



Stock Code: 3362

ABILITY OPTO-ELECTRONICS
TECHNOLOGY CO.,LTD

2023

Annual Report

(Translation)

Printed on April 30, 2024

For more information on the Annual Report, please visit the MOPS at:

<http://newmops.twse.com.tw>

or Company's website at:<http://www.aoet.com.tw>

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V. Name of any exchanges where the company's securities are traded offshore: None.

VI. Company's website: <http://www.aoet.com.tw>

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One. Letter to Shareholders

With the full support of the Board of Directors and the efforts of the management team, the implementation results of the Company's 2023 Business Plan and the Company's 2024 Business Plan are briefly summarized as follows:

I. 2023 Business Results

(I) Business Results

In 2023, the Company's consolidated operating revenue was NTD 3,995,843 thousand, showing an increase of 9.1% compared to NTD 3,662,279 in 2022. The consolidated net profit after tax in 2023 was NTD 400,720.

(II) Execution of Budget

Since no financial forecast for 2023 was made public, there is no report on the achievement of the budget.

(III) Financial Revenue and Expenditure

In 2023, the net cash inflow from operating activities amounted to NT\$767,891 thousand; and the net cash outflow from investing activities amounted to NT\$806,396 thousand, mainly attributable to the investment in fixed assets like the purchase of machinery and equipment and construction of new plants; and the net cash inflow from financing activities amounting to NT\$115,278 thousand, which was mainly financed by bank borrowings.

(IV) Profitability Analysis

Category	Items	2023	2022
Financial Structure (%)	Debt to Assets Ratio	55.27	57.54
	Ratio of long-term capital to property, plant and equipment	159.21	174.28
Solvency (%)	Current Ratio	127.64	126.66
	Quick Ratio	91.75	82.56
Profitability (%)	Return on Assets	6.24	6.71
	Return on Shareholders' Equity	12.53	16.13
	Ratio of Pre-tax Profit to Paid-in Capital	35.55	35.37

(V) Research and Development Status

The Company's R&D team not only devotes itself to the design and development of existing optical lenses to improve product quality, but also actively develops high-end lens. In addition, in order to improve the yield and production efficiency of the high-end lens process, and to solve the impacts of escalating labor costs, the Company continues to expand the automated production lines to improve the production yield and overcome the problem of escalating labor costs, for the purpose of meeting the demand for mass production of new products and the growth of market orders. With unique experience accumulated over the years in design innovation, process improvement and quality improvement, ABILITY OPTO-ELECTRONICS provides customers with superior

optical lens products, grows together with customers and creates a win-win situation.

II. 2024 Business Plan

In the lens market, with the popularity of video conferencing, remote education and remote office, users have higher requirements for the sharpness and performance of lens. In this regard, it is necessary to develop higher-definition and higher-performance lenses. In addition, the notebook becomes lighter and thinner, it is reflected that the size and weight of the lens are also increasing, and the trend is toward the development of smaller and lighter lens to meet the changes in demand. Finally, users have higher expectations for the intelligent functions of the lens, such as auto-focus, virtual blur background, and face recognition. Therefore, the integration of more smart functions will be the key to enhancing competitiveness in the future.

In terms of biometrics, with the popularity of identification technology, users are paying increasing attention to the security and privacy protection of fingerprint recognition modules. Therefore, it is very important to develop more secure and reliable fingerprint recognition modules. Fingerprint identification modules are widely used in multiple scenarios such as mobile devices, smart homes, and finance. Therefore, the trend will be the necessity to improve the multi-scenario adaptability of fingerprint identification modules. However, due to the uncertainties of international trade and market supply and demand, the lens and fingerprint identification market still faces certain risks and challenges. Therefore, when developing the business of the lens and fingerprint identification in the future, it is needed to pay close attention to market changes, and adjust product structure and business strategies in a timely manner to deal with the impact of market changes. The Company's main business plan for the coming year is described as follows:

1. Management Policy

ABILITY OPTO-ELECTRONICS continues to recruit R&D professionals to develop forward-looking and innovative optoelectronic products and related core technologies. In order to develop forward-looking and innovative optoelectronic products and related core technologies, we have participated in R&D plans of domestic and foreign manufacturers, trial production of products required for early R&D and process development, expecting to grow together with other major manufacturers. Develop unique technologies and special products as the basis and appeal for product differentiation and establish independent core technologies.

Meanwhile, implement the total quality management system and the objective oriented management and continue to improve production efficiency and speed in order to reduce R&D and manufacturing costs.

2. Important Production and Sales Policies

(1) Production Policy:

In order to achieve lower production cost and higher production yields, ABILITY

OPTO-ELECTRONICS has not only continued to improve its production technology, but also continued to expand automated production lines to reduce dependence on manpower, expecting to be able to meet the production demand for high-end lenses and significantly reduce the impact of the future salary growth on the production costs.

In order to accurately coordinate with future production expansion plans and conduct multi-sourcing to reduce dependence on a single supplier, the Company plans to produce lens accessories in-house and also uses multiple suppliers and actively maintain a sound relationship with the suppliers, in order to improve its competitive advantage with respect to source bargaining ability and control, thus helping to reduce costs and increase gross profits.

(2) Sales Policy:

The Company will continue to develop new application products for cameras and fingerprint recognition, manage key accounts and deploy major orders, actively explore new application product markets and new customer sources for domestic and foreign major manufacturers and increase sales of high-end products to increase gross profits.

All employees will continue to work hard to deal with various challenges and try their best to achieve the set sales targets. All employees of ABILITY OPTO-ELECTRONICS will continue to uphold the core values and business philosophy of "quality, speed, professionalism, service, innovation and flexibility." All operation teams will follow the spirit of solidarity and cooperation, hold the persistent and hard work attitude and achieve the goal of sustainable growth of the Company in this globalization and high competition era and fulfill corporate social responsibilities for the best interests of all shareholders. Lastly, I would like to thank all customers, suppliers, shareholders and employees for their long-term support.

Two. Company Overview

I. Date of incorporation

The Company was incorporated on November 19, 1986.

II. Company History

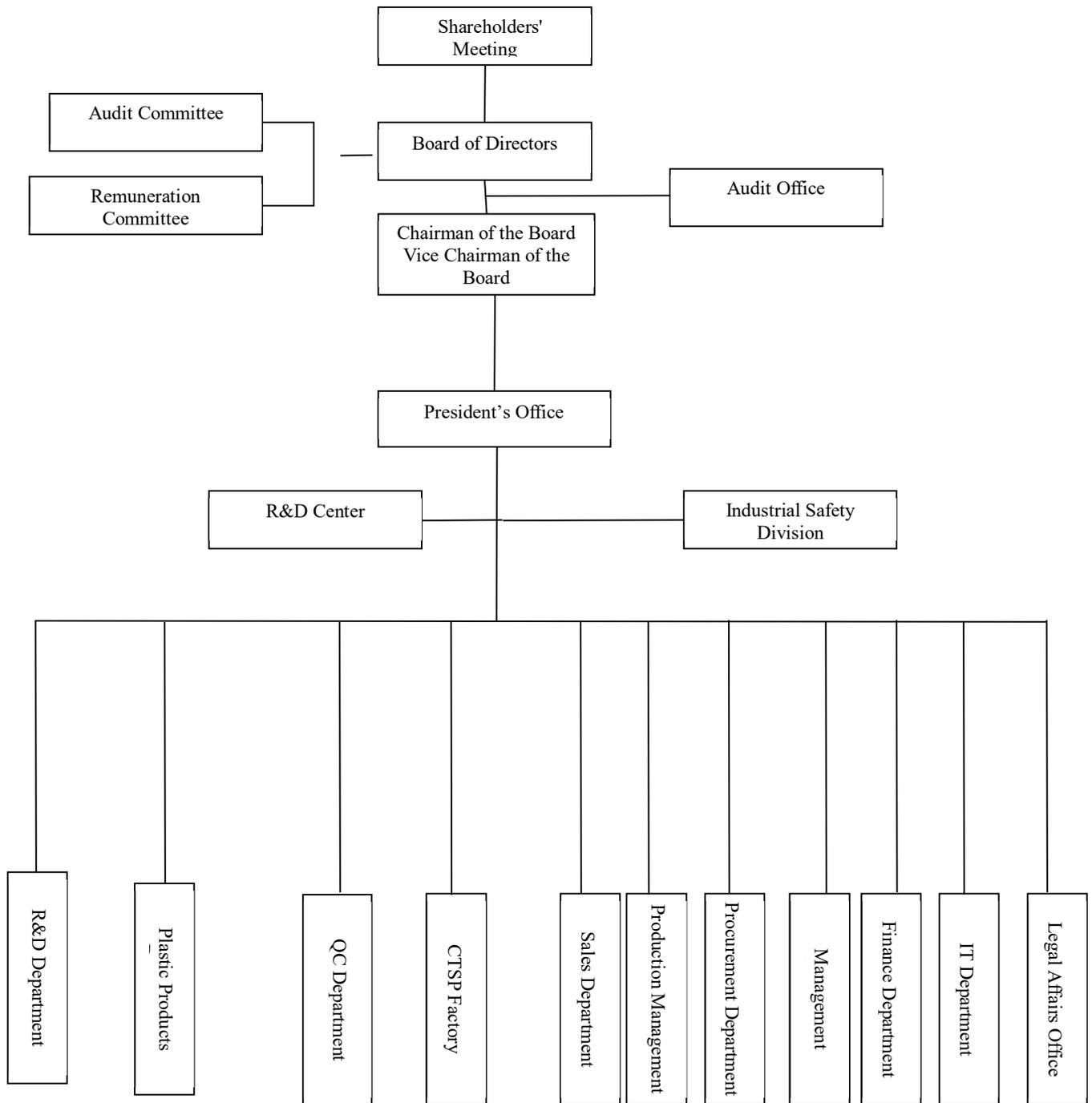
1986	November	Established with total capital of NT\$1,000 thousand. The Company engages in the manufacture, processing and trading of various glass lenses and lens assemblies.
2000	August	Certified with ISO 9001 Quality System. Established a factory in Tan Thuan Export Processing Zone, Ho Chi Minh City, Vietnam.
2001	June	Increased the capital by NT\$35,000 thousand in cash, resulting in a total paid-in capital of NT\$135,000 thousand.
	December	Increased capital of NT\$13,500 thousand through earnings, resulting in a total paid-in capital of NT\$148,500 thousand.
2002	March	Successfully developed 1200dpi, 1600dpi and 2400dpi lens for scanner. Successfully developed 2 megapixel digital camera lens module and released it in mass production.
	August	Increased the capital by NT\$101,500 thousand in cash, resulting in a total paid-in capital of NT\$250,000 thousand.
2003	September	Reduced capital to make up for the loss of NT\$75,000 thousand while increased capital in cash by NT\$50,000 thousand, resulting in a total paid-in capital of NT\$225,000 thousand after the capital reduction and increase.
	October	The Company filed registration for the retroactive handling of public issuance of NT\$225,000 thousand, which was approved by the Securities and Futures Commission of the Ministry of Finance on October 29, 2003.
	November	Successfully developed 3 megapixel CMOS digital camera lens module.
2004	March	Successfully developed 4 megapixel digital camera lens.
	June	Established a factory in Zhenjiang Export Processing Zone in China.
	October	Increased capital of NT\$24,500 thousand (including \$2,000 thousand of employee bonus) through earnings, resulting in a total paid-in capital of NT\$249,500 thousand.
2005	January	Successfully developed and started production of 5 megapixel digital camera lens.
	February	Certified with ISO 9001 2000 version.
	September	Increased the capital by NT\$30,000 thousand in cash through IPO, resulting in a total paid-in capital of NT\$287,000 thousand. Shares listed in OTC.
2006	January	Successfully developed and started production of 1.3 megapixel PC CAM large angle lens.
	April	Certified with ISO 14000.
	September	Increased capital of NT\$12,500 thousand (including \$3,890 thousand of employee bonus) through earnings, resulting in a total paid-in capital of NT\$299,500 thousand.
2007	January	Established Optical Plastic Division which is responsible for mold design and production of plastic lenses.
	December	Increased the capital by NT\$140,380 thousand in cash (private placement), resulting in a total paid-in capital of NT\$439,880 thousand.
2008	March	Successfully developed customized VGA lens for digital video recorder and 1.6 megapixel high resolution lens.
	September	Successfully developed and started production of 9 megapixel and 10

		megapixel digital camera lens.
	November	Increased the capital by NT\$73,720 thousand in cash (private placement), resulting in a total paid-in capital of NT\$513,600 thousand.
	December	Successful developed 200 degree ultra-wide angle lens for automotive lens.
2009	July	Expanded the Optical Plastic Division, with a monthly production capacity of 10KK/pcs.
	September	Increased the capital by NT\$305,372 thousand in cash (private placement), resulting in a total paid-in capital of NT\$770,000 thousand.
2010	July	Set up a parts manufacturing department with a monthly production capacity of 7KK/pcs.
2011	April	Set up automated production line.
2012	July	Expanded the Optical Plastic Division, with a monthly production capacity of 7KK/pcs. Expanded the automated production line, with a monthly production capacity of 2.4KK/pcs.
2015	January	Increased the capital by NT\$360,000 thousand in cash, resulting in a total paid-in capital of NT\$945,005 thousand.
2018	September	Increased the capital by NT\$937,500 thousand in cash, resulting in a total paid-in capital of NT\$1,093,587 thousand.
2021	March	Increased the capital by NT\$598,400 thousand in cash, resulting in a total paid-in capital of NT\$1,315,459 thousand.
2022	March	Increased the capital by NT\$534,500 thousand in cash, resulting in a total paid-in capital of NT\$1,415,459 thousand.

Three. Corporate Governance Report

I. Organization

(I) Organizational structure:



(II) Tasks of the principal divisions:

Department	Main responsibilities
President's Office	<ol style="list-style-type: none"> 1. Follow the resolutions made by the board of directors and the president, and the company's operating strategy, and set the business objectives of the Company. 2. Responsible for the overall planning and execution of the company's business, as well as the continuous monitoring and improvement of all internal control operations. 3. Report & amend the annual operation performance. 4. Execute the coordination and communication among all departments of the company.
Audit Office	<ol style="list-style-type: none"> 1. Internal control, internal audit and self-assessment system establishment, implementation and recommendations. 2. Supervise the implementation and rationalization of various operations, management practices and processes. 3. Audit projects.
Industrial Safety Division	Formulate, plan and implement safety and health management matters and guide the relevant departments to implement these matters.
R&D Department	<ol style="list-style-type: none"> 1. R&D and design of new products. 2. New product development, trial and sample production. 3. Establish production standards and assist in the improvement of production technology. 4. Mold, tool and equipment development. 5. Set the inspection standard for each process.
Plastic Products Department	<ol style="list-style-type: none"> 1. Responsible for the development, processing and manufacturing of various optical component molds.
Quality Control Department	<ol style="list-style-type: none"> 1. Inspect incoming materials, finished products and identify the product quality from customer complaints. 2. Set the inspection standard for each process.
Assembly and Manufacturing	<ol style="list-style-type: none"> 1. Automatically assemble and produce lenses according to production schedules. 2. Develop tools for automated equipment.
Sales Division	<ol style="list-style-type: none"> 1. Product quotation and order processing related matters. 2. Market assessment and report. 3. After-sales service for customers. 4. Market development, customer credit evaluation, order processing and customer complaint handling. 5. Overseas factory production scheduling and production and sales coordination. 6. Manage shipment scheduling, production process scheduling and production plan execution in overseas factories. 7. Outsourced processing management. 8. Purchase raw materials and items required by overseas factories. 9. Stock procurement and warehousing and receiving management.
Management Department	<ol style="list-style-type: none"> 1. HR planning, staff recruitment, appointment, attendance and salary calculation, etc. 2. Employee welfare and other general affairs duties.
IT Department	Plan and implement the company's information system and manage and maintain the information software and hardware.
Finance Department	Responsible for all financial, accounting, stock affairs and taxation.

II. Information on the company's directors, general manager, assistant general managers, deputy assistant general managers, and the supervisors of all the company's divisions and branch units

(I) Directors

1. Information on directors:

April 22, 2024

Title	Nationality	Name	Gender/ Age	Date of election/ appointment to current term	Term of office/ year	Commencement date of first term	No. of shares held at time of election		No. of shares currently held		Shares currently held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualifications	Positions held concurrently in the company and/or in any other company	Other officer(s), director(s), or supervisor(s) with which the person has a relationship of spouse or relative within the second degree			Remarks
							No. of shares	Shareholding ratio	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio			Title	Name	Relationship	
Director	R. O. C.	Chuan Chao Investment Co., Ltd. Representative: Chung-He Lin	Male 71 – 75 years old	June 22, 2022	3	May 10, 2001	6,655,116	6.09%	6,788,218	4.74%	0	0	0	0	EMBA, Western Pacific University, USA Vice Chairman, E-life Mall Corporation	Vice Chairman, E-life Mall Corporation	Vice President President Director	Ting-Hua Lin Victor Kao Hung-Chi Kao	Father and son 2nd degree relative by marriage	
							6,322,449	5.78%	6,448,897	4.52%	1,722,765	1.20%	0	0						
Director	R. O. C.	Tsung Yi Investment Limited Representative: Mao-San Lai	Male, 81 – 85 years old	June 22, 2022	3	June 09, 2010	4,548,550	4.16%	5,329,521	3.76%	0	0	0	0	Department of Pharmacy, China Medical College Responsible Person of NEW PROFIT TRADING CO., LTD.	Responsible Person of NEW PROFIT TRADING CO., LTD.	Vice President	Chien-Hsun Lai	Father and son	
							4,319,663	3.95%	4,406,056	3.09%	156,051	0.11%								
Director	R. O. C.	Hung-Chi Kao Note 1	Male, 81 – 85 years old	June 22, 2022	3	June 09, 2010	4,541,394	4.15%	4,632,221	3.25%	0	0	0	0	Provincial Taichung Second Senior High School Chairman of Yuching Industrial Co., Ltd.	Supervisor of Wei Ya Investment Co., Ltd.	President Supervisor Chairman	Victor Kao Yu-Ting Kao Chung-He Lin	Father and son Father and daughter Relative by marriage	
Director	R. O. C.	Chuan Chao Investment Co., Ltd. Representative: Mao-Sheng Lee	Male, 71 – 75 years old	June 22, 2022	3	June 09, 2010	6,655,116	6.09%	6,788,218	4.74%	0	0	0	0	MD-PhD, Department of Obstetrics and Gynecology, Toho University, Japan	Responsible Person of Mao Sheng Hospital	None	None	None	
							326,622	0.30%	533,154	0.37%	3,093,551	2.17%								
Chairman	R. O. C.	Victor Kao	Male, 51 – 55 years old	June 22, 2022	3	June 13, 2013	3,037,661	2.78%	3,460,257	2.42%	1,060,262	0.74%	0	0	MBA, University of La Veme, USA Advertising and Marketing Manager, Central Health Medical Plan Manager, Optical Overseas Business Department, Ability Opto-Electronics Technology Co., Ltd. Vice President, Business Center of Ability Opto-Electronics Technology Co., Ltd. President, Ability Opto-Electronics Technology Co., Ltd.	President of the Company Chairman of Miyabi Technology Co., Ltd. Chairman of RHOSON CORPORATION	Director Chairman Supervisor	Hung-Chi Kao Chung-He Lin Yu-Ting Kao	Father and son Relatives within 2nd degree of kinship Relatives within 2nd degree of kinship	
Vice Chairman	R. O. C.	Tsung Yi Investment Limited Representative: Chien-Hsun Lai	Male, 46 – 50 years old	June 22, 2022	3	June 20, 2019	4,548,550	4.16%	5,329,521	3.74%	0	0	0	0	Ph.D. in Mechanical Engineering, National Taiwan University	Vice President of the Company Director of Miyabi Technology Co., Ltd. Director of	Director	Mao-San Lai	Father and son	
							1,145,614	1.05%	1,552,526	1.09%										

2. Major Shareholders of Corporate Shareholders

April 30, 2024

Name of corporate shareholder	Major shareholders of the corporate shareholder
Chuan Chao Investment Co., Ltd.	Shu-Ming Juan (45%), Ting-Hua Lin (33%), Fang-Yi Lin (11%) and Yu-Ching Lin (11%)
Tsung Yi Investment Limited	Mao-San Lai (20%), Yu-Ying Huang (20%), Chi-Hua Lai (18%) Yi-Chen Lai (18%) and Chien-Hsun Lai (24%)
Chin Yu Lung Investment Limited	Chin-Lung Hsu (33.34%), Yun-Chia Hsu (33.33%) and Yun-Chih Hsu (33.33%)

3. Major shareholders of a corporate shareholder, when the major shareholder is also a corporation: Not applicable.

4. Disclosure of Information Regarding the Professional Qualifications and the Independence of Independent Directors

Qualification Name	Professional qualifications and experience (Note 1)	Independence analysis (Note 2)	No. of other public companies at which the person concurrently serves as an independent director
Chairman Victor Kao	He has more than five years of experience in the Company's business and is currently the Chairman of Miyabi Technology Co., Ltd. and RHOSON CORPORATION, the Chairman and President of the Company, and is not under any circumstance under any subparagraph of Article 30 of the Company Act.	<ol style="list-style-type: none"> (1) Not a director or supervisor of the Company or any of its affiliates. (2) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. (3) Not a director, supervisor, or employee of another company where a majority of the Company's director seats or voting shares and those of another company are controlled by the same person. (4) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. (5) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act. 	None

<p>Chuan Chao Investment Co., Ltd. Representative: Chung-He Lin</p>	<p>He has more than five years of experience in the Company's business. He was former Chairman of the Company, and he is currently the Vice Chairman, E-life Mall Corporation. He is not under any circumstance under any subparagraph of Article 30 of the Company Act.</p>	<ol style="list-style-type: none"> (1) Not a director or supervisor of the Company or any of its affiliates. (2) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. (3) Not a director, supervisor, or employee of another company where a majority of the Company's director seats or voting shares and those of another company are controlled by the same person. (4) Not a director (managing director), supervisor, or employee of another company or institution where the Chairman, the President, or person holding an equivalent position of the Company and a person in an equivalent position at another company or institution are the same person or are spouses. (5) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. (6) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act. 	<p>None</p>
<p>Chuan Chao Investment Co., Ltd. Representative: Mao-Sheng Lee</p>	<p>He has more than five years of experience in the Company's business. He is currently the Responsible Person of Mao Sheng Hospital. He is not under any circumstance under any subparagraph of Article 30 of the Company Act.</p>	<ol style="list-style-type: none"> (1) Not a director or supervisor of the Company or any of its affiliates. (2) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. (3) Not a director, supervisor, or employee of another company where a majority of the Company's director seats or voting shares and those of another company are controlled by the same person. (4) Not a director (managing director), supervisor, or employee of another company or institution where the Chairman, the President, or person holding an equivalent position of the Company and a person in an equivalent position at another company or institution are the same person or are spouses. (5) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. (6) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act. 	<p>None</p>

<p>Tsung Yi Investment Limited Representative: Mao-San Lai</p>	<p>He has more than five years of experience in the Company's business. He was former Chairman of the Company. He is not under any circumstance under any subparagraph of Article 30 of the Company Act.</p>	<ol style="list-style-type: none"> (1) Not a director or supervisor of the Company or any of its affiliates. (2) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. (3) Not a director, supervisor, or employee of another company where a majority of the Company's director seats or voting shares and those of another company are controlled by the same person. (4) Not a director (managing director), supervisor, or employee of another company or institution where the Chairman, the President, or person holding an equivalent position of the Company and a person in an equivalent position at another company or institution are the same person or are spouses. (5) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. (6) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act. 	<p>None</p>
<p>Hung-Chi Kao</p>	<p>He has more than five years of experience in the Company's business. He is not under any circumstance under any subparagraph of Article 30 of the Company Act.</p>	<ol style="list-style-type: none"> (1) Not a director or supervisor of the Company or any of its affiliates. (2) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. (3) Not a director, supervisor, or employee of another company where a majority of the Company's director seats or voting shares and those of another company are controlled by the same person. (4) Not a director (managing director), supervisor, or employee of another company or institution where the Chairman, the President, or person holding an equivalent position of the Company and a person in an equivalent position at another company or institution are the same person or are spouses. (5) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. (6) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act. 	<p>None</p>

<p>Tsung Yi Investment Limited Representative: Chien-Hsun Lai</p>	<p>He has more than five years of experience in the Company's business and is currently the Director of Miyabi Technology Co., Ltd. and RHOSON CORPORATION, the Vice Chairman and Vice President of the Company, and is not under any circumstance under any subparagraph of Article 30 of the Company Act.</p>	<ol style="list-style-type: none"> (1) Not a director or supervisor of the Company or any of its affiliates. (2) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. (3) Not a director, supervisor, or employee of another company where a majority of the Company's director seats or voting shares and those of another company are controlled by the same person. (4) Not a director (managing director), supervisor, or employee of another company or institution where the Chairman, the President, or person holding an equivalent position of the Company and a person in an equivalent position at another company or institution are the same person or are spouses. (5) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. (6) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act. 	<p>None</p>
<p>Chin Yu Lung Investment Limited Representative: Chin-Lung Hsu</p>	<p>He has more than five years of experience in the Company's business. He is currently the Responsible Person of Yu Jen Hospital. He is not under any circumstance under any subparagraph of Article 30 of the Company Act.</p>	<ol style="list-style-type: none"> (1) Not a director or supervisor of the Company or any of its affiliates. (2) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. (3) Not a director, supervisor, or employee of another company where a majority of the Company's director seats or voting shares and those of another company are controlled by the same person. (4) Not a director (managing director), supervisor, or employee of another company or institution where the Chairman, the President, or person holding an equivalent position of the Company and a person in an equivalent position at another company or institution are the same person or are spouses. (5) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. (6) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act. 	<p>None</p>

Yung-Jen Tsao	He has more than five years of experience in the Company's business. He is currently the Partner of EnWise CPAs & Co. He is not under any circumstance under any subparagraph of Article 30 of the Company Act.	<ul style="list-style-type: none"> (1) Not an employee of the company or any of its affiliates. (2) Not a director or supervisor of the Company or any of its affiliates. (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings. (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs. (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. (6) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company. (7) Not a director (managing director), supervisor, or employee of another company or institution where the Chairman, the President, or person holding an equivalent position of the Company and a person in an equivalent position at another company or institution are the same person or are spouses. (8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received compensation, or a spouse thereof. (10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company. (11) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act. 	3
Wei-Chun Chen	He has more than five years of experience in the Company's business. He is currently the Managing Partner of Bright & Wise Attorneys-at-Law. He is not under any circumstance under any subparagraph of Article 30 of the Company Act.		None
Sen-He Chang	He has more than five years of experience in the Company's business. He is currently the Professor of Department of Accounting, Feng Chia University. He is not under any circumstance under any subparagraph of Article 30 of the Company Act.		1
Yung-Jui Chen	He has more than five years of experience in the Company's business. He is currently the President of EVERBIZ INDUSTRIAL CO., LTD. He is not under any circumstance under any subparagraph of Article 30 of the Company Act.		None

5. Diversity and Independence of the Board of Directors:

(1) Diversity of the board of directors:

According to Article 20 of the Company's Corporate Governance Best-Practice Principles and Article 3 of the Rules For Election of Directors, members of the Board of Directors should have the knowledge, skills and literacy necessary for their duties. The Board of Directors as a whole should have the ability to make operational judgments, execute accounting and financial analysis, business management, crisis management, have industry knowledge and international market outlook, and have the leadership and decision-making ability. The composition of the Board of Directors should take diversity into account. The diversity policy should be formulated based on the Company's operations, business model and future development trends, including basic conditions and values (gender, age, nationality and culture), professional knowledge and skills (such as law, accounting, industry, finance, marketing, or technology), etc. The specific management objectives and achievement of the Company's diversification policy are as follows:

Management goals:

Management Goals	Status of Achievement
At least one-third of all directors have technical expertise	Achieved
At least one-third of the independent directors have legal, finance and accounting, or technology expertise	Achieved
Aim to appoint at least one female director	Not yet achieved

The Board of Directors of the Company is composed of practicing attorneys, certified public accountants, financial professionals and owners of listed companies in various industries; the Board meets the operational development needs of the Company. The percentage of directors who are employees is 36%; the percentage of independent directors is 36%; three independent directors have less than three years of service; one independent director has more than nine years of service.

Implementation of the Board Diversity Policy:

Name	Gender	Age	Professional background				Professional knowledge and skills				
			Industry experience	Technology	Finance	Law	Operational judgment ability	Business management ability	Crisis management	International market outlook	Leadership and decision-making ability
Victor Kao	Male	51-55	v	v			v	v	v	v	v
Chung-He Lin	Male	71-75	v				v	v	v	v	v
Mao-San Lai	Male	81-85	v				v	v	v	v	v
Chien-Hsun Lai	Male	46-50	v	v			v	v	v	v	v
Mao-Sheng Lee	Male	71-75	v				v	v	v	v	v
Chin-Lung Hsu	Male	71-75	v				v	v	v	v	v
Yung-Jen Tsao	Male	61-65	v	v	v		v	v	v	v	v
Wei-Chun Chen	Male	46-50	v			v	v	v	v	v	v
Sen-He Chang	Male	55-60	v		v		v	v	v	v	v
Yung-Jui Chen	Male	46-50	v	v			v	v	v	v	v

(2) Independence of Board of Directors:

The Company's current board of directors is composed of 10 members, including 4 independent directors and 4 directors who are also employees (accounting for 36% and 36% of total board members). As of December 31, 2023, all independent directors are in compliance with the requirements set forth by the Securities and Futures Bureau, FSC. There are no matters specified in Paragraphs 3 and 4 of Article 26-3 of the Securities and Exchange Act between each of the directors and independent directors. For information on the independence of the Company's board of directors, please refer to "Disclosure of Professional Qualifications of Directors and Independence of Independent Directors" on page 14 of the Annual Report. For information on each of the directors' education, gender and work experience, please refer to "Information on Directors" on pages 12-13 of the Annual Report.

(II) Company's general manager, assistant general managers, deputy assistant general managers, and the supervisors of all the company's divisions and branch units

April 16, 2024

Title	Nationality	Name	Gender	Date of appointment to position	Shares held		Shares held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualifications	Positions concurrently held in other companies at present	Other managerial officer(s) with which the person has a relationship of spouse or relative within the second degree			Remarks
					No. of shares	Shareholding ratio	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio			Title	Name	Relationship	
President	R. O. C.	Victor Kao	Male	October 15, 2013	3,460,257	2.42%	1,060,262	0.74%	0	0	MBA, University of La Veme, USA Advertising and Marketing Manager, Central Health Medical Plan Manager, Optical Overseas Business Department, Ability Opto-Electronics Technology Co., Ltd. Vice President, Business Center of Ability Opto-Electronics Technology Co., Ltd. President, Ability Opto-Electronics Technology Co., Ltd.	President of the Company Chairman of Miyabi Technology Co., Ltd. Chairman of RHOSON CORPORATION	Vice President	Ting-Hua Lin	Relative within 2nd degree of kinship	
Vice President, Technical Center	R. O. C.	Chien-Hsun Lai	Male	January 1, 2012	1,552,526	1.09%	0	0.00%	0	0	Ph.D. in Mechanical Engineering, National Taiwan University	Vice President of the Company Director of Miyabi Technology Co., Ltd. Director of RHOSON CORPORATION	None	None	None	
Vice President	R. O. C.	Ting-Hua Lin	Male	January 1, 2012	2,636,571	1.85%	49,141	0.03%	0	0	Manager/Deputy Assistant General Manager of Sales Department, Ability Opto-Electronics Technology Co., Ltd.	Director of Miyabi Technology Co., Ltd. Director and President of RHOSON CORPORATION	President	Victor Kao	2nd degree	
Vice President	R. O. C.	Mei-Ju Hsiao	Female	June 14, 2019	18,119	0.01%	0	0.00%	0	0	Manager/Deputy Assistant General Manager of Sales Department, Ability Opto-Electronics Technology Co., Ltd.	Vice President of Miyabi Technology Co., Ltd.	None	None	None	
Manager, Finance and Accounting Department	R. O. C.	Yu-Ting Huang	Female	April 01, 2011	6,768	0.00%	0	0.00%	0	0	Department of Accounting, Feng Chia University Manager, KPMG Taiwan	None	None	None	None	
Director	R. O. C.	Kuo-Lung Chi	Male	April 10, 2018	14,937	0.01%	0	0.00%	0	0	Department of Accounting, Tunghai University	Finance Supervisor of	None	None	None	

											PwC Taiwan	Miyabi Technology Co., Ltd.				
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Where the chairperson of the board of directors and the general manager or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (e.g. increasing the number of independent directors and ensuring that a majority of directors do not concurrently serve as an employee or managerial officer).

Note: The Company has complied with the relevant laws and regulations. The number of independent directors has been increased at the 2022 shareholders' meeting; currently, no more than half of the directors concurrently serve as employees or managers.

(III) Remuneration paid during the most recent fiscal year to directors, supervisors, the general manager, and assistant general managers (as of December 31, 2023)

1. Remuneration to Directors (including Independent Directors):

Unit: NT\$ thousand

Job Title	Name	Remuneration to directors								Sum of A+B+C+D and ratio to net income		Remuneration received by directors for concurrent service as an employee								Sum of A+B+C+D+E+F+G and ratio to net income		Remuneration received from investee enterprises other than subsidiaries or from the parent company
		Base compensation (A) (Note 2)		Retirement pay and pension (B)		Director profit-sharing compensation (C)		Expenses and perquisites (D)				Salary, rewards, and special disbursements (E)		Retirement pay and pension (F)		Employee profit-sharing compensation (G)						
		The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company (%)	All Consolidated Entities (%)	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company		All Consolidated Entities		The Company (%)	All Consolidated Entities (%)	
														Amount in cash	Amount in stock	Amount in cash	Amount in stock					
President	Victor Kao	0	0	0	0	323	323	40	40	0.09	0.09	7,305	7,305	0	0	4,366	0	4,366	0	3.00	3.00	na
Vice Chairman	Tsung Yi Investment Limited Representat Chien-Hsun	0	0	0	0	324	324	40	40	0.09	0.09	3,687	3,687	108	108	1,606	0	1,606	0	1.44	1.44	na
Director	Chuan Chao Investment Co., Ltd. Representat Chung-He L	0	0	0	0	324	324	40	40	0.09	0.09	1,668	1,668	0	0	0	0	0	0	0.51	0.51	na
Director	Chuan Chao Investment Co., Ltd. Representat Mao-Sheng	0	0	0	0	324	324	40	40	0.09	0.09	0	0	0	0	0	0	0	0	0.09	0.09	na
Director	Tsung Yi Investment Limited Representat Mao-San La	0	0	0	0	324	324	40	40	0.09	0.09	820	820	0	0	0	0	0	0	0.30	0.30	na
Director	Hung-Chi K	0	0	0	0	0	0	40	40	0.01	0.01	0	0	0	0	0	0	0	0	0.01	0.01	na
Director	Chin Yu Lung Investment Limited Representat Chin-Lung I	0	0	0	0	324	324	40	40	0.09	0.09	0	0	0	0	0	0	0	0	0.09	0.09	na
Independent Director	Yung-Jen Ts	0	0	0	0	324	324	110	110	0.11	0.11	0	0	0	0	0	0	0	0	0.11	0.11	na
Independent Director	Wei-Chun C	0	0	0	0	324	324	110	110	0.11	0.11	0	0	0	0	0	0	0	0	0.11	0.11	na
Independent Director	Sen-He Cha	0	0	0	0	324	324	80	80	0.10	0.10	0	0	0	0	0	0	0	0	0.10	0.10	na
Independent Director	Yung-Jui Ch	0	0	0	0	324	324	110	110	0.11	0.11	0	0	0	0	0	0	0	0	0.11	0.11	na

Note: 1. The Company re-elected the board of directors at the shareholders' meeting on June 22, 2022, the term of office is from June 22, 2022 to June 21, 2024.

1. Please describe the policy, system, standards and structure of the remuneration to independent directors, and the correlation with the amount of

remuneration based on factors such as responsibilities, risks, and time invested: The remuneration of directors of the Company is issued by the Remuneration Committee and the Board of Directors in accordance with the authorization by the Articles of Incorporation based on participation in the Company's operations and their contribution value. If the Company is profitable, the Board of Directors shall determine the amount of remuneration to directors in accordance with the Articles of Incorporation. In addition, considering the responsibilities, risks and time invested by independent directors, different reasonable remunerations are also determined.

2. Other than the disclosure in the above table, remunerations for directors in the most recent year for providing services to all companies included in the financial statements (e.g. serving as a consultant to the parent company/all companies included in the financial statements, and a non-employee consultant in the investee enterprise): None.

2. Remuneration to Supervisors: Not applicable, the Company has established the Audit Committee on June 22, 2022.

3. Remuneration to President(s) and Vice President(s):

Unit: NT\$ thousand; shares

Job Title	Name	Salary (A) (Note 2)		Retirement pay and pension (B)		Rewards and special disbursements (C)		Employee profit-sharing compensation (D)				Sum of A+B+C+D and ratio to net income		Remuneration received from investee enterprises other than subsidiaries or from the parent company
		The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company		All Consolidated Entities		The Company	All Consolidated Entities	
								Amount in cash	Amount in stock	Amount in cash	Amount in stock			
President	Victor Kao	5,021	5,021	0	0	2,284	2,284	4,366	0	4,366	0	2.91	2.91	0
Vice President, Technical Center	Chien-Hsun Lai	2,847	2,847	108	108	840	840	1,606	0	1,606	0	1.35	1.35	0
Vice President	Mei-Ju Hsiao	2,420	2,420	108	108	840	840	1,606	0	1,606	0	1.24	1.24	0
Vice President	Ting-Hua Lin	1,823	1,823	103	103	70	70	134	0	134	0	0.53	0.53	0

4. Remuneration to the Five Highest Remunerated Management Personnel of a TWSE or TPEX listed Company:

Unit: NT\$ thousand; shares

Job Title	Name	Salary (A) (Note 2)		Retirement pay and pension (B)		Rewards and special disbursements (C)		Employee profit-sharing compensation (D)				Sum of A+B+C+D and ratio to net income		Remuneration received from investee enterprises other than subsidiaries or from the parent company
		The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company		All Consolidated Entities		The Company	All Consolidated Entities	
								Amount in cash	Amount in stock	Amount in cash	Amount in stock			
President	Victor Kao	5,021	5,021	0	0	2,284	2,284	4,366	0	4,366	0	2.91	2.91	0
Vice President, Technical Center	Chien- Hsun Lai	2,847	2,847	108	108	840	840	1,606	0	1,606	0	1.35	1.35	0
Vice President	Mei-Ju Hsiao	2,420	2,420	108	108	840	840	1,606	0	1,606	0	1.24	1.24	0
Vice President	Ting-Hua Lin	1,823	1,823	103	103	70	70	134	0	134	0	0.53	0.53	0
Director	Kuo- Lung Chi	1,160	1,160	69	69	105	105	201	0	201	0	0.38	0.38	0

5. Ranges of remuneration paid to each of the Company's directors, supervisors, president(s) and vice president(s):

Ranges of remuneration paid to each of the Company's directors, supervisors, president(s) and vice president(s)	Name of Director				Name President and Vice President	
	Sum of A+B+C+D		Sum of A+B+C+D+E+F+G			
	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities
Less than NT\$1,000,000	Victor Kao / Chien-Hsun Lai / Chung- He Lin Mao-Sheng Lee/ Mao- San Lai /Hung-Chi Kao/ Chin- Lung Hsu /Yung-Jen Tsao/Wei- Chun Chen/Sen- He Chang/Yung -Jui Chen	Victor Kao / Chien-Hsun Lai / Chung- He Lin Mao- Sheng Lee/ Mao-San Lai /Hung-Chi Kao/ Chin- Lung Hsu /Yung-Jen Tsao/Wei- Chun Chen/Sen- He Chang/Yung- Jui Chen	Mao-Sheng Lee/ Mao- San Lai /Hung-Chi Kao/ Chin- Lung Hsu /Yung-Jen Tsao/Wei- Chun Chen/Sen- He Chang/Yung -Jui Chen	Mao-Sheng Lee/ Mao-San Lai /Hung-Chi Kao/ Chin- Lung Hsu /Yung-Jen Tsao/Wei- Chun Chen/Sen-He Chang/Yung- Jui Chen		

NT\$1,000,000 (incl.)–NT\$2,000,000 (excl.)			Chung-He Lin	Chung-He Lin		
NT\$2,000,000 (incl.)–NT\$3,500,000 (excl.)					Ting-Hua Lin	Ting-Hua Lin
NT\$3,500,000 (incl.)–NT\$5,000,000 (excl.)			Chien-Hsun Lai	Chien-Hsun Lai	Mei-Ju Hsiao	Mei-Ju Hsiao
NT\$5,000,000 (incl.)–NT\$10,000,000 (excl.)			Victor Kao	Victor Kao	Chien-Hsun Lai	Chien-Hsun Lai
NT\$10,000,000 (incl.)–NT\$15,000,000 (excl.)					Victor Kao	Victor Kao
NT\$15,000,000 (incl.)–NT\$30,000,000 (excl.)						
NT\$30,000,000 (incl.)–NT\$50,000,000 (excl.)						
NT\$50,000,000 (incl.)–NT\$100,000,000 (excl.)						
NT\$100,000,000 or above						
Total	11	11	11	11	4	4

6. Names and Distributions of Employee Profit-Sharing Compensation to Managerial Officers Unit: NT\$ thousand

	Job Title	Name	Amount in stock (Note)	Amount in cash	Total	As a % of net profit
Managerial officers	President	Victor Kao	0	8,000	8,000	2.00%
	Vice President	Chien-Hsun Lai				
	Vice President	Ting-Hua Lin				
	Vice President	Mei-Ju Hsiao				
	Director	Kuo-Lung Chi				
	Manager	Yu-Ting Huang				

(IV) Separately compare and describe total remuneration, as a percentage of net income stated in the parent company only financial reports or individual financial reports, as paid by this company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, supervisors, general managers, and assistant general managers, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure.

1. Total remuneration, as a percentage of net income (loss) paid by the Company during the past 2 fiscal years to directors, supervisors, general managers:

Item	Total remuneration as a percentage of net income (loss)			
	2023		2022	
	The company	The Group	The company	The Group
Director	5.86%	5.86%	5.32%	5.32%
Supervisor	0%	0%	0.01%	0.01%
President and Vice President	6.03%	6.03%	5.03%	5.03%

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

(1) Policy, standards, and composition of compensation

The remuneration policy of the Company's directors is in accordance with Article 15 of the Articles of Incorporation. The Board of Directors shall be authorized to determine the remuneration and transportation fee to the directors based on their involvement in and contributions to the operations of the Company, taking into consideration the general standards of the industry. According to Article 27, if there is profit in the year, the Company shall allocate 5%~12% thereof as the remuneration to employees, and no more than 3% thereof as the remuneration to directors.

In accordance with the scope of the Company's Articles of Incorporation, the Company's remuneration to directors can be divided into two categories: directors' remuneration, and expenses and perquisites. In addition to considering the overall company operation and future business risks and development, the Company also refers to the general standards in the industry, and the operating responsibility bears by the directors, time invested, and operating performance to determine the remuneration to directors according to the Articles of Incorporation and the "Regulations Governing the Performance Evaluation of the Board of Directors' and the Functional Committee." The remuneration to directors is subject to acknowledgment in the shareholders' meeting. The remuneration to directors who concurrently act as employees, and the President of the Company in the past two years is divided into salary, employees' compensation and retirement

benefits. The remuneration is approved in accordance with the relevant regulations of the Company, and then distributed after review by the Remuneration Committee and approval by the Board of Directors. The policy for paying compensation takes into account the overall performance of the Company and the contribution of the managers to the Company's achievements.

