assessed the reasonableness of allowance for inventory valuation losses.
- C. Verified the appropriateness of system logic used in the Company's inventory aging reports to confirm whether the information on the reports is consistent with its policies.
- D. Selected samples of individual inventory item numbers and checked them against historical data on inventory clearance and discount, compared the samples against prior allowance for inventory valuation losses and referred to subsequent transactions in order to assess the reasonableness of the Company's allowance for inventory valuation losses.

Responsibilities of management and those charged with governance for the parent company only financial statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the

Company's financial reporting process.

Auditors' responsibilities for the audit of the parent company only financial statements

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

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

- A. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- E. Evaluate the overall presentation, structure and content of the parent company only financial

statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the 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.

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

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

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

Teng, Sheng-wei

Yu, Shu-Fen

For and on behalf of PricewaterhouseCoopers, Taiwan

March 13, 2024

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance parent company only with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers, Taiwan cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

ST. SHINE OPTICAL CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

			December 31, 2023		December 31, 2022			
			Amount	%	Amount	%		
Assets								
Notes								
Current assets								
1100	Cash and cash equivalents	6(1)	\$	2,052,833	26	\$	2,265,321	27
1136	Current financial assets at	6(2)						
	amortised cost			-	-		30,710	-
1150	Notes receivable, net	6(3)		2,052	-		4,494	-
1170	Accounts receivable, net	6(3)		680,793	9		634,001	8
1180	Accounts receivable due from	7						
	related parties, net			1,224	-		815	-
1200	Other receivables			16,728	-		11,556	-
130X	Inventories	6(4)		1,087,297	14		1,327,345	16
1410	Prepayments			49,314	1		51,100	1
1470	Other current assets			3,569	-		930	-
11XX	Total current assets			3,893,810	50		4,326,272	52
Non-current assets								
1550	Investments accounted for using	6(5)						
	equity method			24,263	-		30,135	-
1600	Property, plant and equipment	6(6) and 8		3,545,971	46		3,658,842	44
1755	Right-of-use assets	6(7)		59,506	1		90,916	1
1780	Intangible assets			3,946	-		2,371	-
1840	Deferred income tax assets	6(22)		48,944	1		51,930	1
1900	Other non-current assets	6(11)		178,279	2		141,558	2
15XX	Total non-current assets			3,860,909	50		3,975,752	48
1XXX	Total assets		\$	7,754,719	100	\$	8,302,024	100

(Continued)

ST. SHINE OPTICAL CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Liabilities and Equity		Notes	December 31, 2023		December 31, 2022	
			Amount	%	Amount	%
Current liabilities						
2100	Short-term borrowings	6(8)	\$ -	-	\$ 200,000	2
2130	Contract liabilities - current	6(15)	43,139	1	11,881	-
2150	Notes payable		210,380	3	185,408	2
2170	Accounts payable		53,589	1	61,484	1
2200	Other payables	6(9) and 7	679,991	9	723,424	9
2230	Current income tax liabilities		143,061	2	218,166	3
2280	Lease liabilities - current		32,170	-	43,802	1
2320	Long-term liabilities, current portion	6(10) and 8	102,883	1	102,664	1
2399	Other current liabilities		7,753	-	18,936	-
21XX	Total current liabilities		1,272,966	17	1,565,765	19
Non-current liabilities						
2540	Long-term borrowings	6(10) and 8	289,228	4	392,094	5
2570	Deferred income tax liabilities	6(22)	28,840	-	28,618	-
2580	Lease liabilities - non-current		27,615	-	47,785	1
25XX	Total non-current liabilities		345,683	4	468,497	6
2XXX	Total liabilities		1,618,649	21	2,034,262	25
Equity attributable to owners of the parent						
	Share capital	6(12)				
3110	Ordinary share		504,165	6	504,165	6
	Capital surplus	6(13)				
3200	Capital surplus		526,000	7	526,000	6
	Retained earnings	6(14)				
3310	Legal reserve		1,958,133	25	1,853,795	22
3320	Special reserve		-	-	9,374	-
3350	Unappropriated retained earnings		3,146,855	41	3,374,385	41
	Other equity interest					
3400	Other equity interest		917	-	43	-
3XXX	Total equity		6,136,070	79	6,267,762	75
	Significant contingent liabilities and unrecognised contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	Total liabilities and equity		\$ 7,754,719	100	\$ 8,302,024	100

The accompanying notes are an integral part of these parent company only financial statements.

ST. SHINE OPTICAL CO., LTD.
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 SHARE AMOUNTS)

Items	Notes	For the years ended December 31,			
		2023		2022	
		Amount	%	Amount	%
4000 Operating revenue	6(15) and 7	\$ 4,393,717	100	\$ 5,003,499	100
5000 Operating costs	6(4) (20) (21)	(3,418,643)	(78)	(3,529,098)	(71)
5900 Gross profit		975,074	22	1,474,401	29
5910 Unrealised profit from sales	6(5)	-	-	(1)	-
5920 Realised profit from sales		1	-	-	-
5950 Gross profit		975,075	22	1,474,400	29
Operating expenses	6 (20) (21)				
6100 Selling expenses		(175,533)	(4)	(199,539)	(4)
6200 General and administrative expenses		(121,626)	(3)	(153,073)	(3)
6300 Research and development expenses		(69,910)	(1)	(48,825)	(1)
6450 Expected credit impairment gain	12(2)	4,956	-	4,096	-
6000 Total operating expenses		(362,113)	(8)	(397,341)	(8)
6900 Operating profit		612,962	14	1,077,059	21
Non-operating income and expenses					
7100 Interest income	6(2) (16)	37,796	1	11,294	-
7010 Other income	6(17)	12,743	-	11,079	-
7020 Other gains and losses	6(7) (18)	32,575	-	198,037	4
7050 Finance costs	6(7) (19)	(10,233)	-	(9,790)	-
7070 Share of loss of associates and joint ventures accounted for using equity method	6(5)	(6,975)	-	(6,628)	-
7000 Total non-operating income and expenses		65,906	1	203,992	4
7900 Profit before income tax		678,868	15	1,281,051	25
7950 Income tax expense	6(22)	(132,914)	(3)	(261,997)	(5)
8200 Profit for the year		\$ 545,954	12	\$ 1,019,054	20
Other comprehensive income, net					
Components of other comprehensive income that will not be reclassified to profit or loss					
8311 Gain on remeasurement of defined benefit plans	6(11)	\$ 2,629	-	\$ 30,414	1
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(22)	(526)	-	(6,082)	-
Components of other comprehensive income that will be subsequently reclassified to profit or loss					
8361 Exchange differences on translation of foreign financial statements		1,103	-	9,417	-
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(22)	(229)	-	-	-
8300 Other comprehensive income, net		\$ 2,977	-	\$ 33,749	1
8500 Total comprehensive income for the year		\$ 548,931	12	\$ 1,052,803	21
Basic earnings per share					
9750 Profit for the year	6(23)	\$ 10.83		\$ 20.21	
Diluted earnings per share					
9850 Profit for the year	6(23)	\$ 10.74		\$ 20.05	

The accompanying notes are an integral part of these parent company only financial statements.

ST. SHINE OPTICAL CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Notes	Ordinary share	Capital surplus - share premium	Retained earnings			Other equity interest	Total equity
			Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	
6(14)	\$ 504,165	\$ 526,000	\$ 1,758,420	\$ 5,853	\$ 3,186,143	(\$ 9,374)	\$ 5,971,207
	-	-	-	-	1,019,054	-	1,019,054
	-	-	-	-	24,332	9,417	33,749
	-	-	-	-	1,043,386	9,417	1,052,803
	-	-	95,375	-	(95,375)	-	-
	-	-	-	3,521	(3,521)	-	-
	-	-	-	-	(756,248)	-	(756,248)
	\$ 504,165	\$ 526,000	\$ 1,853,795	\$ 9,374	\$ 3,374,385	\$ 43	\$ 6,267,762
	\$ 504,165	\$ 526,000	\$ 1,853,795	\$ 9,374	\$ 3,374,385	\$ 43	\$ 6,267,762
	-	-	-	-	545,954	-	545,954
6(14)	-	-	-	-	2,103	874	2,977
	-	-	-	-	548,057	874	548,931
	-	-	104,338	-	(104,338)	-	-
	-	-	-	(9,374)	9,374	-	-
	-	-	-	-	(680,623)	-	(680,623)
	\$ 504,165	\$ 526,000	\$ 1,958,133	\$ -	\$ 3,146,855	\$ 917	\$ 6,136,070
	-	-	-	-	-	-	-

The accompanying notes are an integral part of these parent company only financial statements.