(2) Procedures for determining compensation

The remuneration of the Company's directors is handled in accordance with the Company's "Articles of Incorporation," and reasonable remuneration is given by taking into account the Company's annual operating achievements and the results of individual directors' performance evaluations. The calculation of remuneration is in accordance with the "Regulations Governing the Remuneration of Directors, Functional Committee Members, and Managers." The Regulations were also implemented after the resolution of the Remuneration Committee and the Board of Directors. Evaluation of the overall performance of individual directors in 2023 is excellent and above. It includes familiarity with the goals and missions of the Company, awareness of the duties, participation in the operation of the Company, management of internal relationships and communication, professionalism and continuing education, and internal control. In addition to evaluating factors such as education, experience, length of service, and job characteristics of the President and other managerial officers, the compensation they receive is determined based on the operating performance and contribution each year. The procedures for determining compensation are carried out in accordance with the "Performance Management Regulations" of the Company. Evaluation of the performance for all managerial officers in 2023 is above Excellence. The evaluation items include the operational performance of the company and the department (including revenue and profitability, quality goals and non-financial performance, etc.) and personal performance (including working efficiency, and integrity implementation, etc.). The remunerations to the Company's directors and managers are subject to the review of the Remuneration Committee and the submission to the Board of Directors for approval before disbursement.

(3) Correlation with operating performance and future risks

The remuneration to the directors and managers of the Company is determined with reference to the overall operation of the Company and future business risks and developments, as well as the general standards of the industry and the level of management responsibility and contribution of their respective positions, which is highly correlated with business performance. Both the Company's management and the Remuneration Committee regularly review and adjust the remuneration standards appropriately to achieve the balance of risk control and the Company's sustainable operation.

III. The state of the company's implementation of corporate governance

(I) Operations of the board of directors

A. The Board of Directors met 4 times in 2023, and the attendance of directors was as follows:

Job Title	Name	No. of meetings attended in person	No. of meetings attended by proxy	In-person attendance rate (%) 【 B / A 】 (Note)	Remarks
Chairman	Victor Kao	4	0	100%	
Director	Chuan Chao Investment Co., Ltd. Representative: Chung-He Lin	4	0	100%	
Director	Hung-Chi Kao	4	0	100%	
Director	Tsung Yi Investment Limited Representative: Mao-San Lai	4	0	100%	
Director	Chuan Chao Investment Co., Ltd. Representative: Mao-Sheng Lee	4	0	100%	
Director	Tsung Yi Investment Limited Representative: Chien-Hsun Lai	3	1	75%	
Director	Chin Yu Lung Investment Limited Representative: Chin-Lung Hsu	4	0	100%	Newly elected on June 22, 2022
Independent Director	Yung-Jen Tsao	3	0	75%	
Independent Director	Wei-Chun Chen	4	0	100%	
Independent Director	Sen-He Chang	4	0	100%	Newly elected on June 22, 2022
Independent Director	Yung-Jui Chen	4	0	100%	Newly elected on June 22, 2022

Note 1: For a director or supervisor that is a juristic person (corporate entity), disclose the name of the corporate shareholder and the name of its representative.

Note 2: (1) If any director or supervisor left office before the end of the fiscal year, specify the date that they left office in the Remarks column. Their in-person attendance rate (%) should be calculated based on the number of board meetings held and the number they attended in person during the period they were in office.

(2) If any by-election for directors or supervisors was held before the end of the fiscal year, the names of the new and old directors and supervisors should be filled in the table, with a note stating whether the director or supervisor left office, was newly serving, or was serving consecutive terms, and the date of the by-election. The in person attendance rate (%) should be calculated based on the number of board meetings held and the number attended in person during the period of each such person's actual time in office.

B. Other information required to be disclosed:

1. If any of the following circumstances exists, specify the board meeting date, meeting session number, content of the motion(s), the opinions of all the independent directors, and the measures taken by the Company based on the opinions of the independent directors:
 - (1) Any matter under Article 14-3 of the Securities and Exchange Act: As the Company has established the Audit Committee, please refer to "Audit Committee Operation" of this annual report for related information.
 - (2) In addition to the matters referred to above, any dissenting or qualified opinion of an independent director that is on record or stated in writing with respect to any board resolution: No independent director stated any dissenting or qualified opinion.
2. The status of implementation of recusals of directors with respect to any motions with which they may have a conflict of interest:

Board of Directors	Content of the motion(s)	Cause for recusal and the status
2023.3.23	Review the year-end bonus distribution for managers and employees' compensation for the year 2022	Chairman Victor Kao, Director Chien-Hsun Lai, Director Chung-He Lin, and Director Mao-San Lai were the Company's Managerial officers. According to the Rules of Procedure for Board of Directors Meetings, the parties concerned should recused themselves due to the conflict of interest, and not to participate in the discussion and voting. They did not entrust other directors to vote on their behalf.
	The new restricted employee shares to be issued for 2021 were reviewed. The number of shares subscribed by the manager is changed.	Chairman Victor Kao and Director Chien-Hsun Lai were the Company's managers. According to the Rules of Procedure for Board of Directors Meetings, the parties concerned should recused themselves due to the conflict of interest, and not to participate in the discussion and voting. Independent Director Chien-Hsun Lai presided over the discussion and voting of this motion.

3. For a TWSE or TPEX listed company, disclose information including the evaluation cycle and period(s) of the board of directors' self-evaluations (or peer evaluations) and the evaluation method and content:

Implementation status of evaluation of the Board of Directors and functional committees:

The Company finished the performance evaluation of the Board of Directors, directors, Remuneration Committee and Audit Committee on March, 2023. The results of the evaluation and the direction of continuous improvement for the next year will be submitted to the Board of Directors meeting held on March 23, 2023. Suggestions and improvement actions to the Board of Directors and functional committees are as follows:

Evaluation cycle	Evaluation period	Scope of evaluation	Method of evaluation	Evaluation content	Results
Performed once per year	January 1, 2023 to December 31, 2023	Evaluation of the performance of the board directors (including independent directors)	Self-evaluation of the Board of Directors	1. Evaluation of the performance of the board: (1) degree of the board's participation in the operation of the company; (2) the quality of the board's decision making; (3) composition and structure of the board; (4) election and continuing education of the directors; (5) internal control.	Score of 4.87 in the evaluation on continuing education hours for directors
		Evaluation of the performance of individual directors	Self-evaluation of directors	2. Evaluation of the performance of individual directors: (1) familiarity with the goals and missions of the company; (2) awareness of the duties of a director; (3) participation in the operation of the company; (4) management of internal relationships and communication; (5) the director's professionalism and continuing education; (6) internal control.	Score of 4.92
		Self-evaluation of the Audit Committee	Internal self-evaluation of the Audit Committee	3. The criteria for evaluating the performance of the Audit Committee should cover the following aspects: (1) Participation in the operation of the company; (2) awareness of the	Score of 4.9

				duties of the Audit Committee; (3) quality of decisions made by the Audit Committee; (4) makeup of the Audit Committee and election of its members; (5) internal control.	
		Self-evaluation of the Remuneration Committee	Remuneration Committee's internal self-evaluation	3. The items measured in the Remuneration Committee's self-performance evaluation include the following aspects: (1) Level of participation in the Company's operations; (2) Awareness of the responsibilities of the Remuneration Committee; (3) Improvement of the quality of the Remuneration Committee's decision-making; (4) Composition and selection of the Remuneration Committee; (5) Internal control	Score of 4.9

4. Give an evaluation of the targets that were adopted for strengthening of the functions of the board during the current and immediately preceding fiscal years (e.g. establishing an audit committee, increasing information transparency) and the measures taken toward achievement thereof:

- (1) The Board of Directors of the Company has a diverse composition with the knowledge, skills and industry expertise required for performing its duties. The Board regularly receives reports from the management team and provides guidance and advice to maintain good communication with the management team in order to work together for maximizing the interests of shareholders.
- (2) The Company's board of directors held four board meetings in 2023, which complied

with the requirement that the board meetings must be held at least once a quarter. All important proposals are publicly announced on the Market Observation Post System as required by law and are also announced on the Company's website to make sure that the information is open and transparent.

- (3) Establish the Company's good board of directors' governance system, sound supervisory functions and strengthen management functions to comply with the Company's Rules of Procedure for Board of Directors Meetings.
- (4) Other board governance
 - a. Regarding legal issues: The Company notifies the directors by email/paper occasionally and asks the CPA to explain to the directors before/during the meeting according to the updates of laws and regulations.
 - b. Directors' continuing education: The Company periodically invites experts or arranges training courses for directors and supervisors annually. The Company offers courses for directors or provides course information to directors from time to time in accordance with the latest laws and regulations and current events.

(II) Operation of the Audit Committee

The main function of the Audit Committee is to assist the Board of Directors to supervise the following matters:

- Fair presentation of the financial reports of the Company.
- The hiring (and dismissal), independence, and performance of certificated public accountants of the Company.
- The effective implementation of the internal control system of the Company.
- Compliance with relevant laws and regulations by the Company.
- Management of the existing or potential risks of the Company.

The items to be reviewed include:

- The adoption of or amendments to the internal control system.
- Assessment of the effectiveness of the internal control system.
- The adoption or amendment of the procedures for handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, and endorsements or guarantees for others.
- Matters in which a director is an interested party.
- Asset transactions or derivatives trading of a material nature.
- Loans of funds, endorsements, or provision of guarantees of a material nature.
- The offering, issuance, or private placement of equity-type securities.
- The hiring or dismissal of a certified public accountant, or their compensation.

- The appointment or discharge of a financial, accounting, or internal audit officer.
- The annual financial statements signed or sealed by the chairman, manager and accounting officer.
- Business report and proposal for earnings distribution or deficit offsetting.
- Other material matters as may be required by this Corporation or by the competent authority.

A. The Audit Committee met 4 times (A) in 2023, and the attendance of directors was as follows:

Job Title	Name	No. of meetings attended in person B	No. of meetings attended by proxy	In-person attendance rate (%) 【 B / A 】 (Note)	Remarks
Independent Director	Yung-Jen Tsao	4	0	100%	
Independent Director	Wei-Chun Chen	4	0	100%	
Independent Director	Sen-He Chang	4	0	100%	
Independent Director	Yung-Jui Chen	4	0	100%	

Note: (1) If any independent director left office before the end of the fiscal year, specify the date that they left office in the Remarks column. Their in-person attendance rate (%) should be calculated based on the number of audit committee meetings held and the number they attended in person during the period they were in office.

(2) If any by-election for independent directors was held before the end of the fiscal year, the names of the new and old independent directors should be filled in the table, with a note stating whether the director or supervisor left office, was newly serving, or was serving consecutive terms, and the date of the by-election. The in person attendance rate (%) should be calculated based on the number of audit committee meetings held and the number attended in person during the period of each such person's actual time in office.

B. Other information required to be disclosed:

1. If any of the following circumstances exists, specify the audit committee meeting date, meeting session number, content of the motion(s), the content of any dissenting or qualified opinion or significant recommendation of the independent directors, the outcomes of audit committee resolutions, and the measures taken by the Company based on the opinions of the audit committee:

(1) Any matter under Article 14-5 of the Securities and Exchange Act:

Audit Committee	Content of the motion(s)	Matter under Article 14-5 of the Securities and Exchange Act	Outcomes of audit committee resolutions	Measures taken by the Company based on the opinions of the audit committee
2023.03.23	<p>1. The Company's 2022 business report and financial statements (parent company only financial statements and consolidated financial statements).</p> <p>2. The Company plans to increase or negotiate the amount of credit facilities from or with various financial institutions for the purpose of business turnover.</p> <p>3. Check if eligible accounts receivable and amounts other than accounts receivable a fund loaning to others.</p> <p>4. The Company proposed to provide guarantee for a bank loan to Miyabi Technology Co., Ltd., the investee, and negotiated a financing line with the various financial institutions.</p> <p>5. The Company proposed to increase capital through private placement by issuing common shares in cash.</p> <p>6. Amendments to the "Rules of Procedure for Board of Directors Meetings"</p> <p>7. Amendments to the "Procedures for Acquisition or Disposal of Assets"</p> <p>8. Amendments to the "Procedures for engaging in derivatives trading."</p> <p>9. Amendments to the "Internal Control System – Information System Processing Cycle" of the Company.</p> <p>10. "Statement of the Internal Control System" in 2022</p> <p>11. Proposal of pre-approving the provision of non-assurance services by CPAs, their firms and</p>	<p>√</p>	<p>All independent directors present in the audit committee meeting approved the resolution without objection.</p>	<p>All directors present approved the resolution without objection.</p>

Audit Committee	Content of the motion(s)	Matter under Article 14-5 of the Securities and Exchange Act	Outcomes of audit committee resolutions	Measures taken by the Company based on the opinions of the audit committee
	affiliates to the Company and subsidiaries. Please proceed to discuss.			
2023.04.28	<p>1. The Company’s consolidated financial statements for Q1 2023.</p> <p>2. Proposal for the 2022 earnings distribution of the Company.</p> <p>3. Amendments to certain articles of the “Articles of Incorporation” of the Company.</p> <p>4. Check if eligible accounts receivable and amounts other than accounts receivable a fund loaning to others.</p> <p>5. The Company proposed to provide guarantee for a bank loan to Miyabi Technology Co., Ltd., the investee, and negotiated a financing line with the various financial institutions.</p> <p>6. The Company proposed to provide guarantee for a bank loan to Miyabi Technology (Zhenjiang) Limited, the indirect investee of the Company, and negotiated a financing line with Bank SinoPac (China) Nanjing Branch.</p> <p>7. Evaluation of the independence and suitability of the Company's CPAs for 2023 and the appointment of these CPAs</p>	<p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p>	All independent directors present in the audit committee meeting approved the resolution without objection.	All directors present approved the resolution without objection.
2023.08.11	<p>1. The Company’s consolidated financial statements for Q2 2023.</p> <p>2. The Company plans to increase the amount of credit facilities from various financial institutions for the purpose of business turnover.</p> <p>3. Check if eligible accounts receivable and amounts other than accounts receivable a fund loaning</p>	<p>√</p> <p>√</p> <p>√</p>	All independent directors present in the audit committee meeting approved the resolution without	All directors present approved the resolution without objection.

Audit Committee	Content of the motion(s)	Matter under Article 14-5 of the Securities and Exchange Act	Outcomes of audit committee resolutions	Measures taken by the Company based on the opinions of the audit committee
	<p>to others.</p> <p>4. Proposed capital expenditure for the acquisition of additional equipment.</p> <p>5. Amendment to the internal control system and related regulations.</p> <p>6. The Company proposed to provide guarantee for a bank loan to Miyabi Technology Co., Ltd., the investee, and negotiated a financing line with the various financial institutions.</p> <p>7. Lending of funds to a subsidiary of the Company, RHOSON CORPORATION</p>	<p>√</p> <p>√</p> <p>√</p>	objection.	
2023.11.09	<p>1. The Company's consolidated financial statements for Q3 2023.</p> <p>2. The Company plans to increase the amount of credit facilities from various financial institutions for the purpose of business turnover.</p> <p>3. Check if eligible accounts receivable and amounts other than accounts receivable a fund loaning to others.</p> <p>4. Proposed capital expenditure for the acquisition of additional equipment.</p> <p>5. Amendment to the "Regulations Governing the Financial and Operational Transactions With Related Parties" and internal control system</p> <p>6. Establishment of the Company's "Internal Audit Plan" for fiscal year 2024.</p> <p>7. The Company proposed to provide guarantee for a bank loan to Miyabi Technology Co., Ltd., the investee, and negotiated a financing line with the various</p>	<p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p>	All independent directors present in the audit committee meeting approved the resolution without objection.	All directors present approved the resolution without objection.

Audit Committee	Content of the motion(s)	Matter under Article 14-5 of the Securities and Exchange Act	Outcomes of audit committee resolutions	Measures taken by the Company based on the opinions of the audit committee
	financial institutions. 8. The Company intends to buy or sell equipment from its subsidiaries 9. Proposal of the Company to reinvest in the establishment of a new company	√ √		
2024.03.07	1. Distribution of 2023 employees' compensation and remuneration to directors. 2. The Company's 2023 business report and financial statements (parent company only financial statements and consolidated financial statements). 3. The Company plans to increase or negotiate the amount of credit facilities from or with various financial institutions for the purpose of business turnover. 4. Check if eligible accounts receivable and amounts other than accounts receivable a fund loaning to others. 5. The Company proposed to provide guarantee for a bank loan to Miyabi Technology Co., Ltd., the investee, and negotiated a financing line with the various financial institutions. 6. The Company proposed to provide guarantee for a bank loan to RHOSON CORPORATION, the investee, and negotiated a financing line with the financial institutions. 7. Proposed capital expenditure for the acquisition of additional equipment. 8. Capital expenditures for the Company's subsidiary, Ability opto-Electronics Technology (Vietnam) Co., Ltd. to purchase	√ √ √ √ √ √ √	All independent directors present in the audit committee meeting approved the resolution without objection.	All directors present approved the resolution without objection.

Chief Auditor shall attend the Company’s Board of Directors meeting to submit reports on audit operations and strengthen the audit procedures in accordance with the recommendations made by the Audit Committee.

- (2) The chief auditor submits the audit report and follow-up report to the audit committee for review by the end of next month after the audit report is completed, and the audit committee has no objection.
- (3) The CPAs attend the Company’s board of directors’ meetings on a regular basis to provide additional information on the audit or review results for the current quarterly financial statements. Also, CPAs meet with independent directors on an annual basis to communicate on key auditing matters and annual audit plan, corporate governance presentation and communication report, and to draw up a plan based on the recommendations and audits made by the independent directors. The Company was aware of and has followed these plans.

Communication between independent directors and auditors

Date	Items to communicate	Independent Directors’ recommendations and results
2023/03/23	1. Implementation of the audit plan in Q4 2022. 2. Defect tracking report. 3. Review of the Statement of the Internal Control System. 4. Amendments to the internal control system.	The independent directors should continue to keep track of the deficiencies.
2023/04/28	1. Implementation of the audit plan in Q1 2023. 2. Defect tracking report.	The independent directors should continue to keep track of the deficiencies.
2023/08/11	1. Implementation of the audit plan in Q2 2023. 2. Defect tracking report. 3. Amendments to the internal control system.	The independent directors should continue to keep track of the deficiencies.
2023/11/09	1. Implementation of the audit plan in Q3 2023. 2. Defect tracking report. 3. Review of the 2024 audit plan. 4. Amendments to the internal control system.	The independent directors should continue to keep track of the deficiencies.
2024/03/07	1. Implementation of the audit plan in Q4 2023. 2. Defect tracking report. 3. Review of the Statement of the Internal Control System. 4. Amendments to the internal control system.	The independent directors should continue to keep track of the deficiencies.

Communication between independent directors and CPAs

The CPAs shall report to the independent directors at least once a year on the financial condition and overall operation of the Company and its domestic and overseas subsidiaries, as well as on internal control audits. In addition, CPAs shall make adequate explanation to the independent directors regarding the impact of the amendments to the laws and regulations on the financial statements.

Date	Items to communicate	Independent Directors' recommendations and results
March 23, 2023 Audit Committee	2022 financial statement	The independent directors expressed the contents but did not make any other recommendations to the CPAs.
April 28, 2023 Audit Committee	2023 Q1 financial statement	The independent directors expressed the contents but did not make any other recommendations to the CPAs.
August 11, 2023 Audit Committee	2023 Q2 financial statement	The independent directors expressed the contents but did not make any other recommendations to the CPAs.
November 9, 2023 Audit Committee	2023 Q3 financial statement	The independent directors expressed the contents but did not make any other recommendations to the CPAs.

(III) Information on the participation in board meetings by the supervisors: The Company has established the Audit Committee, responsible for carrying out the responsibilities of the supervisors stipulated by the relevant laws and regulations.

(IV) Implementation Status and Deviations from the Corporate Governance Best-Practice

Principles for TWSE/TPEX Listed Companies and the Reasons.

Evaluation item	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
I. Has the Company established and disclosed its Corporate Governance Best-Practice Principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	√		The Company has established “Corporate Governance Best-Practice Principles,” which has been disclosed on the Market Observation Post System and the Company’s website.	No material difference.
II. Shareholding Structure and Shareholders’ Rights				
(I) Does the Company have Internal Operation Procedures for handling shareholders’ suggestions, concerns, disputes and litigation matters. If yes, have these procedures been implemented accordingly?	√		(I) The Company has designated staff to handle shareholders’ suggestions, questions and disputes.	The Company has complied with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
(II) Does the Company know the identity of its major shareholders and the parties with ultimate control of the major shareholders?	√		(II) The Company and the stock transfer agent keep a list of the Company’s major shareholders and the parties with ultimate control of the major shareholders on a regular basis.	The Company has complied with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
(III) Has the Company built and implemented a risk management system and a firewall between the Company and its affiliates?	√		(III)The Company has established “Operating Procedures for Transactions with Specified Companies, Group Enterprises and Related Parties” and has established written regulations based on the relevant regulations stipulated by the competent authority to clearly distinguish the responsibilities between the Company and its affiliates, and to establish a proper and comprehensive firewall mechanism based on risk assessment.	The Company has complied with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.

Evaluation item	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
(IV) Has the Company established internal rules prohibiting insider trading of securities based on undisclosed information?	√		(IV)The Company has “Procedures for the Prevention of Insider Trading” and “Regulations for Handling Material Information” to set out relevant rules and regulations.	There is no difference from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
III. Composition and responsibilities of the board of directors (I) Have a diversity policy and specific management objectives been adopted for the board and have they been fully implemented?	√		(I) On May 4th, 2017, the 12th term of board of directors resolved to establish the “Corporate Governance Best-Practice Principles” at the 2nd board meeting. The Principles include a policy of diversity in Chapter 3, “Strengthening the Functions of the Board of Directors.” The nomination and selection of the board directors is conducted in accordance with the Company’s Articles of Incorporation, adopting a candidate nomination system. In addition to evaluating the academic qualifications of each candidate, we also take into account the opinions from the stakeholders. We comply with the “Procedures for Election of Directors” and the “Corporate Governance Best-Practice Principles” to ensure the diversity and independence of the board members. The Board of Directors of the Company is composed of practicing attorneys, certified public accountants, financial professionals and owners of listed companies in various industries; the Board meets the operational development needs of the Company. For more information, please refer to “4. Diversity and Independence of the Board of Directors” on page 19 of the Annual Report.	None

Evaluation item	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
(II) Has the Company voluntarily established other functional committees in addition to the remuneration committee and the audit committee?		√	(II) In order to develop supervisory functions and strengthen management mechanisms, the Company will set up other functional committees in the future depending on the actual operational needs.	The Company has not yet formulated the plan and will follow the development needs of the Company and the law in the future.
(III) Has the Company established rules and methodology for evaluating the performance of its Board of Directors, implemented the performance evaluations on an annual basis, and submitted the results of performance evaluations to the board of directors and used them as reference in determining salary/compensation for individual directors and their nomination and additional office terms?	√		(III)The Company has established the Regulations for Evaluating the Performance of the Board of Directors and the method of its evaluation, and will report the results to the Board of Directors.	
(IV) Does the Company regularly evaluate its external auditors' independence?			(IV)The Audit Committee of the Company evaluates the independence and suitability of its subordinate CPAs every year. In addition to requiring CPAs to provide "Detached Declaration of independence" and "Audit Quality Indicators (AQIs)", the assessment is conducted in accordance with the standards and AQIs specified in Note 3. It was confirmed that the CPAs have no other financial interests or business relationships with the Company, except for the expenses of audit and taxation cases, and that the CPA's family members do not violate	There is no difference from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.

Evaluation item	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
			the independence requirements. AQI information was also used to confirm that the CPA and the firm have more experiences in audit than the average industry standard. The evaluation results of the most recent year were discussed and approved by the Audit Committee on April 28, 2023, and were submitted to the Board of Directors' resolution on April 28, 2023 to evaluate the independence and suitability of the CPAs.	
IV. Does the TWSE/TPEX listed company have in place an adequate number of qualified corporate governance officers and has it appointed a chief corporate governance officer with responsibility corporate governance practices (including but not limited to providing information necessary for directors and supervisors to perform their duties, aiding directors and supervisors in complying with laws and regulations, organizing board meetings and annual general meetings of shareholders as required by law, and compiling minutes of board meetings and annual general meetings)?	√		<p>The Company may set up a full- (or part-) time corporate governance unit or personnel to be in charge of corporate governance affairs and designate a senior officer to be in charge of supervision. Said officer shall be a qualified lawyer or accountant or have at least three years' management experience gained at a public company in handling legal affairs, financial affairs, stock affairs, etc.</p> <p>Handling matters relating to board, audit committee, remuneration committee, and shareholders' meetings according to laws; assisting in onboarding and continuous development of directors; furnishing information required for business execution by directors, and assisting directors with legal compliance.</p> <p>The status of the company's implementation of corporate governance in 2023:</p> <p>1. Reporting to the board of directors, directors, and the functional committees on the status of corporate governance practices and making sure that shareholders and board meetings are called in compliance with the applicable</p>	There is no difference from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.

Evaluation item	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
			<p>regulations and corporate governance principles.</p> <p>2. Established the annual work plan and meeting agenda for the board of directors and functional committees, and prepared legislative proceedings. Invited suggestions from directors prior to a board meeting to facilitate preparation of the meeting agenda, and giving a minimum of 7-day notice to all directors to attend a meeting by email and providing sufficient materials for the directors to familiarize themselves with the contents of the meeting. Gave prior notice to the individuals involved where there were items involving stakeholder interest and requiring recusal. Hold four board meetings and four audit committee meetings in 2023.</p> <p>3. Inspecting the disclosure of material information passed by the board of directors after a board meeting or shareholders' meeting in order to ensure the legality and accuracy of said material information and protect parity of investor information.</p> <p>4. Keeping board members informed of latest changes and developments in laws and regulations relevant to the Company's field and regarding corporate governance.</p> <p>5. Providing the directors with necessary company information; maintaining an open communication channel between the directors and the department heads.</p> <p>6. Registered shareholders' meeting date within the period stipulated by law (for 2023 shareholders' meeting, the date was June 14) and assisted in running the meeting.</p> <p>7. Arranged 6 hours of education and training for the directors.</p> <p>8. Arranged communication between independent directors and internal</p>	

Evaluation item	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
			auditors/CPAs during audit committee meetings.	
V. Has the Company established channels for communicating with its stakeholders (including but not limited to shareholders, employees, customers, and suppliers) and created a stakeholders section on its company website? Does the Company appropriately respond to stakeholders' questions and concerns on important corporate social responsibility issues?	√		<p>The Company has established a communication channel with its stakeholders by setting up a stakeholder zone on the Company's website and disclosing the contact information and methods of contact for stakeholders to allow them to communicate and exchange information on CSR issues they are concerned about. The Company also learns the expectations of its stakeholders through interaction with them and provides explanations in response.</p> <p>In the Company, the Company's internal website provides the contact person and contact information for whistleblowing and complaints, in addition to hosting quarterly labor-management meetings. For employees' suggestions or feedback, there are designated personnel from each responsible unit to handle these suggestions.</p> <p>Externally, the contact information of spokesperson, acting spokesperson and shock transfer agent is disclosed on the Company's website to allow stakeholders to submit and reflect their opinions or inquiries in writing, by phone or by email at any time.</p> <p>The Company's website has a product service hotline to offer customers the opportunity to ask questions about our products.</p>	There is no difference from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
VI. Has the Company appointed a professional shareholder services agent to handle matters related to its shareholders' meetings?	√		The Company has appointed a stock transfer agent to handle the affairs of the shareholders' meeting.	The Company has complied with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
VII. Information Disclosure				

Evaluation item	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
(I) Has the Company established a corporate website to disclose information regarding its financials, business, and corporate governance status?	√		(I) The Company's financial and business information is disclosed on the Market Observation Post System and the Company's website at http://www.aoet.com.tw as required by law.	The Company has complied with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
(II) Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing a spokesperson, and webcasting investors conference)?	√		(II) The company has a website in both English and Chinese languages to provide information related to the Company and has a person responsible for the collection of information and has a spokesperson.	The Company has complied with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
(III) Does the company publish and report its annual financial report within two months after the end of the fiscal year, and publish and report its financial reports for the first, second, and third quarters as well as its operating statements for each month before the specified deadlines?		√	(III)The Company shall publish and report the annual financial report (within three months), the first, second and third quarterly financial reports (within 45 days) and the monthly operating statements (by the 10th day of each month) within the period stipulated in Article 36 of the Securities and Exchange Act.	There are some minor deviations from the provisions of the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, but it is still in compliance with the Securities and Exchange Act.
VIII.Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' continuing education, the implementation of risk management policies and risk evaluation standards, the implementation of customer	√		(I) The Company's business philosophy is quality, speed, professionalism, service, innovation and flexibility. We treat our employees with honesty and trust, and provide various employee benefits in accordance with the Labor Standards Act, and have set up an employee welfare committee. (II) Information on the continuing education of directors and independent directors: Please refer to (9) Other important information to enhance the understanding of the operation of corporate governance.	The Company has complied with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.

Evaluation item	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
relations policies, and purchasing liability insurance for directors and supervisors)?			(III)Where the Company has purchased liability insurance for directors and supervisors: The Company has purchased liability insurance for its directors and supervisors.	
IX. Please describe improvements that have already been made based on the Corporate Governance Evaluation results released for the most recent fiscal year by the Corporate Governance Center, Taiwan Stock Exchange, and specify the priority enhancement objectives and measures planned for any matters still awaiting improvement.	√		The Company will continue to improve on each rating indicator, with priority given to improving the continuing education for directors and supervisors.	Continuously improving

Note 1: Please refer to the “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies” issued by the Taiwan Stock Exchange for information on directors and supervisors’ continuing education.

Note 2: The Corporate Governance Self-Evaluation Report refers to the report on the current operation and implementation status of the Company under each of the corporate governance self-evaluation items as evaluated and explained by the Company itself.

Note 3: Criteria for assessing the suitability and independence of accountants.

Evaluation item	Results	Comply with independence
Aspect 1: Professionalism		
1. Do the senior auditors have sufficient audit experience to perform the audit?	Yes	Yes
2. Do the CPAs and senior auditors have received sufficient education and training each year to continuously acquire professional knowledge and skills?	Yes	Yes
3. Does the firm maintain sufficient senior human resources?	Yes	Yes
4. Does the firm maintain sufficient professionals to support the investigation team?	Yes	Yes
Aspect 2: Quality Control		
1. Is the workload of the CPA too heavy?	Yes	Yes
2. Check if the input of the team members in each stage of the audit is appropriate.	Yes	Yes
3. Do the CPAs of EQCR put in sufficient hours to perform the review of the audit cases?	Yes	Yes

4. Does the firm have sufficient quality control manpower to support the audit team?	Yes	Yes
Aspect 3: Independence		
1. Whether the CPA has direct or indirect substantial financial interest with the Company	No	Yes
2. Whether the CPA has engaged in financing or guarantees with the Company or the directors of the Company	No	Yes
3. Whether the CPA has a close business relationship and potential employment relationship with the Company	No	Yes
4. Whether the non-assurance service which performed by the CPA for the Company that would affects directly a material item of the assurance engagement	No	Yes
5. Whether the CPA is having a relative or immediate family member who is a director, officer of the Company or an employee of the Company who is in a position to exert significant influence over the subject matter of the engagement	No	Yes
6. Do the CPAs act as brokers for the shares or other securities issued by the Company?	No	Yes
7. Does the accountant act as the defender of the Company or coordinate on behalf of the Company with other third parties in the conflict?	No	Yes
Aspect 4: Supervision		
1. Does the firm's quality control and audit cases are in compliance with relevant laws and standards?	Yes	Yes
Aspect 5: Innovation capability		
1. In order to improve audit efficiency and ensure audit quality, whether the firm has the ability to innovate, execute concrete plans and actively implement them.	Yes	Yes

(5) The composition, duties, and operation of the Remuneration Committee:

1. Information on the members of the Remuneration Committee

December 31, 2023

Qualifications		Professional qualifications and <u>experience</u> (Note 2)	Independence analysis (Note 3)	Number of other public companies at which the person concurrently serves as a remuneration committee member
Capacity (Note 1)	Name			
Independent Director	Yung-Jen Tsao	Please see page 14 of 3.	(1) Not an employee of the company or any of its affiliates.	3
Independent Director	Wei-Chun Chen	Disclosure of Information Regarding the	(2) Not a director or supervisor of the Company or any of its affiliates.	None

Independent Director	Yung-Jui Chen	Professional Qualifications and Experience of Directors and Supervisors and the Independence of Independent Directors	<p>(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.</p> <p>(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.</p> <p>(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act.</p> <p>(6) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company.</p> <p>(7) Not a director (managing director), supervisor, or employee of another company or institution where the Chairman, the President, or person holding an equivalent position of the Company and a person in an equivalent position at another company or institution are the same person or are spouses.</p> <p>(8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.</p> <p>(9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received compensation, or a spouse thereof.</p> <p>(10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.</p>		None
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2. Operation of the Remuneration Committee

(1) The Company's remuneration committee has a total of three members.

(2) The term of the current members is from June 22, 2022 to June 21, 2025. The number of remuneration committee meetings held in the most recent fiscal year (2023) was: 3 (A). The qualification and attendance by the members was as follows:

Job Title	Name	No. of meetings attended in person (B)	No. of meetings attended by proxy	In-person attendance rate (%) (B / A) (Notes)	Remarks
Convener	Yung-Jen Tsao	3	0	100%	
Member	Wei-Chun Chen	3	0	100%	
Member	Yung-Jui Chen	3	0	100%	

Other information required to be disclosed:

- I. If the board of directors does not accept, or amends, any recommendation of the remuneration committee, specify the board meeting date, meeting session number, content of the recommendation(s), the outcome of the resolution(s) of the board of directors, and the measures taken by the Company with respect to the opinions given by of the remuneration committee (e.g. if the salary/compensation approved by the board is higher than the recommendation of the remuneration committee, specify the difference(s) and the reasons): None.
- II. With respect to any matter for resolution by the remuneration committee, if there is any dissenting or qualified opinion of a committee member that is on record or stated in writing, specify the remuneration committee meeting date, meeting session number, content of the motion, the opinions of all members, and the measures taken by the Company with respect to the members' opinion: None.
- III. Matters discussed by the Remuneration Committee, the result of the resolution and the measures taken by the Company with respect to the members' opinion:

Remuneration Committee	Content of motion and subsequent action	Result of the resolution	Measures taken by the Company based on the opinions of the Remuneration Committee
2023.1.18	1. Review the year-end bonus distribution for managers and employees' compensation for the year 2022	Approved by all members of the committee	Submitted to the board of directors and approved by all directors present at the meeting
2023.3.23	1. Review the proposal of 2022 remuneration to directors. 2. Review the 2022 distribution of employee bonuses.	Approved by all members of the committee	Submitted to the board of directors and approved by all directors present at the meeting
2023.8.11	1. Review the proposal of 2022 remuneration to directors.	Approved by all members of the committee	Submitted to the board of directors and approved by all directors present at the meeting

- (6) Information on Members and the Operation of the Nomination Committee: It is not applicable because the Company does not establish nomination committee.

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

Evaluation item	Implementation status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
I. Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the board of directors authorized senior management to handle related matters under the supervision of the board?	√		In accordance with the Company's sustainability policy and vision, the Sustainable Development Committee was established in 2024 as the Company's highest sustainable development decision-making center. The committee's top and bottom integration and horizontal cross-department communication are carried out. Chaired by the chairman, the Committee works with senior executives in numerous different fields to jointly review sustainable corporate operations, and formulate short-, medium-, and long-term climate risk response and sustainable development goals. The main contents include the organization's core capabilities, the purpose and basis for establishing sustainable development, considering the cross-departmental coordination, cooperation and resource integration involved in sustainable development business promotion, as well as the preparation of sustainable development departmental budget planning, implementation of annual plan and full implementation evaluation. Sustainability policies are implemented through corporate governance, sustainable environment, social welfare, and sustainable information disclosure. The timeline is promoted by each topic in each quarterly meeting, and the implementation results are reported to the Board of Directors. The Board of Directors also frequently reviews the progress of	There's no deviation from the sustainable development best-practice for TWSE/TPEX listed companies.

			strategies, and provides feedback for appropriate adjustment, in order to deepen the sustainable governance culture of listed companies and improve the transparency of sustainability information, so as to accelerate the realization of the goal of sustainable development.	
II.	Does the company conduct risk assessments of environmental, social and corporate governance (ESG) issues related to the company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies? (Note2)	√	With reference to TCFD Climate Risk Identification, and Corporate Governance Theory and Regulations, and focusing on the Company's environmental and social governance, material identification output impact matrix is selected depending on the stakeholders to convert the risks and opportunities into minimization to calculate the probability and present the probability in the Corporate Sustainability Report.	There's no deviation from the sustainable development best-practice for TWSE/TPEX listed companies.
III.	Environmental Issues			
(I)	Has the Company set an environmental management system designed to industry characteristics?	√	(I) The Company continues to operate the ISO14001 environmental management system, regularly audits external institutions every year, and continues to improve and fulfill its environmental protection responsibilities, and establish and maintain environmental protection awareness.	There is no difference from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies.
(II)	Does the Company endeavor to use energy more efficiently and to use renewable materials with low environmental impact?	√	(II) The Company actively contributes to environmental protection such as greening, energy saving, waste reduction, and waste sorting, and has established the "Labor Safety and Health Work Rules" to protect the employees' work safety. The Company uses the green energy to reduce the scope of environmental impact to adapt to green power transmission by the government. The Company is not in a highly polluting industry or carbon emission industry. It strongly implements resource recycling to fully reduce the impact to the environment caused by process waste and maximize malleability.	
(III)	Has the Company evaluated the potential risks and opportunities posed by climate change for its business now and in the future and adopted relevant measures to address them?	√	(III) The Company sets the short, medium and long-term climate goals, threats and opportunities and presents them in the report. The Company also	

<p>(IV) Did the company collect data for the past two years on greenhouse gas emissions, volume of water consumption, and the total weight of waste, and establish policies for greenhouse gas reduction, reduction of water consumption, or management of other wastes?</p>	<p>√</p>	<p>formulates energy-saving and carbon-reduction strategies based on the impact from its operating activities and promotes various energy-saving measures, such as turning off lights and going paperless, to reduce the impact on the natural environment from the Company's operations.</p> <p>(IV) The company facilities completed the ISO 14064-1 verification for Scopes 1, 2, and 3 in 2022 and 2023. The Company's quantification principle is based on the emission coefficient method for greenhouse gas calculation. The formula is as follows: $GHC = \text{activity data} * \text{emission coefficient} * \text{IPCC 2021 global warming coefficient}$. The greenhouse gas emission sources vary, the unit must be converted into kilogram, liter and degree. The Company also uses the Greenhouse Gas Emission Coefficient Management Table version 6.04 published by the Climate Change Administration, Ministry of Environment, Executive Yuan, the latest electricity coefficient announced by the Bureau of Energy, and the Carbon Footprint Information Platform as the source of emission coefficients. The calculation process is based on the data published in AR6 by IPCC in 2021, the Greenhouse Gas Inventory Registration Form 3.0.0 of the Climate Change Administration, Ministry of Environment, Executive Yuan for reliable data in the source for quantification, and the industrial development carbon emission system of the Ministry of Economic Affairs. All calculation results are unified into CO2 equivalent calculation. The unit of calculation is metric tons/year, and the emission source is company car. The calculation method first converts the annual gasoline consumption from liter to kiloliter, then adds up CO2, CH4, and N2O separately and it is used for selection and collection of the data used for quantification based on ISO 14064:2018. The organization shall identify the gathered data of each greenhouse gas source and greenhouse gas classified into into direct and indirect emissions and removals, and document the data. The organization shall select and use the quantification method that can reduce uncertainty, and produce accurate, consistent and measurable results. Convert each greenhouse gas amount into tons of carbon dioxide equivalent (CO2e) using appropriate Global Warming Potentials (GWPs), and convert it into the latest Global Warming Potentials (GWPs) released by Intergovernmental Panel on Climate Change (IPCC). When recording the greenhouse gas emissions in the emission inventory, the total emissions shall be expressed in metric tons of</p>	
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CO2e to the third decimal place or scientific notation. If the direct or indirect greenhouse gas emissions or removals during the quantification process are below the exclusion threshold, business enterprises may directly cite the emissions from the first year or the most recent year. Fugitive emissions sources are refrigerators, drinking fountains, fire extinguishers and air-conditioning, the median value of the IPCC emission factor was used, and a base year greenhouse gas inventory was prepared that is consistent with the terms of this standard. If the organizational boundary has been changed, field or structural change occurred, the calculation method or emission coefficient has been changed, or the error exceeds the significance threshold, the data will be updated and calculated again according to the new situation, and will be explained in a document.

Type of emissions	Greenhouse gas emissions in 2022 (ton CO2e)	Greenhouse gas emissions in 2023 (ton CO2e)
Scope 1 direct emissions	23.4548	32.3288
Scope 2 indirect emissions from purchased energy	12180.9600	11402.9874
Scope 1 and Scope 2	12204.415	11435.307

The Company examines the data for the past two years on greenhouse gas emissions, volume of water consumption, and the total weight of waste, establishes policies for greenhouse gas reduction, reduction of water consumption, or management of other wastes, refers to TCFD, and strives for the medium and long-term goals.