ST. SHINE OPTICAL CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		For the years ended December 31,	
	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		\$ 678,868	\$ 1,281,051
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation charges	6(6) (7) (20)	307,864	315,438
Amortisation charges	6(20)	14,140	13,020
Expected credit impairment gain	12(2)	(4,956)	(4,096)
Interest expense	6(19)	10,233	9,790
Interest income	6(16)	(37,796)	(11,294)
Loss on investments accounted for using equity method	6(5)	6,975	6,628
Unrealised profit from sales	6(5)	-	1
Realised profit from sales		(1)	-
Property, plant and equipment transferred to expenses	6(6)	954	-
Gain on disposal of investment	6(18)	-	(4,369)
Loss (gain) on disposals of property, plant and equipment	6(18)	92	(105)
(Gain) loss on lease modifications	6(7) (18)	(30)	26
Changes in assets and liabilities relating to operating activities			
Changes in assets relating to operating activities			
Notes receivable		2,442	(511)
Accounts receivable		(42,072)	269,449
Accounts receivable due from related parties		(409)	1,462
Other receivables		2,959	4,112
Inventories		240,048	(151,434)
Prepayments		(8,485)	(15,826)
Other current assets		(2,639)	(558)
Changes in liabilities relating to operating activities			
Contract liabilities		31,258	(9,284)
Notes payable		24,972	(33,299)
Accounts payable		(7,895)	(46,969)
Other payables		(46,762)	(92,937)
Other current liabilities		(11,183)	1,978
Cash inflow generated from operations		1,158,577	1,532,273
Receipt of interest		37,923	10,234
Payment of interest		(10,269)	(9,838)
Payment of income tax		(213,588)	(241,526)
Net cash provided by operating activities		972,643	1,291,143
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in financial assets at amortized cost - current	6(2)	30,710	(30,710)
Acquisition of investments accounted for using equity method	6(5)	-	(13,995)
Cash received from liquidation of subsidiaries		-	106,933
Acquisition of property, plant and equipment	6(24)	(146,412)	(134,953)
Proceeds from disposal of property, plant and equipment		2	179
Acquisition of intangible assets		(5,440)	(1,186)
Increase in other non-current assets		(34,092)	(12)
Net cash used in investing activities		(155,232)	(73,744)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings	6(25)	10,000	200,000
Decrease in short-term borrowings	6(25)	(210,000)	(400,000)
Repayments of long-term borrowings	6(25)	(102,647)	(191,968)
Payments of lease liabilities	6(25)	(46,629)	(44,967)
Payment of cash dividends	6(14)	(680,623)	(756,248)
Net cash used in financing activities		(1,029,899)	(1,193,183)
(Decrease) increase in cash and cash equivalents		(212,488)	24,216
Cash and cash equivalents at beginning of year	6(1)	2,265,321	2,241,105
Cash and cash equivalents at end of year	6(1)	\$ 2,052,833	\$ 2,265,321

The accompanying notes are an integral part of these parent company only financial statements.

ST. SHINE OPTICAL CO., LTD.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANISATION

- (1) St. Shine Optical Co., Ltd. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of Republic of China (R.O.C.) on September 24, 1986. The Company is primarily engaged in manufacturing and trading of contact lenses (soft and hard), optical lenses and its related products.
- (2) Starting from March 2004, the Company’s stock was listed on the Taiwan Over-The-Counter Securities Exchange.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These parent company only financial statements were authorised for issuance by the Board of Directors on March 13, 2024.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

- (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS[®]”) Accounting Standards that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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 IFRS Accounting Standards as endorsed by the FSC but not yet adopted by the Company

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

New Standards, Interpretations and Amendments	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) IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRS Accounting Standards as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	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 Standards Board
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 MATERIAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(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

- A. The parent company only financial statements have been prepared under the historical cost convention, except for defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the parent company only financial statements of the Company's are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The parent company only financial statements are presented in New Taiwan dollars, which is the Company's functional and presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

- (a) The operating results and financial position of all the company entities and

associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is an associate, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even when the Company retains partial interest in the former foreign associate after losing significant influence over the former foreign associate, such transactions should be accounted for as disposal of all interest in these foreign operations.
- (c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Company retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(4) Classification of current and non-current items

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

- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realised within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

Otherwise they are classified as non-current assets.

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

- (e) Liabilities that are expected to be settled within the normal operating cycle;
- (f) Liabilities arising mainly from trading activities;
- (g) Liabilities that are to be settled within twelve months from the balance sheet date;
- (h) 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.

Otherwise they are classified as non-current liabilities.

(5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(6) Financial assets at amortised cost

A. Financial assets at amortised cost are those that meet all of the following criteria:

(a) The objective of the Company's business model is achieved by collecting contractual cash flows.

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using settlement date accounting.

C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

D. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(7) Accounts and notes receivable

A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(8) Impairment of financial assets

For accounts receivable that have a significant financing component, at each balance sheet date, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(9) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to receive the cash flows

from the financial asset expire.

(10) Leasing arrangements (lessor) — operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(11) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. 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.

(12) Investments accounted for using equity method - subsidiaries and associates

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Unrealised gains and losses on the transactions between the Company and its subsidiaries are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses in proportion to its ownership.
- D. Pursuant to the Rules Governing the Preparation of Financial Statements by Securities Issuers, profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the consolidated financial statements. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.
- E. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- F. The Company's share of its associates' post-acquisition profits or losses is recognised in

profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

- G. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- H. Unrealised gains and losses on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	40 ~ 55 years
Machinery and equipment	3 ~ 13 years
Transportation equipment	3 ~ 6 years

Office equipment	4 ~ 6 years
Other equipment	3 ~ 15 years

(14) Leasing arrangements (lessee) - right-of-use assets / lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable.
The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
 - (a) The amount of the initial measurement of lease liability;
 - (b) Any lease payments made at or before the commencement date; and
 - (c) Any initial direct costs incurred by the lessee.
 The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.
- D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognise the difference between remeasured lease liability in profit or loss.

(15) Intangible assets

Intangible assets, mainly computer software, are amortised on a straight-line basis over their estimated useful lives of 2~20 years.

(16) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish,

the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(17) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(18) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(19) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(20) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(21) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plan

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

(b) Defined benefit plan

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plan is the present value of the defined benefit

obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

ii. Remeasurements arising on defined benefit plan are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

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

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(22) Income tax

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

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the shareholders resolve to retain the earnings.

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(23) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's Board of Directors. Cash dividends are recorded as liabilities.

(24) Revenue recognition

Sales of goods

- A. The Company manufactures and sells a range of contact lenses. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.
- B. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts and sales discounts and allowances. The sales usually are made with a credit term of 30 to 90 days, which is consistent with market practice. As the time interval between the transfer of committed goods or services and the payment of customer does not exceed one year, the Company does not adjust the transaction price to reflect the time value of money.
- C. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results

and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

Critical accounting estimates and assumptions - evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. The Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2023, the carrying amount of inventories was \$1,087,297.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand	\$ 166	\$ 166
Checking accounts and demand deposits	1,251,043	1,294,728
Cash equivalents - time deposits	<u>801,624</u>	<u>970,427</u>
	<u>\$ 2,052,833</u>	<u>\$ 2,265,321</u>

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Company has no cash and cash equivalents pledged to others.

(2) Financial assets at amortised cost

<u>Items</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current items:		
Time deposits over 3 months	<u>\$ -</u>	<u>\$ 30,710</u>

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Interest income	<u>\$ 545</u>	<u>\$ 201</u>

B. The Company's financial assets at amortised cost are time deposits in banks. The Company

transacted with banks which have high credit rating.

(3) Notes and accounts receivable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes receivable	\$ 2,052	\$ 4,494
Less: Allowance for uncollectible accounts	-	-
	<u>\$ 2,052</u>	<u>\$ 4,494</u>
Accounts receivable	\$ 700,369	\$ 658,297
Less: Allowance for uncollectible accounts	(19,576)	(24,296)
	<u>\$ 680,793</u>	<u>\$ 634,001</u>

A. The ageing analysis of notes receivable and accounts receivable is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Not past due	\$ 662,522	\$ 578,819
Up to 30 days	15,180	40,240
31 to 60 days	7,475	24,865
61 to 90 days	2,450	3,665
91 to 180 days	649	-
Over 181 days	14,145	15,202
	<u>\$ 702,421</u>	<u>\$ 662,791</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2023, December 31, 2022 and January 1, 2022, the balances of receivables (including notes receivable) from contracts with customers amounted to \$702,421, \$662,791 and \$931,729, respectively.

C. The Company does not hold any collateral for its accounts receivable.

D. Information relating to credit risk of notes receivable and accounts receivable is provided in Note 12(2).

(4) Inventories

	<u>December 31, 2023</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Raw materials	\$ 176,352	(\$ 6,596)	\$ 169,756
Work in progress	731,155	(19,660)	711,495
Finished goods	210,100	(4,054)	206,046
	<u>\$ 1,117,607</u>	<u>(\$ 30,310)</u>	<u>\$ 1,087,297</u>

	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 193,698	(\$ 8,478)	\$ 185,220
Work in progress	775,598	(14,826)	760,772
Finished goods	386,380	(5,027)	381,353
	<u>\$ 1,355,676</u>	<u>(\$ 28,331)</u>	<u>\$ 1,327,345</u>

A. None of the above inventory was pledged to others.

B. The cost of inventories recognised as expense for the year:

	For the years ended December 31,	
	2023	2022
Cost of goods sold	\$ 3,424,127	\$ 3,536,216
Loss on decline in market value and obsolescence	30,688	40,832
Revenue from sale of scraps	(36,172)	(47,950)
	<u>\$ 3,418,643</u>	<u>\$ 3,529,098</u>

(5) Investments accounted for using equity method

	2023	2022
At January 1	\$ 30,135	\$ 115,916
Increase in investments accounted for using equity method	-	13,995
Disposal of investments accounted for using equity method	- (	102,564)
Share of profit or loss of investments accounted for using equity method	(6,975)	(6,628)
Unrealised profit from sales	- (	1)
Other equity	1,103	9,417
At December 31	<u>\$ 24,263</u>	<u>\$ 30,135</u>

Name of subsidiaries and associates	December 31, 2023	December 31, 2022
Subsidiaries:		
Shine Optical (Samoa) Holding Groups, Inc.	\$ 10,128	\$ 17,458
St. Shine Optical Japan Co., Ltd.	1,754	1,859
Associate:		
Dajing Eye Health Technology (Zhejiang) Co., Ltd.	12,381	10,818
	<u>\$ 24,263</u>	<u>\$ 30,135</u>

A. Information about the Company's subsidiaries is provided in Note 4(3) of the 2023 consolidated financial statements.

B. The summarised financial information of the associate that is not material to the Company is as follows:

Name of associate	December 31, 2023		December 31, 2022	
	Ownership (%)	Carrying amount	Ownership (%)	Carrying amount
Dajing Eye Health Technology (Zhejiang) Co., Ltd.	35%	\$ 12,381	35%	\$ 10,818
For the year ended December 31,				
		2023		2022
Profit (loss) for the year		\$ 157	(\$ 3,196)	
Other comprehensive income, net of tax		-	-	
Total comprehensive income (loss) for the year		\$ 157	(\$ 3,196)	

(6) Property, plant and equipment

	Land	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Total
<u>At January 1, 2023</u>							
Cost	\$ 1,510,760	\$ 1,592,554	\$ 2,824,724	\$ 11,842	\$ 1,534	\$ 840,725	\$ 6,782,139
Accumulated depreciation	-	(311,738)	(2,237,940)	(9,068)	(1,224)	(563,327)	(3,123,297)
	<u>\$ 1,510,760</u>	<u>\$ 1,280,816</u>	<u>\$ 586,784</u>	<u>\$ 2,774</u>	<u>\$ 310</u>	<u>\$ 277,398</u>	<u>\$ 3,658,842</u>
<u>2023</u>							
January 1	\$ 1,510,760	\$ 1,280,816	\$ 586,784	\$ 2,774	\$ 310	\$ 277,398	\$ 3,658,842
Additions	-	-	100,710	-	89	48,979	149,778
Disposals	-	-	-	-	-	(94)	(94)
Reclassifications (Note 1)	-	-	21,104	-	-	(22,062)	(958)
Depreciation charge	-	(32,925)	(173,078)	(1,109)	(104)	(54,381)	(261,597)
December 31	<u>\$ 1,510,760</u>	<u>\$ 1,247,891</u>	<u>\$ 535,520</u>	<u>\$ 1,665</u>	<u>\$ 295</u>	<u>\$ 249,840</u>	<u>\$ 3,545,971</u>
<u>At December 31, 2023</u>							
Cost	\$ 1,510,760	\$ 1,592,554	\$ 2,784,645	\$ 11,842	\$ 1,623	\$ 867,330	\$ 6,768,754
Accumulated depreciation	-	(344,663)	(2,249,125)	(10,177)	(1,328)	(617,490)	(3,222,783)
	<u>\$ 1,510,760</u>	<u>\$ 1,247,891</u>	<u>\$ 535,520</u>	<u>\$ 1,665</u>	<u>\$ 295</u>	<u>\$ 249,840</u>	<u>\$ 3,545,971</u>

	Land	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Total
<u>At January 1, 2022</u>							
Cost	\$ 1,510,760	\$ 1,592,554	\$ 2,728,221	\$ 11,035	\$ 1,539	\$ 807,604	\$ 6,651,713
Accumulated depreciation	-	(278,812)	(2,058,299)	(9,025)	(1,234)	(511,242)	(2,858,612)
	<u>\$ 1,510,760</u>	<u>\$ 1,313,742</u>	<u>\$ 669,922</u>	<u>\$ 2,010</u>	<u>\$ 305</u>	<u>\$ 296,362</u>	<u>\$ 3,793,101</u>
<u>2022</u>							
January 1	\$ 1,510,760	\$ 1,313,742	\$ 669,922	\$ 2,010	\$ 305	\$ 296,362	\$ 3,793,101
Additions	-	-	69,116	1,744	220	55,270	126,350
Disposals	-	-	-	-	(53)	(21)	(74)
Reclassifications (Note 2)	-	-	31,952	-	-	(21,748)	10,204
Depreciation charge	-	(32,926)	(184,206)	(980)	(162)	(52,465)	(270,739)
December 31	<u>\$ 1,510,760</u>	<u>\$ 1,280,816</u>	<u>\$ 586,784</u>	<u>\$ 2,774</u>	<u>\$ 310</u>	<u>\$ 277,398</u>	<u>\$ 3,658,842</u>
<u>At December 31, 2022</u>							
Cost	\$ 1,510,760	\$ 1,592,554	\$ 2,824,724	\$ 11,842	\$ 1,534	\$ 840,725	\$ 6,782,139
Accumulated depreciation	-	(311,738)	(2,237,940)	(9,068)	(1,224)	(563,327)	(3,123,297)
	<u>\$ 1,510,760</u>	<u>\$ 1,280,816</u>	<u>\$ 586,784</u>	<u>\$ 2,774</u>	<u>\$ 310</u>	<u>\$ 277,398</u>	<u>\$ 3,658,842</u>

Note 1: The reclassifications do not affect cash flow and pertain to the reclassification of property, plant and equipment to prepaid expenses of \$4, and the reclassification of property, plant and equipment to expenses of \$954.

Note 2: The reclassification does not affect cash flow and pertains to the reclassification of other non-current assets to property, plant and equipment of \$10,204.

A. The Company has no borrowing costs capitalised as part of property, plant and equipment.

B. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

(7) Leasing arrangements - lessee

A. The Company leases various assets including buildings, other equipment, business vehicles and multifunction printers, etc. Rental contracts are typically made for periods of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2023	December 31, 2022
	Book value	Book value
Buildings	\$ 53,789	\$ 81,459
Transportation equipment	4,437	6,921
Other equipment	1,280	2,536
	<u>\$ 59,506</u>	<u>\$ 90,916</u>
	For the years ended December 31,	
	2023	2022
	Depreciation charge	Depreciation charge
Buildings	\$ 42,511	\$ 41,074
Transportation equipment	2,484	2,357
Other equipment	1,272	1,268
	<u>\$ 46,267</u>	<u>\$ 44,699</u>

C. For the years ended December 31, 2023 and 2022, the additions to right-of-use assets were \$20,561 and \$46,785, respectively.

D. The information on profit and loss accounts relating to lease contracts is as follows:

	For the years ended December 31,	
	2023	2022
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 1,129	\$ 1,069
Expense on leases of low-value assets	43	42
(Gain) loss on lease modifications (shown as other gains and losses)	(30)	26

E. For the years ended December 31, 2023 and 2022, the Company's total cash outflow for leases were \$47,801 and \$46,078, respectively.