Schedule	Short-term 2023 - 2025	Long-term 2026 - 2030	Long-term 2031 - 2050
Execution target	<u>Greenhouse gas policy and governance framework:</u> Reduce Scope 1 and Scope 2	<u>Greenhouse gas policy and governance framework:</u> Reduce Scope 1 and Scope 2	<u>Greenhouse gas policy and governance framework:</u> Reduce Scope 1 and Scope 2

				emissions by 8.4% Reduce Scope 3 emissions by 5% and execute voluntary inventory in advance <u>Water policy and governance framework:</u> Up to 50% water recycled for plant operations Reduce water intake by 5% <u>Recycling and waste policy and governance framework:</u> Reduce waste by 5% Increase the use of recycled packaging materials by 5% <u>Electricity and renewable energy supply policy and governance framework:</u> Use 10% of green electricity (self-installed and externally purchased)	emissions by 30% Reduce Scope 3 emissions by 15% Deployment of green energy official cars <u>Water policy and governance framework:</u> Up to 80% water recycled for plant operations Reduce water intake by 10% Use collected and recycled rainwater <u>Recycling and waste policy and governance framework:</u> Reduce waste by 15% Use 15% more recycled packaging materials <u>Electricity and renewable energy supply policy and governance framework:</u> Use 50% of green electricity (self-installed and externally	emissions by 50% Reduce Scope 3 emissions by 50% Use green energy company cars Commercial use of recycled aviation fuel <u>Water policy and governance framework:</u> Water recycling rate reaches 85% Reduce water intake by 35% Use collected and recycled rainwater <u>Reuse, recycling, and waste policy and governance framework:</u> Waste reduction by 45% Increase the use of recycled packaging materials by 45% <u>Electricity and renewable energy supply policy and governance framework:</u> Use 100% of green electricity (self-installed and	
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			Reduce environmental footprint	purchased) Reduce environmental footprint Product life cycle assessment	externally purchased) Reduce environmental footprint Product life cycle assessment Carbon neutrality	
<p>III. Social Issues</p> <p>(I) Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?</p>	√	<p>(I) The Company has established various management policies and procedures in accordance with the labor laws and regulations and international bills of human rights, the Company takes the human rights and interests of employees as its highest priority.</p> <p>The Company establishes and discloses human rights protection policies and concrete management plans with reference to the international human rights covenant (RBA) (human rights assessment, human rights risk mitigation measures, related education and training, and sustainable talent development, etc.). The Company has established various management policies and procedures in accordance with relevant laws and regulations and international human rights covenant, and proposes the promotion of the corporate human rights policy statement. In addition, the Company assesses the impact of the Company's operating activities and internal management on human rights, and formulates corresponding procedures:</p> <ol style="list-style-type: none"> 1. Regularly review the effectiveness of the corporate human rights policy or statement. 2. When human rights violations are involved, the Company shall disclose the procedures for handling the stakeholders involved. 3. Enforce global recognized work rights and freedom of association, such as 	<p>(I) There is no difference from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies.</p> <p>(II) There is no difference from the Corporate Social Responsibility Best-Practice</p>			

<p>(II) Has the Company established and implemented reasonable employee welfare measures (include salary/compensation, leave, and other benefits), and are business performance or results appropriately reflected in employee salary/compensation?</p>	√	<p>the right to collective bargaining, care for the socially disadvantaged, prohibition of child labor, elimination of forced labor, and elimination of employment discrimination. The Company shall also ensure that its human resource policies are free of discrimination and differential treatment whether in terms of gender, ethnicity, social status, age, marital status or family background, so as to promote fairness in recruitment, employment terms, compensation, benefits, training, performance assessment and promotion opportunities.</p> <p>4. Provide an effective and appropriate grievance mechanism to ensure confidentiality, equality, clearness, convenience, and smoothness of the grievance process, and respond to any employee's grievance in an appropriate manner.</p> <p>5. Provide safe and healthful work environments for employees, including necessary health and first-aid facilities and shall endeavor to curb dangers to employees' safety and health and to prevent occupational accidents.</p> <p>6. Respect the employee representatives' rights to bargain for the working conditions, and provide the employees with necessary information and hardware equipment, in order to improve the negotiation and cooperation among employers, employees and employee representatives.</p> <p>7. Establish measurable goals for sustainable human rights, and regularly examine whether the development of such goals should be maintained and whether it is still relevant, and examine relevant concrete plans or action plans. Regularly review the effectiveness of their implementation at meetings.</p> <p>(II) The starting salary for new employees in the Company is the same for both men and women, and there is no difference in gender. Every year, the Company takes into account the individual's performance and the individual's contribution as the basis for salary adjustment, variable bonuses, dividends, and many other bonuses. The Company also has a complete grade and ranking system, which is applicable to both male and female employees without any discrepancy, and organizes employee outings from time to time. Employees with outstanding performance have the opportunity for promotion. Bonuses and compensation are highly correlated with individual performance.</p>	<p>Principles for TWSE/TPEX Listed Companies.</p> <p>(III) There is no difference from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies.</p> <p>(IV) There is no difference from</p>
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<p>(III) Does the Company provide employees with a safe and healthy working environment, and implement regular safety and health education for employees?</p>	<p>√</p>	<p>(III) The Company is committed to providing a safe and healthy working environment for its employees. Safety and health education is implemented regularly through new employee orientation and pre-job and on-the-job education and training opportunities. The Company provides health checkups every year to care for the health of employees and health checkups by factory physicians.</p> <p>1. The Company's measures and education and training on safe and healthy work environment:</p> <p>(1) Safety:</p> <p>A. Emergency eye rinse station: Emergency treatment can be used when employees come into contact with chemicals by mistake, to protect the safety of employees.</p> <p>B. On-site operating environment monitoring: The Company engages a third party in the first and second half of the year to conduct operating environment monitoring. The measured data is used to determine whether the operating environment has any effect on the health of employees.</p> <p>C. Protective equipment: Provide the required protective equipment to minimize the risk to employees during operations.</p> <p>D. The equipment is equipped with an emergency stop switch: in case of an emergency, the equipment or devices can be stopped immediately to ensure the safety of employees while working.</p> <p>(2) Education and training:</p> <p>(a) Environment: cherish resources, properly sort garbage, recycle and reuse, and jointly maintain the ecological environment, so that there is no harm to living things and the food chain.</p> <p>(b) Orientation for new recruits: Before starting work, newcomers must complete the orientation (3 hours) to understand the potential risks of the Company's environment, equipment, devices and tools and reduce risks to make sure that people, venues and objects are safe and sound.</p> <p>(c) On-the-job education and training: Employees spend 2 hours per year to review and familiarize with relevant laws and regulations, internal regulations and SOP specifications, so that employees can effectively control the amendments to laws and regulations or management measures, and minimize risk.</p>	<p>the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies.</p> <p>(V) There is no difference from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies.</p> <p>(VI) There is no difference from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX</p>
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<p>(IV) Has the Company established effective career development training programs for employees?</p>	<p>√</p>	<p>(d) Emergency response training: The Company conducts emergency response training every six months. Whether it is firefighting, evacuation, escape, etc., employees are provided with professional knowledge and drills. Therefore, there are traces to follow for emergencies, avoiding panic, improving safety factor, and minimizing disaster losses.</p> <p>(3) Health:</p> <p>A. The Company has assigned occupational health nurse who can assist and consult employees with regard to their health and illness knowledge as well as their physical and mental maintenance in a timely manner.</p> <p>B. The Company has also signed contracts with medical institutions to have licensed physicians visit the factory for four hours a month to provide employees with medical consultations and suggestions on physical and mental wellness, so as to ensure their physical and mental health.</p> <p>(4) Implementation status: implemented in 2023:</p> <p>A. 52 occupational safety training sessions</p> <p>B. 52 environmental safety training sessions</p> <p>C. 2 emergency response drills</p> <p>2. In 2023, all plants in Taiwan and overseas were certified for "ISO 14001" in accordance with local laws and regulations or customer requirements.</p> <p>3. There were 20 occupational disasters and 20 employees affected by the occupational disasters in 2023, accounting for 0.026% of the total number of employees. Related improvement measures:</p> <p>a. Promote the traffic safety videos and knowledge.</p> <p>b. Review the basic cause, direct cause, and indirect cause of the incident, and then discuss ways of improvement and preventive measures for recurrence, such as modifying the SOP or changing the manufacturing process.</p> <p>4. There were no fire incidents, no casualties in 2023, and related improvement measures in response to fire: Refer to the above-mentioned emergency response training.</p> <p>(IV)</p> <p>In order to provide our staff with professionalism and development opportunities, we organize internal training courses and provide external professional training from time to time. In addition to cultivating employees' abilities, the Company also maximizes employee training.</p>	<p>Listed Companies.</p>
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<p>(IV) Does the company comply with the relevant laws and international standards with regards to customer health and safety, customer privacy, and marketing and labeling of products and services, and implement consumer protection and grievance policies?</p>	√	<p>(V) The Company controls customer and marketing security privacy through privacy control in the internal server, and updates information security and information availability from time to time. Regardless of system architecture or software and hardware implementation, the Company implements robust information security mechanisms to increase operational resilience.</p>	
<p>(VI) Has the company formulated supplier management policies requiring suppliers to comply with relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and what is the status of their implementation?</p>	√	<p>(VI) In order to ensure the work environment safety and human rights in the supply chain, implement a green supply chain and comply with ethical standards, the Group has formulated a supplier code of conduct, requiring suppliers, contractors, and service providers to jointly abide by the three principles, and abide by local laws and regulations where their company is located. The Company has implemented supplier risk assessment and mechanism in 2023, and there have been no violations or material incidents. Starting from 2024, the Company will conduct surveys on the sustainability standards and promote the sustainability due diligence RAB on suppliers to implement sustainability requirements into the daily management of the supply chain, and observe the following sustainable supply chain management as the basis for collaboration. <u>Suppliers' environmental responsibilities:</u> 1. Permit and report of the environment located All required environment-related permits (such as ISO14001), approval and registration documents, as well as maintenance and renewal documents shall be obtained, and the operation and requirements of the permits shall be complied with. 2. Pollution prevention and resource conservation Execute prevention from the source, such as adding pollution control equipment and improving production, maintaining and maintaining facilities and procedures, or reducing or eliminating the discharge of pollutants and the generation of waste as much as possible. Or, implement balance diversity through the practice of improved production, maintenance and facility procedures, replacement of materials, and conservation of the depleting natural resources.</p>	

		<p>3. Identification of hazardous substances Identify, inspect, and manage chemical substances and waste that pose harm to human beings or the environment to ensure that these substances can be handled safely. This includes production, transportation, storage, use, recycling, waste, or reuse and disposal during the life cycle.</p> <p>4. Solid waste and material control: Comply with local laws and regulations and implement responsible recycling and measures as required by households.</p> <p>5. Greenhouse gas: Advocate audit or self-inspection of Scope 1 and Scope 2, and inspect Scope 3 when the capacity allows or in the next year, in order to understand the various substances emitted and their relative amounts. Enterprises conduct self-inspection to forge ahead to carbon footprint, life cycle management and intelligence integration.</p> <p>6. Energy management: As the Group has an electricity situation room, the power consumption of production lines is clear and transparent. However, not all of the suppliers use the electricity situation room to analyze the energy consumption or fully understand the energy consumption. Therefore, the Company starts with greenhouse gas inventory first and check product carbon footprint next to gain better access and understanding of the entire supply chain.</p> <p>7. Water resource management: Suppliers shall implement water conservation, collect water from areas without water stress, and make pollution control a top priority, and regularly inspect water quality and hydrogen ion concentration. Water use rate and water consumption rate must be converted for improvement.</p> <p><u>.Supplier's human rights responsibilities:</u></p> <p>1. Humane treatment Harsh and inhumane treatment of employees is prohibited, including any form of sexual harassment, sexual abuse or corporal punishment, mental or physical coercion and bullying, public humiliation and verbal abuse, and threats. It is suggested to convene regular gender equality committee meetings.</p> <p>2. Non-discrimination and equal access to human rights Women enjoy equal treatment and freedom of employment without discrimination based on gender. Employees are not harassed because of their skin color, race, or gender, or</p>	
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		<p>during recruitment or at work.</p> <p>Do not practice slavery or human trafficking or violate 3TG's related regulations in any way.</p> <p>3. Free choice of occupation</p> <p>The Company does not unreasonably restrict the freedom of movement of workers in the workplace. The Company publicizes the required information on benefits and rights in the native language of the worker's country, so that employees are all aware of their benefits and their respective responsibilities and interests.</p> <p>4. Freedom of association</p> <p>The Company does not restrict the rights of employees to collective bargaining and peaceful assembly. At the same time, the Company respects the employees' freedom of ideas and communication, and the Company promotes awareness information on personal safety.</p> <p><u>Supplier Code of Ethics:</u></p> <p>1. Integrity management</p> <p>Adhere to the highest standards of integrity and local laws and regulations in all business interactions to protect business dealing secrets.</p> <p>2. Transparency</p> <p>No unjustifiable bribery or illegal transfer of business. Purchase conflict-free minerals responsibly through an honest financial system and formulate all related avoidance of interests policies.</p> <p><u>Supply chain rating and responsive measures:</u></p> <p>.GOOD 90-100 Points</p> <p>Suggest an increase in purchase volume</p> <p>.SATISFACTORY 80-89 Points</p> <p>Maintain current operations but require suppliers to continue to strengthen management mechanisms</p> <p>.NEEDING IMPROVEMENT 70-79 Points</p> <p>For suppliers whose total score for the year is less than 80, audits and improvement guidance are provided. For suppliers whose total score is between 70 and 79 for two years in a row, the procurement volume ratio is discussed with the supply chain management team.</p> <p>.SIGNIFICANT DEFICIENCY Below 70 Points</p> <p>For suppliers whose total score for the year is less than 70, audits and improvement guidance are provided. For suppliers whose total score is less</p>	
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			<p>than 70 for two years in a row, the supply chain management team will discuss relevant measures such as stopping purchases or disqualifying qualified suppliers. The Company attaches great importance to the sustainable management of suppliers. The supplier management mechanism includes the evaluation of new suppliers, risk management of existing suppliers, reward and discipline, and guidance and improvement for suppliers. Joint commitment to maximize value is the organization's vision. The Company aims to reduce greenhouse gas emissions caused by long-distance transportation of raw materials, promote local employment opportunities and economic prosperity, and emphasize that the Company conducts 3TG-free procurement, and suppliers maintain human rights and legality regarding child labor-free policies. A score of 70 on the Supplier Self-Evaluation Scale is considered acceptable. The Company abides by the "Hazardous Substances and Related Process Procedures" for HSG rules. When signing a purchase agreement with a new supplier, the Company informs the supplier of "HSF Management Standard" for compliance, and request the supplier to confirm the newly added substances, and stamp and return the "Declaration of Non-use of Hazardous Substances" for conformity verification. For the sustainability requirements, we focus on the suppliers' environmental, social and corporate governance aspects. Our supplier management requirement policy primarily strives for reducing operating risk and impact and keeping track of the business operation anytime.</p>	
V.	Does the company refer to international reporting standards or guidelines when preparing its sustainability report and other reports disclosing non-financial information? Does the company obtain third party assurance or certification for the reports above?	√	<p>The Company has compiled the guidelines in accordance with the international GRI standards and TWSE indicators, followed TCFD for climate financial disclosure, referred to IFRS S1 and S2 as the reporting basis, and used the SDGs as a guideline.</p> <p>At present, the Company's capital does not require a third-party external verification. However, the report writer of the Company has passed the GRI INTOREPORT international certificate. In order to enhance the usability of the sustainability report, the certificate will pass the third-party verification for optimization based on regulations.</p>	The Company has established a Corporate Social Responsibility Best-Practice Principles. The Company plans to prepare its CSR report.
VI.	<p>If the Company has adopted its own sustainable development best-practice principles based on the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any deviation from the principles in the Company's operations:</p> <p>The Company has established a Corporate Social Responsibility Best-Practice Principles. The Company complies with the provisions of laws and regulations,</p>			

and promotes various CSR initiatives, taking into account the development trend in domestic and international corporate social responsibility, the Company's own and the Group's overall corporate operation activities.

VII. Other important information to facilitate better understanding of the company's promotion of sustainable development:

- (1) Cooperate with government regulations and programs: Provide labor and national health insurance for each employee and contribute to the pension fund; hire employees with physical and mental disabilities to secure their rights in accordance with the law.
- (2) Provide employment opportunities for local residents and give priority to employees from neighboring areas.
- (3) Emphasize the reduction of carbon emissions and vulnerability to climate change.
- (4) Adhere to the corporate governance management guidelines.
- (5) Support international sustainability initiatives and connections.
- (6) Follow the social pattern and sell to the circular economy model.
- (7) Strengthen corporate sustainability and context from a macro perspective.

(VII) Ethical Corporate Management – Implementation Status and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons:

Evaluation item	Implementation status		Summary description	Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No		
<p>I. Establishment of ethical corporate management policies and programs</p> <p>(I) Does the company have an ethical corporate management policy approved by its Board of Directors, and by-laws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?</p> <p>(II) Whether the company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates, within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to</p> <p>prevent unethical conduct with a scope no less than the activities prescribed in Article 7, paragraph 2 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPE Listed Companies?</p> <p>(III) Does the company clearly set out the</p>	√	√	<p>(I) The Company has established Ethical Corporate Management Best-Practice Principles and Procedures for Ethical Management and Guidelines for Conduct in 2017, which were approved by the Board of Directors as the ethical corporate management policies of all enterprises and organizations within the Group. The Company explicitly specifies prohibition and preventive measures on anti-corruption and bribery, confidentiality mechanism, anti-monopoly, unfair competition, insider trading ban, whistle-blowing, and other unethical conducts. In addition to the ethical management procedures and conduct guidelines approved by the Board of Directors, the Company actively promotes corporate integrity and integrity as the core value to prevent incidents of corruption. The Company has also established an employee code of conduct, which covers prevention of conflicts of interest, prohibition of working on other roles, avoidance of profit-seeking or</p>	<p>(I) There is no difference from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies.</p> <p>(II) There is no difference from the Ethical Corporate Management Best-Practice Principles for</p>

<p>operating procedures, behavior guidelines, and punishment and appeal system for violations in the unethical conduct prevention program, implement it, and regularly review and revise the plan?</p>	<p>√</p>	<p>improper transmission of benefits, fulfillment of confidentiality obligations, prevention of insider trading, implementation of fair trade and anti-trust/anti-competitive behavior, protection and appropriate use of company assets, compliance with laws and regulations, encouragement to report any illegal or unethical behavior, prohibition of offering and accepting bribes, creation of equal employment environment, maintenance of workplace and personnel health and safety, and supervision and report, etc. The employee code of conduct explicitly indicates that the organization shall carry out a series of measures to prevent, detect and respond to bribery, and provide relevant guidance. When an enterprise implements appropriate procedures to raise awareness and comply with anti-bribery laws, it also strengthens the corporate culture and management mechanism of ethical management.</p> <p>(II) The Company has established preventive measures in the “Procedures for Ethical Management and Guidelines for Conduct.”</p> <p>(III) The Company has established Ethical Corporate Management Best-Practice Principles and Procedures for Ethical Management and Guidelines for Conduct.</p>	<p>TWSE/TPEX Listed Companies.</p> <p>(III) There is no difference from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies.</p>
<p>II. Ethical Management Practice (I) Does the company assess the ethics records of those it has business relationships with and</p>	<p>√</p>	<p>(I) The Company has included ethical conduct related clauses in the business contracts signed</p>	<p>(I) There is no difference from</p>

<p>include ethical conduct related clauses in the business contracts?</p> <p>(II) Has the company set up a dedicated unit to promote ethical corporate management under the board of directors, and does it regularly (at least once a year) report to the board of directors on its ethical corporate management policy and program to prevent unethical conduct and monitor their implementation?</p> <p>(III) Has the company established policies to prevent conflict of interests, provided appropriate communication and complaint channels, and properly implemented such policies?</p> <p>(IV) Does the company have effective accounting and internal control systems in place to enforce ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit compliance with the systems to prevent unethical conduct or hire outside accountants to perform the audits?</p> <p>(V) Does the company provide internal and external ethical corporate management training programs on a regular basis?</p>	<p>√</p> <p>√</p>	<p>with external parties.</p> <p>(II) In order to supervise the company to prevent unethical behavior, the Company reviews the status and results of implementation, and makes continuous improvements from time to time to ensure the implementation of the status of ethical management. The Company has established a part-time unit through the Sustainable Development Committee to bear the responsibility for business policy and program, promote the Group's corporate governance matters such as ethical corporate management, anti-corruption, anti-bribery and legal compliance, and report the implementation status to the Board of Directors of the Company every six months. The internal education and training include signing of employee and senior manager. We set up a whistle-blowing mailbox for open and transparent disclosure, continuously executes internal and external training and education to enhance employees' moral quality and legal awareness, established a comprehensive employee reward and punishment system and reporting mechanism, and properly evaluated the effectiveness of ethical management control. In addition to education and promotion of sustainability standards, we also promotes product safety and occupational safety to external suppliers. When the information disclosure stays transparent, it will enable senior executives to confirm the</p>	<p>the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies.</p> <p>(II) There is no difference from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies.</p> <p>(III) There is no difference from the Ethical Corporate Management Best-Practice Principles for</p>
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	√	<p>management effectiveness of the top five items, and at the same time, it will also increase the trust of the relevant stakeholders and the investing public. In addition to the promotion of Corporate Governance Best Practice Principles, through employee training, implementation of the value of integrity, and promotion of sustainable corporate development, the Legal Affairs Department also regularly promotes trade secrets, intellectual property rights, patent laws, etc.. Through internal control mechanisms and annual tests, and strengthening of the implementation of integrity and ethics, the Legal Affairs Department ensures that all personnel and operations truly comply with relevant laws and regulations.</p> <p>(III) The Company has a mailbox for dedicated units. Stakeholders can write, call, or send emails to the Company anytime or communicate with the Company. The relevant channels are open and handled by dedicated personnel. No complaints have been received in 2023 and up to date.</p> <p>(IV) The Company has established an accounting system and an internal control system, which are operating properly. The Company's internal auditors conduct audits based on the audit plan so that the Company can implement ethical management to avoid any fraud from occurring.</p>	<p>TWSE/TPEX Listed Companies.</p> <p>(IV) There is no difference from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies.</p> <p>(V) There is no difference from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies.</p>
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			(V) Every year, we send employees to participate in educational training or seminars related to ethical management.	
III. Implementation of Complaint Procedures				
(I) Has the company established specific whistleblowing and reward procedures, set up conveniently accessible whistleblowing channels, and appointed appropriate personnel specifically responsible for handling complaints received from whistleblowers?	√		We have whistleblowing channels available through the email of the president, email of the management department and employee suggestion box. For example, in the event that sexual harassment occurs, it can be reported directly to the management department, and the management department will then form an investigation team to investigate in accordance with the regulations. All the confidentiality mechanisms are stipulated in the “working rules.” In the process of investigation and examination, the Company shall protect the rights of the whistleblower and handle the complaint case in a confidential manner. The name of the whistleblower or other relevant information that can identify the whistleblower shall not be disclosed.	There is no difference from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies.
(II) Has the company established standard operation procedures for investigating the complaints received, follow-up measures taken after investigation, and mechanisms ensuring such complaints are handled in a confidential manner?	√			
(III) Has the company adopted proper measures to protect whistleblowers from retaliation for filing complaints?	√			
IV. Strengthening Information Disclosure				
(I) Does the company disclose its ethical corporate management policies and the results of their implementation on its website and the Market Observation Post System (MOPS)?	√		The Company has set up a website in English and Chinese languages, and has disclosed information related to ethical corporate management on the website.	There is no difference from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies.
V. If the company has adopted its own ethical corporate management best-practice principles based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any deviations between the principles and their implementation: The Company has established the Ethical Corporate Management Best-Practice Principles.				
VI. Other important information to facilitate a better understanding of the status of operation of the company’s ethical corporate management policies s (e.g. the company’s reviewing and amending of its ethical corporate management best-practice principles): None.				

(VIII) If the company has adopted corporate governance best-practice principles or related by-laws, disclose how these are to be searched.

Please refer to the Company's website.

(IX) Other significant information that will provide a better understanding of the state of the company's implementation of corporate governance.

The directors and independent directors of the Company have attended training courses in accordance with the regulations and provided opinions on the motions when they attended the board meetings.

1. Continuing education of directors and independent directors

Job Title	Name	Training Date	Organizer	Course Name	Hours of Training
Director	Victor Kao	2023/07/20	Taipei Exchange (TPEX)	Taipei Exchange Family ESG Sharing Session	3
Director	Chung-He Lin	2023/09/23	Securities and Futures Institute	Sustainable Development Practice Seminar	3
Director	Chung-He Lin	2023/11/15	Securities and Futures Institute	2023 Insider Equity Transaction Legal Compliance Education Seminar	3
Independent Director	Yung-Jen Tsao	2023/07/04	Taiwan Stock Exchange 2023	2023 Cathay Pacific Sustainable Banking and Climate Change Summit	6
Independent Director	Sen-He Chang	2023/11/01	Taiwan Academy of Banking and Finance	Corporate Governance and Corporate Sustainability Workshop	3
Independent Director	Sen-He Chang	2023/11/24	Securities and Futures Institute	Challenges and Responsibilities of the Board of Directors under Corporate Governance Evaluation Indicators and Sustainable Action Plans	3

2. Continuing education for managers

Job Title	Name	Training Date	Organizer	Course Name	Hours of Training
Financial Manager	Yu-Ting Huang	2023.07.20~21	The Allied Association For Science Park Industries	Continuing Education Course for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	12
Audit	Chao-Sheng Huang	2023/09/04~06	The Institute of Internal Auditors-Chinese	Seminar for Pre-service Training for the First-time Internal Auditors of the Corporation	18
Audit	Chao-Sheng Huang	2023/10/02~13	The Institute of Internal Auditors-Chinese	Beginner Education Course for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	30
Acting Auditor	Wen-Ching Yang	2023/11/13	The Institute of Internal Auditors-Chinese	Prevention of Sexual Harassment and Illegal Infringement (Bullying) in the Workplace	6
Acting Auditor	Wen-Ching Yang	2023/11/28	The Institute of Internal Auditors-Chinese	Auditing Morality and Ethical Mission and the Impact of Crimes	6

(X) The section on the state of implementation of the company's internal control system shall furnish the following:

1. Statement of the Internal Control System: Please refer to page 88.
2. If CPA was engaged to conduct a special audit of internal control system, provide its audit report: None.

(XI) During the most recent year and up to the date of printing of the annual report, the punishment of the company and its insiders in accordance with the law, the company's punishment on its insiders for violating the provisions of the internal control system, and the major deficiencies and improvement: None.

(XII) Important resolutions of shareholders' meetings and board meetings in the most recent year and as of the date of printing of the annual report.

1. Important resolutions of board meetings:

April 30, 2024

Date	Item	Important Resolution
Mar. 23, 2023	The 1st meeting in 2023	<ol style="list-style-type: none"> 1. Distribution of remuneration to employees and directors of the Company in 2022 2. The Company's 2022 Business Report and financial statements (individual financial statements and consolidated financial statements) 3. The Company intends to update or ratify the financing limit negotiated with various financial institutions to satisfy the business turnover needs 4. Whether or not the qualified accounts receivable and the amounts other than the accounts receivable are the fund loans? 5. The Company intends to serve as the guarantor and negotiate the financing limit with various financial institutions for the bank borrowings from the Company's reinvestment business - "Miyabi Technology Co., Ltd." 6. The Company intends to issue common stocks for cash capital increase by means of private placement 7. Time and venue of acceptance of shareholders' proposal for the Company's 2023 annual general meeting 8. Amendment to the " Rules of Procedure for the Board of Directors' Meetings " 9. Amendments to the "Guidelines for Handling Acquisition and Disposal of Assets" 10. Amendment to the "Procedures for Derivative Transactions" 11. Amendments to the Company's "Internal Control System - Information System Processing Cycle" 12. "Declaration of Internal Control System" in 2022 13. Review of distribution of year-end bonus to managers and employees' remuneration in 2022 14. Review of 2021 new restricted shares for employees and change of the number of shares originally subscribed by managers 15. Appointment of the Head of Corporate Governance of the Company 16. Purchase of liability insurances for directors of the Company 17. 2023 Budget 18. Proposal to convene the 2023 annual general meeting
Apr. 28, 2023	2nd meeting in 2023	<ol style="list-style-type: none"> 1. The Company's consolidated financial statements for Q1 2023 2. The Company's 2022 earnings distribution 3. Partial amendments to the Company's "Articles of Incorporation" 4. Reviewing proposals filed by those shareholders holding more than 1% of the total outstanding shares 5. Whether or not the qualified accounts receivable and the amounts other than the accounts receivable are the fund loans? 6. Position adjustment of the Company's Corporate Governance Officer 7. The Company intends to serve as the guarantor and negotiate the financing limit with various financial institutions for the bank borrowings from the Company's reinvestment business - "Miyabi

Date	Item	Important Resolution
		<p>Technology Co., Ltd."</p> <p>8. The Company intends to serve as the guarantor and negotiate the financing limit with SinoPac Bank (China) Co., Ltd. - Nanjing Branch for the bank borrowings from the Company's reinvestment business - "Miyabi Technology (Zhenjiang) Co., Ltd."</p> <p>9. Evaluation of the independence and suitability of the CPAs of the Company in 2013 and their appointment</p> <p>10. Amendments to the contents of the proposals in the General Meeting in 2023</p>
August 5, 2023	3rd meeting in 2023	<p>1. The Company's consolidated financial statements for Q2 2023.</p> <p>2. The Company plans to increase the amount of credit facilities from various financial institutions for the purpose of business turnover.</p> <p>3. Check if eligible accounts receivable and amounts other than accounts receivable a fund loaning to others.</p> <p>4. Proposed capital expenditure for the acquisition of additional equipment.</p> <p>5. Amendment to the internal control system and related regulations.</p> <p>6. Review the proposal of 2022 remuneration to directors.</p> <p>7. The Company proposed to provide guarantee for a bank loan to Miyabi Technology Co., Ltd., the investee, and negotiated a financing line with the various financial institutions.</p> <p>8. Lending of funds to a subsidiary of the Company, RHOSON CORPORATION</p>
November 9, 2023	4th meeting in 2023	<p>1. The Company's consolidated financial statements for Q3 2023.</p> <p>2. The Company plans to increase the amount of credit facilities from various financial institutions for the purpose of business turnover.</p> <p>3. Check if eligible accounts receivable and amounts other than accounts receivable a fund loaning to others.</p> <p>4. Proposed capital expenditure for the acquisition of additional equipment.</p> <p>5. Amendment to the "Regulations Governing the Financial and Operational Transactions With Related Parties" and internal control system</p> <p>6. Establishment of the Company's "Internal Audit Plan" for fiscal year 2024.</p> <p>7. The Company proposed to provide guarantee for a bank loan to Miyabi Technology Co., Ltd., the investee, and negotiated a financing line with the various financial institutions.</p> <p>8. The Company intends to buy or sell equipment from its subsidiaries</p> <p>9. Proposal of the Company to reinvest in the establishment of a new company</p> <p>10. Adjustment of the position of the Company's Corporate Governance Officer</p>
		1. Distribution of 2023 employees' compensation and

Date	Item	Important Resolution
March 7, 2024	1st meeting in 2024	<p>remuneration to directors.</p> <p>2. The Company's 2023 business report and financial statements (parent company only financial statements and consolidated financial statements).</p> <p>3. The Company plans to increase or negotiate the amount of credit facilities from or with various financial institutions for the purpose of business turnover.</p> <p>4. Check if eligible accounts receivable and amounts other than accounts receivable a fund loaning to others.</p> <p>5. The Company proposed to provide guarantee for a bank loan to Miyabi Technology Co., Ltd., the investee, and negotiated a financing line with the various financial institutions.</p> <p>6. The Company proposed to provide guarantee for a bank loan to RHOSON CORPORATION, the investee, and negotiated a financing line with the financial institutions.</p> <p>7. Proposed capital expenditure for the acquisition of additional equipment.</p> <p>8. Capital expenditures for the Company's subsidiary, Ability opto-Electronics Technology (Vietnam) Co., Ltd. to purchase additional equipment</p> <p>9. Capital expenditures for the Company's subsidiary, RHOSON CORPORATION to purchase additional equipment</p> <p>10. The Company increased its investment in AI Max Technology Co., Ltd.</p> <p>11. Proposal of the Company to invest in a company</p> <p>12. 2024 Budget</p> <p>13. Change of the chief auditor.</p> <p>14. Evaluation of the independence and suitability of the Company's CPAs for 2024 and the appointment of these CPAs</p> <p>15. Amendments to the "Regulations Governing the Supervision and Management of Subsidiaries" of the Company</p> <p>16. "Statement of the Internal Control System" in 2023</p> <p>17. Review the year-end bonus distribution for managers and employees' compensation for the year 2023</p> <p>18. Review of remuneration adjustments of managerial officers</p> <p>19. Directors of the Company purchased liability insurance</p> <p>20. Time and venue for the acceptance of shareholders' proposals for the 2024 shareholders' meeting of the Company</p> <p>21. Proposal to convene the 2024 shareholders' meeting of the Company</p>

1.Important resolutions of shareholders' meetings

Date	Resolutions	Implementation Status
June 14, 2023	1. Ratification of the Company's 2022 business report and financial statements (parent company only financial statements and consolidated financial statements).	The Company has announced on the Market Observation Post System (MOPS) as required by the law after being resolved at the shareholders' meeting.
	2. Proposal for the 2022 earnings distribution.	July 24, 2023 was set as the record date, and the dividend was fully made on August 11, 2023 (NTD 1 per share).
	3. Amendments to the Company's "Procedures for Acquisition or Disposal of Assets"	Amendments were resolved at the shareholders' meeting and have been announced on the Market Observation Post System and the Company's website.
	4. Amendments to the Company's "Procedures for engaging in derivatives trading."	Amendments were resolved at the shareholders' meeting and have been announced on the Company's website.
	5. Amendments to certain articles of the "Articles of Incorporation."	Amendments were resolved at the shareholders' meeting and approved by the competent authority for registration on July 27, 2023
	9. The Company proposed to increase capital through private placement by issuing common shares in cash.	Not yet implemented.

(XIII) Where, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, a director or supervisor has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof: None.

(XIV) A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, of the company's chairman, president, chief accounting officer, chief financial officer, chief internal auditor, chief corporate governance officer, and chief research and development officer:

Summary of Resignations and Dismissals of Key Personnel of the Company
April 30, 2023

Job Title	Name	Date of Appointment	Date of Appointment	Date of Termination
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Chief Internal Audit Officer	I-Chen Lai	2022.05.05	2023.09.22	Resigned due to personal reason
Corporate Governance Officer	Wen-Ching Yang	2023.03.23	2023.04.28	Adjustment of position
Corporate Governance Officer	Yu-Hang Cheng	2023.04.28	2023.11.09	Adjustment of position

Note: “Key personnel of the Company” means chairperson, general manager, chief accounting officer, chief financial officer, chief internal auditor, chief corporate governance officer, and chief research and development officer.

IV. Information on the professional fees of the attesting CPAs (external auditors)

Unit: NT\$ thousand

Name of accounting firm	Names of CPAs	Period covered by the CPA audit	Audit fees	Non-audit fees	Total	Remarks
PwC Taiwan	Sung-Yuan Wu	January 1, 2022 – December 31, 2022	2,000	200		Note: The Company’s non-audit fee is \$200 thousand for tax certification.
	Mei-Lan Liu	January 1, 2022 – December 31, 2022				
KPMG Taiwan				400	400	Note: The Company’s non-audit fees are paid for transfer pricing services and the Group’s master file.

Please specify the services for which the non-audit fees were paid: (e.g. tax certification, assurance, or other financial consultation and advisory services)

Note: If the company changed its CPAs or accounting firm during the fiscal year, list the audit periods before and after the change separately, and specify the reason for the change in the “Remarks” column and disclose sequentially the audit and non-audit fees paid. For non-audit fees, additionally specify the content of the services.

- (1) When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: None.
- (2) When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed: None.

V. Information on replacement of certified public accountant: None.

VI. Where the company's chairperson, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm: None.

VII. Any transfer of equity interests and/or pledge of or change in equity interests (during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report) by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report:

(I) Changes in Shareholding:

Unit: shares

Job Title	Name	2023		April 22, 2024	
		Shareholding increase (or decrease)	Pledged shareholding increase (or decrease)	Shareholding increase (or decrease)	Pledged shareholding increase (or decrease)
Director	Chuan Chao Investment Co., Ltd. Representative: Chung-He Lin	0	0	0	0
Representative of Corporate Director	Chung-He Lin	0	0	0	0
Director	Tsung Yi Investment Limited Representative: Mao-San Lai	0	0	0	0
Representative of Corporate Director	Mao-San Lai	0	0	0	0
Director	Hung-Chi Kao	0	0	0	0
Chairman	Victor Kao	0	0	0	0
Director	Tsung Yi Investment Limited Representative: Chien-Hsun Lai	0	0	0	0
Representative of Corporate Director	Chien-Hsun Lai	0	0	0	0
Director	Chuan Chao Investment Co., Ltd. Representative: Mao-Sheng Lee	0	0	0	0
Representative of Corporate Director	Mao-Sheng Lee	0	0	0	0

Job Title	Name	2023		April 22, 2024	
		Shareholding increase (or decrease)	Pledged shareholding increase (or decrease)	Shareholding increase (or decrease)	Pledged shareholding increase (or decrease)
Director	Chin Yu Lung Investment Limited Representative: Chin-Lung Hsu	0	0	0	0
Representative of Corporate Director	Chin-Lung Hsu	0	0	0	0
Independent Director	Yung-Jen Tsao	0	0	0	0
Independent Director	Wei-Chun Chen	0	0	0	0
Independent Director	Sen-He Chang	0	0	0	0
Independent Director	Yung-Jui Chen	0	0	0	0
Shareholder holding more than 10 percent of the Company's total share capital	Largan Precision Co., Ltd.	0	0	0	0
Vice President	Ting-Hua Lin		0	0	0
Vice President	Mei-Ju Hsiao	6,400	0	0	0
Director	Kuo-Lung Chi	700	0	0	0
Manager	Yu-Ting Huang	(1,200)	0	0	0

(II) The counterparties of equity transfers being related parties: None.

(III) The counterparties of equity pledges being related parties: None.

VIII. Relationship information, if among the company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another.

Relationships Among the Top 10 Shareholders:

April 22, 2024; unit: shares

NAME	SHARES HELD IN PERSON		SHARES HELD BY SPOUSE AND MINOR CHILDREN		TOTAL SHARES HELD IN SOMEONE ELSE'S NAME		AMONG THE TOP TEN SHAREHOLDERS WHO ARE RELATED, A SPOUSE, OR SECOND DEGREE RELATIVES, THEIR NAMES AND RELATIONSHIPS.		REMARKS
	No. of Shares	Shareholdings Ratio	No. of Shares	Shareholdings Ratio	No. of Shares	Shareholdings Ratio	Name	Relationship	
Largan Precision Co., Ltd.	20,000,000	14.03%					None	None	
Chuan Chao Investment Co., Ltd.	6,788,218	4.76%	0	0.00%	0	0	Ting-Hua Lin Chung-He Lin	Responsible Person Related Party	Director
Representative of Chuan Chao Investment Co., Ltd.: Ting-Hua Lin	2,636,571	1.85%	49,141	0.03%	0	0	Chung-He Lin Victor Kao Hung-Chi Kao	Father and Son 2nd degree relatives, etc. Relative by marriage	
Chung-He Lin	6,448,897	4.52%	1,722,765	1.20%	0	0	Ting-Hua Lin Victor Kao Hung-Chi Kao	Father and Son 2nd degree relatives, etc. Relative by marriage	
Tsung Yi Investment Company, Limited	5,329,521	3.74%	0	0.00%	0	0	Chien-Hsun Lai	Responsible Person	Director
Representative of Tsung Yi Investment Company, Limited: Chien-Hsun Lai	1,552,526	1.09%	0	0.00%	0	0	Mao-San Lai	Father and Son	
Hung-Chi Kao(note1)	4,632,221	3.25%	0	0.00%	0	0	Victor Kao Yan-Wei Wu Chung-He Lin	Father and Son Related Party Relative by marriage	Director
Mao-San Lai	4,406,056	3.09%	156,051	0.11%	0	0	Chien-Hsun Lai	Father and Son	
Victor Kao	3,460,257	2.42%	1,060,262	0.74%	0	0	Hung-Chi Kao Yan-Wei Wu Chung-He Lin Ting-Hua Lin	Father and Son Mother and Son 2nd degree relatives, etc. 2nd degree relatives, etc.	Chairman
Micro Asia Investment Co., Ltd.	3,252,000	2.28%	0	0.00%	0	0	Yan-Wei Wu	Responsible Person	
Representative of Micro Asia Investment Co., Ltd.: Yan-Wei Wu	2,040,000	1.43%	0	0.00%	0	0	Victor Kao Hung-Chi Kao Chung-He Lin	Mother and Son Related Party Relative by marriage	
Li-Hsiang Huang	3,093,551	2.17%	533,154	0.37%	0	0	Mao-Sheng Lee	Husband and wife	

Ting-Hua Lin	2,636,571	1.85%	49,141	0.03%	0	0	Chung-He Lin Victor Kao Hung-Chi Kao	Father and Son 2nd degree relatives, etc. Relative by marriage
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Note 1: Director Gao Hongji was dismissed and announced on March 29, 2024.

IX. The total number of shares and total equity stake held in any single enterprise by the company, its directors and supervisors, managerial officers, and any companies controlled either directly or indirectly by the company.

April 30, 2023; Unit: Shares; %

Investee enterprise	Investment by the Company		Investment by the Directors, Supervisors, Managerial Officers and Directly or Indirectly Controlled Entities of the Company		Total investment	
	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio
ELITE OPTICAL TECHNOLOGY CO., LTD.(B.V.I)	22,910,000	100.00	0	0	22,910,000	100.00
TOP OPTO TECHNOLOGY CO., LTD. (Vietnam)	7,000,000	100.00	0	0	7,000,000	100.00
ADVANCE ELECTRO-OPTICAL TECHNOLOGY (ZHENJIANG) CO., LTD.	15,300,000	100.00	0	0	15,300,000	100.00
Miyabi Technology (Zhenjiang) Limited	0	-	0	100.00	0	100.00
Miyabi Technology Co., Ltd.	36,800,000	100	0		36,800,000	100.00
AI Max Technology Co., Ltd.	100,000	100	0		100,000	100.00
RHOSON CORPORATION	7,590,000	94.875			7,590,000	94.875
RHOSON (Zhenjiang) Limited			0	94.88	0	94.875

Ability opto-Electronics Technology Co., Ltd.

Statement of the Internal Control System

March 7, 2024

Based on the findings of a self-assessment, the Company states the following with regard to its internal control system during the year 2023:

1. The Company's Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Internal control system is designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency and regulatory compliance of our reporting, and compliance with applicable rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
3. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The judgment items of the internal control system adopted in the "Regulations" are the process of management control, and the internal control system is divided into the following five components: 1. control environment, 2. risk assessment, 3. control operation, 4. information and communication, and 5. supervision. There are several items in each key components. Please refer to the Regulations for the preceding items.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, the Company believes that, on December 31, 2023, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency and regulatory compliance of reporting, and compliance with applicable rulings, laws and regulations.
6. This Statement is an integral part of the Company's annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange

Act.

7. This Statement has been approved by the board meeting of the Company on March 7, 2024, and all members agreed with the contents of this Statement.

Ability opto-Electronics Technology Co., Ltd.

Chairman: Victor Kao

President: Victor Kao

Four. Fund Raising Status

I. Capital and Shares

(I) Source of capital stock

- Types of shares issued by the company during the preceding fiscal year and in the current fiscal year up to the date of the publication of the report:

April 30, 2024; Unit: Shares

Type of stock	Authorized Capital			Remarks
	Outstanding shares	Unissued shares	Total	
Nominal common stock	142,459,880	57,540,120	200,000,000	The outstanding shares are stocks of a TPEX listed company.

2. Formation of share capital

April 30, 2024 Unit: Shares; NT\$

Month/year	Issued price	Authorized Capital		Paid-in capital		Remarks		
		No. of shares	Amount	No. of shares	Amount	Source of capital stock	Capital paid in by assets other than cash	Other
November/1986	10,000	100	1,000,000	100	1,000,000	Share capital for establishing the company	None	0
December/1988	10,000	600	6,000,000	600	6,000,000	Cash capital increase 5,000,000	None	0
September/1995	10,000	1,300	13,000,000	1,300	13,000,000	Cash capital increase 7,000,000	None	0
May/1997	10	3,000,000	30,000,000	3,000,000	30,000,000	Cash capital increase 17,000,000	None	0
December/1997	10	6,000,000	60,000,000	6,000,000	60,000,000	Cash capital increase 30,000,000	None	0
July/1998	10	10,000,000	100,000,000	10,000,000	100,000,000	Cash capital increase 40,000,000	None	Note 1
June/2001	10	13,500,000	135,000,000	13,500,000	135,000,000	Cash capital increase 35,000,000	None	Note 2
December/2001	10	14,850,000	148,500,000	14,850,000	148,500,000	Capitalization through earnings 13,500,000	None	Note 3
August/2002	10	49,000,000	490,000,000	25,000,000	250,000,000	Cash capital increase 101,500,000	None	Note 4
October/2003	10	49,000,000	490,000,000	22,500,000	225,000,000	Capital reduction 75,000,000 Cash capital increase 50,000,000	None	Note 5
September/2004	10	49,000,000	490,000,000	24,950,000	249,500,000	Capitalization through earnings 22,500,000 Capitalization through employees' bonus 2,000,000	None	Note 6
August/2005	10	49,000,000	490,000,000	25,700,000	257,000,000	Capitalization through earnings 4,990,000 Capitalization through employees' bonus 2,510,000	None	Note 7
September/2005	22	49,000,000	490,000,000	28,700,000	287,000,000	Cash capital increase 30,000,000	None	Note 8
September/2006	10	49,000,000	490,000,000	29,950,000	299,500,000	Capitalization through earnings 8,610,000	None	Note 9

						Capitalization through employees' bonus 3,890,000		
December/ 2007	13.31	49,000,000	490,000,000	43,988,000	439,880,000	Cash capital increase (private placement) 140,380,000	None	Note 10
December/ 2008	10	79,000,000	790,000,000	51,360,000	513,600,000	Cash capital increase (private placement) 73,720,000	None	Note 11
September/ 2009	11.95	79,000,000	790,000,000	77,000,000	770,000,000	Cash capital increase (private placement) 256,400,000	None	Note 12
January/ 2011	13.72	150,000,000	1,500,000,000	77,678,000	776,780,000	Conversion of employee stock warrants into common stock 6,780,000	None	Note 13
November/ 2011	13.72	150,000,000	1,500,000,000	77,743,500	777,435,000	Conversion of employee stock warrants into common stock 65,500	None	Note 14
October/ 2012	13.72	150,000,000	1,500,000,000	77,965,000	779,650,000	Conversion of employee stock warrants into common stock 221,500	None	Note 15
May/2013	10	150,000,000	1,500,000,000	78,617,000	786,170,000	Restricted employee shares 652,000	None	Note 16
August/ 2013	10	150,000,000	1,500,000,000	78,665,000	786,650,000	Restricted employee shares 48,000	None	Note 17
January/ 2014	10	150,000,000	1,500,000,000	78,422,000	784,220,000	Cancellation of restricted employee shares 243,000	None	Note 18
January/ 2015	10	150,000,000	1,500,000,000	78,400,500	784,005,000	Cancellation of restricted employee shares 21,500	None	Note 19
January/ 2015	10	150,000,000	1,500,000,000	93,400,500	934,005,000	Cash capital increase 15,000,000	None	Note 20
July/2015	10	150,000,000	1,500,000,000	93,378,000	933,780,000	Cancellation of restricted employee shares 22,500	None	Note 21
August/ 2018	10	150,000,000	1,500,000,000	95,858,706	958,587,060	Capitalization through earnings 2,480,706	None	Note 22
September/ 2018	10	150,000,000	1,500,000,000	109,358,706	1,093,587,060	Cancellation of treasury stock 1,500,000 Capital increase through issuance of new shares 15,000,000	None	Note 23
September 3, 2019	10	150,000,000	1,500,000,000	111,545,880	1,115,458,800	Capitalization through earnings 2,187,174	None	Note 24
March/ 2021	10	200,000,000	2,000,000,000	131,545,880	1,315,458,800	Cash capital increase 20,000,000	None	Note 25
April/2022	10	200,000,000	2,000,000,000	141,545,880	1,415,458,800	Cash capital increase 10,000,000	None	Note 26
July/2022	10	200,000,000	2,000,000,000	141,939,880	1,419,398,800	Restricted employee shares 394,000	None	Note 27
December/ 2022	10	200,000,000	2,000,000,000	142,459,880	1,424,598,800	Restricted employee shares 520,000	None	Note 28

Note 1: Jin-87-Shang-Zi No. 116123, July 1, 1998

Note 2: Jin-(90)-Shang-Zi No. 09001229730, June 29 2001

Note 3: Jin-(90)-Shang-Zi No. 09001495480, December 20, 2001

Note 4: Jin-Shou-Shang-Zi No. 09101329930, August 15, 2002

Note 5: Jin-Shou-Zhong-Zi No. 09232749700, October 1, 2003

Note 6: Jin-Kuan-Zheng-Yi-Zi No. 0930131244, July 14, 2004

Note 7: Jin-Kuan-Zheng-Yi-Zi No. 0940123496, June 13, 2005

Note 8: Jin-Kuan-Zheng-Yi-Zi No. 0940129425, July 20, 2005

Note 9: Jin-Kuan-Zheng-Yi-Zi No. 0950129669, July 21, 2006

Note 10: Zhong-Shang-Zi No. 0960021410, December 20, 2007

Note 11: Zhong-Shang-Zi No. 0970025208, December 18, 2008

Note 12: Zhong-Shang-Zi No. 18375, September 10, 2009

Note 13: Zhong-Shang-Zi No. 1000001255, January 17, 2011

Note 14: Zhong-Shang-Zi No. 1000028829, November 16, 2011
 Note 15: Zhong-Shang-Zi No. 1010025562, October 31, 2012
 Note 16: Zhong-Shang-Zi No. 1020010995, May 13, 2013
 Note 17: Zhong-Shang-Zi No. 1020020410, August 26, 2013
 Note 18: Zhong-Shang-Zi No. 1030000808, January 10, 2014
 Note 19: Zhong-Shang-Zi No. 1040000082, January 5, 2015
 Note 20: Zhong-Shang-Zi No. 1040002062, January 27, 2015
 Note 21: Zhong-Shang-Zi No. 1040014810, July 1, 2015
 Note 22: Zhong-Shang-Zi No. 1070018886, August 2, 2018
 Note 23: Zhong-Shang-Zi No. 1070022687, September 18, 2018
 Note 24: Zhong-Shang-Zi No. 1080018788, September 3, 2019
 Note 25: Zhong-Shang-Zi No. 1100006034, March 22, 2021
 Note 26: Zhong-Shang-Zi No. 1110008269, April 11, 2022
 Note 27: Zhong-Shang-Zi No. 1110015935, July 5, 2022
 Note 28: Zhong-Shang-Zi No. 1110030854, December 21, 2022

3. Information Relating to the Shelf Registration System: Not applicable.

(II) Shareholder Composition

April 22, 2024; Unit: Shares; %

Shareholder Composition	Government agencies	Financial institutions	Other legal entities	Individuals	Foreign institutions and foreign individuals	Total
No. of shareholders	0	0	58	22,193	80	22,331
No. of shares held	0	0	41,904,562	95,164,497	5,390,821	142,459,880
Shareholding ratio (%)	0	0	29.42	66.8	3.78	100

(III) Diffusion of ownership

Common stock

April 22 2024; Unit: Shares; %

Range of no. of shares held	No. of shareholders	No. of shares held	Shareholding ratio
1 ~ 999	10,741	1,203,086	0.845
1,000 ~ 5,000	9,920	17,480,529	12.27
5,001 ~ 10,000	839	6,439,458	4.52
10,001 ~ 15,000	277	3,546,906	2.49
15,001 ~ 20,000	147	2,701,049	1.896
20,001 ~ 30,000	138	3,415,502	2.398
30,001 ~ 40,000	64	2,278,120	1.599
40,001 ~ 50,000	34	1,576,092	1.106
50,001 ~ 100,000	77	5,666,678	3.978
100,001 ~ 200,000	43	6,176,647	4.336
200,001 ~ 400,000	7	1,933,471	1.357
400,001 ~ 600,000	13	6,449,694	4.527
600,001 ~ 800,000	6	4,070,696	2.857
800,001 ~ 1,000,000	3	2,933,311	2.059
1,000,001 or over	22	76,588,641	53.762
Total	22,331	142,459,880	100

(IV) List of major shareholders

Name, number and percentage of shares held by shareholders with a stake of 5 percent or greater, or by the shareholders who rank in the top 10 in shareholding percentage:

April 22, 2024; Unit: Shares; %

Shares Names of major shareholders	No. of shares held	Shareholding ratio
Largan Precision Co., Ltd	20,000,000	14.03%
Chuan Chao Investment Co., Ltd.	6,788,218	4.76%
Chung-He Lin	6,448,897	4.52%
Tsung Yi Investment Limited	5,329,521	3.74%
Hung-Chi Kao	4,632,221	3.25%
Mao-San Lai	4,406,056	3.09%
Victor Kao	3,460,257	2.42%
Wei Ya Investment Limited	3,252,000	2.28%
Li-Siang Huang	3,093,551	2.17%
Ting-Hua Lin	2,636,571	1.85%

(V) Provide share prices for the past 2 fiscal years, together with the company's net worth per share, earnings per share, dividends per share, and related information:

Unit: NT\$; thousand shares

Item		Fiscal year			
		2023	2022	30 April, 2024	
Market price per share	Highest		194.5	90.6	290
	Lowest		65.7	50.7	163
	Average		128.42	68.06	218.08
Net worth per share	Before distribution		23.28	21.44	24.55
	After distribution (Note①)		22.28	20.44	24.55
Earnings per share	Weighted average shares		141,599	139,080	141,805
	Earnings (losses) per share	Basic earnings per share	2.83	3.05	0.98
		Diluted earnings per share	2.82	3.04	0.98
Dividends per share	Cash dividends		1	1	-
	Stock dividends	Dividends from retained earnings	-	-	-
		Dividends from capital reserve	-	-	-
	Accumulated undistributed dividends (Note②)		-	-	-
Return on investment analysis	Price/earnings ratio (Note ③)		45	22	NA
	Price/dividend ratio (Note ④)		128	68	-
	Cash dividend yield (Note ⑤)		0.78%	1.46%	-

Note ①: Calculate the net worth per share based on the number of outstanding shares at yearend. Calculate the amount of distribution based on the amount resolved by the board of directors or resolved in the next year's shareholders' meeting.

Note ②: If equity securities are issued with terms that allow undistributed dividends to be accrued and accumulated until the year the Company makes profit, the amount of cumulative undistributed dividends up until the current year should be disclosed separately.

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

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

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

(VI) Company's dividend policy and implementation thereof

1. Dividend policy:

Dividend policy adopted in the company's Articles of Incorporation:

Article 27: When the Company makes the profit after each year's final accounts, in addition to paying income tax as required by law, the Company shall first make up for previous years' losses, then set aside 10% of the remaining balance as legal reserve, and then set aside or reverse the special reserve if necessary. The Company shall then set aside 5% to 12% of the remainder as employee bonuses; the remuneration to directors and supervisors shall not be higher than 3%. After deducting the preceding amounts, the board of directors shall prepare a proposal for distributing the remaining balance together with the prior years' earnings and submit it to the shareholders for resolution.

Employees eligible for the aforesaid bonus may include employees of subsidiaries who are meeting certain requirements such as position and performance. The Board of Directors is

authorized to determine these requirements.

The Company is in the growing stage to develop its business. Therefore, in addition to the provisions of the Company Act and the Company's Articles of Incorporation, the distribution of earnings will be determined annually based on the Company's capital planning, operating results, financial condition and future development of the Company. Nevertheless, the Company adopts a stable and well-balanced dividend policy to pay cash dividends to shareholders at a rate not less than 10% of the total dividends each year.

2. The dividend distributions proposed at the most recent shareholders' meeting:

The Company's Board of Directors resolved on May 9, 2024 to distribute cash dividends of NT\$141,820 thousand.

- (VII) Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting

The earnings distribution to be presented at the general meeting for approval only shall be made in cash dividends and shall not include the allotment of gratis.

- (VIII) Compensation of employees, directors, and supervisors

1. The percentages or ranges with respect to employee, director, and supervisor compensation, as set forth in the company's articles of incorporation:

When the Company makes the profit after each year's final accounts, in addition to paying income tax as required by law, the Company shall first make up for previous years' losses, then set aside 10% of the remaining balance as legal reserve, and then set aside or reverse the special reserve if necessary. The Company shall then set aside 5% to 12% of the remainder as employee bonuses; the remuneration to directors and supervisors shall not be higher than 3%. After deducting the preceding amounts, the board of directors shall prepare a proposal for distributing the remaining balance together with the prior years' earnings and submit it to the shareholders for resolution.

The remuneration to the Company's directors (including independent directors) and managers is determined based on their overall participation in the Company's operations and performance evaluation. The evaluation includes the implementation of the Company's core values and operational management capabilities, financial and operational performance indicators and comprehensive management indicators, continuing education and participation in sustainable management, and other special contributions or significant negative events for performance evaluation and compensation consideration.

2. Basis for estimation of employee's compensation and remuneration to directors and supervisors in this period, basis for the calculation of the number of shares for stock dividends to employees, and accounting treatment if the amount paid out is different from the estimated amount:

The employees' compensation and remuneration to directors and supervisors that should be distributed in accordance with the Company Act and the Company's Articles of Incorporation. In accordance with the Accounting Research and Development Foundation's (ARDF) Interpretation No. 052, the Company shall make the estimation when preparing the interim and annual financial statements, and shall recognize the employees' compensation and remuneration to directors and supervisors as operating costs or operating expenses based on their respective nature. Any difference between the amount subsequently resolved by the shareholders' meeting and the amount estimated in the financial statements is treated as a change in accounting estimate and recognized as profit or loss in the year in which the distribution is made.

3. Information on any approval by the board of directors of distribution of compensation:
 - (1) The amount of any employee compensation distributed in cash or stocks and

compensation for directors and supervisors:

A: Amount for employee compensation in cash: NT\$28,271,802.

B: Employee stock remuneration: NT\$0.

C: Amount of remuneration to directors: NT\$ 3,239,047.

D: There is any discrepancy between that amount and the estimated figure.

(2) The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee compensation: Not applicable.

(3) Earnings per share after considering the proposed distribution of employees' compensation and remuneration to directors and supervisors: Not applicable.

4. The actual distribution of employee, director, and supervisor compensation for the previous fiscal year (2022):

There was no discrepancy between the Company's employees' bonus of NT\$30,725,717 and remuneration to directors and supervisors of NT\$5,120,953 for the previous year and the actual amount distributed.

(IX) Status of a company repurchasing its own shares: None.

II. Issuance of corporate bonds: None.

III. Information on preferred shares: None.

IV. Information on global depository receipts: None.

V. Information on employee share subscription warrants: No employee share subscription warrants were issued and outstanding.

VI. Information on new restricted employee shares:

(I) Information on new restricted employee shares:

New Restricted Employee Shares

April 30, 2024

Type of new restricted employee shares (Note 1)	The 1st of new restricted employee shares in 2021	The 2nd of new restricted employee shares in 2021
Effective registration date and total number of shares	On January 11, 2022, Jin-Guan-Zheng-Fa-Zi No. 1100379260 approved 1,000,000 new restricted employee shares.	On January 11, 2022, Jin-Guan-Zheng-Fa-Zi No. 1100379260 approved 1,000,000 new restricted employee shares.
Issue date (Note 2)	July 20, 2022	January 9, 2023
Number of new restricted employee shares issued	394,000	520,000
Number of new restricted employee shares still available for issuance	0	0
Issued price	NT\$10	NT\$10
Ratio of the number of new restricted employee shares issued to the total number of issued shares	0.27%	0.36%
Vesting conditions of the new restricted employee shares	Please refer to the “2021 Regulations Governing the Issuance of New Restricted Employee Shares.”	Please refer to the “2021 Regulations Governing the Issuance of New Restricted Employee Shares.”
Restrictions on rights in the new restricted employee shares	Please refer to the “2021 Regulations Governing the Issuance of New Restricted Employee Shares.”	Please refer to the “2021 Regulations Governing the Issuance of New Restricted Employee Shares.”
Custody of the new restricted employee shares	Trust and Custody	Trust and Custody
Treatment of the new restricted shares for which the grantee fails to meet the vesting conditions after receiving or subscribing to the shares	Take Back & Cancel	Take Back & Cancel
Number of new restricted employee shares that have been retired or bought back	0	0
Number of new restricted shares that have vested	118,200 shares	156,000 shares
Number of unvested new restricted shares	275,800 shares	364,000 shares
The ratio of the number of unvested new restricted shares to the total number of issued shares (%)	0.19%	0.25%
The effect on shareholders' equity	The effect on dilution of the common shares held by original shareholders is not significant	The effect on dilution of the common shares held by original shareholders is not significant

Note 1: Adjust the number of columns according to the actual number of issues.

Note 2: Fill in all the required information separately for new restricted employee shares of different issue dates.

(2) Names and Acquisition Status of Managerial Officers Who Have Acquired New Restricted Employee Shares and the Top Ten Employees (Ranked by the Number of Restricted Shares Acquired) Who Have Acquired New Restricted Employee Shares:

April 30, 2023

	Job Title	Name	Number of shares subscribed from exercise of warrants granted	Ratio of the number of shares subscribed from the exercise of warrants granted to the total number of issued shares	Exercised				Unexercised			
					Number of shares	Issued price	Total purchase price	Ratio of the number of exercised shares to the total number of issued shares (%)	Number of shares	Issued price	Total purchase price	Ratio of the number of unexercised shares to the total number of issued shares (%)
Managerial officers	President	Victor Kao	184,000	0.13%	55,200	10	552	0.03%	128,800	10	1,288	0.09%
	Vice President	Chien-Hsun Lai										
	Vice President	Ting-Hua Lin										
	Vice President	Mei-Ju Hsiao										
	Director	Kuo-Lung Chi										
	Manager	Yu-Ting Huang										
Employees	Director	Po-Chou Chen	410,000	0.29%	123,000	10	1,230	0.09%	287,000	10	2,870	0.2%
	Manager	Kuo-Yu Liao										
	Director	Ching-Chieh Chen										
	Director	Meng-Chen Chi										
	Director	Hsi-Tse Ni										
	Manager	Ping-Heng Lee										
	Assistant Manager	Kuei-Cheng Ke										
	Manager	Chung-Yen Yang										
	Manager	Bao-Chi Chu										
	Director	Yen He										

VII. Information on issuance of new shares in connection with mergers, acquisitions, division or with acquisitions of shares of other companies: None.

VIII. Implementation of the company's capital allocation plans:

(I) Description of the plans

1. The plan to issue additional common shares through a private placement for cash in fiscal 2022 is as follows:

- (1) Approval date of the shareholders' meeting: At the interim shareholders' meeting held

on October 5, 2021.

- (2) Number of shares issued in the private placement: 30,000,000 shares of common stock were actually issued.
- (3) Par value per share: NT\$10.
- (4) Total amount of private placement: Cash capital increase of 10,000 thousand shares at a premium issue price of NT\$53.45 per share for a total amount of \$534,500 thousand.
- (5) Basis and rationality of the private placement price setting: A. The price of the private placement shares shall be no less than 80 percent of the higher of the following two calculations:
 - (a) The simple average closing price of the common shares of the Company for either the 1, 3, or 5 business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends, or capital reduction.
 - (b) The simple average closing price of the common shares of the Company for the 30 business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends, or capital reduction.
- (6) The means of selecting the specified persons: The following persons are eligible for private placement of securities under Article 43-6 of the Securities and Exchange Act: The method and objectives of selecting the specified persons, the necessity for that selection, and the anticipated benefits:
 - A. The means of selecting the specified persons: The selection of specified persons is made in accordance with Article 43-6, Paragraph 1 of the Securities and Exchange Act and related orders. The selection of places shall be limited to the specific persons who meet the requirements set by the competent authority.
 - B. Objectives and necessity: To boost up the Company's business and growth, we introduce strategic investors who can assist us in expanding the market, enhancing our technology, developing new products and sales channels, and reducing costs. We aim to increase our business scale and provide positive benefits to our shareholders. This is a necessary long-term strategy for the development of the Company.
 - C. Anticipated benefits: All anticipated benefits are expected to be achieved through the introduction of strategic investors and their fund. They are expected to enhance operational performance, expand market size, strengthen the Company's competitiveness, contribute to the stable growth of the Company's operations and the shareholders' equity.

D. The list of placees:

Places of the private placement	Subscription amount (NT\$)	Qualifications	Relationship with the Company
Hung Du Investment Limited	53,450,000	Natural persons, juristic persons, or funds meeting conditions set by the Competent Authority.	Top ten shareholders and substantive related parties of the Company
Mao-Sheng Lee	10,690,000	Director, supervisor or manager of the Company or any of its affiliates.	Representative of Corporate Director of the Company
Li-Hsiang Huang	10,690,000	Natural persons, juristic persons, or funds meeting conditions set by the Competent Authority.	Spouse of the representative of Corporate Director
Chun-Yi Lee	29,397,500	Natural persons, juristic persons, or funds meeting conditions set by the Competent Authority.	First degree relative of the representative of Corporate Director
Wan-Hua Lee	29,397,500	Natural persons, juristic persons, or funds meeting conditions set by the Competent Authority.	First degree relative of the representative of Corporate Director
Shu-Ming Juan	42,760,000	Natural persons, juristic persons, or funds meeting conditions set by the Competent Authority.	Spouse of the representative of Corporate Director
Ting-Hua Lin	10,690,000	Director, supervisor or manager of the Company or any of its affiliates.	Managerial officers
Wei Ya Investment Limited	24,052,500	Natural persons, juristic persons, or funds meeting conditions set by the Competent Authority.	Top ten shareholders and substantive related parties of the Company
Victor Kao	18,707,500	Director, supervisor or manager of the Company or any of its affiliates.	Chairman of the Company
Yu-Ting Kao	16,035,000	Director, supervisor or manager of the Company or any of its affiliates.	Supervisor of the Company
Tzu-Sui Kao	26,725,000	Natural persons, juristic persons, or funds meeting conditions set by the Competent Authority.	First degree relative of Director of the Company
Tsung Yi Investment Limited	36,880,500	Director, supervisor or manager of the Company or any of its affiliates.	Corporate Director of the Company
Chien-Hsun Lai	20,043,750	Director, supervisor or manager of the Company or any of its affiliates.	Representative of Corporate Director of the Company
Chi-Hua Lai	49,975,750	Natural persons, juristic persons, or funds meeting conditions set by the Competent Authority.	First degree relative of representative of Corporate Director of the Company
Chin Yu Lung Investment Limited	16,600,000	Director, supervisor or manager of the Company or any of its affiliates.	Corporate Supervisor of the Company
Chin-Lung Hsu	35,230,000	Director, supervisor or manager of the Company or any of its affiliates.	Representative of Corporate Supervisor of the Company
Yun-Chih Hsu	20,000,000	Natural persons, juristic persons, or funds meeting conditions set by the Competent Authority.	First degree relative of representative of Corporate Supervisor

Yun-Chia Hsu	3,000,000	Natural persons, juristic persons, or funds meeting conditions set by the Competent Authority.	First degree relative of representative of Corporate Supervisor
Hsien-Yi Chuang	53,450,000	Natural persons, juristic persons, or funds meeting conditions set by the Competent Authority.	None
Chung-Wen Chi	10,690,000	Natural persons, juristic persons, or funds meeting conditions set by the Competent Authority.	None
Ping-Tse Chi	8,017,500	Natural persons, juristic persons, or funds meeting conditions set by the Competent Authority.	None
Ping-Ying Chi	8,017,500	Natural persons, juristic persons, or funds meeting conditions set by the Competent Authority.	None
Total	534,500,000		

(7) Reasons for the necessity for conducting the private placement: (specify the reasons for not using a public offering)

A. Reasons for not using a public offering: As compared to public offerings, the restriction on private placement of securities that cannot be freely transferred for three years will ensure a long-term partnership with strategic investment partners. Also, considering the timeliness of fundraising, the Company's flexibility and efficiency in fundraising will be improved by authorizing the Board of Directors to conduct private placements based on the actual operational needs of the Company. Therefore, we propose to issue common shares in private placement instead of public offering.

(8) Use of the funds raised by the private placement: To increase working capital and repay bank loans.

(9) Anticipated benefits: The use of the funds was for the purpose of increasing working capital and repaying bank loans to improve the financial structure, strengthen the Company's competitiveness and enhance operational efficiency, which positively benefited shareholders' equity.

(10) Whether it involves plan changes:

The Company's funding plan is to repay bank loans and to increase working capital, and does not involve any plan changes.

(II) Status of implementation:

The implementation of the private placement to increase the cash capital for issuance of common stock in 2022 was completed in the second quarter of 2022, and the implementation status is as follows:

Unit: NT\$ thousand

Item	Scheduled Completion Date	Total Funds Required	Fund Utilization Progress
			Q2 2022
Repay the bank loan	Q3 2022	200,000	200,000
Increase the working capital	Q3 2022	334,500	334,500

(III) Realization of plan benefits

Unit: %

Item/Year		December 31, 2021 (before capital increase)	June 30, 2022 (after capital increase)
Financial structure	Ratio of long-term capital to fixed assets	190.09	211.46
	Debt to assets ratio	66.98	58.35
Solvency	Current ratio	120.9	156.61
	Quick ratio	89.74	116.45

To enhance the Company's overall competitiveness in the market, the Company has increased its capital by NT\$534,500 thousand in cash; of this, NT\$200 million was used to repay bank loans, and NT\$334.5 million was used to increase working capital. After the completion of this cash capital increase in the second quarter of 2022, the debt-to-asset ratio will decrease from 66.98% to 58.35%, and the long-term fund-to-fixed asset ratio will increase from 190.09% to 211.46%. The current ratio and quick ratio will also increase from 120.9% and 89.74% to 156.61% and 116.45%, respectively. Therefore, the issuance of new shares in cash to repay bank loans and to increase working capital will improve the financial structure, lower the Company's operating risks, increase its long-term capital stability and enhance the Company's medium- and long-term competitiveness, which should be reasonable. It is evident that the expected benefits are already appearing.

Unit: NT\$ thousand

		Fiscal year	2022	2021
		Item		
Basic Financial Information	Operating Revenue		3,662,279	3,650,434
	Gross Profit		912,741	589,901
	Operating income (loss)		311,596	43,586
	Income (loss) for the period		413,624	(9,986)
	Earnings per share, net of tax (NT\$)		3.05	0.03

Operating revenue increased by 0.3%, operating profit increased by NT\$268,010 thousand, and the earnings per share in 2022 increased by 100 times. In conclusion, the private placement of common shares of the Company is beneficial to the increase of the operating profits. The financial structure was continuously improved and the sufficient capitals were obtained, creating more profits in the future. Therefore, the benefits of this private placement case have not appeared yet.

Five. Overview of Business Operations

I. A description of the business

(I) Scope of business

1. The company's major lines of business:

(1) Research, develop, design, manufacture and sell the following products:

1. Lens module for digital camera.
2. Digital camera lens for cell phones.
3. Lens for Multi-function printer.
4. Other optical lens modules and lenses.

(2) Business items and codes of the above products:

- CE01030 Optical Instruments Manufacturing.
 CE01990 Other Optics and Precision Instrument Manufacturing.
 CQ01010 Mold and Die Manufacturing.
 I501010 Product Designing.
 F601010 Intellectual Property Rights.

2. Weight of business:

Relative weight of major line of business:

Unit: NT\$ thousand; %

Year	2023		2022	
Product	Amount	Weight	Amount	Weight
Optical Products	2,745,677	68.70	2,454,242	67.01
Electronic Parts and Components	1,250,166	31.30	1,208,037	32.99
Total	3,995,843	100	3,662,279	100

3. Products:

Main products (services)	Usage/Function
Optical camera	Lens for NB Camera, Tablet PC Camera, Optical Multi-Touch Monitor (OTM) Camera, Mobile Phone Camera, DV Camera, DSC Camera, PC Camera, MFP and Barcode Reader Camera
Optical lens	Plastic and glass lenses for all kinds of optical cameras.
Fingerprint identification module	Notebook

4. New products planned for development:

- A. High-end smartphone lens
- B. Optical lens for tablets
- C. Automotive lens and surveillance system lens
- D. Micro projector lens
- E. Optical zoom lens

(II) An overview of the industry

The Company is mainly engaged in the design, development, manufacturing, processing and sales of various types of optical lenses and cameras. The applications of our products include lenses and fingerprint identification modules for digital cameras, smartphones, notebooks, tablets, optical touch screens, barcodes and multifunctional machines. Currently, the Company's revenue is still generated mainly from notebook lenses, tablet lenses and fingerprint recognition modules. We are also expanding our business into other applications including automotive, UAV, surveillance and other niche applications.

(1) Current status and development of the industry:

Optical lenses can be divided into two types: glass lenses and plastic lenses, depending on the material. The earliest optical lens is made of glass, which has the advantages of good weather resistance, high hardness, and good light transmission, so it is suitable for making high-end large-diameter optical lenses. However, due to the high technical requirements in molding and spherical glass, as well as high equipment investment costs and low yields, only the Japanese optical makers are capable to put into mass production. Despite the fact that the plastic lens has poorer weather resistance, hardness, and light transmission than the glass one, its light weight, easy to be mass-produced, and low cost are favorable to the development of 3C consumer electronic products which tend to be thin and short, so its demand has far exceeded the glass one.

The optical industry in Taiwan in the early days was also dominated by glass materials, tracing back to 40 years ago when Japanese Canon and German BOSCH and other internationally renowned optical manufacturers set up factories in central Taiwan. After decades of development, the optical industry in central Taiwan has a comprehensive industrial complex, from the supply of raw materials, lens design and production, to the production of optical applications, including scanners, surveillance systems, laser printers, digital cameras, projectors, and optical disk drives, which have taken a leading position in the global optical supply chain.

The optical industry chain can be simply divided into upstream functional components such as blank glass and various types of lenses; the midstream are various types of lenses that can be used for images; and the downstream are various types of CCMs and cameras. With the development of applications, the scope of the optical lens industry continues to expand, but the emphasis placed on various applications is different, for example: the mobile device lens emphasizes the imaging effect, but due to the space constraints make it much more difficult to manufacture, part of the function has been replaced by dual-lens and algorithm (such as: zoom effect); traditional cameras are influenced by mobile devices, and products are developed more advanced; automotive lenses are required to maintain operating under various harsh outdoor environments (such as: strong light, high and low

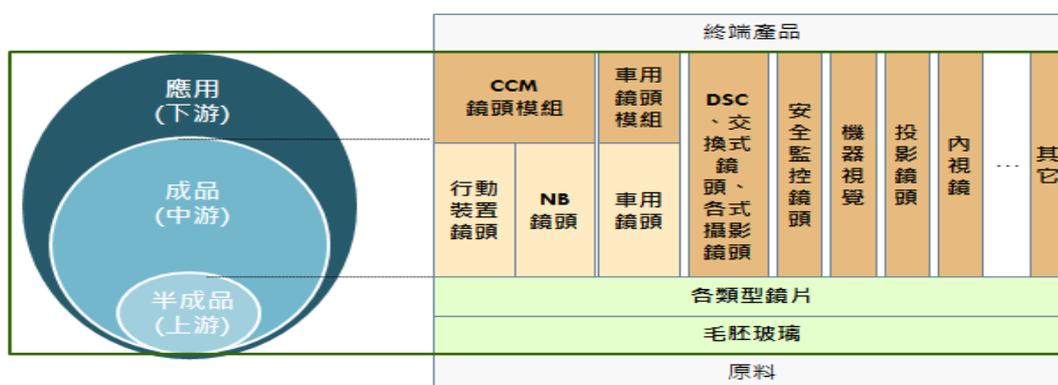
temperatures), and the long product life cycle is also the key to the development of automotive lenses. The market size continues to expand due to the development of applications. Although there are some technological overlaps in different applications, the supply chains and product specifications are different, so it takes a lot of effort to enter into the new fields.

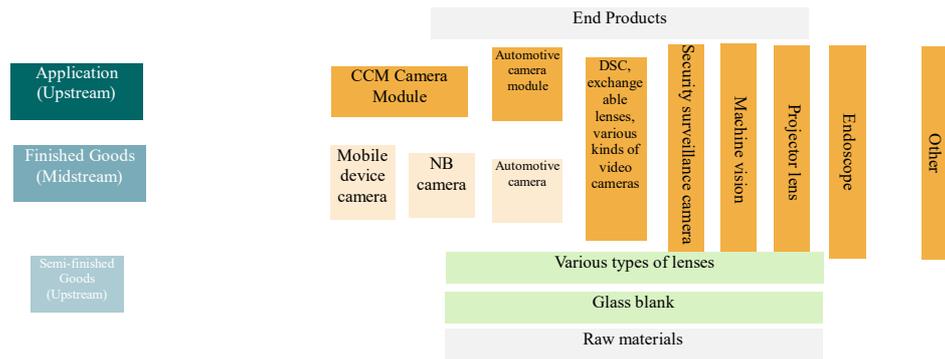
(2) Links between the upstream, midstream, and downstream segments of the industry supply chain:

We are in the optical component industry. We offer R&D, manufacturing and marketing services for various lenses and cameras used in optical applications and optical information products. According to PIDA, the optical industry can be divided into upstream optical material industry, midstream optical component industry, downstream optical application products and peripheral related industries according to its vertical division of labor characteristics.

The materials for optical lens modules include not only plastic pellets and glass blanks, but also lens barrels, fixing rings, inter-lens rings, black parts, drive shafts, guide shafts, and dust-proof cloths. Among them, most of the lens barrels, fixing rings and inter-lens rings are supplied by domestic professional suppliers because of the mature technology and stable quality of domestic lathes. Drive shafts, guide shafts, glass blanks, plastic pellets, etc., are mainly supplied by professional suppliers from Japan because they are related to the precision and stability of the finished products.

With the development of applications, the scope of optical lens industry continues to expand. In the past, the main applications of optical lenses and cameras were eyeglasses, DVDs, camera lenses, office machines (photocopying/fax/scanner), projectors, and camcorders. As technology continues to develop, the Company has further expanded its product range to include game consoles, smart mobile devices, computer applications, surveillance, and more. We are now extending our product line to include machine vision, automotive image, VR/AR, medical applications, and biometric identification.



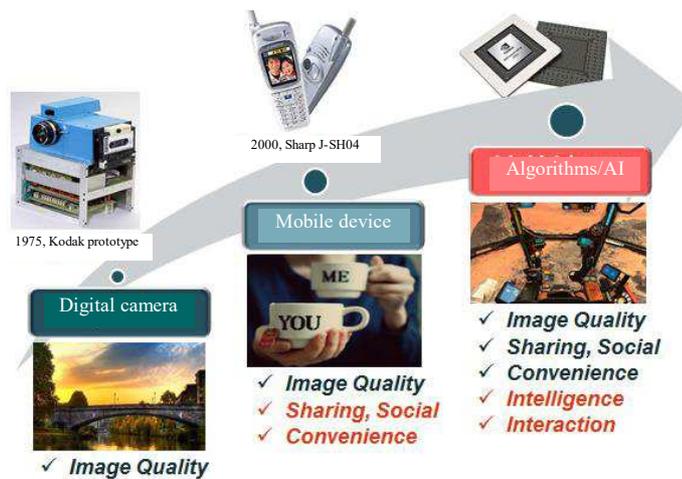


Source: IEK, ITRI (2018/01)

3. Development trends for the company’s products:

As consumers’ preferences for optoelectronic products continue to change, the trend toward lighter, thinner, shorter and smaller, continues driving the design of optical components to adjust. In recent years, optical components, both in terms of technology development and innovation as well as production processes, have made long progress, and optoelectronic products are constantly being introduced. Therefore, the overall industry and marketability of optoelectronic products have gradually improved. The application of optical components is quite extensive, and many optoelectronic products require the use of lenses or lenses. Therefore, optical lenses are known as the “heart of optoelectronics.” In response to downstream customer demand, related manufacturers have strict requirements for the quality of optical lenses, including accuracy, transparency, use of light waves, temperature range, etc. In addition, small size, non-sphericity, light weight, and diversity in small quantities are also future development trends. Overall, with the popularization of various optical lenses, lenses, and optical equipment, and the optimistic outlook for the future multimedia product market, the importance of optical lenses and lenses will continue to increase day by day.

In addition, according to a research report by the Industrial Technology Research Institute’s (ITRI) Industrial Economics and Knowledge Center (IEK), mobile devices are expected to dominate the optical lens market in the next five years. The driving force behind the growth of production value will also shift from a dual-engine approach of “specifications and shipping volume” to a growth model primarily focused on “specifications.” However, in terms of the development of specifications, due to the significant improvement in image processing efficiency, systems have more capacity to perform more complex AI computing processes. This not only adds diversity to applications but also affects the direction of lens specification development. Therefore, AI algorithms will be the key factor influencing the development of specifications for the camera industry after traditional cameras and mobile devices.



4. Competition:

The Company has always focused on its own technology in optical design and production. We are also one of the few manufacturers in Taiwan who is capable of developing and manufacturing products independently. Since its establishment in 1986, the Company has been specializing in the glass optical component business. As glass lenses have the advantage of being harder and more wear-resistant than plastic lenses, they are suitable for making multi-layer film lenses with higher precision. Furthermore, due to their optical characteristics, such as stable refractive index, high material selectivity, and less susceptibility to environmental factors, high-end digital cameras and projectors that require high-resolution optical products mainly use glass lenses. Therefore, with the trend towards high-pixel and high-resolution products, the company's long-term focus on cultivating research and development capabilities and proprietary technology has given it a significant competitive niche in the market. Therefore, as the quality of plastic lenses continues to improve and gradually replace glass lenses, our company has successfully transformed itself into a primary supplier of plastic lenses with solid foundations and accumulated experience from the past years. We have adopted a form where plastic lenses are the main focus, with glass lenses as a supplement. As a result, we have become the main supplier of mobile phone camera lenses in our country, and have expanded into other application fields such as cars, surveillance, unmanned aerial vehicles, and biometric recognition.

The major competitors in the field of optical components in Taiwan include KINKO Optical Co., Ltd. and Newmax Technology Co., Ltd. The Company is currently shipping high-definition lenses for laptops. Some of the lenses used in mobile phones and tablets have been certificated by international manufacturers and shipped.

As a result, the Company has a very competitive advantage over its domestic competitors. As the Company is facing the price competition among the international

manufacturers and the high labor cost in Taiwan, the Company has positioned Taiwan as the global operation headquarters and plastic lens production base to focus on R&D, plastic lens production, management, finance and marketing, in order to effectively integrate resources across the world. The Company has also shifted some of its production bases to Vietnam and China in order to plan and build up its core competitiveness in response to the future OEM and ODM competition from major overseas manufacturers. This will enable the Company to keep up with market trends and to compete with major international manufacturers.

(III) An overview of the company's technologies and its research and development work:

(1) Technology:

The Company has always focused on its own technology in optical design and production. We are also one of the few manufacturers in Taiwan who is capable of developing and manufacturing products independently. The R&D team is not only committed to the design and development of existing optical lenses to improve product quality, but also actively developing high-end smartphone digital camera lenses, as well as front and rear lenses for tablets. The Company's research and development is focused on light, thin, and compact size based on the market trend for NOTE BOOK and consumer electronics products. In order to expand our market share, diversify our business, and create an operating economy, we will continue to focus on our industry to enhance the innovative design of optical products and R&D technologies.

The core technology of the Company is the injection molding of precision plastic optical lenses and the core part processing and correction technology. The other parts including mold design, ultra-precision machining of mold cores, precision plastic lens injection molding, lens coating, and precision optical lens inspection are all developed and established by the team in the Mold Department of the Company.

Precision optical lens-related products are the company's main core business. Currently, NB video lens products are the main products of the company, and cell phone and tablet lens are the primary development direction over the past few years. In addition to basic requirements such as light, thin, short, and small, high pixel, wide angle, and large aperture products are also the Company's development direction in the future. Therefore, improving the precision of optical lenses is currently a key focus of the Company's efforts, and as a result, mold design and mold processing technology are relatively more important.

(2) Research and Development:

The Company specializes in the development and manufacture of optical components. We offer a wide range of products with ODM/OEM professional services to meet customer needs. Our main products are precision optical camera and lens. We have developed precision optical lenses and lenses for smartphones,

tablets, laptops, desktop computers, projectors, scanners, and automotive applications.

All R&D of new products are combined with the optical design and mechanical design capabilities of the Company, as well as the ability to reduce stray light, the ability to perform ultra-precise in-house processing of mold core, high precision mold manufacturing technology, highly efficient automated assembly production systems, precision production equipment systems and high level of self-production capabilities, comprehensive precision optical inspection equipment systems, efficient management capabilities of production lines and vertical integration capabilities of product development, together with a professional team that is experienced in product development capabilities.

1. R&D expenses spent by the company during the preceding fiscal year and in the current fiscal year up to the date of the publication of the report:

Unit: NT\$ thousand; %

Item	2023	2022	As of 31 March 2024
R&D expense	221,185	260,831	52,046
Net operating revenue	3,995,843	3,662,279	936,783
As a percentage of net operating revenues	5.54%	7.12%	5.56%

2. Technologies and/or products successfully developed:

Year	Content
2022	<ol style="list-style-type: none"> 1. Completed the development of 5M IMS lens for automobile and started mass production 2. Completed the development of 5M DMS lens for automobile 3. Completed development and started the mass production of the FHD lens for NB
2023	<ol style="list-style-type: none"> 1. Completed development of 5M molded glass for automobile 2. Completed the development of NB 5M thin lens and started mass production 3. Completed the development of high-end face recognition lens

(IV) The company's long- and short-term business development plans

1. Short-term plans:

- A. Improve the production process and increase the yield rate to continuously create high quality products and raise production efficiency.
- B. Implementing international division of labor by shifting labor-intensive manufacturing to overseas in order to reduce production costs.
- C. Increase the product type and maintain closer relationship with customers in order to launch products that meet market demands.
- D. Upgrade automation technology to reduce labor costs and improve production

efficiency to respond quickly to market demand.

- E. Utilize the advantages of the existing optical design and manufacturing technology to develop various new high-end products in order to expand the business scale and increase the market share.
- F. Strengthen the function of financial management and improve the risk control capability.

2. Long-term plans:

- A. Continuously improve our R&D technology and design capability, and develop various diversified products according to the market demand, in order to pursue long-term business development.
- B. Develop more new customers and make strategic cooperation with them to achieve economic scale of production and to enter the market rapidly in response to the market development trend.
- C. Focus on the development and application of new technologies for optical components to expand the field where optical products can be used, so that the innovative spirit is deeply rooted in the company culture.
- D. Positive and sound technology experience succession to develop Taiwan's optical competitiveness.
- E. Based on the sustainable management concept, we will integrate the resources in Taiwan, Vietnam and China, and combine the strategies to make the overall business scale to expand continuously with our development plan in the future.
- F. We have a comprehensive financial plan and a sound financial structure to support our future operation scale.

II. An analysis of the market as well as the production and marketing situation, including:

(I) Market analysis:

1. Geographic areas where the main products are provided:

Unit: NT\$ thousand; %

Year		2023		2022		2021	
Geographic areas		Amount	Weight (%)	Amount	Weight (%)	Amount	Weight (%)
Local		377,776	9.45	337,176	9.21	347,407	9.52
Export	Asia	3,508,079	87.79	3,262,155	89.07	3,246,936	88.95
	Other	109,988	2.76	62,948	1.72	56,091	1.53
Total		3,995,843	100	3,662,279	100	3,650,434	100

2. Market share:

The Company is mainly engaged in the manufacturing and sales of optical lenses. According to the latest report on the shipment of notebook by TrendForce, the volume of notebooks shipped in 2023 was 166 million units.

3. Demand and supply conditions for the market in the future, and the market's growth potential:

The development of a wide range of applications is the main reason why the lens industry can continue to grow for decades. Consumer applications are the most important key factor, with smart mobile devices being the mainstream of demand, followed by computers such as NB and Ultra Mobile. Other applications include machine vision, VR/AR, projectors, gaming consoles, multifunctional printers, medical endoscopes, microscopes, and telescopes.

Currently, the Company's major products are laptops, which account for a large proportion of its total sales. According to the data from the Taiwan Industry Economics Services, the future demand for commercial device upgrades will continue, and the development of dual-lens and biometric authentication will also help to stimulate the growth of cell phone and NB lenses, which have seen a slowing growth in shipments. In addition, the Company continues to develop its business in the automotive lens, drones and security surveillance markets. As the Company continues to diversify its business and the market for applications in various industries grows steadily in the future, the optical lens industry should be able to keep growing in the future.

4. Competitive niches:

- A. The Company has a strong R&D background and R&D team. The R&D team possesses excellent capabilities and extensive experience to develop technologies independently.
- B. All R&D of new products are combined with the optical design and mechanical design capabilities of the Company, as well as the ability to reduce stray light, the ability to perform ultra-precise in-house processing of mold core, high precision mold manufacturing technology, highly efficient automated assembly production systems, precision production equipment systems and high level of self-production capabilities, comprehensive precision optical inspection equipment systems, efficient

management capabilities of production lines and vertical integration capabilities of product development, together with a professional team that is experienced in product development capabilities.

- C. In order to keep the optical design confidential and the key technology for ultra-precision processing and correction, we take control of the process-related know-how and skills upgrade development direction (core technology); in the future, we will focus more on the development of core technology, and we will work closely with the manufacturers for standard parts production and processing, in order to centralize resources on core technology development, produce more competitive lens design, and provide better services to our customers.
- D. We will continue to upgrade our automation technology to meet the technical requirements for our high-end products and to obtain new technologies, as well as effectively improving production yields to reduce production costs and improve the competitiveness of the products.