(8) Short-term borrowings

Type of borrowings	December 31, 2022	Interest rate range	Collateral
Bank loan - credit borrowings	<u>\$ 200,000</u>	1.35%~1.38%	None

A. As of December 31, 2023, the Company has no short-term borrowings.

B. As of December 31, 2023 and 2022, the undrawn credit amount of short-term borrowings amounted to \$1,140,000 and \$937,213, respectively. The Company had no borrowings due over one year.

(9) Other payables

	December 31, 2023	December 31, 2022
Salaries and bonus payable	\$ 423,019	\$ 440,231
Employees' compensation payable	64,000	80,000
Labor and health insurance fees payable	32,125	37,939
Payables for equipment	15,557	12,191
Others	145,290	153,063
	<u>\$ 679,991</u>	<u>\$ 723,424</u>

(10) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Collateral	December 31, 2023
Long-term bank borrowings			
Secured borrowings	Borrowing period is from October 2, 2006 to March 22, 2029; principal and interest are payable monthly.	Land, buildings and structures	\$ 392,111
Less: Current portion of long-term borrowings			(102,883)
			<u>\$ 289,228</u>
Interest rate range			<u>1.68%~2.00%</u>
Type of borrowings	Borrowing period and repayment term	Collateral	December 31, 2022
Long-term bank borrowings			
Secured borrowings	Borrowing period is from October 2, 2006 to March 22, 2029; principal and interest are payable monthly.	Land, buildings and structures	\$ 494,758
Less: Current portion of long-term borrowings			(102,664)
			<u>\$ 392,094</u>
Interest rate range			<u>1.43%~1.86%</u>

Information on property, plant and equipment that were pledged as collateral for long-term borrowings is provided in Note 8.

(11) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligations	\$ 148,588	\$ 154,237
Fair value of plan assets	(279,254)	(281,395)
Net defined benefit asset (shown as other non-current assets)	<u>(\$ 130,666)</u>	<u>(\$ 127,158)</u>

(c) Movements in net defined benefit liabilities (assets) are as follows:

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liabilities (assets)</u>
For the year ended December 31, 2023			
Balance at January 1	\$ 154,237	(\$ 281,395)	(\$ 127,158)
Current service cost	774	-	774
Interest expense (income)	<u>2,005</u>	<u>(3,658)</u>	<u>(1,653)</u>
	<u>157,016</u>	<u>(285,053)</u>	<u>(128,037)</u>
Remeasurements:			
Change in financial assumptions	1,358	-	1,358
Experience adjustments	<u>(2,832)</u>	<u>(1,155)</u>	<u>(3,987)</u>
	<u>(1,474)</u>	<u>(1,155)</u>	<u>(2,629)</u>
Paid pension	<u>(6,954)</u>	<u>6,954</u>	<u>-</u>
Balance at December 31	<u>\$ 148,588</u>	<u>(\$ 279,254)</u>	<u>(\$ 130,666)</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities (assets)
For the year ended December 31, 2022			
Balance at January 1	\$ 166,793	(\$ 263,866)	(\$ 97,073)
Current service cost	1,008	-	1,008
Interest expense (income)	1,168	(1,847)	(679)
	<u>168,969</u>	<u>(265,713)</u>	<u>(96,744)</u>
Remeasurements:			
Change in financial assumptions	(9,362)	-	(9,362)
Experience adjustments	(751)	(20,301)	(21,052)
	<u>(10,113)</u>	<u>(20,301)</u>	<u>(30,414)</u>
Paid pension	(4,619)	4,619	-
Balance at December 31	<u>\$ 154,237</u>	<u>(\$ 281,395)</u>	<u>(\$ 127,158)</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2023 and 2022 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	For the years ended December 31,	
	2023	2022
Discount rate	1.20%	1.30%
Future salary increases rate	3.00%	3.00%

Future mortality rate was estimated based on the 6th Taiwan Standard Ordinary

Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases rate	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2023				
Effect on present value of defined benefit obligation	(\$ 3,361)	\$ 3,475	\$ 3,044	(\$ 2,965)
December 31, 2022				
Effect on present value of defined benefit obligation	(\$ 3,673)	\$ 3,804	\$ 3,363	(\$ 3,270)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

- (f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2024 amount to \$0.
- (g) As of December 31, 2023, the weighted average duration of the retirement plan is 10 years.

The analysis of timing of the future pension payment was as follows:

Within 1 year	\$ 8,012
1-5 years	32,067
Over 5 years	56,646
	<u>\$ 96,725</u>

- B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2023 and 2022 were \$67,176 and \$69,439, respectively.

(12) Share capital

As of December 31, 2023, the Company's authorised capital was \$880,000 and paid-in capital was \$504,165 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

For the years ended December 31, 2023 and 2022, the number of the Company's ordinary shares outstanding at the beginning and ending were both 50,416,516 shares.

(13) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(14) Retained earnings

A. According to the Company's Articles of Incorporation, the current year's earnings, if any, shall initially be used to settle all taxes and to offset any operating losses from prior years. Subsequently, 10% of the remaining amount shall be set aside as the legal reserve, with the remainder being either allocated or reversed according to statutory regulations concerning special surplus reserves. The remaining balance, if any, shall be distributed as dividends along with any accumulated undistributed earnings, subject to a proposal by the Board of Directors. The distribution of cash dividends shall be decided by the Board of Directors, while stock dividends shall be resolved by the shareholders during their meeting.

B. The Company's dividend policy is summarised below:

In order to meet the future capital requirements, long-term financial plan and satisfy shareholders' need of cash flow, cash dividends shall be at least 10% of total dividends distributed, taking into account the business environment and growing stage of the Company.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

E. The earnings distributions for 2022 and 2021 as resolved by the shareholders at the

shareholders' meetings on June 13, 2023 and June 29, 2022, respectively, are as follows:

	For the years ended December 31,			
	2022		2021	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve appropriated	\$ 104,338	\$ -	\$ 95,375	\$ -
(Reversal) provision for special reserve	(9,374)	-	3,521	-
Cash dividends to shareholders	680,623	13.50	756,248	15.00
	<u>\$ 775,587</u>	<u>\$ 13.50</u>	<u>\$ 855,144</u>	<u>\$ 15.00</u>

- F. The earnings distribution for 2023 has been proposed by the Board of Directors on March 13, 2024 but has not yet been resolved by the shareholders as of March 13, 2024. The information is provided as follows:

	For the year ended December 31, 2023	
	Amount	Dividends per share (in dollars)
Legal reserve appropriated	\$ 54,806	\$ -
Cash dividends to shareholders	352,916	7.00
	<u>\$ 407,722</u>	<u>\$ 7.00</u>

(15) Operating revenue

	For the years ended December 31,	
	2023	2022
Revenue from contracts with customers	<u>\$ 4,393,717</u>	<u>\$ 5,003,499</u>

A. Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods at a point in time in the following geographical regions:

	For the years ended December 31,	
	2023	2022
<u>Revenue from contracts with customers</u>		
Asia	\$ 3,204,215	\$ 3,545,230
Europe	468,229	530,706
America	203,523	479,295
Taiwan	517,750	448,268
	<u>\$ 4,393,717</u>	<u>\$ 5,003,499</u>

B. Contract liabilities

As of December 31, 2023, December 31, 2022 and January 1, 2022, the revenue-related contract liabilities - advance receipts amounted to \$43,139, \$11,881 and \$21,165, respectively. Revenue recognised that was included in the contract liabilities balance at the beginning of 2023 and 2022 were \$11,797 and \$19,058, respectively.

(16) Interest income

	For the years ended December 31,	
	2023	2022
Interest income from bank deposits	\$ 37,251	\$ 11,093
Interest income from financial assets measured at amortised cost	545	201
	<u>\$ 37,796</u>	<u>\$ 11,294</u>

(17) Other income

	For the years ended December 31,	
	2023	2022
Rent income	\$ 10	\$ 161
Income from scrapping goods for customers	10,945	8,650
Other income - others	1,788	2,268
	<u>\$ 12,743</u>	<u>\$ 11,079</u>

(18) Other gains and losses

	For the years ended December 31,	
	2023	2022
(Losses) gains on disposals of property, plant and equipment	(\$ 92)	\$ 105
Gains on disposals of investments	-	4,369
Gains (losses) on lease modifications	30	(26)
Net foreign exchange gains	32,637	193,589
	<u>\$ 32,575</u>	<u>\$ 198,037</u>

(19) Finance costs

	For the years ended December 31,	
	2023	2022
Interest expense		
Bank borrowings	\$ 9,104	\$ 8,721
Lease liabilities	1,129	1,069
	<u>\$ 10,233</u>	<u>\$ 9,790</u>

(20) Expenses by nature

	For the year ended December 31, 2023		
	Operating costs	Operating expenses	Total
Employee benefit expense	\$ 1,762,706	\$ 155,448	\$ 1,918,154
Depreciation charges	294,596	13,268	307,864
Amortisation charges	10,286	3,854	14,140

	For the year ended December 31, 2022		
	Operating costs	Operating expenses	Total
Employee benefit expense	\$ 2,118,540	\$ 167,337	\$ 2,285,877
Depreciation charges	301,018	14,420	315,438
Amortisation charges	10,499	2,521	13,020

(21) Employee benefit expense

	For the year ended December 31, 2023		
	Operating costs	Operating expenses	Total
Wages and salaries	\$ 1,488,521	\$ 118,075	\$ 1,606,596
Labor and health insurance fees	161,657	9,205	170,862
Pension costs	62,135	4,162	66,297
Directors' remuneration	-	11,692	11,692
Other personnel expenses	50,393	12,314	62,707
	<u>\$ 1,762,706</u>	<u>\$ 155,448</u>	<u>\$ 1,918,154</u>

	For the year ended December 31, 2022		
	Operating costs	Operating expenses	Total
Wages and salaries	\$ 1,825,934	\$ 124,105	\$ 1,950,039
Labor and health insurance fees	175,211	9,489	184,700
Pension costs	65,948	3,820	69,768
Directors' remuneration	-	12,892	12,892
Other personnel expenses	51,447	17,031	68,478
	<u>\$ 2,118,540</u>	<u>\$ 167,337</u>	<u>\$ 2,285,877</u>

A. For the years ended December 31, 2023 and 2022, the Company's average headcount totaled 2,703 and 2,953 employees, both including 6 non-employee directors, respectively.

B. (a) Average employee benefit expense for the years ended December 31, 2023 and 2022 were \$707 and \$771, respectively.

(b) Average employee wages and salaries for the years ended December 31, 2023 and 2022 were \$596 and \$662, respectively.

(c) Adjustment of average employee salaries was (9.97%).

(d) The compensation policy:

i. Employees' emoluments include salary, year-end bonus, employees' compensation and

allowance. The salary range is determined based on the employees' responsibilities and contribution to the Company. Employees' bonus shall be paid in the middle of the year and the year-end bonus shall be paid at the end of the year according to the operating situation of current year, individual work performance, seniority and proportion of the length of employment, etc.

- ii. Managers' emoluments include salary, year-end bonus, managers' compensation and allowance, which is reviewed based on managers' achievement of performance targets and contribution and determined by reference to the general pay levels in the industry by the remuneration committee.
 - iii. Directors' remuneration policy is set in the Articles of Incorporation of the Company and approved by the shareholders at their meeting, which was reviewed based on directors' operating participation and contribution and was determined by reference to the general pay levels in the industry by the remuneration committee.
- C. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as follows: no lower than 3% for employees' compensation and no higher than 3% for directors' remuneration.
- D. The distribution of the aforementioned employee compensation and director remuneration shall be carried out by the Board of Directors, requiring a resolution adopted by a majority vote at a meeting attended by two-thirds of the total number of directors, with the agreement of more than half of the attending directors, and shall be reported to the shareholders' meeting.
- E. For the years ended December 31, 2023 and 2022, employees' compensation was accrued at \$64,000 and \$80,000, respectively; while directors' remuneration was accrued at \$8,800 and \$10,000, respectively. The aforementioned amounts were recognised in salary expenses. Employees' compensation and directors' remuneration for 2023 and 2022 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2023 and 2022 financial statements.
- Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(22) Income tax

A. Income tax expense

(a) Components of income tax expense:

	For the years ended December 31,	
	2023	2022
Current income tax	\$ 130,461	\$ 219,596
Deferred income tax	2,453	42,401
Income tax expense	<u>\$ 132,914</u>	<u>\$ 261,997</u>

(b) The income tax relating to components of other comprehensive income is as follows:

	For the years ended December 31,	
	2023	2022
Currency translation differences	\$ 229	\$ -
Remeasurement of defined benefit obligations	526	6,082

B. Reconciliation between income tax expense and accounting profit :

	For the years ended December 31,	
	2023	2022
Tax calculated based on profit before income tax and statutory tax rate	\$ 135,774	\$ 256,210
Expenses disallowed by tax regulation	120	252
Prior year income tax (overestimation) underestimation	(8,597)	605
Tax on undistributed surplus earnings	13,390	4,930
Refund for prior year tax on undistributed surplus earnings	(7,773)	-
Income tax expense	<u>\$ 132,914</u>	<u>\$ 261,997</u>

C. Amounts of deferred income tax assets or liabilities as a result of temporary differences are as follows:

	2023			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
-Deferred income tax assets:				
Allowance for inventory valuation loss	\$ 5,666	\$ 396	\$ -	\$ 6,062
Unrealised foreign exchange loss	-	4,415	-	4,415
Long-term investment losses	10,034	1,395	-	11,429
Unrealised expense	24,451	(9,427)	-	15,024
Others	11,779	235	-	12,014
	<u>51,930</u>	<u>(2,986)</u>	<u>-</u>	<u>48,944</u>
-Deferred income tax liabilities:				
Prepayments for pensions	(25,432)	(176)	(526)	(26,134)
Provision for land revaluation increment tax	(2,477)	-	-	(2,477)
Unrealised foreign exchange gain	(709)	709	-	-
Currency translation differences	-	-	(229)	(229)
	<u>(28,618)</u>	<u>533</u>	<u>(755)</u>	<u>(28,840)</u>
	<u>\$ 23,312</u>	<u>(\$ 2,453)</u>	<u>(\$ 755)</u>	<u>\$ 20,104</u>

2022				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
-Deferred income tax assets:				
Allowance for inventory valuation loss	\$ 3,269	\$ 2,397	\$ -	\$ 5,666
Unrealised foreign exchange loss	13,242	(13,242)	-	-
Long-term investment losses	47,279	(37,245)	-	10,034
Unrealised expense	15,973	8,478	-	24,451
Others	14,583	(2,804)	-	11,779
	<u>94,346</u>	<u>(42,416)</u>	<u>-</u>	<u>51,930</u>
-Deferred income tax liabilities:				
Prepayments for pensions	(20,074)	724	(6,082)	(25,432)
Provision for land revaluation increment tax	(2,477)	-	-	(2,477)
Unrealised foreign exchange gain	-	(709)	-	(709)
	<u>(22,551)</u>	<u>15</u>	<u>(6,082)</u>	<u>(28,618)</u>
	<u>\$ 71,795</u>	<u>(\$ 42,401)</u>	<u>(\$ 6,082)</u>	<u>\$ 23,312</u>

D. The Company's income tax returns through 2021 have been assessed and approved by the Tax Authority.

(23) Earnings per share

For the year ended December 31, 2023			
	Amount after tax	Weighted average number of ordinary shares outstanding	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	<u>\$ 545,954</u>	<u>50,416,516</u>	<u>\$ 10.83</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 545,954	50,416,516	
Assumed conversion of all dilutive potential ordinary shares - employees' compensation	-	429,003	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 545,954</u>	<u>50,845,519</u>	<u>\$ 10.74</u>

	For the year ended December 31, 2022		
	Amount after tax	Weighted average number of ordinary shares outstanding	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 1,019,054	50,416,516	\$ 20.21
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 1,019,054	50,416,516	
Assumed conversion of all dilutive potential ordinary shares - employees' compensation	-	413,663	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 1,019,054	50,830,179	\$ 20.05

(24) Supplemental cash flow information

Investing activities with partial cash payments:

	For the years ended December 31,	
	2023	2022
Purchase of property, plant and equipment	\$ 149,778	\$ 126,350
Add: Opening balance of payable on equipment	12,191	20,794
Less: Ending balance of payable on equipment	(15,557)	(12,191)
Cash paid during the year	\$ 146,412	\$ 134,953

(25) Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings	Lease liabilities	Total liabilities from financing activities
At January 1, 2023	\$ 200,000	\$ 494,758	\$ 91,587	\$ 786,345
Changes in cash flow from financing activities	(200,000)	(102,647)	(46,629)	(349,276)
Changes in other non-cash items	-	-	14,827	14,827
At December 31, 2023	\$ -	\$ 392,111	\$ 59,785	\$ 451,896

	Short-term borrowings	Long-term borrowings	Lease liabilities	Total liabilities from financing activities
At January 1, 2022	\$ 400,000	\$ 686,726	\$ 90,592	\$ 1,177,318
Changes in cash flow from financing activities	(200,000)	(191,968)	(44,967)	(436,935)
Changes in other non-cash items	-	-	45,962	45,962
At December 31, 2022	<u>\$ 200,000</u>	<u>\$ 494,758</u>	<u>\$ 91,587</u>	<u>\$ 786,345</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
Camax Optical Corp. (CAMAX)	Close family members of the Company's general manager
Shanghai Ticon Optical Ltd. (S.T.)	Subsidiary
St. Shine Optical Japan Co., Ltd. (SOJP)	Subsidiary
Dajing Eye Health Technology (Zhejiang) Co., Ltd. (DAJING)	Associate

(2) Significant related party transactions

A. Operating revenue

	For the years ended December 31,	
	2023	2022
Sales of goods:		
S.T	\$ 1,317	\$ -
CAMAX	2,344	10,035
DAJING	1,067	37
	<u>\$ 4,728</u>	<u>\$ 10,072</u>

The Company's credit terms for goods sold to domestic and foreign related parties are 30 to 95 days after monthly billings.