5. Positive and negative factors for future development, and the company’s response to such factors:

Item	Competitive niches and positive factors	Negative factors	Countermeasures
I. Major business and future development	As consumer electronics products continue to develop, for example, AIO NB, 3G cell phones, industrial applications and imaging equipment, the demand for optical components has increased significantly. This shows that the optical component industry has great potential for future growth.	<ol style="list-style-type: none"> 1. As wages and the gross national income increase, the labor cost has increased year by year, resulting in an increase in the production costs. 2. Consumer electronics products have a rapid replacement cycle and a short product development cycle. 	<ol style="list-style-type: none"> 1. Effectively improve production yield to reduce production cost and to strengthen the product competitiveness. 2. Integrate resources across the world and set up overseas production bases in Vietnam and China to reduce labor costs. 3. Develop automated production line. 4. Diversify our product lines and actively position ourselves for future market dynamics. 5. Develop new products and technologies in collaboration with leading customers in the market, and plan the future industry trend in advance.
II. Position in the industry	<ol style="list-style-type: none"> 1. Our R&D team is strong and experienced, and the development technology is completely independent. 2. The Company is one of the leading manufacturers of optical components and lens assembly. 3. Whether it is glass or plastic, we have the ability to supply the entire optical 	We are facing the low price competition from the manufacturers in China and the peers in the same industry, which gradually shortens the product cycle and results in low price competition.	<ol style="list-style-type: none"> 1. Strengthen the research and development for new products with high added value, and improve or update the materials used in existing products with new technologies to reduce costs. 2. Take advantage of the international division of labor and shift products to overseas production bases to extend

Item	Competitive niches and positive factors	Negative factors	Countermeasures
	components.		<p>production lines and increase our competitiveness.</p> <p>3. Enhance product differentiation to create a value gap with the competitors.</p> <p>4. Build up our R&D capability and technical skills to shorten the product development cycle and provide better services to our customers.</p>
III. Supply situation for the company's major raw materials	Our main raw materials are plastic pellets, parts and glass blanks. We have been cooperating with various suppliers for a long time and maintain good relationships with them in order to maintain a stable supply of goods.	The manufacturing and delivery time of optical glass materials is relatively long and the supply sources are concentrated, which makes it more difficult to prepare and lower the inventory level. High supplier concentration and excessive reliance on a few suppliers.	<p>1. Maintain good relationship with suppliers and actively develop potential suppliers to provide more sources for raw material supply and shorten material development and delivery time. In addition, optical glass materials account for less than 10% of the company's imports, and there are several suppliers to work with, which has limited impact on the Company.</p> <p>2. Effectively implement strategic procurement to prepare materials in order to shorten the lead time for commonly used materials.</p> <p>3. Cooperate with suppliers to develop new materials to meet the demand of new technology development.</p>
IV. Sales status of major products	<p>1. With our excellent product quality and continuous development for new products, the Company has been recognized by the world's leading manufacturers, and orders and customers have shown steady growth.</p> <p>2. All products are self-developed, so we can control the technical development and production factors well.</p>	<p>1. Downstream manufacturers are shifting their production bases to China in response to the increasing domestic production costs, and therefore they are requesting local deliveries.</p> <p>2. Competitors sacrifice reasonable profits in exchange for orders, causing price chaos in the market and</p>	<p>1. In order to accommodate our customers' needs, we have been planning to shift some of our product lines to Southeast Asia and China to provide better service to our customers.</p> <p>2. Develop automation technology to satisfy the technical requirements for high-end imaging products.</p>

Item	Competitive niches and positive factors	Negative factors	Countermeasures
		inconsistent product quality.	

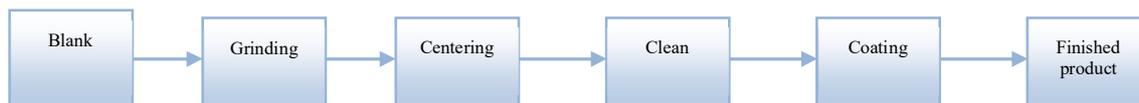
(II) Usage and manufacturing processes for the company's main products

1. Usage for the company's main products:

Main products (services)	Usage/Function
Optical camera and Optical lens	Lens for NB Camera, Tablet PC Camera, Optical Multi-Touch Monitor (OTM) Camera, Mobile Phone Camera, DV Camera, DSC Camera, PC Camera, MFP and Barcode Reader Camera, Plastic and Glass Lens for various optical products.
Electronic Parts and Components	Fingerprint identification module

2. Manufacturing processes for the company's main products:

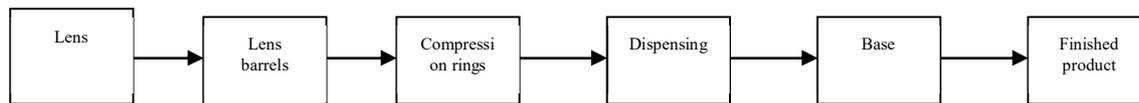
Glass lens



Plastic lens



Camera



(III) Supply situation for the company's major raw materials

The main raw materials for optical glass lenses are nitrate material, metal lens barrels, compression rings, gaskets, plastic lenses, plastic lens barrels and spare parts. The sources of materials are from well-known domestic and foreign manufacturers, and they have stable relationships with the Company, so that the supply is stable and sufficient.

Name of raw material	Supplier	Country	Supply status
Nitrate material	Unique Corporation	R. O. C.	Specialized materials for glass are widely used in the optical industry. Excellent quality, good delivery time and stable supply source.
	Coolbit Company Ltd.	China	
Plastic materials	Supplier B.	Japan	Provide world-class plastic raw materials, stable quality, long-term supply of plastic materials to major camera and lens manufacturers in domestic and overseas
	ZEON CSC CORPORATION	Japan	
	LINK UPON ADVANCED MATERIAL CORP.	Japan	

	DYNACHEM CO. LTD.	Japan	
Filter	Suzhou O-film Technology Co., Ltd.	China	This professional manufacturer is our long-term partner, with stable supply source and good cooperation.
	Supplier G	China	
Mirror barrel, parts and components	Supplier B	R. O. C.	It is a professional manufacturer that we have been cooperating with for a long time, with good technical ability and good quality. The delivery time is stable and highly cooperative.
	Hong Yang Precision Industry Co., Ltd.	R. O. C.	
	LY MING CO., LTD.	R. O. C.	

(IV) Information on major suppliers and customers for the most recent 2 years

1. Purchase:

Unit: NT\$ thousand; %

Item	2023				2022				2024 up to end of the first quarter			
	Name	Amount	Percentage of annual net purchases (%)	Relationship with the issuer	Name	Amount	Percentage of annual net purchases (%)	Relationship with the issuer	Name	Amount	Up to the preceding quarter of the current fiscal year	Relationship with the issuer
1	SupplierE	378,217	29.21	None	Supplier A	323,705	18.89	None	Supplier H	108,299	30.73	None
2	-	-	-	-	Supplier E	216,243	13.23	None	Supplier F	35,354	10.03	None
3	Other	916,629	70.79		Other	1,094,799	66.97	None	Other	208,728	59.24	
		1,294,846	100.00			1,634,747	100.00			352,381	100.00	

The reason for the change:

Supplier A increased the new product production volume.

2. Sales:

Unit: NT\$ thousand; %

Item	2022				2022				2024 up to end of the first quarter			
	Name	Amount	Percentage of annual net sales (%)	Relationship with the issuer	Name	Amount	Percentage of annual net sales (%)	Relationship with the issuer	Name	Amount	Up to the preceding quarter of the current fiscal year	Relationship with the issuer
1	Customer A	892,548	22.34	None	Customer A	657,385	17.95	None	Customer A	172,293	18.39	None
2	Customer E	702,747	17.59	None	Customer E	609,021	16.63	None	Customer E	162,072	17.30	None
3	Customer C	609,624	15.26	None	Customer B	587,171	16.03	None	Customer B	158,442	16.91	None
	CustomerB	540,749	13.53	None	Customer C	472,493	12.90	None	Customer D	105,601	11.27	None
	-	-	-		Customer H	392,544	10.72	None		-	-	
4	Other	1,250,175	31.28		Other	943,665	25.77		Other	338,375	36.13	
		3,995,843	100.00			3,662,279	100.00			936,783	100.00	

The reason for the change:

Customer H has increased the new product shipments.

(V) Production Volume and Value in the Most Recent 2 Fiscal Years

Unit: thousand pcs; Amount: NT\$ thousand

Fiscal Year Main products Output	2023			2022		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Optical Products	176,808	122,583	2,408,162	158,808	134,848	2,677,989
Electronic Parts and Components	7,500	4,320	857,873	7,500	4,486	855,063
Total	184,308	126,903	3,266,035	166,308	139,334	3,533,052

(VI) Sales Volume and Value in the Most Recent 2 Fiscal Years

Unit: thousand sets/thousand pcs; Amount: NT\$ thousand

Year Sales Main products	2023				2022			
	Local		Export		Local		Export	
	Volume	Amount	Volume	Amount	Volume	Amount	Volume	Amount
Optical Products	19,030	333,864	100,970	2,411,813	22,295	330,787	102,540	2,123,355
Electronic Parts	136	43,912	4,302	1,206,254	33	6,389	4,776	1,201,748
Total	19,166	377,776	105,272	3,618,067	23,700	337,176	105,944	3,325,103

III. The number of employees employed for the 2 most recent fiscal years, and during the current fiscal year up to the date of publication of the annual report, their average years of service, average age, and education levels (including the percentage of employees at each level)

Year		2023	2022	2024 As of 31 March
Number of employees	Product	634	635	686
	Management	84	99	90
	R&D	61	67	62
	Total	779	801	838
Average age		35	35	35
Average years of service		4	3.94	3.97
Education distribution percentage (%)	Ph.D.	0.51	0.49	0.48
	Master's degree	7.7	6.99	7.76
	College	52.25	47.57	50.24
	Senior high school	34.53	38.58	36.52
	Below senior high school	5.01	6.37	5.01

IV. Disbursements for environmental protection

- (I) 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 and the amount of disposition: None.
- (II) Measures being or to be taken in the future and possible expenses: Not applicable.

V. Labor relations

- (I) List any employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements:

1. Employee benefit plans:

Our employee benefit plans include group health examination and subsidies for education and training, in addition to those in accordance with the Labor Standards Act and related laws and regulations. These plans enable our employees to devote themselves to their work. The Employee Welfare Committee has been established to provide various subsidies to employees for weddings, funerals, illnesses and childbirth, as well as organizing regular trips, birthday parties and club activities to provide physical and mental support for employees and to improve their friendship.

2. Employees' education and training measures:

The Company places great importance on employee planning and talent development, and actively encourages employees to participate in various training courses, including internal and external training classes that are offered by the Company. Internal training courses are designed for the internal exchange of professional skills to improve employees' working capabilities. The external training courses are conducted based on the company's needs. Employees are sent to participate in workshops to provide good opportunities for specialized training. The statistics of the implementation of education and training in fiscal year 2022 are as follows:

Course Type	Number of Courses	Hours of Training	Number of participants
Administration	23	199.5	338
HR	0	0	0
Production	47	125.5	470
Internal Auditing	3	30	2
Financial Management	1	12	2
R&D	6	90	15

3. Employee retirement system and implementation status:

In January 1987, the Company established a Labor Pension Reserve Account at the Central Trust of China, and contributed 2% of the total monthly salary to this account. The pension application standards and payment methods are in accordance with the provisions of the Labor Standards Act. We have only one employee has applied for pension since the implementation of the pension system. Effective in 2002, the Company appointed a qualified actuary to perform pension actuarial evaluations in accordance with the Pension Actuarial Bulletin No. 18. Starting from July 2005, the Company has made a monthly contribution of 6% of total salary under the new pension system.

4. Status of labor–management agreements and measures for preserving employees’ rights and interests:

Our employees are welcome to express their personal opinions to their supervisors anytime. Up to now, there is no agreement between labor and management.

The Company has not only established the Employee Benefit Committee and the Supervisory Committee of Business Entities’ Labor Retirement Reserve according to the law, but also held regular labor–management meetings to communicate with the employees. The Company maintains the rights and interests of its employees and implements the employee benefits system in accordance with the laws and regulations.

5. Work environment and employee safety protection measures:

- (1) Employees shall know where and how to use fire extinguishers, fire hydrants and other firefighting tools, and shall follow the directions given by the person responsible for this task and assist him/her to prevent fires.
 - (2) When using items that may cause fire hazards, employees should pay close attention to the risks when using them.
 - (3) Rags, paper scraps and cigarette butts that have been contaminated with mechanical oil shall not be disposed of anywhere except at the designated site.
 - (4) Employees should always make efforts to clean the workplace, especially near the aisles, emergency exits, fire extinguishers, fire hydrants; no obstructions are allowed to be placed at those places.
 - (5) In order to organize and clean the workplace, we should always clean up the workplace. Waste such as fruit peel is not allowed to be thrown away except in designated places.
 - (6) When employees notice a fire, emergency, or danger, they should immediately notify nearby colleagues and cooperate with each other to temporarily handle the situation to prevent the damage from getting worse.
 - (7) When an employee is injured or becomes ill at work, he/she shall immediately report to the safety and health manager, and shall comply with his/her instructions after being identified on site.
- (II) List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to labor disputes and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken: The Company has not suffered any loss due to labor disputes.

VI. Cyber security management

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

1. Cyber security risk management framework

Responsible unit: Information Department, with one information supervisor and several professional IT personnel. Be responsible for coordinating and implementing cyber security policies, raising employees' awareness on cyber security by promoting cyber security messages, and collecting and continuously improving cyber security management technologies, products or procedures.

Supervisory unit: Audit Office, with one chief auditor, conducts annual cyber security audits and supervises the effectiveness of internal controls over information security operations.

2. Cyber security policies

To implement cyber security management, the Company has established an internal control system – Regulations for Cyber Security Management, and expects to achieve the following policy goals through the joint efforts from all employees.

- Ensure the confidentiality and integrity of the data.
- Ensure data access in accordance with standards of the department and function.
- Ensure the continuous operation of information software and hardware systems.
- Prevent unauthorized access to or modification of data and systems.
- Regularly perform information security audits to ensure information security is implemented.

2. Concrete management programs

Internet Information Security Control	Data Access Control
<ul style="list-style-type: none"> ● Set up firewall and intrusion prevention system (IPS) ● Regular scan for virus on computer system and data storage media ● The use of each network service shall be carried out in accordance with the information security policy. <p>Regularly review the System Log for each network service item to track any abnormalities.</p>	<ul style="list-style-type: none"> ● DLP (Data Leakage Protection) is installed on computer equipment and is kept by a dedicated staff with an account and PIN. ● Grant access privileges based on functions, and cancel the original privileges when relocating staff ● Remove or overwrite the confidential, sensitive data and copyrighted software before disposing equipment <p>Remote access to the management information system should be subject to approval</p>
Recovery mechanism	Advocacy and Inspection
<ul style="list-style-type: none"> ● Regularly review the emergency response plans ● Perform annual drills for system recovery ● Establish system backup mechanism and implement off-site backup 	<ul style="list-style-type: none"> ● Promote information security information and raise employees' awareness of information security anytime. <p>Perform annual cyber security inspection and report to the Chairman of the Board</p>

Periodically review computer network security controls	
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- (II) List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.

VII. Important contracts

Listed all important contracts including supply/distribution contracts, technical cooperation contracts, engineering/construction contracts, long-term loan contracts, and other contracts that would affect shareholders' equity, where said contracts were either still effective as of the date of publication of the annual report, or expired in the most recent fiscal year:

Nature of contract	Parties	Beginning and end dates of contract	Major content	Restrictive clauses
Long-term loan agreements	Land Bank of Taiwan, JHONG KE BRANCH	January 22, 2019 – January 22, 2024	Loan amount NT\$6.87 million	None
Long-term loan agreements	Land Bank of Taiwan, JHONG KE BRANCH	November 24, 2021 – November 24, 2024	Loan amount NT\$53.52 million	None
Long-term loan agreements	Shanghai Commercial And Savings Bank Ltd, Feng Yuan Branch	January 21, 2021 – January 15, 2024	Loan amount NT\$24.24 million	None
Long-term loan agreements	Shanghai Commercial And Savings Bank Ltd, Feng Yuan Branch	June 28, 2021 – June 28, 2024	Loan amount NT\$22.5 million	None
Long-term loan agreements	Mega International Commercial Bank, Central Taiwan Science Park Branch	January 04, 2022 – January 04, 2025	Loan amount NT\$30 million	None
Lease Contract	Central Taiwan Science Park Bureau	January 01, 2023 – December 31, 2024	CTSP Standard Plant Phase I Lease	None
Lease Contract	Central Taiwan Science Park Bureau	January 01, 2018 – December 31, 2037	Land in Zone 15 of the CTSP	None
Long-term loan agreements	Bank group organized by Entie Commercial Bank, Ltd.	March 25, 2022 – March 24, 2029	Syndicated loan agreements	None
Construction contract	Lee Ming Construction Co., Ltd.	According to the duration of the project	Plant construction contract	None
Construction contract	POYUAN ENGINEERING CO., LTD.	According to the duration of the project	Plant construction contract	None

Six. Financial Overview

I. Condensed financial statements for the past 5 fiscal years

(I) Condensed Consolidated Balance Sheets and Condensed Statement of Comprehensive Income – IFRS

1. Condensed Consolidated Balance Sheets – IFRS

Unit: NT\$ thousand

Fiscal Year		2023	2021	2021	2020	2019	Financial analysis in the current as of March 31, 2024
Item							
Current assets		3,476,860	3,512,914	2,976,318	2,396,495	1,968,214	3,484,289
Property, plant and equipment		2,950,139	2,542,852	1,995,327	1,251,954	1,129,270	3,156,529
Intangible assets		634,705	701,906	783,097	40,160	89,513	628,087
Other assets		359,223	447,513	515,931	702,672	404,711	398,132
Total assets		7,420,927	7,205,185	6,270,673	4,391,281	3,591,708	7,667,037
Current liabilities	Before distribution	2,724,052	2,773,459	2,461,733	2,210,525	888,457	2,853,319
	After distribution (Note2)	2,865,872	2,915,005	2,461,733	2,210,525	888,457	Note3
Non-current liabilities		1,377,341	1,372,350	1,738,441	689,397	203,431	1,330,385
Total liabilities	Before distribution	4,101,393	4,145,809	4,200,174	2,899,922	1,091,888	4,183,704
	After distribution (Note2)	4,287,355	4,287,355	4,200,174	2,899,922	1,091,888	Note3
Equity attributable to owners of the parent company		3,316,555	3,055,240	2,054,463	1,461,225	2,456,503	3,480,839
Share capital		1,424,599	1,424,599	1,315,459	1,115,459	1,115,459	1,424,559
Capital surplus		1,154,191	1,154,191	672,134	1,018,186	1,018,186	1,154,191
Retained earnings	Before distribution	800,890	541,547	116,393	(632,157)	361,242	940,282
	After distribution (Note2)	659,070	400,001	116,393	(632,157)	361,242	Note3
Other equity		(63,125)	(65,097)	(49,523)	(40,263)	(38,384)	(38,233)
Treasury shares		-	-	-	-	-	-
Non-controlling interests		2,979	4,136	16,036	30,134	43,317	2,494
Total equity	Before distribution	3,319,534	3,059,376	2,070,499	1,491,359	2,499,820	3,483,333
	After distribution (Note2)	3,177,714	2,917,830	2,070,499	1,491,359	2,499,820	Note3

Note 1: The aforesaid financial statements have been audited and attested by CPAs.

Note 2: Proposal of 2023 earnings distribution, approved by the Board of Directors.

Note 3: Proposal of 2024 earnings distribution, where the distribution has not been resolved.

2. Condensed Consolidated Statement of Comprehensive Income –IFRS

Unit: NT\$ thousand

Item \ Fiscal Year	2023	2022	2021	2020	2019	Financial analysis in the current as of March 31, 2024
Operating Revenue	3,995,843	3,662,279	3,650,434	3,193,611	2,238,848	936,783
Gross Profit	1,049,722	912,741	589,901	628,866	547,543	240,227
Operating Income	480,316	311,596	43,586	9,278	33,984	88,643
Non-operating income and expenses	26,078	192,229	(40,442)	(1,229,601)	(27,122)	89,917
Profit Before Income Tax	506,394	503,825	3,144	(1,220,323)	6,862	178,560
Net income for the period from continuing operations	399,571	413,624	(9,986)	(1,006,370)	(22,871)	138,901
Loss from discontinued operations	-	-	-	-	-	-
Net income (loss) for the period	399,571	413,624	(9,986)	(1,006,370)	(22,871)	138,901
Other comprehensive income (loss) for the period (net of income tax)	(11,557)	29,340	(9,274)	(2,091)	(16,866)	21,476
Total comprehensive income (loss) for the period	388,014	442,964	(19,260)	(1,008,461)	(39,737)	160,377
Net income attributable to owners of parent company	400,720	424,023	4,077	(993,120)	(16,572)	139,392
Net income (loss) attributable to noncontrolling interests	(1,149)	(10,399)	(14,063)	(13,250)	(6,299)	(491)
Total comprehensive income attributable to owners of parent company	389,171	453,214	(5,162)	(995,278)	(33,097)	160,862
Total comprehensive income, attributable to non-controlling interests	(1,157)	(10,250)	(14,098)	(13,183)	(6,640)	(485)
Earnings (losses)	2.83	3.05	0.03	(8.90)	(0.15)	0.98

Note: The aforesaid financial statements have been audited and attested by CPAs.

3. Condensed Parent Company Only Balance Sheets – IFRS

Unit: NT\$ thousand

Item		Fiscal Year				
		2023	2022	2021	2020	2019
Current assets		2,975,320	2,827,695	1,831,412	1,613,696	1,657,092
Property, plant and equipment		2,677,131	2,196,163	1,603,766	854,992	737,518
Intangible assets		630,872	697,158	774,330	26,458	39,992
Other assets		1,454,892	1,382,258	1,202,932	1,406,027	921,369
Total assets		7,738,215	7,103,274	5,412,440	3,901,173	3,355,971
Current liabilities	Before distribution	3,081,905	2,740,343	1,646,402	1,784,674	726,996
	After distribution (Note3)	3,223,725	2,881,889	1,646,402	1,784,674	726,996
Non-current liabilities		1,339,755	1,307,691	1,711,575	655,274	172,472
Total liabilities	Before distribution	4,421,660	4,048,034	3,357,977	2,439,948	899,468
	After distribution (Note3)	4,563,480	4,189,580	3,357,977	2,439,948	899,468
Share capital		1,424,599	1,424,599	1,315,459	1,115,459	1,115,459
Capital surplus		1,154,191	1,154,191	672,134	1,018,186	1,018,186
Retained earnings	Before distribution	800,890	541,547	116,393	(632,157)	361,242
	After distribution (Note3)	659,070	399,971	116,393	(632,157)	361,242
Other equity		(63,125)	(65,097)	(49,523)	(40,263)	(38,384)
Treasury shares		-	-	-	-	-
Non-controlling interests		-	-	-	-	-
Total equity	Before distribution	3,316,555	3,055,240	2,054,463	1,461,225	2,456,503
	After distribution (Note3)	3,174,735	2,913,694	2,054,463	1,461,225	2,456,503

Note 1: The aforesaid financial statements have been audited and attested by CPAs.

Note 2: The Company has adopted IFRSs since 2014, please refer to the financial statements prepared under IFRSs.

Note 3: Proposal of 2023 earnings distribution, approved by the Board of Directors.

4. Condensed Parent Company Only Statement of Comprehensive Income –IFRS

Unit: NT\$ thousand

Item \ Fiscal Year	2023	2022	2021	2020	2019
Operating Revenue	2,678,829	2,405,901	2,500,688	2,569,831	2,104,516
Gross Profit	536,438	551,812	453,403	540,816	499,042
Operating Income	157,574	36,072	62,279	58,938	118,257
Non-operating income and expenses	282,112	440,177	(47,226)	(1,268,716)	(108,354)
Profit Before Income Tax	439,686	476,249	15,053	(1,209,778)	9,903
Net income for the period from continuing operations	400,720	424,023	4,077	(993,120)	(16,572)
Loss from discontinued operations	-	-	-	-	-
Net income (loss) for the period	400,720	424,023	4,077	(993,120)	(16,572)
Other comprehensive income (loss) for the period (net of income tax)	(11,549)	29,191	(9,239)	(2,158)	(16,525)
Total comprehensive income (loss) for the period	389,171	453,214	(5,162)	(995,278)	(33,097)
Earnings (losses)	2.83	3.05	0.03	(8.90)	(0.15)

Note 1: The aforesaid financial statements have been audited and attested by CPAs.

Note 2: The Company has adopted IFRSs since 2014, please refer to the financial statements prepared under IFRSs.

(II) Names of Financial Statement Auditors in the Last Five Years and Audit Opinions:

Fiscal Year	Name of accounting firm	Names of CPAs	Audit opinions
2019	PwC Taiwan	Chien-Yeh Hsu and Mei-Lan Liu	Unqualified opinion
2020	PwC Taiwan	Chien-Yeh Hsu and Mei-Lan Liu	Unqualified opinion
2021	PwC Taiwan	Sung-Yuan Wu and Mei-Lan Liu	Unqualified opinion
2022	PwC Taiwan	Sung-Yuan Wu and Mei-Lan Liu	Unqualified opinion
2023	PwC Taiwan	Sung-Yuan Wu and Mei-Lan Liu	Unqualified opinion

II. Financial analyses for the past 5 fiscal years

(I) Financial analysis after the adoption of IFRSs

1. Consolidated Financial Analysis – IFRS

Item		Fiscal Year					Financial analysis in the current as of March 31, 2024	
		2019	2020	2021	2022	2023		
Financial structure (%)	Debt to assets ratio	30.4	66.04	66.98	57.54	55.27	54.57	
	Ratio of long-term capital to property, plant and equipment	235.54	171.78	190.09	174.28	159.21	152.5	
Solvency (%)	Current ratio	221.53	108.41	120.9	126.66	127.64	122.11	
	Quick ratio	133.44	70.21	89.74	82.56	91.75	85.27	
	Times interest earned	2.05	-111.16	1.13	11.52	8.14	10.3	
Operating performance	Accounts receivable turnover (times)	2.64	3.06	2.63	2.71	3.01	2.62	
	Average collection days	138	119	139	135	121	139	
	Inventory turnover (times)	3.09	3.45	3.65	2.40	2.40	2.44	
	Accounts payable turnover (times)	5.29	6.41	5.41	5.50	7.50	7.54	
	Average days in sales	118	105	100	152	154	150	
	Property, plant and equipment turnover (times)	2.39	2.68	2.25	1.61	1.45	1.24	
	Total asset turnover (times)	0.63	0.8	0.68	0.54	0.55	0.48	
Profitability	Return on total assets (%)	-0.5	-24.99	0.17	6.71	6.24	8.18	
	Return on equity (%)	-0.91	-51.38	-0.57	16.13	12.53	16.33	
	Percentage to paid-in capital (%)	Operating profit	3.05	0.83	3.31	21.87	33.72	24.89
		income before tax	0.62	-109.40	0.24	35.37	35.55	50.14
	Net profit margin (%)	-1.02	-31.51	-0.27	11.29	10.00	14.83	
Earnings (Losses) per share (NT\$)	-0.21	-8.90	0.03	3.05	2.83	0.98		
Cash flow	Cash flow ratio (%)	-9.71	6.34	-22.88	26.63	28.19	8.83	
	Net cash flow adequacy ratio (%)	35.91	31.13	-1.22	9.83	18.19	26.41	
	Cash reinvestment ratio (%)	-3.09	3.26	-9.09	10.53	8.20	3.19	
Leverage	Operating leverage	11.36	38.44	12.11	2.69	2.02	50.14	
	Financial leverage	1.24	-5.79	1.54	1.08	1.07	1.14	

Reasons for changes in financial ratios in recent two years (changes by more than 20%)

1. Lower times interest earned ratio mainly due to lower profits
2. The increase in payables turnover ratio was mainly due to the increase in cost of sales
3. The decrease of return on equity was mainly due to lower profits
4. The increase of percentage to paid-in capital was mainly due to the increase in sales revenue and profits
5. Cash flow adequacy ratio: Please refer to page 132 for explanation of changes.

2. Parent Company Only Financial Analysis – IFRS

Item		Fiscal Year					
		2019	2020	2021	2022	2023	
Financial structure (%)	Debt to assets ratio	26.8	62.54	62.04	56.99	57.14	
	Ratio of long-term capital to property, plant and equipment	356.46	247.55	234.82	198.66	173.93	
Solvency (%)	Current ratio	227.94	90.42	111.24	103.19	96.54	
	Quick ratio	194.74	76.13	98.65	87.39	85.57	
	Times interest earned	2.14	-115.46	1.22	12.83	7.88	
Operating performance	Accounts receivable turnover (times)	2.67	3.01	2.71	1.88	1.53	
	Average collection days	137	121	135	194	239	
	Inventory turnover (times)	10.15	9.4	8.54	5.57	5.51	
	Accounts payable turnover (times)	6.65	10.3	12.98	12.7	13.64	
	Average days in sales	36	39	43	66	66	
	Property, plant and equipment turnover (times)	3.7	3.23	2.03	1.27	1.1	
	Total asset turnover (times)	0.63	0.66	0.54	0.38	0.36	
Profitability	Return on total assets (%)	-0.29	-27.14	0.45	7.29	6.09	
	Return on equity (%)	-0.66	-50.7	0.23	16.6	12.58	
	Percentage to paid-in capital (%)	Operating profit	14.76	5.28	4.73	2.53	11.06
		income before tax	17.7	-108.46	1.14	33.43	30.86
	Net profit margin (%)	-0.79	-38.65	0.16	17.62	14.96	
	Earnings (Losses) per share (NT\$)	-0.15	-8.9	0.03	3.05	2.83	
Cash flow	Cash flow ratio (%)	6.59	24.49	-20.48	21.3	16.65	
	Net cash flow adequacy ratio (%)	42.09	63.61	15.94	23.45	24.53	
	Cash reinvestment ratio (%)	-0.15	9.66	-6.01	9.28	5.39	
Leverage	Operating leverage	3.17	5.51	7.3	13.82	3.33	
	Financial leverage	1.08	1.21	1.25	1.82	1.2	

Reasons for changes in financial ratios in recent two years (changes by more than 20%)

1. Times interest earned: Lower profits
2. The increase in average collection days is mainly due to the increase in sales revenue that results in the increase in accounts receivable
3. The increase in payables turnover ratio was mainly due to the increase in cost of sales
4. The decrease of return on equity was mainly due to lower profits
5. The increase of percentage to paid-in capital was mainly due to the increase in sales revenue and profits
6. Cash flow adequacy ratio: please refer to page 132 for explanation of changes.

Note 1: The aforesaid financial statements have been audited and attested by CPAs.

Note 2: The earnings per share is calculated based on the number of common shares using the weighted-average method. The number of shares increased or decreased due to capital increase or capital decrease from earnings is adjusted retroactively.

Note 3: The Company has adopted IFRSs since 2014, please refer to the financial statements prepared under IFRSs.

The formula for the financial analysis is calculated as follows:

1. Financial structure

- (1) Debt to assets ratio = total liabilities / total assets.
- (2) Ratio of long-term capital to property, plant 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 - prepaid expenses) / current liabilities.
- (3) Times interest earned = earnings before tax and interest expenses / current interest expenses.

3. Operating performance

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

4. Profitability

- (1) Return on total assets = (net income + interest expenses * (1 - effective tax rate)) / average total assets.
- (2) Return on equity = net income after tax / average total equity.
- (3) Ratio of operating income to paid-in capital = Operating income / paid-in capital.
- (4) Ratio of income before tax to paid-in capital = Income before tax / paid-in capital.
- (5) Net profit margin = net income after tax / net sales.
- (6) Earnings per share = (income attributable to owners of parent - preferred stock dividends) / weighted average number of shares outstanding.

5. Cash flow

- (1) Cash flow ratio = net cash flows from operating activities / current liabilities.
- (2) Net cash flow adequacy ratio = 5-year sum of net cash flow from operating activities / 5-year sum of (capital expenditures + increases in inventory + cash dividends).
- (3) Cash reinvestment ratio = (cash from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital).

6. Leverage

- (1) Operating leverage = (net operating revenue - variable operating costs and expenses) / operating income.
- (2) Financial leverage = operating income / (operating income - interest expenses).

III. Audit committee's report for the most recent year's financial statement

Ability opto-Electronics Technology Co., Ltd.

Audit committee's report

The Board of Directors has prepared the Company's 2023 Parent Company Only and Consolidated Financial Statements. These financial statements have been audited by CPAs Sung-Yuan Wu and Mei-Lan Liu from PwC Taiwan, along with the Business Report and Earnings Distribution Proposal have been reviewed by the Audit Committee and found to be in conformity with the Company Act and other relevant laws and regulations; therefore, I hereby submit my report in accordance with Article 219 of the Company Act.

To

2024 Annual General Shareholders' Meeting

Ability opto-Electronics Technology Co., Ltd.

Convener of the Audit Committee: Yung-Jen Tsao

May 9, 2024

IV. Financial statements for the most recent fiscal year: Please see page 142 to page 307.

V.A parent company only financial statement for the most recent fiscal year, certified by a CPA:
Please see page 142 to page 231.

VI.If the company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the company's financial situation:
None.

Seven. Review and analysis of financial position and operating results and risk

I. Financial position:

Unit: NT\$ thousand

Item	2023	2022	Difference	
			Amount	%
Current assets	3,476,860	3,512,914	-36,054	-1%
Property, plant and equipment	2,950,139	2,542,852	407,287	16%
Intangible assets	634,705	701,906	-67,201	-10%
Other assets	359,223	447,513	-88,290	-20%
Total assets	7,420,927	7,205,185	215,742	3%
Current liabilities	2,724,052	2,773,459	-49,407	-2%
Non-current liabilities	1,377,341	1,372,350	4,991	0%
Total liabilities	4,101,393	4,145,809	-44,416	-1%
Share capital	1,424,599	1,424,599	0	0%
Capital surplus	1,154,191	1,154,191	0	0%
Retained earnings	800,890	541,547	259,343	48%
Other equity	-63,125	-65,097	1,972	-3%
Treasury shares	-	-	-	-
Total equity	3,316,555	3,055,240	261,315	9%
Non-controlling interests	2,979	4,136	-1,157	-28%
<p>The changes of the above items by 20% or more in two periods and the changes in amounts of NT\$10 million are described as follows:</p> <ol style="list-style-type: none"> 1. Other assets: Mainly because other non-current assets and deferred tax assets decreased by NTD 59,476 thousand and NTD 41,276 thousand, respectively, compared to the same period last year. 2. Retained earnings: mainly due to the increase of net profits attributable to owners of the parent company in 2023. 				

II. Financial performance

(I) Comparative analysis of operating performance

Unit: NT\$ thousand

Item	2023	2022	Difference	
			Amount	%
Net operating revenue	3,995,843	3,662,279	333,564	9%
Operating cost	2,946,121	2,749,538	196,583	7%
Gross Profit	1,049,722	912,741	136,981	15%
Operating expense	569,406	601,145	-31,739	-5%
Operating income (loss)	480,316	311,596	168,720	54%
Non-operating income and profit	66,665	261,282	-162,323	-71%
Non-operating expense and loss	40,587	69,053	3,828	10%
Net income before tax from continuing operations	506,394	503,825	2,569	1%
Income tax	106,823	90,201	16,622	18%
Net income	399,571	413,624	-14,053	-3%
<p>The changes to the above items by 20% or more in two periods and the changes in amounts of NT\$10 million shall be described as follows:</p> <ol style="list-style-type: none"> 1. Gross operating profits/earnings: The increase of gross profits is mainly due to the increase of the shipment of high-profile lenses and the increase of the shipments of fingerprint recognition modules, resulting in an increase of the gross profits and earnings. 2. Non-operating income and profit: Other income decreased year-on-year mainly because foreign exchange gains decreased by NTD 154,403 thousand and technical service income decreased by NTD 23,866 thousand. 				

(II) Sales volume forecast and the basis therefor, and the effect upon the company's financial operations as well as measures to be taken in response: The Company does not make any financial forecast to the public, but only sets internal targets based on the industry environment, market supply and demand conditions and the company's operating conditions.

III. Cash flow

(I) Analysis of changes in cash flows for the most recent year

Item	2023	2022	Difference (%)
Cash flow ratio (%)	28.19	26.63	6%
Cash flow adequacy ratio (%)	18.19	9.83	85%
Cash reinvestment ratio (%)	8.20	10.21	-20%
Description of changes in two periods: mainly due to the net cash outflow from operating activities in 2023.			

(II) Improvement plans for the insufficient liquidity:

The Company has sufficient cash in its accounts to cover its operating expenses; there is no concern over liquidity.

(III) Cash flow analysis for the coming year:

Cash at Beginning of Year	Estimated net cash flow from operating activities for the year	Estimated net cash outflow for the year	Estimated cash balance	Remedial Measures for Cash Inadequacy	
				Investment plan	Financing plan
711,173	536,849	275,844	972,178	Purchase of fixed assets	Long-term bank borrowing
Description of cash flow changes: 1. Operating activities: the Company expects that the operating revenue and profit will continue to grow, so the operating activities are expected to generate net cash inflow. 2. Investment activities: Purchase machinery and equipment and build plants to keep in line with business needs. 3. Financing activities: depending on the future operation and development situations, the Company may apply for financing loans from banks and private placements.					

IV. Effect upon financial operations of any major capital expenditures during the most recent fiscal year

The increase in property, plant and equipment of NT717,881 thousand in 2023 is expected to increase the Company's production capacity and enhance the competitiveness in the industry by increasing cash capital and long-term bank loans.

V.Reinvestment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year

Unit: NT\$ thousand

Item \ Fiscal Year	Amount recognized in profit or loss	Policy	Main reasons for profit or loss	Improving plan	Other investment plan in the future
TOP OPTO TECHNOLOGY CO., LTD. (Vietnam)	16,335	Production site	It is the foundry of ABILITY OPTO-ELECTRONICS. The product combinations with lower gross profits were produced and sold in the current period, so it suffered losses in the current period.	Adjusted the transfer price	None
ADVANCE ELECTRO-OPTICAL TECHNOLOGY (ZHENJIANG) CO., LTD.	45,695	Production site			None
Miyabi Technology (Zhenjiang) Limited	40,135	Production site	It is the foundry of Miyabi Technology Co., Ltd. and the number of shipments has increased significantly. Therefore, it made profits in the current period.		None
Miyabi Technology Co., Ltd.	212,993		Profits made for the current period are mainly due to the significant increase in the number of shipments to customers.		None
RHOSON CORPORATION	(21,278)		Mainly due to the decline of sales this year, resulting in a decline of operating margins and an increase of personnel expenses due to the research and development of new products and development of sales markets, resulting in losses in the current period .	Development of new products	None
RHOSON (Zhenjiang) Limited	(2,379)		It is the foundry of RHOSON	Development of new	None

			CORPORATION. Due to the decline in sales of RHOSON CORPORATION and the product is still in the development stage almost without profits, it suffered losses in the current period.	products	
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VI. Risk analysis and assessment

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

1. The effect upon the company's profits (losses) of interest rate fluctuations and response measures to be taken in the future:

As of December 31, 2023, the Company had bank loans of NT\$2,983,463 thousand and bank deposits of NT\$711,173 thousand. If the interest rate increases by 1%, the Company's interest expense will increase by NT\$29,835 thousand; therefore, the change in interest rate has no material effect on the Company's profit or loss. However, the Company still evaluates bank borrowing rates periodically and maintains close relationship with banks in order to secure more favorable deposit or borrowing rates.

2. The effect upon the company's profits (losses) of exchange rate fluctuations and response measures to be taken in the future:

The Company's net exchange gain for 2023 was NT\$16,324 thousand, which accounted for 0.41% of the net operating income for the year. Therefore, exchange rate fluctuations had a certain effect on the Company's profit or loss. In response to the exchange rate fluctuation risk, the Company takes the following response measures:

- (1) The Finance Department provides daily information on exchange rate fluctuations, and the treasurer analyzes and recommends adjustments to foreign currency deposits based on such information. The Company will continue to monitor the exchange rate, and will cooperate with banks and use foreign exchange hedging instruments as appropriate in order to avoid significant impact on the Company's profit or loss caused by exchange rate fluctuations.
- (2) When quoting prices to customers, the Company should first consider and evaluate the future trend of exchange rates and the factors affecting the exchange rates in order to determine reasonable quotation prices and avoid adverse effects on the Company's profit and loss caused by exchange rate fluctuations.

3. The effect upon the company's profits (losses) of the inflation and response measures to be taken in the future:

The Company's products are classified as consumer electronic products. Therefore, inflation does not have a significant impact on the products sold by the Company.

(II) The company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main

reasons for the profits/losses generated thereby; and response measures to be taken in the future:

1. The Company does not engage in high-risk, highly leveraged investments in line with its conservative and prudent principles. In the future, if there is any related operation, it will be handled in accordance with the “Procedures for Acquisition or Disposal of Assets” and related laws and regulations established by the Company.
2. The Company follows the “Procedures for Lending Funds to Others” and “Procedures for Endorsements and Guarantees” for dealing with subsidiaries’ businesses.
3. The Company engages in derivative transactions for hedging purposes, rather than trading or speculative operations. The Company’s main objective is to hedge the risk of real exchange rate fluctuations arising from sales and purchases, and therefore, the Company uses real foreign currency incomes and expenses as the hedging target. In the future, the Company will continue to strengthen its judgment of exchange rate trends and increase the natural hedging component of foreign exchange to effectively respond to them.

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

1. Research and development work to be carried out in the future:

The Company’s research and development is focused on light, thin, and compact size based on the market trend for NOTE BOOK and consumer electronics products. In order to expand our market share, diversify our business, and create an operating economy, we will continue to focus on our industry to enhance the innovative design of optical products.

2. Further expenditures expected for research and development work:

In the future, as operating revenues grow significantly, we expect to invest NT\$241,584 thousand in research and development (R&D) to support various R&D programs to create our core value.

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

The Company adopts sustainable management as its business philosophy and follows the laws and regulations stipulated by the competent authorities when conducting businesses. There were no significant changes in the legal environment at home and abroad that affected the Company’s financial and business operations in the recent year; therefore, there was no significant impact on the Company due to changes in policies and laws. In the future, the Company will take the initiative to actively observe the relevant changes according to the actual operating conditions as appropriate and propose proper responses so that the Company can turn any changes into a favorable and positive development.

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

The Company is in the optics industry, where products and technologies change very quickly. In addition to paying attention to the market changes and related technology development trends, we continue to keep track of market opportunities and strive to develop new products and new customer sources to enhance our long-term competitiveness.

Cyber attacks and ransomware incidents have been reported frequently in recent years,

which is why we are putting more efforts on information security risk control and protection. We have established a multi-layered and sophisticated information security control and protection network and implemented strict control measures. As of the publication date of the annual report, there have been no technological changes (including information security risks) or industry changes that have affected the Company's financial operations.

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

The Company has been focusing on developing its own business with a good corporate image since its establishment, and there has been no crisis that would affect its corporate image, so it is not applicable.

- (VII) Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken:

The Company did not have any plans for mergers and acquisitions in 2022 and as of the date of publication of the annual report; therefore, it is not applicable.

- (VIII) Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken:

The new plant built in the CTSP in 2020 will be put into production. This will enhance the overall production capacity and integrate the resources of the plant. Possible risks and countermeasures: The Company will actively increase the production yield due to the lower capacity utilization and higher production costs in the initial stage of plant expansion.

- (IX) Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken:

The sales revenue from the top five customers accounted for 70% of the Company's total revenue in 2023. To avoid excessive concentration of sales customers, the Company actively seeks to develop new customers and new products to diversify the risk of customer concentration.

- (X) Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken:

There is no director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands in the most recent fiscal year and up to the annual report publication date.

- (XI) Effect upon and risk to company associated with any change in governance personnel or top management, and mitigation measures being or to be taken:

There is no change in governance personnel or top management affecting the Company's operations in the most recent fiscal year and up to the annual report publication date.

- (XII) Litigation or non-litigation: On April 18, 2022, the Company filed a patent infringement lawsuit against Powertip Image Corp. in the Intellectual Property and Commercial Court, requesting it to stop the patent infringement, destroy the products that infringed our patents, and claim damages in the amount of NT\$100 million (the Company has only requested the

minimum amount, and intends to increase the requested amount after the court has investigated the damages). The lawsuit has been under trial.

(XIII) Other important risks, and mitigation measures being or to be taken: The Company's cyber security risk was assessed by the Company's responsible unit and was not considered an important operational risk. The Company has established a comprehensive network and computer security management system to ensure that information security activities and services satisfy the stakeholders and relevant applicable laws and regulations and avoid any impact or influence on the Company. The Company evaluates new systems, major changes in systems or changes in operating environment from time to time. The Company also develops appropriate countermeasures to address the risk situation and the reasons causing the risk. After each risk mitigation measure is completed, risk re-evaluation will be conducted to ensure the effectiveness of the relevant mitigation measures.

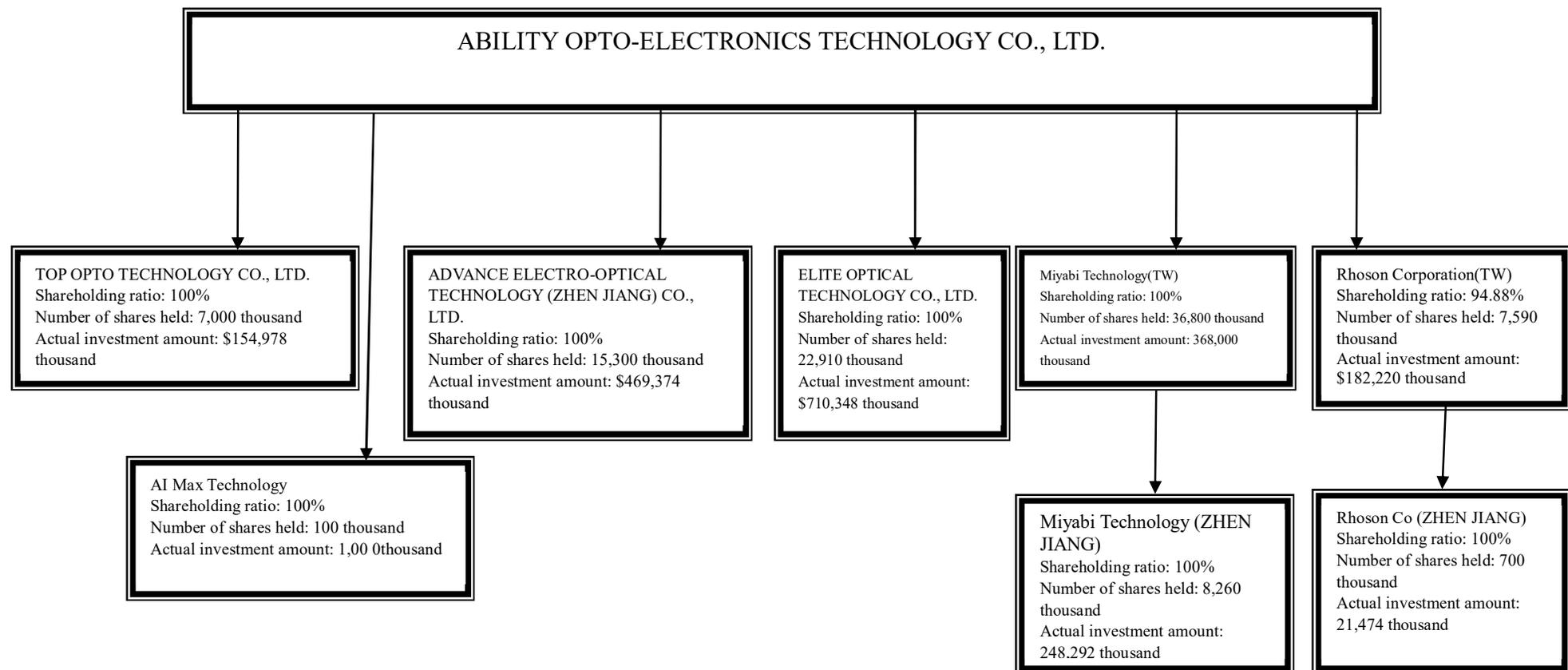
VII. Other important matters: None.

Eight. Special items to be included

I. Information related to the company's affiliates

(I) Overview of the affiliates:

1. Organizational chart of the affiliates



Note 1: The aforesaid subsidiaries do not hold any shares of the Company.

Note 2: The re-investment in China made by Advance Electro-Optical Technology (Zhenjiang) Co., Ltd. has been approved by the Investment Commission through Letter Jin Shen Er Zi No. 092039057 dated December 31, 2003 for US\$1 million, Letter Jin Shen Er Zi No. 09600001310 dated January 10, 2007 for US\$1 million, Letter Jin Shen Er Zi No. 10100000900 dated January 4, 2012 for US\$2 million, Letter Jin Shen Er Zi No. 10200111960 dated March 29, 2013 for US\$4 million, Letter Jin Shen Er Zi No. 10500090810 dated June 6, 2016 for US\$1.5 million, Letter Jin Shen Er Zi No. 10500195280 dated September 10, 2016 for US\$2.8 million, Letter Jin Shen Er Zi No. 10900099550 dated May 1, 2020 for US\$3 million. As of the date of publication, the Company has remitted a total of US\$15.3 million.

Note 3: The re-investment in China made by Miyabi has been approved by the Investment Commission through Letter Jin Shen Er Zi No. 10500280710 dated December 2, 2016 for US\$160 thousand; the notification of investing US\$1 million has been approved through Letter Jin Shen Er Zi No. 10600163080 dated August 9, 2017; the investment of US\$3 million was approved through Jin Shen Er Zi No. 10600239110 dated October 11, 2017. As of the date of publication, the Company has remitted a total of US\$ 3.16 million.

Note 4: Miyabi 's investment in China has been approved by the Investment Commission on November 13, 2018, via the Letter Jin Shen Er No. 10700269310. The transaction was for the acquisition of 100% of Miyabi Technology (Zhenjiang)'s shares held by the Company through ELITE. The investment was originally approved by the Investment Commission on July 2, 2019, via the Letter Jin Shen Er No. 10800151620, for US\$1.5 million, and on October 30, 2020, via the Letter Jin Shen Er No. 10900301170, for US\$1.6 million. As of the date of publication, the Company has remitted a total of US\$3.1 million. An investment of US\$3 million approved by Shen Er No. 11200029300 on March 17, 2023 was actually US\$2 million. As of the date of publication, the Company has remitted a total of US\$5.1 million.

Note 5: Top Opto Tec Co., Ltd.: On October 29, 2020, the Investment Commission approved the amendment to the investment structure through the Letter Jin Shen Er Zi No. 10900306340 and filed the amendment through the Letter Jin Shen Er Zi No. 11000329350 on December 15, 2021, which was implemented by the parent company's direct investment in Top Opto Tec Co., Ltd. On September 30, 2021, Shian Jinn Optical Technology Co. LTD. completed the change of registration for dissolution.

Note 6: Advance Electro-Optical Technology (Zhenjiang) Co., Ltd.: On October 29, 2020, the Investment Commission approved the amendment to the investment structure through the Letter Jin Shen Er Zi No. 10900306340 and filed the amendment through the Letter Jin Shen Er Zi No. 11100147910 on September 20, 2022, which was implemented by the parent company's direct investment in Advance Electro-Optical Technology (Zhenjiang). Excellence Electro Optical Technology Co., Ltd. completed the change of registration for dissolution in October 2022.

2. For companies presumed to have a relationship of control and subordination under Article 369-3 of the Company Act: None.
3. Subordinate companies that directly or indirectly control the personnel, finance or business operations of other companies in accordance with the subparagraph 2 of Article 369-2 of the Company Act: None.

(II) Basic information on the company's affiliates:

Name of the affiliate	Date of incorporation	Address	Paid-in capital	Main businesses or production activities
ELITE OPTICAL TECHNOLOGY CO.,LTD. (B.V.I.)	March 22, 2000	TrustNet Chamber, P.O. Box3444,Road Town, Tortola, British Virgin Islands.	USD22.91M	Holding Company
TOP OPTO TECHNOLOGY CO.,LTD. (Vietnam)	July 21, 2000	Road 22, Tan Thuan Export Processing Zone, District 7, Ho Chi Minh City, Vietnam	USD7M	Manufacture and sale of optical cameras, lenses and optical instruments
Advance Electro-Optical Technology (Zhenjiang) Co., Ltd.	June 28, 2004	No.7, Tonggang Rd., Dagang, Zhenjiang, Jiangsu (Zhenjiang Export Processing	USD15.3M	Manufacture and sale of optical cameras,

		Zone), China		lenses and optical instruments
Miyabi Technology (Zhenjiang) Limited	July 2, 2016	Building 5, No. 345, Gangnam Road, Xinjiang District, Zhenjiang City	USD8.26M	Sales of optical camera
Miyabi Technology Co., Ltd.	March 11, 2013	4F and 4F-7, No. 75, Sec. 1, Xintai 5th Rd., Xizhi Dist., New Taipei City	NT\$368,000 thousand	Optical Instruments Manufacturing
RHOSON CORPORATION		8F, No. 173, Sec. 2, Datong Rd., Xizhi Dist., New Taipei City	NT\$80,000 thousand	Sales of automotive parts
RHOSON (Zhenjiang) Limited	January 28, 2019	Building 3, No. 345, Gangnam Road, Xinjiang District, Zhenjiang City	USD 700,000	Manufacture of automotive parts
AI Max Technology Co., Ltd.	March 4, 2014	4F and 4F-7, No. 75, Sec. 1, Xintai 5th Rd., Xizhi Dist., New Taipei City	NTD 1,000 thousand	Product design

(III) Information on the same shareholders for companies presumed to have a relationship of control and subordination: None.

(IV) The industries covered by the business operated by the affiliates overall: Please see (II).

(V) Information on the directors, supervisors, and general manager of each affiliate:

Name of the affiliate	Job Title	Name or legal representative	No. of shares held	
			No. of shares	Shareholding ratio
ELITE OPTICAL TECHNOLOGY CO.,LTD. (B.V.I.)	Chairman	Ability opto-Electronics Technology Co., Ltd. Representative: Victor Kao	22,910	100%
TOP OPTO TECHNOLOGY CO.,LTD. (Vietnam)	Chairman	Ability opto-Electronics Technology Co., Ltd. Representative: Victor Kao	7,000	100%
ADVANCE ELECTRO-OPTICAL TECHNOLOGY (ZHENJIANG) CO., LTD.	Chairman	Ability opto-Electronics Technology Co., Ltd. Representative: Victor Kao	15,300	100%
Miyabi Technology (Zhenjiang) Limited	Chairman	Miyabi Technology Co., Ltd. Representative: Victor Kao	0	100%
Miyabi Technology Co., Ltd.	Chairman	Ability opto-Electronics Technology Co., Ltd. Representative: Victor Kao	36,800 thousand shares	100%
RHOSON CORPORATION	Chairman	Ability opto-Electronics Technology Co., Ltd. Representative: Victor Kao	7,590 thousand shares	94.88%
RHOSON (Zhenjiang) Limited	Chairman	RHOSON CORPORATION Representative: Victor Kao	0	94.88%
AI Max Technology Co., Ltd.	Chairman	Ability opto-Electronics Technology Co., Ltd. Representative: Victor Kao	100 thousand shares	100%

(VI) The details of directors, supervisors, and general manager of each affiliate's shareholding or capital contribution in such affiliate: Do not need to compile.

(VII) Consolidated Financial Statements of the Affiliates:

For the year ended December 31, 2023, pursuant to "Criteria Governing Preparation of

Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the Company’s entities that shall be included in preparing the Consolidated Financial Statements of Affiliates and the Parent-Subsidiary Consolidated Financial Statements for SFAS No. 7 are the same. Moreover, the disclosure information required for the Consolidated Financial Statements of Affiliates has been fully disclosed in the aforementioned Parent-Subsidiary Consolidated Financial Statements; hence, the Consolidated Financial Statements of Affiliates will not be prepared. Please see page 232 to page 307.

(VIII) Affiliation Report: Not applicable.

- II. Private placement of securities during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.**
- III. Holding or disposal of shares in the company by the company’s subsidiaries during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.**
- IV. Other matters that require additional description: None.**
- V. If any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders’ equity or the price of the company’s securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, such situations shall be listed one by one: None.**

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Ability Opto-Electronics Technology Co, Ltd.

Opinion

We have audited the accompanying parent company only balance sheets of Ability Opto-Electronics Technology 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 significant accounting policies.

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

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and 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 judgment, were of most significance in our audit of the Company's 2023 parent company only 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:

Allowance for inventory valuation losses

Description

Refer to Note 4(10) for the accounting policies on inventories, Note 5(2) for the critical accounting estimations and assumptions for evaluation of inventories, and Note 6(4) for the details of allowance for inventory valuation loss. As of December 31, 2023, the Company's inventories and allowance for inventory valuation losses amounted to NT\$345,035 thousand and NT\$39,076 thousand, respectively.

The Company's inventories primarily comprise optical lenses and camera lenses which mostly are customised production. If these inventories do not meet the requirement of the customers who placed the orders, they are unlikely to be sold to other customers. Additionally, due to the fluctuation of market demand and rapid changes of technology, there is a higher risk of inventories losses arising from market value decline or obsolescence. As the estimation of net realizable value used in inventory valuation is subject to judgement and may cause significant uncertainty, we consider the evaluation of allowance for inventory valuation losses a key audit matter.

How our audit addressed the matter

We performed the following audit procedures to address the abovementioned key audit matter:

- (1) Obtained an understanding and estimated the reasonableness of the Company's valuation and allowance for losses on obsolete inventories.
- (2) Reviewed annual plan of physical inventory count and observed the inventory count to assess the effectiveness of internal control and classification of obsolete inventory.
- (3) Obtained the Company's inventory aging report and verified dates of movements with supporting documents. Ensured the accuracy of inventory aging classification and its consistency with the Group's policy.
- (4) Obtained the net realisable value report of each inventory, assessed whether the estimation policy was consistently applied in all inventories, tested the estimation basis of the net realisable value with relevant information, including verifying the sales and purchase prices with supporting evidence, and recalculated and evaluated the reasonableness of the 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 judgment and maintain professional skepticism throughout the audit. We also:

1. 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 control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit

procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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.
5. 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.
6. 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.

Wu, Sung-Yuan

Liu, Mei Lan

For and on Behalf of PricewaterhouseCoopers, Taiwan

March 7, 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 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 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.

ABILITY OPTO-ELECTRONICS TECHNOLOGY CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2023		December 31, 2022		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 392,000	5	\$ 431,875	6
1136	Current financial assets at amortised cost	6(2) and 8	289,225	4	382,035	5
1170	Accounts receivable, net	6(3)	999,471	13	716,446	10
1180	Accounts receivable - related parties	7(2)	935,819	12	846,488	12
1200	Other receivables		18,228	-	14,917	-
1210	Other receivables - related parties	7(2)	329	-	829	-
130X	Inventories	6(4)	305,959	4	405,044	6
1410	Prepayments		32,188	-	27,928	1
1470	Other current assets		2,101	-	2,133	-
11XX	Current Assets		<u>2,975,320</u>	<u>38</u>	<u>2,827,695</u>	<u>40</u>
Non-current assets						
1535	Non-current financial assets at amortised cost	6(2) and 8	16,983	-	8,905	-
1550	Investments accounted for under equity method	6(5)	1,203,614	16	1,017,218	14
1600	Property, plant and equipment	6(6) and 8	2,677,131	35	2,196,163	31
1755	Right-of-use assets	6(7)	55,115	1	44,892	1
1780	Intangible assets	6(8)	630,872	8	697,158	10
1840	Deferred income tax assets	6(28)	165,703	2	201,795	3
1900	Other non-current assets	6(9)	13,477	-	109,448	1
15XX	Non-current assets		<u>4,762,895</u>	<u>62</u>	<u>4,275,579</u>	<u>60</u>
1XXX	Total assets		<u>\$ 7,738,215</u>	<u>100</u>	<u>\$ 7,103,274</u>	<u>100</u>

(Continued)

ABILITY OPTO-ELECTRONICS TECHNOLOGY 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(10)	\$ 881,000	12	\$ 833,000	12
2110	Short-term notes and bills payable	6(11)	30,000	-	-	-
2170	Accounts payable		150,638	2	163,420	2
2180	Accounts payable - related parties	7(2)	972,027	13	591,983	8
2200	Other payables	6(12)	449,382	6	664,969	10
2220	Other payables - related parties	7(2)	-	-	60	-
2230	Current income tax liabilities	6(28)	6,158	-	-	-
2280	Current lease liabilities		21,531	-	7,320	-
2320	Long-term liabilities, current portion	6(13)	566,277	7	475,782	7
2399	Other current liabilities, others		4,892	-	3,809	-
21XX	Current Liabilities		<u>3,081,905</u>	<u>40</u>	<u>2,740,343</u>	<u>39</u>
Non-current liabilities						
2540	Long-term borrowings	6(13)	1,133,935	15	934,637	13
2570	Deferred income tax liabilities	6(28)	6,231	-	9,515	-
2580	Non-current lease liabilities		35,849	-	39,549	-
2600	Other non-current liabilities	6(14)(15)	163,740	2	323,990	5
25XX	Non-current liabilities		<u>1,339,755</u>	<u>17</u>	<u>1,307,691</u>	<u>18</u>
2XXX	Total Liabilities		<u>4,421,660</u>	<u>57</u>	<u>4,048,034</u>	<u>57</u>
Equity						
Share capital						
3110	Ordinary share	6(17)	1,424,599	18	1,424,599	20
Capital surplus						
3200	Capital surplus	6(18)	1,154,191	15	1,154,191	16
Retained earnings						
3310	Legal reserve	6(19)	114,958	1	72,443	1
3320	Special reserve		21,737	-	43,951	1
3350	Unappropriated retained earnings		664,195	9	425,153	6
Other equity interest						
3400	Other equity interest	6(20)	(63,125)	-	(65,097)	(1)
3XXX	Total equity		<u>3,316,555</u>	<u>43</u>	<u>3,055,240</u>	<u>43</u>
Significant contingent liabilities and unrecognised contract commitments						
Significant events after the balance sheet date						
3X2X	Total liabilities and equity		<u>\$ 7,738,215</u>	<u>100</u>	<u>\$ 7,103,274</u>	<u>100</u>

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

ABILITY OPTO-ELECTRONICS TECHNOLOGY CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

Year ended December 31

	Items	Notes	2023		2022	
			AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(21) and 7(2)	\$ 2,678,829	100	\$ 2,405,901	100
5000	Operating costs	6(4)(26) and 7(2)	(2,142,391)	(80)	(1,854,089)	(77)
5900	Net operating margin		536,438	20	551,812	23
5920	Realized profit (loss) on from sales		31,058	1	(72,137)	(3)
5950	Gross profit from operation		567,496	21	479,675	20
	Operating expenses	6(26)(27)				
6100	Selling expenses		(36,941)	(1)	(46,483)	(2)
6200	General and administrative expenses		(174,401)	(7)	(163,723)	(7)
6300	Research and development expenses		(198,580)	(7)	(233,397)	(9)
6000	Total operating expenses		(409,922)	(15)	(443,603)	(18)
6900	Operating profit		157,574	6	36,072	2
	Non-operating income and expenses					
7100	Interest income	6(22)	20,162	1	4,311	-
7010	Other income	6(23)	25,573	1	94,758	4
7020	Other gains and losses	6(24)	15,829	-	153,959	6
7050	Finance costs	6(25)	(33,197)	(1)	(28,559)	(1)
7070	Share of profit of associates and joint ventures accounted for using equity method, net	6(5)	253,745	9	215,708	9
7000	Total non-operating revenue and expenses		282,112	10	440,177	18
7900	Profit before income tax		439,686	16	476,249	20
7950	Income tax benefit	6(28)	(38,966)	(1)	(52,226)	(2)
8200	Profit for the year		\$ 400,720	15	\$ 424,023	18
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Other comprehensive income, before tax, actuarial gains on defined benefit plans	6(14)	\$ 169	-	\$ 1,131	-
8310	Components of other comprehensive income that will not be reclassified to profit or loss		169	-	1,131	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(20)	(11,718)	-	28,060	1
8360	Components of other comprehensive (loss) income that will be reclassified to profit or loss		(11,718)	-	28,060	1
8300	Other comprehensive (loss) income for the year		(\$ 11,549)	-	\$ 29,191	1
8500	Total comprehensive income for the year		\$ 389,171	15	\$ 453,214	19
	Earnings per share	6(29)				
9750	Total basic earnings per share		\$ 2.83		\$ 3.05	
9850	Total diluted earnings per share		\$ 2.82		\$ 3.04	

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

ABILITY OPTO-ELECTRONICS TECHNOLOGY CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Notes	Ordinary share	Capital surplus, additional paid-in capital	Retained Earnings			Other equity interest		Total equity
				Legal reserve	Special reserve	Total unappropriated retained earnings	Financial statements translation differences of foreign operations	Other equity, others	
<u>Year 2022</u>									
Balance at January 1, 2022		\$ 1,315,459	\$ 672,134	\$ 72,033	\$ 40,263	\$ 4,097	(\$ 49,523)	\$ -	\$ 2,054,463
Profit for the year		-	-	-	-	424,023	-	-	424,023
Other comprehensive income for the year	6(20)	-	-	-	-	1,131	28,060	-	29,191
Total comprehensive income		-	-	-	-	425,154	28,060	-	453,214
Appropriation and distribution of 2021 earnings:	6(19)								
Legal reserve		-	-	410	-	(410)	-	-	-
Special reserve		-	-	-	3,688	(3,688)	-	-	-
Issuance of shares	6(17)	100,000	434,500	-	-	-	-	-	534,500
Share-based payment arrangements	6(16)(20)	9,140	45,633	-	-	-	-	(43,360)	11,413
Difference between consideration and carrying amount of subsidiaries acquired or disposed		-	1,924	-	-	-	(274)	-	1,650
Balance at December 31, 2022		\$ 1,424,599	\$ 1,154,191	\$ 72,443	\$ 43,951	\$ 425,153	(\$ 21,737)	(\$ 43,360)	\$ 3,055,240
<u>Year 2023</u>									
Balance at January 1, 2023		\$ 1,424,599	\$ 1,154,191	\$ 72,443	\$ 43,951	\$ 425,153	(\$ 21,737)	(\$ 43,360)	\$ 3,055,240
Profit for the year		-	-	-	-	400,720	-	-	400,720
Other comprehensive income (loss) for the year	6(20)	-	-	-	-	169	(11,718)	-	(11,549)
Total comprehensive income		-	-	-	-	400,889	(11,718)	-	389,171
Appropriation and distribution of 2022 earnings:	6(19)								
Legal reserve		-	-	42,515	-	(42,515)	-	-	-
Special reserve		-	-	-	(22,214)	22,214	-	-	-
Cash dividends		-	-	-	-	(141,546)	-	-	(141,546)
Share-based payment arrangements	6(16)(20)	-	-	-	-	-	-	13,690	13,690
Balance at December 31, 2023		\$ 1,424,599	\$ 1,154,191	\$ 114,958	\$ 21,737	\$ 664,195	(\$ 33,455)	(\$ 29,670)	\$ 3,316,555

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

ABILITY OPTO-ELECTRONICS TECHNOLOGY CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2023	2022
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 439,686	\$ 476,249
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(6)(26)	291,512	310,460
Depreciation expense on right-of-use assets	6(7)(26)	24,515	25,203
Amortization expense	6(8)(26)	82,746	88,614
Finance costs	6(25)	31,536	27,266
Interest expense on lease liabilities	6(25)	1,661	1,293
Gains on disposals of property, plant and equipment	6(24)	(5,772)	(6,747)
Interest income	6(22)	(20,162)	(4,311)
Share of profit or loss of associates and joint ventures accounted for using equity method	6(5)	(253,745)	(215,708)
Unrealized (profit) loss from sales		(31,058)	72,137
Share-based payments	6(16)	13,690	2,273
Unrealized foreign exchange gain		(19,040)	(32,212)
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		(283,026)	186,311
Accounts receivable due from related parties		(89,330)	(762,485)
Inventories		99,085	(213,062)
Other receivables		(3,311)	17,254
Prepayments		(4,260)	901
Other current assets		32	(29)
Changes in operating liabilities			
Accounts payable		(12,782)	34,918
Accounts payable to related parties		380,044	533,766
Other payables		(121,850)	57,997
Other payables to related parties		(60)	60
Other current liabilities, others		1,083	(3,136)
Other non current liabilities		-	(175)
Cash inflow generated from operations		521,194	596,837
Interest paid		(28,157)	(17,580)
Interest received		20,162	4,311
Net cash flows from operating activities		513,199	583,568

(Continued)

ABILITY OPTO-ELECTRONICS TECHNOLOGY CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2023	2022
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease (increase) in financial assets at amortised cost		\$ 84,732	(\$ 268,369)
Acquisition of investments accounted for using equity method		-	(69,900)
Acquisition of property, plant and equipment	6(30)	(671,727)	(950,338)
Proceeds from disposal of property, plant and equipment		5,230	18,989
Acquisition of intangible assets	6(30)	(284,140)	(371,442)
Other receivables due from related parties		500	112,001
Proceeds from capital reduction of investments accounted for using equity method	6(5)	92,000	-
Decrease (increase) in refundable deposits		4,496	(77)
Net cash flows used in investing activities		(768,909)	(1,529,136)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase from short-term borrowings	6(31)	388,000	755,554
Decrease of short-term borrowings	6(31)	(340,000)	(591,554)
Increase in short-term notes and bills payable	6(31)	30,000	30,000
Decrease in short-term notes and bills payable	6(31)	-	(80,000)
Repayments of principal portion of lease liabilities	6(31)	(24,226)	(24,983)
Proceeds from long-term borrowings	6(31)	350,000	1,640,534
Repayments of long-term borrowings	6(31)	(65,247)	(1,285,824)
Cash dividends paid	6(31)	(141,546)	-
Issuance of new restricted shares	6(17)	-	9,140
Proceeds from issuing shares	6(17)	-	534,500
Net cash flows from financing activities		196,981	987,367
		18,854	32,385
Net (decrease) increase in cash and cash equivalents		(39,875)	74,184
Cash and cash equivalents at beginning of year		431,875	357,691
Cash and cash equivalents at end of year		\$ 392,000	\$ 431,875

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

ABILITY OPTO-ELECTRONICS TECHNOLOGY CO., LTD.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. History and Organisation

Ability Opto-Electronics Technology Co., Ltd. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) on November 19, 1986. The Company was primarily engaged in the manufacture and sales of optical camera lenses, the composition, assembling, manufacture and sales of lenses and the processing, manufacture and sales of optical flats.

2. The Date of Authorisation for Issuance of the Financial Statements and Procedures for Authorisation

These parent company only financial statements were authorised for issuance by the Board of Directors on March 7, 2023.

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 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 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 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 Company 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. Except for the following items, the parent company only financial statements have been prepared under the historical cost convention:

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 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”) 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 consolidated financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements of each of the Company’s entities 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

The operating results and financial position of all the company entities, associates and joint

arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognised in other comprehensive income.

(4) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-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.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-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.

(5) Cash equivalents

A. 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.

B. 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 trade 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.

(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 debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost, at each reporting 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) 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 labour, 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 costs of completion and the estimated costs necessary to make the sale.

(11) Investments accounted for using equity method / subsidiaries

A. Subsidiaries are all 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. Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Company 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 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 a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.
- D. In accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers", the profit or loss and other comprehensive income or loss presented on the parent company only financial statements are consistent with those presented on the consolidated financial statements. In addition, owner's equity presented on the parent company only is consistent with equity attributable to owners of parent presented in the consolidated financial statements.

(12) 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:

Machinery and equipment	3 ~ 9 years
Module equipment	1 ~ 3 years
Leasing improvements	1 ~ 6 years
Other equipment	3 ~ 10 years

(13) 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 the following 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;
- (c) Any initial direct costs incurred by the lessee; and

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.

(14) Intangible assets

- A. Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1 to 3 year(s).

- B. Technology license

Separately acquired technology licenses are stated at historical cost. Technology licenses have a finite useful life and are amortised on a straight-line basis over their estimated useful lives of 10 to 20 years.

(15) Impairment of non-financial assets

- A. 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.
- B. The recoverable amounts of intangible assets that have not yet been available for use are evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying

amount exceeds its recoverable amount.

(16) Borrowings

- A. 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.
- B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(17) 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.

(18) Financial liabilities at fair value through profit or loss

- A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.
- B. At initial recognition, the Company measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Company subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(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) 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 Company 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 high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.
- 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.

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

Employees' compensation and directors' and supervisors' 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.

(21) 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 generate 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 stockholders 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. 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.

(22) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(23) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(24) Revenue recognition

Sales of goods:

- A. The Company manufactures optical lenses and sells them to computer manufacturers. 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 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. The sales usually are made with a credit term of 90 to 120 days, which is consistent with market practice. As the time interval between the transfer of committed goods 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.
- B. 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:

(1) Critical judgements in applying the Company's accounting policies

None.

(2) 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. Due to the rapid technology innovation, 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. Therefore, there might be material changes to the inventory evaluation.

As of December 31, 2023, the carrying amount of inventories was \$305,959 thousand.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand	\$ 677	\$ 848
Checking accounts and demand deposits	370,400	431,027
Time deposits	<u>20,923</u>	<u>-</u>
	<u>\$ 392,000</u>	<u>\$ 431,875</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. On December 31, 2023 and 2022, the Company classifies demand deposits for pledge purposes and time deposits over three months which is not satisfying short-term cash commitments as 'Financial assets at amortized cost'.

(2) Financial assets at amortised cost

Items	December 31, 2023	December 31, 2022
Current items:		
Guarantees for financing from banks	\$ 289,225	\$ 323,534
Time deposits	-	58,501
	\$ 289,225	\$ 382,035
Non-current items:		
Guarantees for financing from banks	\$ 16,983	\$ 8,905

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

	Year ended December 31	
	2023	2022
Interest income	\$ 15,502	\$ 294

B. Information relating to credit risk of financial assets at amortized cost is provided in Note 12(2).

C. The counterparties of the Company's investments in certificates of deposit are financial institutions with high credit quality, so the Company expects that the probability of counterparty default is remote.

D. Details of the Company's financial assets at amortized cost for pledge purposes to others as collateral are provided in Note 8.

(3) Notes and accounts receivable

	December 31, 2023	December 31, 2022
Accounts receivable	\$ 1,000,761	\$ 721,300
Less: Allowance for uncollectible accounts	(1,290)	(4,854)
	\$ 999,471	\$ 716,446

A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

	December 31, 2023	December 31, 2022
Not past due	\$ 953,527	\$ 693,369
Up to 90 days	47,234	24,336
91 to 210 days	-	3
Over 211 days	-	3,592
	\$ 1,000,761	\$ 721,300

The above ageing analysis was based on past due date.

- B. As of December 31, 2023 and 2022, and January 1, 2022, the balances of receivables were all from contracts with customers And as of January 1, 2022, the balance of receivables from contracts with customers amounted to \$999,471 thousand and \$716,446 thousand and \$902,758 thousand.
- C. As at December 31, 2023 and 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents receivables held by the Company was \$999,471 thousand and \$716,446 thousand, respectively.
- D. Information relating to credit risk is provided in Note 12(2).

(4) Inventories

	December 31, 2023		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 105,880	(\$ 7,842)	\$ 98,038
Work in progress	48,918	(16,247)	32,671
Finished goods	16,947	(6,015)	10,932
Goods	173,290	(8,972)	164,318
	\$ 345,035	(\$ 39,076)	\$ 305,959

December 31, 2022			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 189,927	(\$ 5,773)	\$ 184,154
Work in progress	38,743	(7,345)	31,398
Finished goods	16,155	(5,116)	11,039
Goods	187,316	(8,863)	178,453
	<u>\$ 432,141</u>	<u>(\$ 27,097)</u>	<u>\$ 405,044</u>

The cost of inventories recognised as expense for the year:

	Year ended December 31	
	2023	2022
Cost of goods sold	\$ 1,934,124	\$ 1,656,728
Unallocated fixed production overheads	30,094	21,743
Loss (gain) on reversal of decline in market value	11,979 (14,471)
Loss from retirement	-	32,775
Loss (gain) on physical inventory	150 (47)
Other operating costs	166,044	157,361
	<u>\$ 2,142,391</u>	<u>\$ 1,854,089</u>

For the year ended December 31, 2022, the Group reversed from a previous inventory write-down, which was recognised as a gain on reversal of decline in market value, because of the sale of certain inventories previously written down.

(5) Investments accounted for using equity method

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
TOP OPTO TEC CO., LTD.	\$ 226,100	\$ 210,046
ADVANCE ELECTROOPTICAL TECHNOLOGY (ZHENJIANG) CO., LTD	357,058	317,894
Miyabi Technology Co., Ltd.	680,728	564,506
RHOSON CORPORATION	<u>55,160</u>	<u>76,573</u>
	1,319,046	1,169,019
Less: Unrealised gain on inter-investee accounts	<u>(115,432)</u>	<u>(151,801)</u>
	<u>\$ 1,203,614</u>	<u>\$ 1,017,218</u>

A. Please refer to Note 4(3) in the consolidated financial statements for the year ended December 31, 2023 for the information regarding the Company's subsidiaries.

B. Share of loss of subsidiaries accounted for using equity method is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
TOP OPTO TEC CO., LTD.	\$ 16,335	(\$ 14,981)
ADVANCE ELECTROOPTICAL TECHNOLOGY (ZHENJIANG) CO.,	45,695	12,529
Miyabi Technology Co., Ltd.	212,993	237,262
RHOSON CORPORATION	<u>(21,278)</u>	<u>(19,102)</u>
	<u>\$ 253,745</u>	<u>\$ 215,708</u>

(a) The share of profit (loss) of subsidiaries accounted for using equity method is based on the audited financial statements for the same period.

(b) On June 15, 2022, the shareholders of the subsidiary, Miyabi Technology Co., Ltd., at their meeting resolved to reduce capital and returned cash amounting to \$92,000 thousand. There were 9,200 thousand shares of common shares eliminated, with a par value of \$10 (in dollars) per share. The related procedures of capital reduction were approved by the competent authority and the registration of the capital reduction were completed on July 28, 2023.

(6) Property, plant and equipment

Cost	Year ended December 31, 2023				
	Opening balance	Additions	Decreases	Transfers	Ending balance
Machinery equipment	\$ 1,611,770	\$ 446,756	(\$ 13,419)	\$ -	\$ 2,045,107
Module equipment	819,580	100,516	-	-	920,096
Leasehold improvements	211,157	3,388	-	-	214,545
Other equipment	15,378	15,102	(780)	-	29,700
Unfinished construction	1,666,888	211,487	-	-	1,878,375
	<u>\$ 4,324,773</u>	<u>\$ 777,249</u>	<u>(\$ 14,199)</u>	<u>\$ -</u>	<u>\$ 5,087,823</u>

<u>Accumulated depreciation</u>					
Machinery equipment	(1,171,878)	(171,970)	8,650	-	(1,335,198)
Module equipment	(760,244)	(104,284)	-	-	(864,528)
Leasehold improvements	(186,408)	(9,984)	-	-	(196,392)
Other equipment	(10,080)	(5,274)	780	-	(14,574)
	<u>(\$ 2,128,610)</u>	<u>(\$ 291,512)</u>	<u>\$ 9,430</u>	<u>\$ -</u>	<u>(\$ 2,410,692)</u>
Book value	<u>\$ 2,196,163</u>				<u>\$ 2,677,131</u>

Cost	Year ended December 31, 2022				
	Opening balance	Additions	Decreases	Transfers	Ending balance
Machinery equipment	\$ 1,526,471	\$ 121,155	(\$ 35,856)	\$ -	\$ 1,611,770
Module equipment	662,402	157,178	-	-	819,580
Leasehold improvements	210,907	2,948	(2,698)	-	211,157
Other equipment	11,033	4,345	-	-	15,378
Unfinished construction	1,039,761	627,127	-	-	1,666,888
	<u>\$ 3,450,574</u>	<u>\$ 912,753</u>	<u>(\$ 38,554)</u>	<u>\$ -</u>	<u>\$ 4,324,773</u>

<u>Accumulated depreciation</u>					
Machinery equipment	(1,055,636)	(142,202)	25,960	-	(1,171,878)
Module equipment	(605,074)	(155,170)	-	-	(760,244)
Leasehold improvements	(177,742)	(11,364)	2,698	-	(186,408)
Other equipment	(8,356)	(1,724)	-	-	(10,080)
	<u>(\$ 1,846,808)</u>	<u>(\$ 310,460)</u>	<u>\$ 28,658</u>	<u>\$ -</u>	<u>(\$ 2,128,610)</u>
Book value	<u>\$ 1,603,766</u>				<u>\$ 2,196,163</u>

A. Amount of borrowing costs capitalised as part of property, plant and equipment and the range of the interest rates for such capitalisation are as follows:

	Year ended December 31	
	2023	2022
Amount capitalised	\$ 37,419	\$ 23,972
Range of the interest rates for capitalisation	2.871%	2.545%

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

(7) Lease transactions – lessee

A. The Company leases various assets including land, buildings and business vehicles. Rental contracts are typically made for periods of 3 to 20 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
	Carrying amount	Carrying amount
Land	\$ 35,937	\$ 38,504
Buildings and structures	18,444	5,388
Transportation equipment (Business vehicles)	734	1,000
	<u>\$ 55,115</u>	<u>\$ 44,892</u>

	Year ended December 31	
	2023	2022
	Depreciation charge	Depreciation charge
Land	\$ 2,567	\$ 2,567
Buildings and structures	21,137	21,428
Transportation equipment (Business vehicles)	\$ 811	\$ 1,208
	<u>\$ 24,515</u>	<u>\$ 25,203</u>

C. For the years ended December 31, 2023 and 2022, the additions to right-of-use assets were \$34,737 thousand and \$18,076 thousand, respectively.

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

	Year ended December 31	
	2023	2022
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 1,661	\$ 1,293
Expense on short-term lease contracts	616	422
Expense on leases of low-value assets	\$ 228	\$ 202
	<u>\$ 2,505</u>	<u>\$ 1,917</u>

E. For the years ended December 31, 2023 and 2022, the Company's total cash outflow for leases were \$26,731 thousand and \$26,900 thousand, respectively.

(8) Intangible assets

	2023			
	Opening balance	Additions	Decreases	Ending balance
<u>Initial cost</u>				
Computer software	\$ 109,277	\$ 16,460	(\$ 1,694)	\$ 124,043
Technology license	807,680	-	-	807,680
	<u>\$ 916,957</u>	<u>\$ 16,460</u>	<u>(\$ 1,694)</u>	<u>\$ 931,723</u>
<u>Accumulated amortisation</u>				
Computer software	(\$ 91,319)	(\$ 12,666)	\$ 1,694	(\$ 102,291)
Technology license	(128,480)	(70,080)	-	(198,560)
	<u>(\$ 219,799)</u>	<u>(\$ 82,746)</u>	<u>\$ 1,694</u>	<u>(\$ 300,851)</u>
Book value	<u>\$ 697,158</u>			<u>\$ 630,872</u>
	2022			
	Opening balance	Additions	Decreases	Ending balance
<u>Initial cost</u>				
Computer software	\$ 101,835	\$ 11,442	(\$ 4,000)	\$ 109,277
Technology license	807,680	-	-	807,680
	<u>\$ 909,515</u>	<u>\$ 11,442</u>	<u>(\$ 4,000)</u>	<u>\$ 916,957</u>
<u>Accumulated amortisation</u>				
Computer software	(\$ 76,785)	(\$ 18,534)	\$ 4,000	(\$ 91,319)
Technology license	(58,400)	(70,080)	-	(128,480)
	<u>(\$ 135,185)</u>	<u>(\$ 88,614)</u>	<u>\$ 4,000</u>	<u>(\$ 219,799)</u>
Book value	<u>\$ 774,330</u>			<u>\$ 697,158</u>

Details of amortisation on intangible assets are as follows:

	Year ended December 31	
	2023	2022
Operating costs	\$ 71,123	\$ 77,945
General and administrative expenses	10,195	8,759
Research and development expenses	1,428	1,910
	<u>\$ 82,746</u>	<u>\$ 88,614</u>

(9) Other non-current assets

	December 31, 2023	December 31, 2022
Prepayments for business facilities	\$ 9,867	\$ 101,342
Refundable deposits	3,610	8,106
	<u>\$ 13,477</u>	<u>\$ 109,448</u>

(10) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2023</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	\$ 300,000	2.000%~2.400%	None
Secured borrowings	<u>581,000</u>	1.830%~2.414%	Refer to Note 8
	<u>\$ 881,000</u>		
<u>Type of borrowings</u>	<u>December 31, 2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	\$ 239,000	1.750%~2.275%	None
Secured borrowings	<u>594,000</u>	1.740%~2.510%	Refer to Note 8
	<u>\$ 833,000</u>		

Interest expenses recognised in profit or loss amounted to \$19,918 thousand and \$11,958 thousand for the years ended December 31, 2023 and 2022, respectively.

(11) Short-term notes and bills payable

<u>Type of borrowings</u>	<u>December 31, 2023</u>	<u>Interest rate range</u>	<u>Institutional guarantor</u>
Short-term notes and bills	<u>\$ 30,000</u>	2.20%	CHINA BILLS FINANCE CO., LTD.

The Company did not have this situation on December 31, 2022.

(12) Other payables

	Year ended December 31	
	2023	2022
Compensation for damage and royalty fee payable	\$ 184,967	\$ 380,355
Wages and salaries payable	57,865	77,840
Payables for module	34,859	42,761
Compensation payable to employees and directors	63,178	35,847
Labour and health insurance fees payable	12,754	12,057
Payable on machinery and equipment	24,289	10,242
Utilities expense payable	9,643	8,063
Service fees payable	11,238	7,761
Import/export (customs) expenses payable	1,694	1,837
Others	48,895	88,206
	<u>\$ 449,382</u>	<u>\$ 664,969</u>

(13) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>2023</u>	<u>Footnote</u>
Secured borrowings	Borrowing period is from January 22, 2019 to January 22, 2024; interest is repayable monthly.	2.595%~2.75%	Refer to Note 8	\$ 3,349	
Syndicated secured borrowings (A-1)	Borrowing period is from September 20, 2022 to September 20, 2027; interest is repayable monthly.	2.890%	Refer to Note 8	817,000	Note 1 and Note 3
Syndicated unsecured borrowings (A-2)	Borrowing period is from December 7, 2023 to March 6, 2024; interest is repayable monthly.	2.825%	Refer to Note 8	383,000	Note 2 and Note 3
Syndicated commercial papers (B-1)	Borrowing period is from September 20, 2023 to September 20, 2027; interest is repayable monthly.	2.890%	Refer to Note 8	287,400	Note 1 and Note 3
Syndicated commercial papers (B-2)	Borrowing period is from December 7, 2023 to March 6, 2024; interest is repayable monthly.	2.825%	Refer to Note 8	134,600	Note 2 and Note 3
Unsecured borrowings	Borrowing period is from June 28, 2021 to January 12, 2027; interest is repayable monthly.	2.350%~2.850%	None	86,203	
				1,711,552	
Less: Current portion				(566,277)	
Less: Syndicated loan arrangement fees				(11,340)	
				<u>\$ 1,133,935</u>	

<u>Type of borrowings</u>	<u>Borrowing period</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2022</u>	<u>Footnote</u>
Secured borrowings	Borrowing period is from November 15, 2018 to June 3, 2028; interest is repayable monthly.	1.84%~2.50%	Refer to Note 8	\$ 20,978	
Syndicated secured borrowings (A-1)	Borrowing period is from September 20, 2022 to September 20, 2027; interest is repayable monthly.	2.742%	Refer to Note 8	817,000	Note 1 and Note 3
Syndicated unsecured borrowings (A-2)	Borrowing period is from December 19, 2022 to March 14, 2023; interest is repayable monthly.	2.573%	Refer to Note 8	383,000	Note 2 and Note 3
Syndicated commercial papers (B-1)	Borrowing period is from September 20, 2022 to September 30, 2027; interest is repayable monthly.	2.742%	Refer to Note 8	83,100	Note 1 and Note 3
Syndicated commercial papers (B-2)	Borrowing period is from December 14, 2022 to March 14, 2023; interest is repayable monthly.	2.573%~2.225%	Refer to Note 8	38,900	Note 2 and Note 3
Unsecured borrowings	Borrowing period is from June 28, 2021 to January 04, 2027; interest is repayable monthly.	2.605%	None	<u>83,821</u>	
				1,426,799	
Less: Current portion				(475,782)	
Less: Syndicated loan arrangement fees				(<u>16,830</u>)	
				<u>\$ 934,187</u>	

Note 1: The credit terms of the Company's syndicated loans of tranches A-1, B-1 and C-1 was five years from the first drawing date and the loans of tranches A-1 and B-1 were non-revolving. The first drawing date was September 20, 2022, and the deadline of the credit term was September 20, 2027.

Note 2: The credit terms of the Group's syndicated loans of tranches A-2, B-2 and C-2 was one year from the first drawing date, and the loans can be drawn several times based on the agreement. However, during the terms of the syndicated loans, if the Group does not

breach the contract and the syndicated banks do not exercise the early termination right on the facilities, the syndicated banks shall unconditionally agree to provide credit facilities in the coming year under the relevant regulations.

Note 3: The Company used the new syndicated loans to repay the old syndicated loans in September 2022.