B. Commissions and service expenses (shown as selling expenses)

	For the years ended December 31,	
	2023	2022
S.T.	\$ 6,892	\$ 6,332
SOJP	1,492	2,047
	<u>\$ 8,384</u>	<u>\$ 8,379</u>

Commissions and service expenses mainly arise from the handling of overseas sales transactions by the subsidiary on behalf of the Company and agency fee.

C. Receivables from related parties

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts receivable:		
S.T	\$ 409	\$ -
CAMAX	648	815
DAJING	167	-
	<u>\$ 1,224</u>	<u>\$ 815</u>

The receivables from related parties arise mainly from sales of products. The credit terms for the receivables are 30 to 95 days after monthly billings. The receivables are unsecured in nature and bear no interest. There is no allowance for uncollectible accounts held against receivables from related parties.

D. Other payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
S.T.	\$ 1,942	\$ 2,067

Other payables mainly arise from the handing of overseas sales transactions by the subsidiary on behalf of the Company and agency fee.

(3) Key management compensation

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Salaries and other short-term employee benefits	\$ 35,847	\$ 44,924

8. PLEDGED ASSETS

The Company's assets pledged as collateral are as follows:

<u>Assets</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>	
Property, plant and equipment			
Land	\$ 558,066	\$ 558,066	Guarantee for bank financing facilities
Buildings and structures	759,917	780,232	Guarantee for bank financing facilities
	<u>\$ 1,317,983</u>	<u>\$ 1,338,298</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. Capital expenditures contracted for at the balance sheet date but not yet incurred are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Property, plant and equipment	<u>\$ 62,418</u>	<u>\$ 29,398</u>

B. As of December 31, 2023 and 2022, the Company's issued but unused letters of credit amounted to \$0 and \$2,787, respectively.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Refer to Note 6(14).

12. OTHERS

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total capital. Total borrowings is calculated as 'current and non-current borrowings' as shown in the parent company only balance sheet. Total capital is calculated as equity as shown in the parent company only balance sheet plus total borrowings.

During the year ended December 31, 2023, the Company's strategy, which was unchanged from 2022, was to maintain the gearing ratio within a stable range. The gearing ratios at December 31, 2023 and 2022 were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Total borrowings	<u>\$ 392,111</u>	<u>\$ 694,758</u>
Total equity	<u>6,136,070</u>	<u>6,267,762</u>
Total capital	<u>\$ 6,528,181</u>	<u>\$ 6,962,520</u>
Gearing ratio	<u>6%</u>	<u>10%</u>

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Financial assets at amortised cost		
Cash and cash equivalents	\$ 2,052,833	\$ 2,265,321
Financial assets at amortised cost	-	30,710
Notes receivable	2,052	4,494
Accounts receivable (including related parties)	682,017	634,816
Other receivables	16,728	11,556
Guarantee deposits paid (shown as other non-current assets)	9,742	8,211
	<u>\$ 2,763,372</u>	<u>\$ 2,955,108</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ -	\$ 200,000
Notes payable	210,380	185,408
Accounts payable	53,589	61,484
Other payables (including related parties)	679,991	723,424
Long-term borrowings (including current portion)	392,111	494,758
	<u>\$ 1,336,071</u>	<u>\$ 1,665,074</u>
Lease liabilities	<u>\$ 59,785</u>	<u>\$ 91,587</u>

B. Financial risk management policies

- (a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.
- (b) Risk management is carried out by the Company's treasury department ("Company treasury") under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating department. The Company provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Company operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company used in various functional currency, primarily with respect to the USD. Foreign exchange risk arises from future commercial

transactions and recognised assets and liabilities.

- ii. Management has set up a policy to require entities to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Company treasury.
- iii. The Company's businesses involve some non-functional currency operations. The information on assets denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2023				
		Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	\$	39,260	30.71	\$ 1,205,672
EUR : NTD		9,541	33.98	324,210
GBP : NTD		339	39.15	13,274
HKD : NTD		4,702	3.929	18,475
JPY : NTD		38,079	0.2172	8,271
RMB : NTD		112,408	4.327	486,389
<u>Non-monetary items</u>				
USD : NTD	\$	330	30.71	\$ 10,128
JPY : NTD		8,075	0.2172	1,754
RMB : NTD		2,861	4.327	12,381

	December 31, 2022		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 52,561	30.71	\$ 1,614,152
EUR : NTD	12,696	32.72	415,423
GBP : NTD	2,431	37.09	90,177
HKD : NTD	6,017	3.938	23,697
JPY : NTD	31,453	0.2324	7,310
RMB : NTD	33,926	4.408	149,544
<u>Non-monetary items</u>			
USD : NTD	\$ 568	30.71	\$ 17,458
JPY : NTD	8,000	0.2324	1,859
RMB : NTD	2,761	4.408	12,168

- iv. The total exchange gain, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2023 and 2022 amounted to \$32,637 and \$193,589, respectively.
- v. Analysis of foreign currency market risk arising from significant foreign exchange variation:

For the year ended December 31, 2023					
Sensitivity analysis					
	Degree of variation		Effect on profit or loss		Effect on other comprehensive income
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD : NTD	1%	\$	12,057	\$	-
EUR : NTD	1%		3,242		-
GBP : NTD	1%		133		-
HKD : NTD	1%		185		-
JPY : NTD	1%		83		-
RMB : NTD	1%		4,864		-

	For the year ended December 31, 2022		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	1%	\$ 16,142	\$ -
EUR : NTD	1%	4,154	-
GBP : NTD	1%	902	-
HKD : NTD	1%	237	-
JPY : NTD	1%	73	-
RMB : NTD	1%	1,495	-

Cash flow and fair value interest rate risk

- i. The Company's main interest rate risk arises from long-term borrowings with floating rates, which expose the Company to cash flow interest rate risk. During 2023 and 2022, the Company's borrowings at floating rate were mainly denominated in New Taiwan dollars.
- ii. The Company's borrowings are measured at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.
- iii. If the borrowing interest rate of New Taiwan dollars had increased/decreased by 1% with all other variables held constant, profit before tax for the years ended December 31, 2023 and 2022 would have decreased/increased by \$3,921 and \$4,948, respectively. The main factor is that changes in interest expense result from floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. The Company manages its credit risk taking into consideration the entire entity's concern. According to the Company's credit policy, each operating department in the Company is responsible for managing and analysing the credit risk for each of the new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk

limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

- iii. The Company adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 180 days.
- iv. The Company adopts the assumption under IFRS 9, that is, if the contract payments are past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- v. The Company classifies customer's accounts receivable in accordance with customer types. The Company applies the simplified approach using the provision matrix and loss rate methodology to estimate expected credit loss.
- vi. The Company wrote-off the financial assets, which cannot reasonably be expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights.
- vii.(i) The Company used the forecastability of global economic information to adjust historical and timely information to assess the default possibility of accounts receivable arising from general credit rating customers. As of December 31, 2023 and 2022, the provision matrix is as follows:

	Not past due	1-30 days past due	31-60 days past due	61-90 days past due	91-180 days past due	Over 181 days past due	Total
<u>December 31, 2023</u>							
Expected loss rate	0.21%- 0.65%	3.72%- 20.41%	15.61%- 18.62%	37.32%- 57.64%	66.10%- 94.76%	100%	
Total book value	\$ 660,470	\$ 15,180	\$ 7,475	\$ 2,450	\$ 649	\$ 528	\$ 686,752
Loss allowance	1,606	596	1,388	1,412	429	528	5,959
	Not past due	1-30 days past due	31-60 days past due	61-90 days past due	91-180 days past due	Over 181 days past due	Total
<u>December 31, 2022</u>							
Expected loss rate	0.20%- 0.43%	1.52%- 11.75%	15.62%- 17.37%	46.88%- 69.03%	59.61%- 90.05%	100%	
Total book value	\$ 574,325	\$ 40,240	\$ 24,865	\$ 3,665	\$ -	\$ 652	\$ 643,747
Loss allowance	1,300	1,465	4,222	2,107	-	652	9,746

- (ii) The Company individually assesses the customers that have low credit rating and default. As of December 31, 2023 and 2022, the carrying amount of accounts receivable with low credit rating amounted to \$13,617 and \$14,550, respectively, therefore, the Company provided loss allowance amounting to \$13,617 and \$14,550, respectively.
- (iii) The Company assessed notes receivable from customers individually. As of December 31, 2023 and 2022, the carrying amounts of notes receivable were \$2,052 and \$4,494, respectively, with a provision for loss allowance amounting

to \$0 for both years.