Note 4: The credit terms of the Company's syndicated loans of tranches B and C was five years from the first drawing date and the loans can be drawn several times based on the agreement. The first drawing date was June 23, 2020, and the deadline of the credit term was June 23, 2025.

A. The Company entered into a NT\$1.2 billion syndicated loan agreement with syndicate of banks on December 27, 2019 with Entie Commercial Bank acting as the lead bank in managing the loan repayments and loans for mid-term working capital replenishment. In the syndicated loan agreement, the facility is NT\$800,000 thousand for tranche A, NT\$100,000 thousand for tranche B and NT\$300,000 thousand for tranche C. As of December 31, 2022, all the loans have been repaid..

B. The Company entered into a NT\$4.2 billion syndicated loan agreement with syndicate of banks on March 25, 2022 with Entie Commercial Bank acting as the lead bank in managing the loan repayments and loans for mid-term working capital replenishment. In the syndicated loan agreement, the facility is NT\$817,000 thousand for tranche A-1, NT\$383,000 thousand for tranche A-2, NT\$1,225,800 thousand for tranche B-1, NT\$574,200 thousand for tranche B-2, NT\$817,200 thousand for tranche C-1, NT\$382,800 thousand for tranche C-2. As of December 31, 2022, the Company has drawn \$1,622,000 thousand and the undrawn facility was \$2,578,000 thousand.

C. In accordance with the syndicated loan agreement, the Company has to comply with the covenants which are contracted with the lead bank, Entie Commercial Bank. During the term of the loan, the Company shall maintain following financial ratios on the basis of the audited annual consolidated financial statements and the reviewed semi-annual consolidated financial statements. Those ratios will be checked semi-annually:

(a) Current ratio shall not be lower than 100%.

(b) Debt ratio shall not be higher than 200%.

(c) Interest coverage ratio shall not be lower than 3 times.

(d) Net tangible assets shall not be lower than NT\$2,300,000 thousand.

According to the covenants above, syndicated loan agreement requires the Company to comply with the specific financial ratios at the end of the year and half year during the loan period. As of December 31, 2023, the Company did not violate aforementioned covenants.

(14) 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 Labor Standards 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 the end of 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	\$ 11,359	\$ 11,308
Fair value of plan assets	(9,323)	(8,918)
Net defined benefit liabilities	<u>\$ 2,036</u>	<u>\$ 2,390</u>

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

	2023		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
At January 1	\$ 11,308	(\$ 8,918)	\$ 2,390
Interest expense (income)	147	(117)	30
	<u>11,455</u>	<u>(9,035)</u>	<u>2,420</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(73)	(73)
Change in financial assumptions	102	-	102
Experience adjustments	(198)	-	(198)
	<u>(96)</u>	<u>(73)</u>	<u>(169)</u>
Pension fund contribution	-	(215)	(215)
Paid pension	-	-	-
At December 31	<u>\$ 11,359</u>	<u>(\$ 9,323)</u>	<u>\$ 2,036</u>
	2022		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
At January 1	\$ 11,740	(\$ 8,045)	\$ 3,695
Interest expense (income)	82	(57)	25
	<u>11,822</u>	<u>(8,102)</u>	<u>3,720</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(617)	(617)
Change in financial assumptions	(678)	-	(678)
Experience adjustments	164	-	164
	<u>(514)</u>	<u>(617)</u>	<u>(1,131)</u>
Pension fund contribution	-	(199)	(199)
Paid pension	-	-	-
At December 31	<u>\$ 11,308</u>	<u>(\$ 8,918)</u>	<u>\$ 2,390</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:

	Year ended December 31	
	2023	2022
Discount rate	1.20%	1.30%
Future salary increases	2.25%	2.25%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

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	
	Increase 0.1%	Decrease 0.1%	Increase 0.1%	Decrease 0.1%
December 31, 2023				
Effect on present value of defined benefit obligation	(\$ 101)	\$ 103	\$ 91	(\$ 90)
December 31, 2021				
Effect on present value of defined benefit obligation	(\$ 107)	\$ 109	\$ 97	(\$ 96)

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 \$216 thousand.

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 defined contribution pension plans of the Company for the years ended December 31, 2023 and 2022, were \$18,368 thousand and \$18,369 thousand, respectively.

(15) Other non-current liabilities

	Year ended December 31	
	2023	2022
Defined benefit liabilities	\$ 2,036	\$ 2,390
Compensation for damage and royalty fee payable	161,704	321,600
	<u>\$ 163,740</u>	<u>\$ 323,990</u>

(16) Share-bases payment

A. For the years ended December 31, 2023 and 2022, the Company’s share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (thousand shares)	Contract period	Vesting conditions
Restricted stocks to employees	2022.5.12	394	2022/7~2025/7	Note 1
Restricted stocks to employees	2022.11.10	520	2023/1~2025/12	Note 1

Note 1: Employees of the Company who have limited employee rights and who are still working in the Company after the expiration of the following schedule from the date of issuance of new shares will receive new shares according to the following schedule and the proportion of the allocated shares:

Expiry period	Proportion
Expires in one year	30%
Expires in two years	30%
Expires in three years	40%

Except for inheritance, the restricted stocks issued by the Company cannot be sold, pledged, transferred, donated, set, or disposed in any other method during the vesting period. The voting rights of these shares in the shareholders' meeting are the same as the Company's other ordinary shares and those shares have no right to participate in the distribution of stocks and dividends of the original shareholders. Upon receiving the restricted stocks, if the Company's employees have gross negligence such as violating the employment contract or working policy, the Company has the right to redeem and retire those employee restricted stocks which do not meet the vesting condition at the issuing price.

B. Details of the share-based payment arrangements are as follows:

	December 31, 2023		December 31, 2022	
	NO. of options	Weighted-average	NO. of options	Weighted-average
		exercise price		exercise price
	(in dollars)	(in dollars)		(in dollars)
At January 1	914	\$ -	-	\$ -
Restricted stocks granted	-	-	914	-
At December 31	<u>914</u>	-	<u>-</u>	-

C. The fair value of share-based payment granted is measured using open market price. Relevant information is as follows:

Type of arrangement	Grant date	Stock price	Exercise price	Fair value per unit
Restricted stocks to employees	2022.05.12	53.1	10	43.1
Restricted stocks to employees	2022.11.10	65.1	10	55.1

D. Expenses incurred on share-based payment transactions are shown below:

	Year ended December 31, 2023	Year ended December 31, 2022
Equity-settled	<u>\$ 13,690</u>	<u>\$ 2,273</u>

(17) Share capital

A. As of December 31, 2023, the Company's authorised capital was \$2,000,000 thousand, consisting of 200,000 thousand shares (including 2,000 thousand shares reserved for employee stock options) with a par value of \$10 per share, and the paid-in capital was \$1,424,599 thousand, consisting of 142,460 thousand shares. All proceeds from shares issued have been collected.

B. Movements in the number of the Company's ordinary shares outstanding are as follows (in thousand of shares):

	2023	2022
At January 1	\$ 142,460	\$ 131,546
Employee restricted shares	-	914
Cash capital increase - private placement	-	10,000
At December 31	<u>\$ 142,460</u>	<u>\$ 142,460</u>

C. On March 17, 2022, the Board of Directors resolved to make a private placement of the Company's 10,000 thousand ordinary shares. The subscription price was \$53.45 (in dollars) per share, and the transaction price was \$534,500 thousand. On March 31, 2022, the Company

collected the full price of \$534,500 thousand. The effective date of the capital increase was set on March 31, 2022, and the registration had been completed. Pursuant to the Securities and Exchange Act, the ordinary shares raised through the private placement are subject to certain transfer restrictions and cannot be listed on the stock exchange until three years after they have been issued and have been offered publicly. Other than these restrictions, the rights and obligations of the ordinary shares raised through the private placement are the same as other issued ordinary shares.

- D. On May 5, 2022, the Company's Board of Directors of resolved to issue employee restricted stock of 394 thousand shares with a par value of \$10 (in dollars) per share, the issuing price was \$10 (in dollars) per share, and the transaction price was \$3,940 thousand. On June 20, 2022, the Company collected the full price of \$3,940 thousand and the registration had been completed.
- E. On November 10, 2022, the Company's Board of Directors resolved to issue employee restricted stock of 520 thousand shares with a par value of \$10 (in dollars) per share, the issuing price was \$10 (in dollars) per share, and the transaction price was \$5,200 thousand. On December 15, 2022, the Company collected the full price of \$5,200 thousand and the registration had been completed.

(18) Capital reserve

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.

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Share premium on issuance	\$ 1,090,544	\$ 1,090,544
Employee restricted shares	45,633	45,633
Difference between consideration and carrying amount of subsidiaries acquired or disposed	1,924	1,924
Expired employee share options	<u>16,090</u>	<u>16,090</u>
	<u>\$ 1,154,191</u>	<u>\$ 1,154,191</u>

For movements in capital reserves for the year ended December 31, 2023 and December 31, 2022, please refer to parent company only statements of changes in equity.

(19) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining

amount shall be set aside as legal reserve. The Board of Directors should present the distribution of the remaining earnings, if any, along with prior accumulated distributable earnings for the approval of the shareholders.

- B. The Company's dividend policy is summarised below: as the Company operates in a volatile business environment and is in the stable growth stage, the residual dividend policy is adopted taking into consideration the Company's financial structure, operating results and future expansion plans. According to the dividend policy adopted by the Board of Directors, cash dividends shall account for at least 10% of the total dividends distributed.
- 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 appropriations of 2022 and 2021 earnings had been approved by the shareholders on June 14, 2023 and June 22, 2022, respectively. Details are summarised below:

	Year ended December 31			
	2022		2021	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 42,515	\$ -	\$ 410	\$ -
Special reserve	(22,214)	-	3,688	-
Cash Dividend	141,546	1	-	-
	<u>\$ 161,847</u>	<u>\$ 1</u>	<u>\$ 4,098</u>	<u>\$ -</u>

- G. As of March 7, 2024, the aforementioned appropriations of 2023 earnings has not yet been reported to the Board of Directors.

(20) Other equity item

	2023		
	Unrealised gains (losses) on valuation	Unearned compensation	Total
At January 1	(\$ 21,737)	(\$ 43,360)	(\$ 65,097)
Released this year	-	13,690	13,690
Currency translation differences:			
–Group	(11,718)	-	(11,718)
At December 31	<u>(\$ 33,455)</u>	<u>(\$ 29,670)</u>	<u>(\$ 63,125)</u>

	2022		
	Unrealised gains (losses) on valuation	Unearned compensation	Total
At January 1	(\$ 49,523)	\$ -	(\$ 49,523)
Released this year	-	(45,633)	(45,633)
Recognize expense of share-based payment	-	2,273	2,273
Currency translation differences:			
–Group	28,060	-	28,060
Obtain portion of ownership of a subsidiary	(274)	-	(274)
At December 31	<u>(\$ 21,737)</u>	<u>(\$ 43,360)</u>	<u>(\$ 65,097)</u>

(21) Operating revenue

	Year ended December 31	
	2023	2022
Revenue from contracts with customers	<u>\$ 2,678,829</u>	<u>\$ 2,405,901</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 major geographical regions and product lines:

<u>Geographical area</u>				
<u>Year ended December 31, 2023</u>	<u>China</u>	<u>Taiwan</u>	<u>Others</u>	<u>Total</u>
Revenue from external customer contracts	<u>\$ 2,339,241</u>	<u>\$ 333,865</u>	<u>\$ 5,723</u>	<u>\$ 2,678,829</u>
<u>Year ended December 31, 2022</u>	<u>China</u>	<u>Taiwan</u>	<u>Others</u>	<u>Total</u>
Revenue from external customer contracts	<u>\$ 2,070,530</u>	<u>\$ 330,765</u>	<u>\$ 4,606</u>	<u>\$ 2,405,901</u>
<u>Product lines</u>				
<u>Year ended December 31, 2023</u>	<u>Optical camera lenses</u>	<u>Optical lenses</u>	<u>Others</u>	<u>Total</u>
Revenue from external customer contracts	<u>\$ 2,655,168</u>	<u>\$ 2,779</u>	<u>\$ 20,882</u>	<u>\$ 2,678,829</u>
<u>Year ended December 31, 2022</u>	<u>Optical camera lenses</u>	<u>Optical lenses</u>	<u>Others</u>	<u>Total</u>
Revenue from external customer contracts	<u>\$ 2,392,351</u>	<u>\$ 4,777</u>	<u>\$ 8,773</u>	<u>\$ 2,405,901</u>

B. Contract assets and liabilities: None.

(22) Interest income

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Interest income from bank deposits	\$ 18,613	\$ 1,676
Other interest income	1,549	2,635
	<u>\$ 20,162</u>	<u>\$ 4,311</u>

(23) Other income

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Purchase of raw materials on behalf of subsidiaries	\$ 9,139	\$ 72,507
Other income	16,434	22,251
	<u>\$ 25,573</u>	<u>\$ 94,758</u>

(24) Other gains and losses

	Year ended December 31	
	2023	2022
Foreign exchange gains	\$ 10,057	\$ 147,381
Gains on disposals of property, plant and equipment	5,772	6,747
Others	-	(169)
	<u>\$ 15,829</u>	<u>\$ 153,959</u>

(25) Finance costs

	Year ended December 31	
	2023	2022
Interest expenses:		
Bank borrowings	\$ 63,915	\$ 40,258
Lease liabilities	1,661	1,293
Amortisation of syndicated loan arrangement fees	5,040	10,980
Less: Capitalisation of qualifying interests	(37,419)	(23,972)
	<u>\$ 33,197</u>	<u>\$ 28,559</u>

(26) Expenses by nature

	Year ended December 31	
	2023	2022
Employee benefit expense	\$ 600,829	\$ 548,352
Depreciation expense	316,027	335,663
Amortisation expense	82,746	88,614
	<u>\$ 999,602</u>	<u>\$ 972,629</u>

(27) Employee benefit expense

	Year ended December 31	
	2023	2022
Wages and salaries	\$ 493,241	\$ 460,488
Directors' remuneration	3,769	5,751
Labour and health insurance fees	48,530	44,858
Pension expense	18,398	18,394
Other personnel expenses	36,891	18,861
	<u>\$ 600,829</u>	<u>\$ 548,352</u>

A. Under the Company's Articles of Incorporation, the profit of the current year, if any, shall be distributed between 5% and 12% as employees' compensation and distributed at no higher than

3% as directors' remuneration. If the Company has an accumulated deficit, earnings should be reserved to cover deficit. The above employees' compensation can be distributed in the form of shares or cash to the employees who meet certain requirements, including the employees of subsidiaries.

B. The employees' compensation and directors' and supervisors' remuneration of the Company are as follows:

	Year ended December 31	
	2023	2022
Employees' compensation	\$ 28,272	\$ 30,726
Directors' remuneration	3,239	5,121
	<u>\$ 31,511</u>	<u>\$ 35,847</u>

The aforementioned amounts, which were recognised in salary expenses, have been distributed after the resolution by the Board of Directors, and the employees' compensation was distributed in the form of cash. For the years ended December 31, 2023 and 2022, the employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on distributable profit of current year as of the end of reporting period at the following ratios:

	Year ended December 31	
	2023	2022
Proportion of employees' compensation	<u>6%</u>	<u>6%</u>
Proportion of directors' and supervisors' remuneration	<u>0.7%</u>	<u>1%</u>

C. Information about employees' compensation and directors' and supervisors' 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.

(28) Income tax

A. Income tax expense

Components of income tax expense:

	Year ended December 31	
	2023	2022
Current tax:		
Tax on undistributed surplus earnings	\$ 6,158	\$ -
Total current tax	<u>6,158</u>	<u>-</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>32,808</u>	<u>52,226</u>
Total deferred tax	<u>32,808</u>	<u>52,226</u>
Income tax expenses	<u>\$ 38,966</u>	<u>\$ 52,226</u>

B. Reconciliation between income tax expense and accounting profit

	<u>2023</u>	<u>2022</u>
Tax calculated based on profit before tax and statutory tax rate	\$ 87,937	\$ 95,250
Expenses disallowed by tax regulation	800	39
Tax exempt items by tax regulation	(38,380)	(43,672)
Temporary differences not recognised as deferred tax liabilities	(3,267)	-
Temporary difference not recognised as deferred tax assets	(9,139)	490
Change in assessment of realisation of deferred tax assets	(5,335)	119
Tax on undistributed earnings	6,158	-
Others	192	-
Income tax expenses	<u>\$ 38,966</u>	<u>\$ 52,226</u>

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

	<u>2023</u>			
	<u>January 1</u>	<u>Recognised in profit or loss</u>	<u>Recognised in other comprehensive income</u>	<u>December 31</u>
Deferred tax assets:				
- Temporary differences:				
Unrealised gross profit	\$ 27,565	(\$ 6,211)	\$ -	\$ 21,354
Loss on decline in market value	5,420	2,396	-	7,816
Unrealised exchange loss	2,805	5,005	-	7,810
Unrealised gain on sales of fixed assets	2,795	(1,062)	-	1,733
Unrealised taxes losses	104,426	(17,756)	-	86,670
Others	58,784	(18,464)	-	40,320
	<u>\$ 201,795</u>	<u>(\$ 36,092)</u>	<u>\$ -</u>	<u>\$ 165,703</u>
Deferred tax liabilities:				
- Temporary differences:				
Unrealised exchange gain	(9,515)	3,284	-	(6,231)
	<u>(\$ 9,515)</u>	<u>\$ 3,284</u>	<u>\$ -</u>	<u>(\$ 6,231)</u>
	<u>\$ 192,280</u>	<u>(\$ 32,808)</u>	<u>\$ -</u>	<u>\$ 159,472</u>

2022				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
- Temporary differences:				
Unrealised gross profit	\$ 13,138	\$ 14,427	\$ -	\$ 27,565
Loss on decline in market value	8,338	(2,918)	-	5,420
Unrealised exchange loss	1,199	1,606	-	2,805
Unrealised gain on sales of fixed assets	2,326	469	-	2,795
Unrealised taxes losses	161,923	(57,497)	-	104,426
Others	58,784	-	-	58,784
	<u>\$ 245,708</u>	<u>(\$ 43,913)</u>	<u>\$ -</u>	<u>\$ 201,795</u>
Deferred tax liabilities:				
- Temporary differences:				
Unrealised exchange gain	(1,202)	(8,313)	-	(9,515)
	<u>(\$ 1,202)</u>	<u>(\$ 8,313)</u>	<u>\$ -</u>	<u>(\$ 9,515)</u>
	<u>\$ 244,506</u>	<u>(\$ 52,226)</u>	<u>\$ -</u>	<u>\$ 192,280</u>

D. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

December 31, 2022				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2021	Amount filed	<u>\$ 433,356</u>	<u>\$ -</u>	2031

December 31, 2022				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2021	Amount filed	<u>\$ 548,807</u>	<u>\$ 26,673</u>	2031

E. The amounts of deductible temporary difference that are not recognised as deferred tax assets are as follows:

	December 31, 2023	December 31, 2022
Deductible temporary differences	<u>\$ 112,316</u>	<u>\$ 151,480</u>

F. The Company has not recognised taxable temporary differences associated with investment insubsidiaries as deferred tax liabilities. As of December 31,2023, and 2022, the amounts of temporary difference unrecognised as deferred tax liabilities were \$16,240 and \$0, respectively.

G. The Company’s income tax returns through 2021 have been assessed and employee restricted shares approved by the Tax Authority.

(29) Earnings per share

	<u>Year ended December 31, 2023</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit for the year	\$ 400,720	141,599	\$ 2.83
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	400,720	141,599	
Assumed conversion of all dilutive potential ordinary shares			
Employees’ compensation	-	222	
Employee restricted shares issued	-	494	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 400,720	142,315	\$ 2.82

	Year ended December 31, 2022		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit for the year	\$ 424,023	139,080	\$ 3.05
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	424,023	139,080	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	443	
Employee restricted shares issued	-	90	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 424,023	139,613	\$ 3.04

- A. When calculating the diluted earnings per share, the employees' compensation was assumed to distribute in the form of shares and included the weighted average number of ordinary shares outstanding while the potential ordinary shares have dilutive effects.
- B. For the years ended December 31, 2023 and 2022, the weighted average number of ordinary shares outstanding, is calculated by considering the weighted average number of shares of cash capital increase.

(30) Supplemental cash flow information

Investing activities with partial cash payments:

	Year ended December 31,	
	2023	2022
Purchase of property, plant and equipment	\$ 777,249	\$ 912,753
Add: Opening balance of payable on equipment	10,242	63,581
Less: Ending balance of payable on equipment	(24,289)	(10,242)
Add: Ending balance of prepayment for equipment	9,867	101,342
Less: Opening balance of prepayment for equipment	(101,342)	(117,096)
Cash paid during the year (Note 1)	\$ 671,727	\$ 950,338

	Year ended December 31,	
	2023	2022
Purchase of intangible assets	\$ 16,460	\$ 11,442
Add: Opening balance of other payables	267,680	360,000
Opening balance of long-term payable (shown as “other non-current liabilities”)	120,000	387,680
Less: Ending balance of other payables	(60,000)	(267,680)
Ending balance of long-term payable (shown as “other non-current liabilities”)	(60,000)	(120,000)
Cash paid during the year	<u>\$ 284,140</u>	<u>\$ 371,442</u>

Note 1: The payments include interest capitalization amounting to \$37,419 thousand.

(31) Changes in liabilities from financing activities

	2023					
	Short-term borrowings	Short-term notes and bills payable	Long-term borrowings (including current portion)	Lease liabilities	Cash dividend	Liabilities from financing activities-gross
At January 1	\$ 833,000	\$ -	\$ 1,410,419	\$ 46,869	\$ -	\$ 2,290,288
Increase	-	-	-	-	141,546	141,546
Changes in cash flow from financing activities	48,000	30,000	284,753	(24,226)	(141,546)	196,981
Changes in other non-cash items	-	-	5,040	34,737	-	39,777
At December 31	<u>\$ 881,000</u>	<u>\$ 30,000</u>	<u>\$ 1,700,212</u>	<u>\$ 57,380</u>	<u>\$ -</u>	<u>\$ 2,668,592</u>

	2022				
	Short-term borrowings	Short-term notes and bills payable	Long-term borrowings (including current portion)	Lease liabilities	Liabilities from financing activities-gross
At January 1	\$ 669,000	\$ 50,000	\$ 1,044,729	\$ 53,776	\$ 1,817,505
Changes in cash flow from financing activities	164,000	(50,000)	354,710	(24,983)	443,727
Changes in other non-cash items	-	-	10,980	18,076	29,056
At December 31	<u>\$ 833,000</u>	<u>\$ -</u>	<u>\$ 1,410,419</u>	<u>\$ 46,869</u>	<u>\$ 2,290,288</u>

7. Related Party Transactions

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
ABILITY OPTO-ELECTRONICS TECHNOLOGY (ZHENJIANG) CO.,LTD.	The Company's subsidiary
TOP OPTO TECHNOLOGY CO., LTD.	The Company's subsidiary
Miyabi Technology Co., Ltd.	The Company's subsidiary
RHOSON CORPORATION	The Company's subsidiary
Miyabi Technology (Zhenjiang) Co., Ltd.	The Company's second-tier subsidiary
RHOSON (ZHENJIANG) CORPORATION	The Company's second-tier subsidiary

(2) Significant related party transactions

A. Operating revenue

	Year ended December 31,	
	2023	2022
Subsidiaries	\$ 20,243	\$ 12,778

There is no other counterparty for the products sold by the Company to its subsidiaries, therefore, there are no similar transaction can be compared.

B. Purchases

		Year ended December 31,	
		2023	2022
ABILITY OPTO-ELECTRONICS TECHNOLOGY		\$ 497,137	\$ 373,229
TOP OPTO TECHNOLOGY CO., LTD.		210,215	260,687
		<u>\$ 707,352</u>	<u>\$ 633,916</u>

There is no other counterparty for the products purchased by the Company from its subsidiaries, therefore, there are no similar transaction can be compared.

C. Purchases on behalf of others

Year ended December 31, 2023			
	Prices of purchase on behalf of others	Costs of purchases on behalf of others	Profits from purchases on behalf of others
Subsidiaries	<u>\$ 134,170</u>	<u>(\$ 125,031)</u>	<u>\$ 9,139</u>

Year ended December 31, 2022			
	Prices of purchase on behalf of others	Costs of purchases on behalf of others	Profits from purchases on behalf of others
Subsidiaries	<u>\$ 305,753</u>	<u>(\$ 233,246)</u>	<u>\$ 72,507</u>

(a) There is no other counterparty for the products purchased on behalf of subsidiaries, therefore, there are no similar comparable transactions.

(b) The transaction condition for the products purchased on behalf of subsidiaries were due to 180 days after sale date.

D. Receivables from related parties

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts receivable:		
ABILITY OPTO-ELECTRONICS TECHNOLOGY (ZHENJIANG) CO.,LTD.	\$ 493,332	\$ 553,025
TOP OPTO TECHNOLOGY CO., LTD.	441,038	291,233
Other subsidiaries	<u>1,449</u>	<u>2,230</u>
	<u>\$ 935,819</u>	<u>\$ 846,488</u>

The receivables from related parties arise mainly from sale transactions and are due 180 days after

the date of sales.

E. Payables to related parties:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts payable:		
ABILITY OPTO-ELECTRONICS TECHNOLOGY (ZHENJIANG) CO.,LTD.	\$ 603,026	\$ 421,544
TOP OPTO TECHNOLOGY CO., LTD.	<u>369,001</u>	<u>170,439</u>
	<u>\$ 972,027</u>	<u>\$ 591,983</u>

The payables to related parties arise mainly from purchase transactions and are due 180 days after the date of purchase.

F. Property transactions

Disposal of property, plant and equipment

	<u>Year ended December 31,</u>			
	<u>2023</u>		<u>2022</u>	
	<u>Disposal proceeds</u>	<u>Gain on disposal</u>	<u>Disposal proceeds</u>	<u>Gain on disposal</u>
Subsidiaries	\$ 5,230	\$ 461	\$ 18,989	\$ 9,093

G. Loans to /from related parties

(a) Loans to related parties

Outstanding balance:

	<u>December 31, 2023</u>
Miyabi Technology Co., Ltd.	\$ -
RHOSON CORPORATION	<u>134</u>
	<u>\$ 134</u>

(b) Interest income

	<u>Year ended December 31,</u>
	<u>2023</u>
Miyabi Technology Co., Ltd.	\$ 661
RHOSON CORPORATION	<u>265</u>
	<u>\$ 926</u>

A. The interest was collected at 1.5% per annum for the years ended December 31, 2022 .

B. There was no situation on December 31, 2023.

H. Endorsements and guarantees provided to related parties

(a) Guarantee limit

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Miyabi Technology Co., Ltd.	\$ 464,000	\$ 539,000
Miyabi Technology (Zhenjiang) Co., Ltd.	<u>66,465</u>	<u>56,050</u>
	<u>\$ 530,465</u>	<u>\$ 595,050</u>

(b) Amount utilized

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Miyabi Technology Co., Ltd.	\$ 122,923	\$ 181,584
Miyabi Technology (Zhenjiang) Co., Ltd.	<u>-</u>	<u>53,743</u>
	<u>\$ 122,923</u>	<u>\$ 235,327</u>

(C) Other receivables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Miyabi Technology Co., Ltd.	<u>\$ 329</u>	<u>\$ 284</u>

(D) Service fee

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Miyabi Technology Co., Ltd.	<u>\$ 1,548</u>	<u>\$ 1,541</u>

(3) Key management compensation

	<u>Year ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 24,729	\$ 21,938
Post-employment benefits	319	312
Share-based payments	<u>2,134</u>	<u>104</u>
	<u>\$ 27,182</u>	<u>\$ 22,354</u>

8. Pledged Assets

<u>Pledged asset</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>	
Property, plant and equipment	\$ 621,575	\$ 268,251	Long-term borrowings
Bank finance margins (shown as “Current financial assets at amortised cost”)	289,225	323,534	Short-term borrowings
Bank finance margins (shown as “Non-current financial assets at amortised cost”)	<u>16,938</u>	<u>8,905</u>	Long-term borrowings
	<u>\$ 927,738</u>	<u>\$ 600,690</u>	

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(4) Contingencies

None.

(5) Commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Property, plant and equipment	<u>\$ 352,000</u>	<u>\$ 405,405</u>

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

None.

12. Others

(6) Capital management

The Company’s capital management are based on the industrial scale taking into consideration industrial future growth and product development in order to set appropriate market share and plans the corresponding capital expenditure accordingly. In addition, the Company calculates working capital based on the financial operation plan, considering operating profit and cash inflows generating from product competitiveness, to determine the appropriate capital structure.

The Company monitors its capital by periodically reviewing the debt to assets ratio. As of December 31, 2023 and 2022, the Company’s debt to assets ratio were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Total liabilities	\$ 4,421,660	\$ 4,048,034
Total assets	7,738,215	7,103,274
Debt to assets ratio	57.14%	56.99%

(7) Financial instruments

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Financial assets at amortised cost		
Cash and cash equivalents	\$ 392,000	\$ 431,875
Financial assets at amortised cost	306,208	390,940
Accounts receivable	999,471	716,446
Accounts receivable - related parties	935,819	846,448
Other receivables	18,228	14,917
Other receivables – related parties	329	829
Guarantee deposits paid	3,610	8,106
	<u>\$ 2,655,665</u>	<u>\$ 2,409,561</u>

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	881,000	\$ 833,000
Short-term notes and bills Payable	30,000	-
Accounts payable	150,638	163,420
Accounts payable – related parties	972,027	591,983
Other payables	449,382	664,969
Other payables – related parties	-	60
Long-term borrowings (including current portion)	1,700,212	1,410,419
Lease liabilities (including current portion)	57,380	46,869
Other non-current liabilities	161,704	321,600
	<u>\$ 4,402,343</u>	<u>\$ 4,032,320</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, price risk and interest rate risk), credit risk and liquidity risk. Derivative financial instruments, such as foreign exchange forward contracts are used to hedge certain exchange rate risk, and interest rate swaps are used to fix variable future cash flows.

- (b) Risk management is carried out by a central treasury department (Company treasury). Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units, such as foreign exchange risk, interest rate risk 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 and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Foreign exchange rate risk arises from future commercial transactions and recognised assets and liabilities.
- ii. The Company hedges foreign exchange rate by using forward exchange contracts. However, the Company does not adopt hedging accounting, which was shown as financial liabilities at fair value through profit or loss.
- iii. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

(Foreign currency: functional currency)	December 31, 2023		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 76,881	30.705	\$ 2,360,631
<u>non-monetary items</u>			
USD:NTD	7,364	30.705	226,100
CNY:NTD	82,518	4.327	357,058
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 34,268	30.705	\$ 1,052,199

(Foreign currency: functional currency)	December 31, 2022		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 70,744	30.71	\$ 2,172,548
<u>non-monetary items</u>			
USD:NTD	6,840	30.71	210,046
CNY:NTD	72,118	4.408	317,894
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 21,745	30.71	667,789

iv. The total exchange loss, 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 \$10,057 thousand and \$147,381 thousand, respectively.

v. Analysis of foreign currency market risk arising from significant foreign exchange variation:

(Foreign currency: functional currency)	Year ended December 31, 2023		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	3%	\$ 70,819	\$ -
<u>non-monetary items</u>			
USD:NTD	3%	-	6,783
CNY:NTD	3%	-	10,712
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	3%	31,566	-

	Year ended December 31, 2022		
	Sensitivity analysis		
(Foreign currency: functional currency)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	3%	\$ 65,176	\$ -
<u>non-monetary items</u>			
USD:NTD	3%	-	6,301
CNY:NTD	3%	-	9,537
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	3%	20,034	-

Cash flow and fair value Interest rate risk

- i. The Company's interest rate risk arises from short-term borrowings and long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. During 2023 and 2022, the Company's borrowings at variable rate were mainly denominated in New Taiwan dollars.
 - ii. On December 31, 2023 and 2022, if interest rates on borrowings had been increased/decreased by 0.1% with all other variables held constant, pre-tax for the year ended December 31, 2023 and 2022 would have been increased/decreased \$2,089 thousand and \$1,808 thousand.
- (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 contract cash flows of accounts receivable based on the agreed terms.
 - ii. The Company manages their credit risk taking into consideration the entire company's concern. According to the Company's credit policy, each local entity in the Company 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 Directors. The utilisation of credit limits is regularly monitored.
 - iii. The Company adopts the accounts receivable policies, if the contract payments were past

due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

- iv. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
- (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- v. The Company adopts the accounts receivable policies, the default occurs when the contract payments are past due over 210 days.
- vi. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights. On December 31, 2023 and 2022, the Company had no written-off financial assets that are still under recourse procedures.
- vii. The Company used the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2023 and 2022, the provision matrix, loss rate methodology is as follows:

	<u>Not past due</u>	Up to 90 days		<u>Over 210 days</u>	<u>Total</u>
		<u>past due</u>	<u>past due</u>		
<u>At December 31, 2023</u>					
Expected loss rate	-	2.73%	-	-	
Total book value	\$ 953,527	\$ 47,234	\$ -	\$ -	\$ 1,000,761
Loss allowance	\$ -	\$ 1,290	\$ -	\$ -	\$ 1,290

	<u>Not past due</u>	Up to 90 days		<u>Over 210 days</u>	<u>Total</u>
		<u>past due</u>	<u>past due</u>		
<u>At December 31, 2022</u>					
Expected loss rate	0.03%	4.36%	66.67%	100.00%	
Total book value	\$ 693,369	\$ 24,336	\$ 3	\$ 3,592	\$ 721,300
Loss allowance	\$ 200	\$ 1,060	\$ 2	\$ 3,592	\$ 4,854

- viii. Movements in relation to the Company applying the modified approach to provide loss allowance for accounts receivable and notes receivable are as follows:

	<u>2023</u>
	<u>Accounts receivable</u>
At January 1	\$ 4,854
Provision for the year	(3,564)
At December 31	<u>\$ 1,290</u>
	<u>2022</u>
	<u>Accounts receivable</u>
At January 1	\$ 4,854
Provision for the year	-
At December 31	<u>\$ 4,854</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities 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 while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants on any of its borrowing facilities.
- ii. The details of the Company's unused borrowings amount are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Floating rate:		
Expiring within one year	\$ 339,000	\$ 256,000
Expiring beyond one year	<u>2,588,620</u>	<u>2,965,592</u>
	<u>\$ 2,927,620</u>	<u>\$ 3,221,592</u>

- iii. 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 for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

<u>December 31, 2023</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
<u>Non-derivative financial liabilities</u>				
Short-term borrowings	\$ 886,781	\$ -	\$ -	\$ -
Short-term notes and bills Payable	30,098			
Accounts payable (including related parties)	1,122,665	-	-	-
Other payables (including related parties)	449,382	-	-	-
Long-term borrowings (including current portion)	603,593	51,480	1,181,778	-
Lease liability (including current portion)	22,597	3,323	3,275	34,462
Other non-current liabilities	-	161,704	-	-
		<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
<u>December 31, 2022</u>	<u>Less than 1 year</u>	<u>and 2 years</u>	<u>and 5 years</u>	<u>Over 5 years</u>
<u>Non-derivative financial liabilities</u>				
Short-term borrowings	\$ 837,080	\$ -	\$ -	\$ -
Accounts payable (including related parties)	755,403	-	-	-
Other payables (including related parties)	665,029	-	-	-
Long-term borrowings (including current portion)	500,313	54,850	972,019	410
Lease liability (including current portion)	8,250	4,818	9,399	31,329
Other non-current liabilities	-	261,600	60,000	-

13. Supplementary Disclosures

(8) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.
- D. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: Please refer to table 3.
- E. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.

F. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.

G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.

H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(9) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 7.

(10) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

(11) Major shareholders information

Major shareholders information: Please refer to table 9.

14. Operating Segment Information

Not applicable

Ability Opto-Electronics Technology Co., Ltd. and subsidiaries
Loans to others
Year ended December 31, 2023

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2023	Balance at December 31, 2023	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote	
												Allowance for Creditor Counterparty doubtful accounts	Item Value				
0	The Company	Miyabi Technology Co., Ltd.	Financing receivables due from related parties	Y	\$ 400,000	\$ -	\$ -	-	Revolving funds	\$ -	Revolving funds	\$ -	-	\$ -	\$ 994,967	\$ 1,326,622	Note 2 and Note 3
0	The Company	RHOSON CORPORATION	Financing receivables due from related parties	Y	200,000	200,000	\$ -	-	Revolving funds	-	Revolving funds	-	-	-	994,967	1,326,622	Note 2 and Note 3

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1)The Company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: Limit on loans to a single party with short-term financing is 30% of the consolidated company's net asset.

Note 3: The ceiling on total loans amount is 40% of the consolidated company's net assets.

Note 4: For loans granted between foreign companies whose voting rights are 100% directly and indirectly owned by the parent company, the limit for a single loan and ceiling on total loans granted both are the total amount of the creditor's net assets.

Ability Opto-Electronics Technology Co., Ltd. and subsidiaries
 Provision of endorsements and guarantees to others
 Year ended December 31, 2023

Table 2

Expressed in thousands of NTD
 (Except as otherwise indicated)

No. (Note 1)	Endorser/guarantor	Party being endorsed/ guaranteed		Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2023	Outstanding endorsement/ guarantee amount at December 31, 2023	Actual amount drawn down	Amount of endorsements /guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the Endorser/guarantor company	Ceiling on total amount of endorsements /guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements /guarantees by subsidiary to parent company	Provision of endorsements /guarantees to the party in Mainland China	Footnote
		Relationship with the Endorser/guarantor (Note 2)	Company name											
0	Ability Opto-Electronics Technology Co., Ltd.	Miyabi Technology Co., Ltd.	3	\$ 1,658,278	\$ 559,000	\$ 464,000	\$ 122,923	\$ -	13.99%	\$ 1,658,278	Y	N	N	Note 3
0	Ability Opto-Electronics Technology Co., Ltd.	Miyabi Technology (Zhejiang) Co., Ltd.	3	1,658,278	66,465	66,465	-	-	2.00%	1,658,278	Y	N	N	Note 3

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

- (1) The Company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of category each case belongs to:

- (1) Having business relationship.
- (2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.
- (4) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.
- (5) Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.
- (6) Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.
- (7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: The ceiling on total amount of endorsements/guarantees provided to others by the Company is 50% of the Company's net assets and limit on total endorsements/guarantees provided for a single party is 50% of the Company's net assets.

Ability Opto-Electronics Technology Co., Ltd. and subsidiaries
Acquisition of real estate reaching NTS300 million or 20% of paid-in capital or more
Year ended December 31, 2023

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Real estate acquired by	Real estate acquired	Transaction date or date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:				Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
							Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount			
Ability Opto-Electronics Technology Co., Ltd.	Construction in progress	2020.01	\$ 721,400	\$ 693,318	Lee Ming Construction Co. Ltd	Non-related party	-	-	-	-	-	Construction for building plant	None
Ability Opto-Electronics Technology Co., Ltd.	Construction in progress	2020.07	435,247	318,706	POYUAN ENGINEERING CO., LTD.	Non-related party	-	-	-	-	-	Construction for building plant	None

Ability Opto-Electronics Technology Co., Ltd. and subsidiaries
Purchases or sales of goods from or to related parties reaching NTS100 million or 10% of paid-in capital or more
Year ended December 31, 2023

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Compared to third party transactions (Note 1)		Notes/accounts receivable (payable)			Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance at December 31, 2022	Percentage of total notes/accounts receivable (payable)	
Ability Opto-Electronics Technology Co., Ltd.	ABILITY OPTO-ELECTRONICS TECHNOLOGY (Zhenjiang) CO.,LTD.	Subsidiary	Purchase	\$ 497,137	15.44%	180 days after next monthly billings	Note 1	-	\$ 603,026	53.71%	Note 2 and Note 3
Ability Opto-Electronics Technology Co., Ltd.	TOP OPTO TEC CO.,LTD.	Subsidiary	Purchase	210,215	6.53%	180 days after next monthly billings	Note 1	-	369,001	32.87%	Note 2 and Note 3
Miyabi Technology Co., Ltd.	Miyabi Technology (Zhenjiang) Co., Ltd.	Subsidiary	Purchase	977,781	65.95%	180 days after next monthly billings	Note 1	-	347,144	71.17%	Note 2 and Note 3

Note 1: There are no comparative information for camera modules purchased by the Company because they are not sold to general customers.

Note 2: The sale of raw materials and semi-finished products to related parties, followed by the repurchase of partially finished goods, has been accounted for in a manner that reflects their economic substance.

Note 3: The transactions were eliminated when preparing the consolidated financial statements.

Ability Opto-Electronics Technology Co., Ltd. and subsidiaries
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
Year ended December 31, 2023

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the company	Amount	Turnover rate	Transaction		Amount collected subsequent to the balance sheet date (Note 1)	Allowance for doubtful accounts
					Overdue receivables			
					Transaction terms	Action taken		
Ability Opto-Electronics Technology Co., Ltd.	ABILITY OPTO-ELECTRONICS TECHNOLOGY (Zhenjiang) CO.,LTD.	subsidiary	\$ 493,332	5.12%	-	-	\$ 240,736	\$ -
Ability Opto-Electronics Technology Co., Ltd.	TOP OPTO TEC CO.,LTD.	subsidiary	441,038	7.32%	-	-	24,917	-
ABILITY OPTOELECTRONICS TECHNOLOGY	Ability Opto-Electronics Technology Co., Ltd.	parent company	603,026	2.70%	-	-	281,970	-
TOP OPTO TECHNOLOGY CO., LTD.	Ability Opto-Electronics Technology Co., Ltd.	parent company	369,001	2.44%	-	-	46,830	-
Miyabi Technology Co., Ltd.	Miyabi Technology (Zhenjiang) Co., Ltd.	subsidiary	312,646	4.64%	-	-	143,188	-
Miyabi Technology (Zhenjiang) Co., Ltd.	Miyabi Technology Co., Ltd.	parent company	347,144	3.11%	-	-	146,906	-

Note 1: As of February 29, 2024, recovered amount of money receivable from related parties after the balance sheet date.