- (iv) The Company assessed other receivables from sales-related customers based on the loss rate. As of December 31, 2023 and 2022, the total carrying amount of other receivables and provision for loss allowance amounted to \$436 and \$1,094, \$7 and \$243, respectively.

viii. Movements in relation to the Company applying the simplified approach to provide loss allowance for notes, accounts and other receivables are as follows:

2023				
	Notes receivable	Accounts receivable	Other receivables	Total
At January 1	\$ -	\$ 24,296	\$ 243	\$ 24,539
Reversal of impairment loss	-	(4,720)	(236)	(4,956)
At December 31	<u>\$ -</u>	<u>\$ 19,576</u>	<u>\$ 7</u>	<u>\$ 19,583</u>

2022				
	Notes receivable	Accounts receivable	Other receivables	Total
At January 1	\$ 12	\$ 28,623	\$ -	\$ 28,635
Provision for impairment	-	-	243	243
Reversal of impairment loss	(12)	(4,327)	-	(4,339)
At December 31	<u>\$ -</u>	<u>\$ 24,296</u>	<u>\$ 243</u>	<u>\$ 24,539</u>

For the years ended December 31, 2023 and 2022, the expected credit impairment gain on notes, accounts and other receivables arising from customers' contracts amounted to \$4,956 and \$4,096, respectively.

(c) Liquidity risk

- Cash flow forecasting is performed in the operating departments of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs and liabilities at maturity.
- Company treasury invests surplus cash in interest bearing current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.
- The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the

contractual undiscounted cash flows.

Non-derivative financial liabilities

<u>December 31, 2023</u>	<u>Less than 3 months</u>	<u>Between 3 months and 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Notes payable	\$ 209,484	\$ 896	\$ -	\$ -	\$ -
Accounts payable	21,291	32,298	-	-	-
Other payables (including related parties)	600,415	79,576	-	-	-
Lease liabilities	8,967	23,981	18,079	10,164	-
Long-term borrowings (including current portion)	27,486	81,839	107,635	187,999	1,353

Non-derivative financial liabilities

<u>December 31, 2022</u>	<u>Less than 3 months</u>	<u>Between 3 months and 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 100,579	\$ 100,248	\$ -	\$ -	\$ -
Notes payable	185,408	-	-	-	-
Accounts payable	23,481	38,003	-	-	-
Other payables (including related parties)	622,850	100,574	-	-	-
Lease liabilities	11,268	33,510	28,657	20,145	-
Long-term borrowings (including current portion)	27,618	82,353	108,522	289,243	6,829

- iv. The Company does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

The carrying amounts of financial instruments not measured at fair value, including cash and cash equivalents, financial assets at amortized cost, notes receivable, accounts receivable, other receivables, guarantee deposits paid, short-term borrowings, notes payable, accounts payable, other payables, long-term borrowings (including current portion) and lease liabilities, are approximate to their fair values.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.

H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: None of exceeding \$20 million transaction.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Refer to table 1.

(3) Information on investments in Mainland China

A. Basic information: Refer to table 2.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: No transaction exceeding \$20 million.

(4) Major shareholders information

None.

14. SEGMENT INFORMATION

Not applicable.

ST. SHINE OPTICAL CO., LTD.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2023
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Statement 1

Item	Description				Amount
Cash on hand					\$ 166
Checking accounts					67,821
Demand deposits - NTD					211,539
- USD	USD	18,079,383	Exchange rate 30.71	555,127	
- EUR	EUR	7,005,554	Exchange rate 33.98	238,049	
- GBP	GBP	339,065	Exchange rate 39.15	13,274	
- HKD	HKD	4,101,276	Exchange rate 3.929	16,114	
- JPY	JPY	38,078,753	Exchange rate 0.2172	8,271	
- RMB	RMB	32,551,027	Exchange rate 4.327	140,848	
Time deposits - NTD	Maturity within 3 months				300,000
- USD	USD	10,700,000	Exchange rate 30.71		
	Maturity within 3 months				328,544
- RMB	RMB	40,000,000	Exchange rate 4.327		
	Maturity within 1 month				173,080
					\$ 2,052,833

ST. SHINE OPTICAL CO., LTD.
STATEMENT OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2023
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Statement 2

Client Name	Description	Amount	Note
G		\$ 156,105	
V		152,785	
C		141,890	
A		49,726	
R		36,329	
			None of the balance of each
Others		163,534	client is greater than 5% of
		700,369	this account balance.
Less: Allowance for uncollectible accounts		(19,576)	
		<u>\$ 680,793</u>	

ST. SHINE OPTICAL CO., LTD.
STATEMENT OF INVENTORIES
DECEMBER 31, 2023
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Statement 3

Item	Description	Amount		Note
		Cost	Market Price	
Raw materials		\$ 176,352	\$ 177,179	Use replacement cost as market price
Work in progress		731,155	731,155	Use net realisable value as market price
Finished goods		210,100	240,707	Use net realisable value as market price
		<u>1,117,607</u>	<u>\$ 1,149,041</u>	
Less: Allowance for valuation loss	(30,310)			
		<u>\$ 1,087,297</u>		

ST. SHINE OPTICAL CO., LTD.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2023
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Statement 4

Name	Beginning Balance		Additions (Note 1)		Decrease (Note 2)		Ending Balance			Market Value or Net Equity		Pledged As Collateral	Note
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Percentage of Ownership	Amount	Unit Price	Total Amount		
Shine Optical (Samoa) Holding Groups, Inc.	1,900,000	\$ 17,458	-	\$ -	-	(\$ 7,330)	1,900,000	100%	\$ 10,128	\$ -	\$ 10,128	None	
St. Shine Optical Japan Co., Ltd.	800	1,859	-	17	-	(122)	800	100%	1,754	-	1,754	None	
Dajing Eye Health Technology (Zhejiang) Co., Ltd.	-	<u>10,818</u>	-	<u>1,563</u>	-	<u>-</u>	-	35%	<u>12,381</u>	-	<u>2,871</u>	None	
		<u>\$ 30,135</u>		<u>\$ 1,580</u>		<u>(\$ 7,452)</u>			<u>\$ 24,263</u>		<u>\$ 14,753</u>		

Note 1: The additions for the current period include share of profit or loss of investments accounted for using equity method and exchange differences on translation of foreign financial statements.

Note 2: The decrease for the current period include share of profit or loss of investments accounted for using equity method and exchange differences on translation of foreign financial statements.

ST. SHINE OPTICAL CO., LTD.
STATEMENT OF LONG-TERM BORROWINGS
DECEMBER 31, 2023
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Statement 5

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Collateral</u>	<u>December 31, 2023</u>
Installment-repayment borrowings			
Hua Nan Bank - Xizhi Branch Secured borrowings	Borrowing period is from October 2, 2006 to October 2, 2026; interest is payable monthly; principal is payable monthly in installments from November 2, 2006	Land, buildings and structures	\$ 39,145
Land Bank of Taiwan - Xindian Branch Secured borrowings	Borrowing period is from September 15, 2017 to September 15, 2027; interest is payable monthly; principal is payable monthly in installments from October 15, 2017	"	85,870
Land Bank of Taiwan - Xindian Branch Secured borrowings	Borrowing period is from March 22, 2019 to September 15, 2027; interest is payable monthly; principal is payable monthly in installments from April 15, 2019	"	31,328
Chang Hwa Bank - Nankang Science Industrial Park Branch Secured borrowings	Borrowing period is from September 15, 2017 to September 15, 2027; interest is payable monthly; principal is payable monthly in installments from October 15, 2017	"	75,000
Chang Hwa Bank - Nankang Science Industrial Park Branch Secured borrowings	Borrowing period is from March 22, 2019 to September 15, 2027; interest is payable monthly; principal is payable monthly in installments from April 15, 2019	"	27,918
CTBC Bank Secured borrowings	Borrowing period is from September 15, 2017 to September 15, 2027; interest is payable monthly; principal is payable monthly in installments from October 15, 2017	"	104,500
CTBC Bank Secured borrowings	Borrowing period is from March 22, 2019 to March 22, 2029; interest is payable monthly; principal is payable monthly in installments from April 22, 2019	"	28,350
			<u>392,111</u>
Less: Current portion of long-term borrowings			(<u>102,883</u>)
			<u>\$ 289,228</u>
Interest rate range			<u>1.68%~2.00%</u>

ST. SHINE OPTICAL CO., LTD.
STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2023
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Statement 6

Item	Volume (Note)	Amount	Note
Contact lenses	38,352	\$ 4,509,980	For those sold in boxes, the quantity is calculated in boxes.
Other operating revenue		<u>8,760</u>	
Total operating revenue		4,518,740	
Less: Sales returns		(2,707)	
Sales discounts and allowances		(<u>122,316</u>)	
		<u>\$ 4,393,717</u>	

ST. SHINE OPTICAL CO., LTD.
STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Statement 7

Item	Amount
Beginning raw materials	\$ 39,534
Add: Raw materials purchased	90,053
Others	1,525
Less: Inventory transferred to self-consumption	(2,822)
Ending raw materials	(20,600)
Raw materials used	107,690
Beginning supplies	154,164
Add: Supplies purchased	571,094
Others	6,184
Less: Supplies transferred to self-consumption	(1,415)
Cost of supplies sold	(7,171)
Materials scrapped	(3,510)
Ending supplies	(155,752)
Supplies used	563,594
Direct labor	1,227,628
Manufacturing expense	1,322,838
Manufacturing cost	3,221,750
Beginning work in progress	775,598
Less: Cost of work in progress sold	(6,150)
Work in process scrapped	(17,231)
Ending work in progress	(731,155)
Cost of finished goods	3,242,812
Beginning finished goods	386,380
Add: Finished goods purchased	4,297
Less: Finished goods transferred to self-consumption	(4,615)
Finished goods scrapped	(7,968)
Ending finished goods	(210,100)
Manufacturing and selling costs	3,410,806
Cost of supplies sold	7,171
Cost of work in progress sold	6,150
Loss on decline in market value and obsolescence	30,688
Income from sales of scraps	(36,172)
Operating costs	\$ 3,418,643

ST. SHINE OPTICAL CO., LTD.
STATEMENT OF MANUFACTURING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Statement 8

Item	Description	Amount	Note
Indirect labor		\$ 469,825	
Depreciation charge		294,596	
Utilities		176,022	
Other expenses		382,395	None of the balance of each item is greater than 5% of this account balance.
Total		<u>\$ 1,322,838</u>	

ST. SHINE OPTICAL CO., LTD.
STATEMENT OF SELLING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Statement 9

Item	Description	Amount	Note
Wages and salaries		\$ 38,477	
Advertising expense		28,781	
Commission expense		54,119	
			None of the balance of each item
Other expenses		54,156	is greater than 5% of this account
Total		<u>\$ 175,533</u>	balance.

ST. SHINE OPTICAL CO., LTD.
STATEMENT OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Statement 10

Item	Description	Amount	Note
Wages and salaries		\$ 51,443	
Depreciation charge		7,598	
Employee benefit		9,478	
Directors' remuneration		11,692	
Cleaning and management expense		7,704	
Other expenses		<u>33,711</u>	None of the balance of each item is greater than 5% of this account balance.
Total		<u>\$ 121,626</u>	

ST. SHINE OPTICAL CO., LTD.
STATEMENT OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
 (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Statement 11

Item	Description	Amount	Note
Wages and salaries		\$ 32,317	
Material cost		6,058	
Labor expenditure		15,815	
Other expenses		15,720	None of the balance of each item is greater than 5% of this account balance.
Total		<u>\$ 69,910</u>	

ST. SHINE OPTICAL CO., LTD.

Names, locations and other information of investee companies (not including investees in Mainland China)

For the year ended December 31, 2023

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

<u>Investor</u>	<u>Investee</u>	<u>Location</u>	<u>Main business activities</u>	<u>Initial investment amount</u>		<u>Shares held as at December 31, 2023</u>			<u>Net profit (loss) of the investee for the year ended December 31, 2023</u>	<u>Investment income (loss) recognised by the Company for the year ended December 31, 2023</u>	<u>Note</u>
				<u>Balance as at December 31, 2023</u>	<u>Balance as at December 31, 2022</u>	<u>Number of shares</u>	<u>Ownership (%)</u>	<u>Book value</u>			
St. Shine Optical Co., Ltd.	Shine Optical (Samoa) Holding Groups, Inc.	Samoa	Investment and trading business	\$ 61,498	\$ 61,498	1,900,000	100	\$ 10,128	(\$ 7,149)	(\$ 7,149)	
St. Shine Optical Co., Ltd.	St. Shine Optical Japan Co., Ltd.	Japan	Import and export business, retail and wholesale of contact lenses and consulting business	2,201	2,201	800	100	1,754	17	17	
Shine Optical (Samoa) Holding Groups, Inc.	Shine Optical HK Limited	Hong Kong	Investment and trading business	59,880	59,880	1,850,000	100	8,868	(7,147)	(7,147)	

Click here to enter text.

ST. SHINE OPTICAL CO., LTD.
Information on investments in Mainland China - Basic information
For the year ended December 31, 2023

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

<u>Investee in Mainland China</u>	<u>Main business activities</u>	<u>Paid-in capital</u>	<u>Investment method (Note 1)</u>	<u>Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2023</u>	<u>Investment Flows</u>		<u>Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023</u>	<u>Net profit (loss) of the investee for the year ended December 31, 2023</u>	<u>Ownership held by the Company (direct or indirect)</u>	<u>Investment net profit (loss) recognised by the Company for the year ended December 31, 2023 (Note 2)</u>	<u>Book value of investments in Mainland China as of December 31, 2023</u>	<u>Accumulated amount of investment income remitted back to Taiwan as of December 31, 2023</u>	<u>Note</u>
Shanghai Ticon Optical Ltd.	Trading of contact lenses (soft and hard) and optical lenses	\$ 55,692	(2) The Company's wholly-owned subsidiary, Shine Optical HK Limited, indirectly invested in Mainland China	\$ 55,692	\$ -	\$ -	\$ 55,692	(\$ 6,978)	100%	(\$ 6,978)	\$ 8,841	\$ -	
Dajing Eye Health Technology (Zhejiang) Co., Ltd.	Manufacturing and trading of soft contact lenses and care solution	44,430	(1) Directly invest in a company in Mainland China.	13,995	-	-	13,995	449	35%	157	12,381	-	

Note 1: The methods for engaging in investment in Mainland China include the following:

- (1) Direct investment in Mainland China.
- (2) Indirectly investment in Mainland China through companies registered in a third region (Please specify the name of the company in third region).
- (3) Other methods.

Note 2: Investment net profit (loss) recognised by the Company for the year ended December 31, 2023 on Shanghai Ticon Optical Ltd. was calculated based on the financial statements that were audited by R.O.C. parent company's CPA, while investment net profit (loss) recognised by the Company for the year ended December 31, 2023 on Dajing Eye Health Technology (Zhejiang) Co., Ltd. was calculated based on financial statements audited by other independent auditors.

<u>Company name</u>	<u>Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023 (Note 3)</u>	<u>Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 3)</u>	<u>Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 4)</u>
St. Shine Optical Co., Ltd.	\$ 69,687	\$ 69,687	\$ 3,681,642

Note 3: The total investment amount of USD 1.8 million invested in Shanghai Ticon Optical Ltd. was approved pursuant to the Jing-Shen-II-Zi Letter No.09600429730.

The total investment amount of RMB 3.15 million invested in Dajing Eye Health Technology (Zhejiang) Co., Ltd. was approved pursuant to the Jing-Shen - II - Zi Letter No.11100172840.

Note 4: Limitation is in accordance with (90) Tai-Cai-Zheng (1) Letter No. 006130 of Securities and Futures Commission, Ministry of Finance, R.O.C issued on November 16, 2001.

Click here to enter text.

St.Shine Optical Co., Ltd.

Chairman: Ming-Hsien Chen