Ability Opto-Electronics Technology Co., Ltd. and subsidiaries
 Significant inter-company transactions during the reporting periods
 Year ended December 31, 2023

Table 6

Expressed in thousands of NTD
 (Except as otherwise indicated)

No. (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	Ability Opto-Electronics Technology Co., Ltd.	ABILITY OPTO-ELECTRONICS TECHNOLOGY (Zhejiang) CO.,LTD.	2	Purchase	\$ 497,137	Paid based on market price or cost plus	12.44%
0	Ability Opto-Electronics Technology Co., Ltd.	ABILITY OPTO-ELECTRONICS TECHNOLOGY (Zhejiang) CO.,LTD.	2	Accounts receivable	493,332	180 days after next monthly billings	6.65%
0	Ability Opto-Electronics Technology Co., Ltd.	ABILITY OPTO-ELECTRONICS TECHNOLOGY (Zhejiang) CO.,LTD.	2	Accounts payable	603,026	180 days after next monthly billings	8.13%
0	Ability Opto-Electronics Technology Co., Ltd.	TOP OPTO TEC CO.,LTD.	2	Purchase	210,215	Paid based on market price or cost plus	5.26%
0	Ability Opto-Electronics Technology Co., Ltd.	TOP OPTO TEC CO.,LTD.	2	Accounts receivable	441,038	180 days after next monthly billings	5.94%
0	Ability Opto-Electronics Technology Co., Ltd.	TOP OPTO TEC CO.,LTD.	2	Accounts payable	369,001	180 days after next monthly billings	4.97%
0	Miyabi Technology Co., Ltd.	Miyabi Technology (Zhejiang) Co., Ltd.	3	Purchase	977,781	Paid based on market price or cost plus	24.47%
1	Miyabi Technology Co., Ltd.	Miyabi Technology (Zhejiang) Co., Ltd.	3	Accounts receivable	312,646	180 days after next monthly billings	4.21%
1	Miyabi Technology Co., Ltd.	Miyabi Technology (Zhejiang) Co., Ltd.	3	Accounts payable	347,144	180 days after next monthly billings	4.68%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1)Parent company is '0'.
- (2)The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between related parties are classified into the following five categories; fill in the number of category each case belongs to:

- 1. Parent company to second-tier subsidiary.
- 2. Parent company to subsidiary.
- 3. Subsidiary to second-tier subsidiary.
- 4. Second-tier subsidiary company to subsidiary.
- 5. Second-tier subsidiary to second-tier subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: Disclose transactions amounting to over \$10,000,000

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Ability Opto-Electronics Technology Co., Ltd. and subsidiaries

Information on investees

Year ended December 31, 2023

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 7

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net income of investee as of December 31, 2023	income (loss) recognised by the Company for the year ended December 31, 2023	Footnote
				Balance as at December 31, 2023	Balance as at December 31, 2022	Number of shares	Ownership				
							(%)	Book value			
Ability Opto-Electronics Technology Co., Ltd.	Miyabi Technology Co., Ltd.	Taiwan	Trades of fingerprint identification modules	\$ 368,000	\$ 460,000	3,680	100.00%	\$ 680,728	\$ 212,993	\$ 212,993	
Ability Opto-Electronics Technology Co., Ltd.	TOP OPTO TEC CO.,LTD.	Vietnam	Manufacture of optical camera lenses and optical lenses	154,978	154,978	7,000	100.00%	192,152	16,335	16,335	
Ability Opto-Electronics Technology Co., Ltd.	Elite Optical Technology Co., Ltd.	British Virgin Islands	General investment business	710,348	710,348	22,910	100.00%	-	-	-	
Ability Opto-Electronics Technology Co., Ltd.	Rhoson Corporation	Taiwan	Trades of automotive products	182,220	182,220	7,590	94.88%	55,160 (21,934) (21,278)	

Ability Opto-Electronics Technology Co., Ltd. and subsidiaries
Information on investments in Mainland China
Year ended December 31, 2023

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2022			Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023	Net income of investee as of December 31, 2023	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2023	Book value of investments in Mainland China as of December 31, 2023	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2023	Footnote
				Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2023	Remitted to Mainland China	Remitted back to Taiwan							
ABILITY OPTO-ELECTRONICS TECHNOLOGY (Zhejiang) CO.,LTD.	Assembly of optical camera lenses	\$ 469,787	1	\$ 469,787	\$ -	\$ -	\$ 469,787	\$ 45,695	100.00%	\$ 45,695	\$ 275,574	\$ -	Note 2 and Note 3
Miyabi Technology (Zhejiang) Co., Ltd.	Manufacture of fingerprint identification modules	253,623	1	192,213	61,410	-	253,623	39,018	100.00%	40,135	253,191	-	Note 2 and Note 3
RHOSON (Zhejiang) CORPORATION	Manufacture of automotive products	21,493	1	19,958	1,535	-	21,493	(2,508)	94.88%	(2,379)	5,902	-	Note 2 and Note 3

Note 1: Investment methods are classified into the following three categories, fill in the number of category each case belongs to:
(1) Directly invest in a company in Mainland China.
(2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
(3) Others

Note 2: The investment gain or loss for the year ended December 31, 2023 was calculated based on the Company's financial statements which were audited by independent auditors.

Note 3: The paid-in capital, accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2023, amount remitted from Taiwan to Mainland China/amount remitted back to Taiwan for the year ended December 31, 2023, accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023 were translated into New Taiwan Dollars at the average exchange rate of NT\$30.705 to US\$1 at the balance sheet date.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Investment amount approved by the investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Commission of Investment MOEA
Ability Opto-Electronics Technology Co., Ltd.(Note 2)	\$ 469,787	\$ 469,787	\$ 1,989,933
Miyabi Technology Co., Ltd. (Note 2)	253,263	284,328	408,861
RHOSON CORPORATION (Note 3)	21,493	21,493	80,000

Note 1: The accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023 was translated into New Taiwan Dollars at the exchange rate of NT\$30.705 to US\$1 at the balance sheet date.

Note 2: The ceiling is 60% of net assets.

Note 3: The ceiling is NT\$80 million or 60% of the net assets or consolidated net assets, whichever is higher.

Ability Opto-Electronics Technology Co., Ltd. and subsidiaries
Major shareholders information
Year ended December 31, 2023

Table 9

Name of major shareholders	Shares	
	Name of shares held	Ownership (%)
Largan Precision Co., Ltd.	20,000,000	14.03%

ABILITY OPTO-ELECTRONICS TECHNOLOGY CO., LTD.

CASH AND CASH EQUIVALENTS

DECEMBER 31, 2023

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

Statement 1

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash on hand		\$ 677
Bank deposits:		
Checking accounts		8
Foreign currency deposits		231,117
	USD 7,257 thousand dollars Exchange rate 30.705	
	JPY 1,888 thousand dollars Exchange rate 0.2172	410
	EUR 18,393 thousand dollars Exchange rate 33.98	625
	CNY 0.851 thousand dollars Exchange rate 4.327	4
Demand deposits		138,236
Time deposits	USD 659 thousand dollars Exchange rate 30.705	20,923
		<u>\$ 392,000</u>

ABILITY OPTO-ELECTRONICS TECHNOLOGY CO., LTD.
CURRENT FINANCIAL ASSETS AT AMORTISED COST
DECEMBER 31, 2023

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

Statement 2

Item	Description	Amount	Note
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Details of Current financial assets at amortised cost are provided in Note 6(2).

ABILITY OPTO-ELECTRONICS TECHNOLOGY CO., LTD.

ACCOUNTS RECEIVABLE

DECEMBER 31, 2023

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

Statement 3

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
<u>Non-related party</u>			
A Client		\$ 321,884	
B Client		228,955	
C Client		155,545	
D Client		102,092	
E Client		71,190	
Others		<u>121,095</u>	
		\$ 1,000,761	
Less: Allowance for uncollectible accounts		(<u>1,290</u>)	
		<u>\$ 999,471</u>	The balance of each client has not exceeded 5% of total accounts balance.
<u>Related party</u>			
TOP OPTO TECHNOLOGY ABILITY OPTO-ELECTRONICS TECHNOLOGY (Zhenjiang)		\$ 492,332	
		441,038	
Others		<u>1,449</u>	
		<u>\$ 934,819</u>	

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ABILITY OPTO-ELECTRONICS TECHNOLOGY CO., LTD.

ACCOUNTS RECEIVABLE

DECEMBER 31, 2023

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

Statement 4

Item	Description	Amount		Note
		Cost	Net Realizable Value	Determination of market value method.
Raw materials		\$ 105,880	\$ 105,740	Replacement cost
Work in progress		48,918	46,223	Net Realizable Value
Finished goods		16,947	24,245	Net Realizable Value
Merchandise		<u>173,290</u>	<u>227,682</u>	Net Realizable Value
		345,035	<u>\$ 403,890</u>	
Less: Loss on market value decline and obsolete and slow-moving inventories		<u>(39,076)</u>		
		<u>\$ 305,959</u>		

ABILITY OPTO-ELECTRONICS TECHNOLOGY CO., LTD.

ACCOUNTS RECEIVABLE

DECEMBER 31, 2023

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

Statement 5

Name	Beginning Balance		Addition		Decrease		Ending Balance			Market Value or Net Assets Value		Basis for Valuation	Collateral/Note	Note
	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Percentage of Ownership	Amount	Unit Price	Total Amount			
	Top Opto Tec Co., Ltd.	7,000	\$ 210,046	-	\$ 16,054	-	\$ -	7,000	100%	\$ 226,100	\$ 32.30			
ABILITY OPTO-ELECTRONICS TECHNOLOGY (Zhenjiang)	15,300	317,894	-	39,164	-	-	15,300	100%	357,058	23.34	357,058	Equity method	None	Note 2
Miyabi Technology Co., Ltd.	46,000	564,506	-	208,222	(9,200)	(92,000)	36,800	100%	680,728	18.5	680,728	Equity method	None	Note 1
Rhoson Corporation	7,590	<u>76,573</u>	-	<u>(21,413)</u>	-	<u>-</u>	7,590	94.88%	<u>55,160</u>	7.66	<u>55,160</u>	Equity method	None	
		1,169,019		242,027		(92,000)			1,319,046		1,319,046			
Less:														
Unrealized gain arising from the inter-company transactions between the investees		<u>(151,801)</u>		<u>36,369</u>		<u>-</u>			<u>(115,432)</u>		<u>(115,432)</u>			Note 2
		<u>\$ 1,017,218</u>		<u>\$ 278,396</u>		<u>(\$ 92,000)</u>			<u>\$ 1,203,614</u>		<u>\$ 1,203,614</u>			

Note 1: The decrease in this period is due to capital reduction and return of shares. Please refer to Note 6 (5) for details.

Note 2: The company's adjustments for the impact of downstream transactions with Advanced Optoelectronic Technology Co., Ltd. and Advanced Optoelectronic Technology (Zhenjiang) Co., Ltd. on investment income, which represent unrealized profits between the investee companies, amount to NT\$33,948,000 and NT\$81,484,000 respectively.

ABILITY OPTO-ELECTRONICS TECHNOLOGY CO., LTD.

ACCOUNTS RECEIVABLE

DECEMBER 31, 2023

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

Statement 6

<u>Item</u>	<u>Beginning Balance</u>	<u>Addition</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Collateral</u>
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Details of changes in cost and accumulated depreciation of the property, plant and equipment are provided in Note 6(6).

ABILITY OPTO-ELECTRONICS TECHNOLOGY CO., LTD.

ACCOUNTS RECEIVABLE

DECEMBER 31, 2023

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

Statement 7

Nature	Creditor	Ending Balance	Contract Period	Range of Interest		Collateral
				Rate	Credit Line	
Secured borrowing	Entie Commercial Bank, Ltd.	\$ 310,000	2023/12/29~2024/3/28	2.372%	\$ 400,000	Please refer to Note 6(8).
Secured borrowing	Shin Kong Commercial Bank Co.,	86,000	2023/11/17~2024/2/17	1.830%	100,000	Please refer to Note 6(8).
Secured borrowing	O-Bank Co., Ltd.	55,000	2023/11/27~2024/5/28	2.1076%	100,000	Please refer to Note 6(8).
Secured borrowing	Bank of Taiwan	50,000	2023/8/8~2024/2/2	2.350%	100,000	Please refer to Note 6(8).
Secured borrowing	Taiwan Cooperative Bank	50,000	2023/12/18~2024/12/18	1.993%	60,000	Please refer to Note 6(8).
Secured borrowing	Hua Nan Commercial Bank, Ltd.	30,000	2023/11/10~2024/5/10	2.4136%	30,000	Please refer to Note 6(8).
Unsecured borrowing	Agricultural Bank of Taiwan	50,000	2023/8/17~2024/8/17	2.297%	50,000	None
Unsecured borrowing	Yuanta Commercial Bank Co.,	50,000	2023/7/28~2024/7/21	2.000%	50,000	None
Unsecured borrowing	DBS Bank Limited	50,000	2023/12/28~2024/3/28	2.080%	50,000	None
Unsecured borrowing	Taishin International Bank	50,000	2023/12/11~2024/1/11	2.100%	50,000	None
Unsecured borrowing	Chang Hwa Commercial Bank, Ltd.	40,000	2023/12/25~2024/4/3	2.060%	40,000	None
Unsecured borrowing	First Commercial Bank	30,000	2023/2/24~2024/2/24	2.400%	30,000	None
Unsecured borrowing	Taipei Fubon Bank	30,000	2023/12/8~2024/3/7	2.097019%	30,000	None
		<u>\$ 881,000</u>				

ABILITY OPTO-ELECTRONICS TECHNOLOGY CO., LTD.

ACCOUNTS RECEIVABLE

DECEMBER 31, 2023

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

Statement 8

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Non related party:			
S Company		\$ 34,675	
T Company		23,625	
U Company		13,996	
V Company		11,260	
W Company		10,550	
X Company		10,404	
Y Company		8,611	The balance of each transaction has not exceeded
Others		<u>50,299</u>	5% of total accounts balance.
		<u>\$ 163,420</u>	

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ABILITY OPTO-ELECTRONICS TECHNOLOGY CO., LTD.

ACCOUNTS RECEIVABLE

DECEMBER 31, 2023

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

Statement 9

<u>Creditor</u>	<u>Description</u>	<u>Amount</u>	<u>Contract Period</u>	<u>Interest Rate</u>	<u>Collateral</u>	<u>Note</u>
Syndicated secured borrowings (A-1)	Syndicated Loans	\$ 817,000	2022.9.20~2027.9.20	2.89%	Please refer to Note 6(8).	
Syndicated secured borrowings (A-2)	Syndicated Loans	383,000	2023.12.7~2024.3.6	2.825%	Please refer to Note 6(8).	
Syndicated commercial papers (B-1)	Syndicated Loans	287,400	2022.9.20~2027.9.20	2.89%	Please refer to Note 6(8).	
Syndicated commercial papers (B-1)	Syndicated Loans	134,600	2023.12.7~2024.3.6	2.825%	Please refer to Note 6(8).	
Secured borrowings	Land Bank of Taiwan	319	2019.1.22~2024.1.22	2.75%	Please refer to Note 6(8).	
Secured borrowings	Shanghai Commercial	2,354	2021.1.21~2024.1.15	2.595%	Please refer to Note 6(8).	
Secured borrowings	Shanghai Commercial	676	2021.2.17~2024.1.15	2.595%	Please refer to Note 6(8).	
Unsecured borrowing	Shanghai Commercial	40,625	2023.1.12~2027.1.12	2.73%	None	
Unsecured borrowing	Shanghai Commercial	5,000	2021.6.28~2024.6.28	2.73%	None	
Unsecured borrowing	Land Bank of Taiwan	18,828	2021.11.24~2024.11.24	2.85%	None	
Unsecured borrowing	Mega International Commercial Bank	18,500	2022.1.4~2027.1.4	2.35%	None	
Unsecured borrowing	Mega International Commercial Bank	3,250	2022.1.4~2027.1.4	2.35%	None	
Less: Current portion		(566,277)				
Less: Syndicated loan arrangement fees		(11,340)				
		<u>\$ 1,133,935</u>				

Note: The Syndicated Loans Group is composed of banks sponsored by Entie Commercial Bank, Ltd. Details of Long-term borrowings are provided in Note 6(13).

ABILITY OPTO-ELECTRONICS TECHNOLOGY CO., LTD.

ACCOUNTS RECEIVABLE

DECEMBER 31, 2023

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

Statement 10

<u>Item</u>	<u>Volume</u>	<u>Amount</u>	<u>Note</u>
Optical camera lenses	114,822 thousand	\$ 2,699,265	
Optical lenses	123 thousand	2,779	
Others		<u>20,882</u>	
		2,722,926	
Less: Sales discounts and allowances		(<u>44,097</u>)	
		<u>\$ 2,678,829</u>	

ABILITY OPTO-ELECTRONICS TECHNOLOGY CO., LTD.

ACCOUNTS RECEIVABLE

DECEMBER 31, 2023

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

Statement 11

Item	Amount
Raw materials and supplies, beginning of year	\$ 189,927
Add : Raw materials and supplies purchased	344,302
Less : Sale of raw materials and supplies	(64,472)
Transferred to expenses	(9,763)
Inventory losses	(22)
Raw materials and supplies, end of year	(105,880)
Raw materials and supplies used	354,092
Direct labor	269,889
Manufacturing expense	565,997
Manufacturing cost	1,189,978
Add: Work in Progress, beginning of year	38,743
Less: Transferred to expenses	(15,429)
Inventory losses	(128)
Work in Progress, end of year	(48,918)
Cost of work in Progress	1,164,246
Finished goods, beginning of year	16,155
Less : Transferred to expenses	(5,626)
Finished goods, end of year	(16,947)
Production and marketing costs of finished goods	1,157,828
Goods, beginning of year	187,316
Goods purchased	699,677
Less : Goods, end of year	(173,290)
Transferred to expenses	(1,879)
Cost of purchase and sales	1,869,652
Cost of Raw materials and supplies sold	64,472
Inventory losses	150
Loss on reversal of decline from retirement	11,979
Unallocated fixed production overheads	30,094
Other operating cost	166,044
Cost of goods sold	\$ 2,142,391

ABILITY OPTO-ELECTRONICS TECHNOLOGY CO., LTD.

ACCOUNTS RECEIVABLE

DECEMBER 31, 2023

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

Statement 12

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Depreciation expense		\$ 284,377	
Indirect labor		78,416	
Utility		95,779	The balance of each transaction has not exceeded 5% of total accounts balance.
Other		107,425	
		<u>\$ 565,997</u>	

ABILITY OPTO-ELECTRONICS TECHNOLOGY CO., LTD.

ACCOUNTS RECEIVABLE

DECEMBER 31, 2023

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

Statement 13

Item	Selling expenses	Administrative expenses	Research expenses	Total	Note
Wages and salaries	\$ 15,196	\$ 72,251	\$ 81,725	\$ 169,172	
Freight	8,643	959	936	10,538	
Depreciation expense	874	15,086	15,689	31,649	
Insurance expense	2,345	7,851	7,904	18,100	
Patent fee	-	-	20,732	20,732	
Utility expense	516	8,311	7,851	16,678	
Molding expense	-	-	14,787	14,787	
Professional service fees	-	12,024	-	12,024	
Amortization expense	-	10,195	1,428	11,623	The balance of each
Other	9,367	47,724	47,528	104,619	has not exceeded 5% of total
	\$ 36,941	\$ 174,401	\$ 198,580	\$ 409,922	accounts balance.

ABILITY OPTO-ELECTRONICS TECHNOLOGY CO., LTD.

ACCOUNTS RECEIVABLE

DECEMBER 31, 2023

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

Statement 14

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
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Details of Other gains and losses are provided in Note 6(24).

ABILITY OPTO-ELECTRONICS TECHNOLOGY CO., LTD.

ACCOUNTS RECEIVABLE

DECEMBER 31, 2023

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

Statement 15

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
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Details of Finance cost are provided in Note 6(25).

ABILITY OPTO-ELECTRONICS TECHNOLOGY CO., LTD.

ACCOUNTS RECEIVABLE

DECEMBER 31, 2023

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

Statement 16

Function Nature	Year ended December 31, 2023			Year ended December 31, 2022		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee Benefit Expense						
Wages and salaries	\$ 324,069	\$ 169,172	\$ 493,241	\$ 291,110	\$ 169,378	\$ 460,488
Labour and health insurance fees	36,067	12,463	48,530	32,338	12,520	44,858
Pension costs	12,078	6,320	18,398	11,728	6,666	18,394
Directors' remuneration	-	3,769	3,769	-	5,751	5,751
Other personnel expenses	23,973	12,918	36,891	10,791	8,070	18,861
Depreciation Expense	284,377	31,650	316,027	312,370	23,293	335,663
Amortisation Expense	71,123	11,623	82,746	77,944	10,670	88,614

Note:

1. As at December 31, 2023 and 2022, the Company had 681 and 747 employees, including 7 and 7 non-employee directors, respectively.
2. A company whose stock is listed for trading on the stock exchange or over-the-counter securities exchange shall additionally disclose the following information :
 - (1) Average employee benefit expense in current year 807 thousand (in dollars).((Total employee benefit expense of current year-Total directors' compensation of current year)/(Number of employees of current year-Number of non-employee directors of current year)).
Average employee benefit expense in previous year 805 thousand (in dollars).((Total employee benefit expense of prior year-Total directors' compensation of prior year)/(Number of employees of prior year-Number of non-employee directors of prior year)).
 - (2) Average employees salaries in current year 667 thousand (in dollars).(Total wages and salaries of current year/(Number of employees of current year-Number employee of non-directors of current year)).
Average employees salaries in previous year 683 thousand (in dollars).(Total wages and salaries of current year/(Number of employees of current year-Number of non-employee directors of prior year)).

ABILITY OPTO-ELECTRONICS TECHNOLOGY CO., LTD.

ACCOUNTS RECEIVABLE

DECEMBER 31, 2023

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

Statement 16

(3) Adjustments of average employees salaries 2.3%.((Average wages and salaries of current year-Average wages and salaries of prior year)/Average wages and salaries of prior year).

(4) Remuneration of the supervisors in previous year 50 thousand (in dollars).

(5) The Company's Compensation Policy is as follows:

- A. The distribution standard of directors' and managers' remuneration is in accordance with the Company's Articles of Incorporation and Salary Management Regulations.
- B. The directors' and managers' performance assessment and salary compensation, which is determined based on the general pay levels in the same industry, take into consideration the reasonableness of the correlation between the individual's performance and the Company operational performance and future risk exposure.
- C. The Remuneration Committee periodically assesses the achievement of directors' and managers' performance targets and set the individual content and amount of salary and remuneration based on the assessment results from the performance assessment standards. The annual report shall disclose the results of the individual performance assessments of the directors and managers.
- D. The managers' remuneration is conducted in accordance with the Company's relevant management system such as Salary Management Regulations.
- E. Directors' remuneration include emoluments and transportation allowance.
- F. Mangers' and employees' remuneration include salaries, bonuses and employee compensation, etc. set the individual content
- G. Mangers' and employees' remuneration are calculated based on the general pay levels in the same industry, and by taking into account the individual work experience and performance and pervious salaries conditions assessed in accordance with the Performance Bonuses Distribution Management Regulations (operator/technician).

Representation Letter

In connection with the Consolidated Financial Statements of Affiliated Enterprises of Ability Opto-Electronics Technology Co., Ltd. (the “Consolidated FS of the Affiliates”), we represent to you that, the entities required to be included in the Consolidated FS of the Affiliates as of and for the year ended December 31, 2023 in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those required to be included in the Consolidated Financial Statements of Ability Opto-Electronics Technology Co., Ltd. and its subsidiaries (the “Consolidated FS of the Group”) in accordance with International Financial Reporting Standard 10. Additionally, the information required to be disclosed in the Consolidated FS of Affiliates is disclosed in the Consolidated FS of the Group. Consequently, Ability Opto-Electronics Technology Co., Ltd. does not prepare a separate set of Consolidated FS of Affiliates.

Very truly yours,

Ability Opto-Electronics Technology Co., Ltd.

By

Mr. Kao, Wei-Ya, Chairman

March 07, 2024

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Ability Opto-Electronics Technology Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of Ability Opto-Electronics Technology 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 significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as 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 Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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:

Allowance for inventory valuation losses

Description

Refer to Note 4(11) for the accounting policies on inventories, Note 5(2) for the critical accounting estimates and assumptions for evaluation of inventories, and Note 6(5) for the details of allowance for inventory valuation losses. As of December 31, 2023, the Group's inventories and allowance for inventory valuation losses amounted to NT\$1,106,515 thousand and NT\$184,040 thousand, respectively.

The Group's inventories are primarily comprised of optical lenses and camera lenses which mostly are customized production. If these inventories do not meet the requirements of the customers who placed the orders, they are unlikely to be sold to other customers. Additionally, due to the fluctuation of market demand and rapid changes of technology, there is a higher risk of inventories losses arising from market value decline or obsolescence. As the estimation of net realizable value used in inventory valuation is subject to judgement and may cause significant uncertainty, we consider the evaluation of allowance for inventory valuation losses a key audit matter.

How our audit addressed the matter

We performed the following audit procedures to address the abovementioned key audit matter:

- (1) Obtained an understanding and estimated the reasonableness of the Group's valuation and allowance for losses on obsolete inventories.
- (2) Reviewed annual plan of physical inventory count and observed the inventory count to assess the

effectiveness of internal control and classification of obsolete inventory.

- (3) Obtained the Group's inventory aging report and verified dates of movements with supporting documents. Ensured the accuracy of inventory aging classification and its consistency with the Group's policy.
- (4) Obtained the net realizable value report of each inventory, assessed whether the estimation policy was consistently applied in all inventories, tested the estimation basis of the net realizable value with relevant information, including verifying the sales and purchase prices with supporting evidence, and recalculated and evaluated the reasonableness of the 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 Ability Opto-Electronics Technology 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 auditor's 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 judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit 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 control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient 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 report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Wu, Sung-Yuan

Liu, Mei Lan

For and on Behalf of PricewaterhouseCoopers, Taiwan

March 7, 2024

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance 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 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.

ABILITY OPTO-ELECTRONICS TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2023 AMOUNT	December 31, 2022 AMOUNT
Current assets			
1100	Cash and cash equivalents	6(1) \$ 711,173	\$ 614,071
1136	Current financial assets at amortised cost	6(2) and 8 289,225	483,684
1150	Notes receivable, net	6(3) 711	611
1170	Accounts receivable, net	6(3)(4) 1,471,671	1,169,103
1200	Other receivables	19,696	17,199
130X	Inventories	6(5) 922,475	1,167,052
1410	Prepayments	55,125	56,007
1470	Other current assets	6,784	5,187
11XX	Current assets	<u>3,476,860</u>	<u>3,512,914</u>
Non-current assets			
1535	Non-current financial assets at amortised cost	6(2) and 8 16,983	8,905
1600	Property, plant and equipment	6(6) and 8 2,950,139	2,542,852
1755	Right-of-use assets	6(7) 104,097	99,713
1780	Intangible assets	6(8) 634,705	701,906
1840	Deferred income tax assets	6(28) 175,119	216,395
1900	Other non-current assets	6(9) 63,024	122,500
15XX	Non-current assets	<u>3,944,067</u>	<u>3,692,271</u>
1XXX	Total assets	<u>\$ 7,420,927</u>	<u>\$ 7,205,185</u>

(Continued)

ABILITY OPTO-ELECTRONICS TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2023 AMOUNT	December 31, 2022 AMOUNT
Current liabilities			
2100	Short-term borrowings	\$ 1,090,000	\$ 1,101,669
2110	Short-term notes and bills payable	30,000	-
2170	Accounts payable	400,059	388,738
2200	Other payables	514,939	739,546
2230	Current income tax liabilities	63,689	29,973
2280	Current lease liabilities	31,031	17,497
2320	Long-term liabilities, current portion	588,698	491,149
2399	Other current liabilities, others	5,636	4,887
21XX	Current liabilities	<u>2,724,052</u>	<u>2,773,459</u>
Non-current liabilities			
2540	Long-term borrowings	1,158,836	978,829
2570	Deferred income tax liabilities	11,185	16,040
2580	Non-current lease liabilities	43,397	53,308
2600	Other non-current liabilities	163,923	324,173
25XX	Non-current liabilities	<u>1,377,341</u>	<u>1,372,350</u>
2XXX	Total liabilities	<u>4,101,393</u>	<u>4,145,809</u>
Equity attributable to owners of parent			
	Share capital		
3110	Ordinary share	1,424,599	1,424,599
	Capital surplus		
3200	Capital surplus	1,154,191	1,154,191
	Retained earnings		
3310	Legal reserve	114,958	72,443
3320	Special reserve	21,737	43,951
3350	Unappropriated retained earnings	664,195	425,153
	Other equity interest		
3400	Other equity interest	(63,125)	(65,097)
31XX	Equity attributable to owners of parent	<u>3,316,555</u>	<u>3,055,240</u>
36XX	Non-controlling interests	<u>2,979</u>	<u>4,136</u>
3XXX	Total equity	<u>3,319,534</u>	<u>3,059,376</u>
	Significant contingent liabilities and unrecognized contract commitments		
3X2X	Total liabilities and equity	<u>\$ 7,420,927</u>	<u>\$ 7,205,185</u>

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

ABILITY OPTO-ELECTRONICS TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars, except earnings per share amount))

	Items	Notes	Year ended December 31	
			2023	2022
			AMOUNT	AMOUNT
4000	Operating revenue	6(21)	\$ 3,995,843	\$ 3,662,279
5000	Operating costs	6(5)(26)(27)	(2,946,121)	(2,749,538)
5900	Gross profit from operations		<u>1,049,722</u>	<u>912,741</u>
	Operating expenses	6(26)(27)		
6100	Selling expenses		(90,338)	(98,139)
6200	General and administrative expenses		(257,887)	(242,366)
6300	Research and development expenses		(221,185)	(260,831)
6450	Expected credit impairment gain	12(2)	4	191
6000	Total operating expenses		<u>(569,406)</u>	<u>(601,145)</u>
6900	Operating profit		<u>480,316</u>	<u>311,596</u>
	Non-operating income and expenses			
7100	Interest income	6(22)	23,157	3,163
7010	Other income	6(23)	28,380	63,420
7020	Other gains and losses	6(24)	15,128	162,405
7050	Finance costs	6(25)	(40,587)	(36,759)
7000	Total non-operating income and expenses		<u>26,078</u>	<u>192,229</u>
7900	Profit before income tax		<u>506,394</u>	<u>503,825</u>
7950	Income tax expense	6(28)	(106,823)	(90,201)
8200	Profit for the year		<u>\$ 399,571</u>	<u>\$ 413,624</u>
	Other comprehensive income			
	Components of other comprehensive income that will not be reclassified to profit or loss			
8311	Other comprehensive income, before tax, actuarial gains on defined benefit plans	6(14)	\$ 169	\$ 1,131
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		-	-
8310	Components of other comprehensive income that will not be reclassified to profit or loss		<u>169</u>	<u>1,131</u>
	Components of other comprehensive income that will be reclassified to profit or loss			
8361	Financial statements translation differences of foreign operations	6(20)	(11,726)	28,209
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss		-	-
8360	Components of other comprehensive income that will be reclassified to profit or loss		<u>(11,726)</u>	<u>28,209</u>
8300	Other comprehensive (loss) income		<u>(\$ 11,557)</u>	<u>\$ 29,340</u>
8500	Total comprehensive income for the year		<u>\$ 388,014</u>	<u>\$ 442,964</u>
	Profit (loss), attributable to:			
8610	Owners of parent		<u>\$ 400,720</u>	<u>\$ 424,023</u>
8620	Non-controlling interests		<u>(\$ 1,149)</u>	<u>(\$ 10,399)</u>
	Comprehensive income attributable to:			
8710	Owners of parent		<u>\$ 389,171</u>	<u>\$ 453,214</u>
8720	Non-controlling interests		<u>(\$ 1,157)</u>	<u>(\$ 10,250)</u>
	Basic earnings per share	6(29)		
9750	Basic earnings per share		<u>\$ 2.83</u>	<u>\$ 3.05</u>
9850	Diluted earnings per share		<u>\$ 2.82</u>	<u>\$ 3.04</u>

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

ABILITY OPTO-ELECTRONICS TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Notes	Equity attributable to owners of the parent								Non-controlling interests	Total equity
		Retained Earnings					Other equity interest				
		Ordinary share	Capital surplus, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Other equity, others	Total		
<u>Year 2022</u>											
Balance at January 1, 2022		\$ 1,315,459	\$ 672,134	\$ 72,033	\$ 40,263	\$ 4,097	(\$ 49,523)	\$ -	\$ 2,054,463	\$ 16,036	\$ 2,070,499
Profit for the year		-	-	-	-	424,023	-	-	424,023	(10,399)	413,624
Other comprehensive income for the year	6(20)	-	-	-	-	1,131	28,060	-	29,191	149	29,340
Total comprehensive income (loss)		-	-	-	-	425,154	28,060	-	453,214	(10,250)	442,964
Appropriation and distribution of 2021 earnings	6(19)										
Legal reserve		-	-	410	-	(410)	-	-	-	-	-
Special reserve		-	-	-	3,688	(3,688)	-	-	-	-	-
Issuance of shares	6(17)	100,000	434,500	-	-	-	-	-	534,500	-	534,500
Share-based payment arrangements	6(16)(20)	9,140	45,633	-	-	-	-	(43,360)	11,413	-	11,413
Difference between consideration and carrying amount of subsidiaries acquired or disposed		-	1,924	-	-	-	(274)	-	1,650	(1,650)	-
Balance at December 31, 2022		\$ 1,424,599	\$ 1,154,191	\$ 72,443	\$ 43,951	\$ 425,153	(\$ 21,737)	(\$ 43,360)	\$ 3,055,240	\$ 4,136	\$ 3,059,376
<u>Year 2023</u>											
Balance at January 1, 2023		\$ 1,424,599	\$ 1,154,191	\$ 72,443	\$ 43,951	\$ 425,153	(\$ 21,737)	(\$ 43,360)	\$ 3,055,240	\$ 4,136	\$ 3,059,376
Profit for the year		-	-	-	-	400,720	-	-	400,720	(1,149)	399,571
Other comprehensive income (loss) for the year	6(20)	-	-	-	-	169	(11,718)	-	(11,549)	(8)	(11,557)
Total comprehensive income (loss)		-	-	-	-	400,889	(11,718)	-	389,171	(1,157)	388,014
Appropriation and distribution of 2022 earnings	6(19)										
Legal reserve		-	-	42,515	-	(42,515)	-	-	-	-	-
Reversal of special reserve		-	-	-	(22,214)	22,214	-	-	-	-	-
Cash dividends		-	-	-	-	(141,546)	-	-	(141,546)	-	(141,546)
Share-based payment arrangements	6(16)(20)	-	-	-	-	-	-	13,690	13,690	-	13,690
Balance at December 31, 2023		\$ 1,424,599	\$ 1,154,191	\$ 114,958	\$ 21,737	\$ 664,195	(\$ 33,455)	(\$ 29,670)	\$ 3,316,555	\$ 2,979	\$ 3,319,534

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

ABILITY OPTO-ELECTRONICS TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 506,394	\$ 503,825
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment gain	12(2)	(4)	(191)
Depreciation expense	6(6)(7)(26)	404,712	431,563
Amortization expense	6(8)(26)	86,163	94,453
(Gain) losses on disposals of property, plant and equipment	6(24)	(350)	2,499
Finance costs	6(25)	40,587	36,759
Interest income	6(22)	(23,157)	(3,163)
Share-based payments	6(16)	13,690	2,273
Unrealized foreign exchange gain		(18,319)	(32,889)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		(100)	(594)
Accounts receivable, net		(302,564)	347,079
Other receivables		(2,497)	15,589
Inventories		244,577	(438,429)
Prepayments		882	(3,829)
Other current assets		(1,597)	194
Other non-current assets		-	(2,975)
Changes in operating liabilities			
Accounts payable		11,321	(215,157)
Other payables		(130,870)	52,418
Other non-current liabilities		(185)	(174)
Other current liabilities		749	(24,977)
Cash inflow generated from operations		829,432	764,274
Interest received		23,157	3,163
Interest paid		(35,547)	(25,779)
Income taxes paid		(49,151)	(3,120)
Net cash flows from operating activities		<u>767,891</u>	<u>738,538</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (Increase) in financial assets at amortised cost		186,381	(370,018)
Acquisition of property, plant and equipment	6(30)	(717,881)	(957,920)
Proceeds from disposal of property, plant and equipment		9,357	-
Acquisition of intangible assets	6(30)	(288,268)	(373,220)
Decrease in refundable deposits		4,015	793
Net cash flows used in investing activities		<u>(806,396)</u>	<u>(1,700,365)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase from short-term borrowings	6(31)	678,000	1,799,848
Decrease of short-term borrowings	6(31)	(691,070)	(1,642,712)
Increase in long-term borrowings	6(31)	350,000	1,699,636
Decrease in long-term borrowings	6(31)	(74,960)	(1,290,588)
Increase (decrease) in short-term notes and bills payable	6(31)	30,000	(50,000)
Repayments of principal portion of lease liabilities	6(31)	(35,146)	(37,013)
Cash dividends paid	6(19)(31)	(141,546)	-
Proceeds from issuing shares	6(17)	-	534,500
Issuance of new restricted shares	6(16)(17)	-	9,140
Net cash flows from financing activities		<u>115,278</u>	<u>1,022,811</u>
Effect of exchange rate changes on cash and cash equivalents		<u>20,329</u>	<u>30,790</u>
Net increase in cash and cash equivalents		97,102	91,774
Cash and cash equivalents at beginning of year		614,071	522,297
Cash and cash equivalents at end of year		<u>\$ 711,173</u>	<u>\$ 614,071</u>

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

Ability Opto-Electronics Technology 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

Ability Opto-Electronics Technology Co., Ltd. (the "Company") was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) on November 19, 1986. The Company and subsidiaries (together referred to as the "Group") were primarily engaged in the manufacture and sales of optical camera lenses, the composition, assembling, manufacture and sales of lenses and the processing, manufacture and sales of optical flats.

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 7, 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 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 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 Group

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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

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

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 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”) 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	
The Company	TOP OPTO TECHNOLOGY CO., LTD.	Manufacture of optical camera lenses and optical	100%	100%	-
The Company	Elite Optical Technology Co.,	General investment	100%	100%	Note 2
The Company	Miyabi Technology Co., Ltd.	Trades of fingerprint identification modules	100%	100%	Note 4
The Company	RHOSON CORPORATION	Manufacture of automotive products	94.88%	94.88%	Note 1
The Company	ADVANCE ELECTROOPTICAL TECHNOLOGY (ZHENJIANG)	Assembly of optical camera lenses	100%	100%	Note 2
Elite Optical Technology Co., Ltd.	Excellence Electro-Optical Technology Co., Ltd.	General investment business	-	-	Note 2
Excellence Electro-Optical Technology Co., Ltd.	ADVANCE ELECTROOPTICAL TECHNOLOGY (ZHENJIANG)	Assembly of optical camera lenses	-	-	Note 2
RHOSON CORPORATION	RHOSON (ZHENJIANG) CORPORATION	Manufacture of automotive products	100%	100%	Note 1
Miyabi Technology Co., Ltd.	Miyabi Technology (Zhenjiang) Co., Ltd.	Manufacture of fingerprint identification modules	100%	100%	Note 3

Note 1: On March 17, 2022, the Board of Directors of the Group resolved to increase investment in the subsidiary, RHOSON CORPORATION, amounting to NTD 70,000 thousand, then invested in RHOSON (Zhenjiang) CORPORATION in Mainland China through capitalisation by this investee company amounting to USD 200 thousand. The effective dates of the capital increase were August 24, 2022 and June 8, 2022, respectively, and the related registrations were completed.

Note 2: On August 6, 2020, the Board of Directors of the Group resolved that ADVANCE ELECTROOPTICAL TECHNOLOGY (ZHENJIANG) CO., LTD. be directly invested by the Company. This transaction was treated as a reorganisation of entities under common control. ADVANCE ELECTROOPTICAL TECHNOLOGY (ZHENJIANG) CO., LTD. completed the registration for the change on September 20, 2022 and Excellence Electro-Optical Technology Co., Ltd. completed the registration for the dissolution on September 26, 2022.

Note 3: On November 21, 2022, the Board of Directors of the Group resolved that Miyabi Technology Co., Ltd. invested in Miyabi Technology (Zhenjiang) Co., Ltd. through capitalisation by this investee company amounting to USD 2,000 thousand. The effective dates of the capital increase were March 30, 2023, respectively, and the related registrations were completed.

Note 4: On June 15, 2023, the Board of Directors of the Group resolved to decrease investment in the subsidiary, Miyabi Technology Co., Ltd., amounting to NTD 92,000 thousand. The effective dates of the capital decrease were July 11, 2023, respectively, and the related registrations were completed.

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:

The Group's non-controlling interest subsidiaries are not material.

(4) Foreign currency translation

Items included in the 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 Group's 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

The operating results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognised in other comprehensive income.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-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.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-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.

(6) Cash equivalents

- A. 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.
- B. 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 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 trade 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.

(8) 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.
- C. The Group's operating pattern of accounts receivable that are expected to be factored is for the purpose of receiving contract cash flow and selling, and the accounts receivable are subsequently measured at fair value, with any changes in fair value recognised in other comprehensive income.

(9) Impairment of financial assets

For accounts receivable that have a significant financing component, at each reporting 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 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) 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 labour, 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 costs of completion and the estimated costs necessary to make the sale.

(12) 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	50 ~ 55 years
Machinery and equipment	3 ~ 10 years
Module equipment	1 ~ 6 years
Leasing improvements	3~ 6 years
Other equipment	3~ 6 years

(13) 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 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.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 and remeasure the lease liability to reflect the partial or full termination of the lease, and recognise the difference in profit or loss.

(14) Intangible assets

- A. Computer software
Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1 to 5 year(s).
- B. Customer relations
Customer relations are intangible assets acquired from a business combination, and that are amortized on a straight-line basis over its estimated useful life of 4 years.
- C. Goodwill
Goodwill arises in a business combination accounted for by applying the acquisition method.
- D. Technology license
Separately acquired technology licenses are stated at historical cost. Technology licenses have a finite useful life and are amortised on a straight-line basis over their estimated useful lives of 10 to 20 years.

(15) Impairment of non-financial assets

- A. 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.
- B. The recoverable amounts of goodwill, intangible assets with an indefinite useful life and intangible assets that have not yet been available for use are evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(16) Borrowings

- A. 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.
- B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(17) Accounts payable

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

(18) Derecognition of financial liabilities

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

(19) 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 high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

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.

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

Employees' compensation and directors' and supervisors' 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.

(20) 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 stockholders 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. 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.

(21) Employee share-based payment

Restricted stocks:

- (a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period.
- (b) Employees have no right to participate in dividend distribution during the vesting period.
- (c) For restricted stocks where employees have to pay to acquire those stocks, if employees resign during the vesting period, they must return the stocks to the Group and the Group must refund their payments on the stocks, the Group recognises the payments from the employees who are expected to resign during the vesting period as liabilities at the grant date, and recognises the payments from the employees who are expected to be eventually vested with the stocks in 'capital surplus – others'.
- (d) The Company grants restricted stocks on the date of notification to employees.

(22) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(23) Dividends

Dividends are recorded in the Group's financial statements in the period in which they are resolved by the Group's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(24) Revenue recognition

Sales of goods:

- A. The Group manufactures optical lenses and sells them to computer manufacturers. 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 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. The sales usually are made with a credit term of 90 to 120 days, which is consistent with market practice. As the time interval between the transfer of committed goods 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.
- B. 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.

(25) 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 is responsible for allocating resources and assessing performance of the operating segments.

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:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) 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. Due to the rapid technology innovation, 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. Therefore, there might be material changes to the evaluation.

As of December 31, 2023, the carrying amount of inventories was \$ 922,475 thousand.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand	\$ 1,405	\$ 1,467
Checking accounts and demand deposits	611,489	612,604
Time deposits	98,279	-
	<u>\$ 711,173</u>	<u>\$ 614,071</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 default is remote.

B. On December 31, 2023, the Company classifies demand deposits for pledge purposes and time deposits over three months which is not satisfying short-term cash commitments as 'Financial assets at amortized cost'.

(2) Financial assets at amortized cost

<u>Items</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current items:		
Guarantees for financing from banks	289,225	\$ 323,534
Time deposits	-	160,150
	<u>\$ 289,225</u>	<u>\$ 483,684</u>
Non-current items:		
Guarantees for financing from banks	<u>\$ 16,983</u>	<u>\$ 8,905</u>

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

	<u>2023</u>	<u>2022</u>
Interest income	<u>\$ 15,052</u>	<u>\$ 744</u>

B. Information relating to credit risk of financial assets at amortized cost is provided in Note 8.

C. The counterparties of the Group's investments in certificates of deposit are financial institutions with high credit quality, so the Group expects that the probability of counterparty default is remote.

D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(3) Notes and accounts receivable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes receivable	\$ 711	\$ 611
Accounts receivable	1,475,863	1,176,914
Less: Allowance for uncollectible accounts	(4,192)	(7,811)
	<u>\$ 1,472,382</u>	<u>\$ 1,169,714</u>

- A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Not past due	\$ 1,426,580	\$ 1,146,774
1 to 90 day(s)	47,239	24,340
91 to 210 days	-	12
Over 211 days	<u>2,755</u>	<u>6,399</u>
	<u>\$ 1,476,574</u>	<u>\$ 1,177,525</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 balance of receivables from contracts with customers amounted to \$1,472,382 thousand, \$1,169,714 thousand, and \$1,516,008 thousand, separately.
- C. As of December 31, 2023 and 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents receivables held by the Group was \$1,472,382 thousand and \$1,169,714 thousand, respectively.
- D. As of December 31, 2023 and 2022, the Group's accounts receivable of \$254,720 thousand and \$267,284 thousand are financial assets at fair value through other comprehensive income. Details about transfer of financial assets are provided in Note 6(4).
- E. Information relating to credit risk is provided in Note 12(2).

(4) Transfer of financial assets

Transferred financial assets that are not derecognised in their entirety

- (a) On March 20, 2023 and March 10, 2022, the Group entered into a factoring agreement with China Trust Commercial Bank to sell its accounts receivable. Under the agreement, the Group transferred the first 80% and 70% of the accounts receivables. And on May 10, 2023, entered into a factoring agreement with Taishin International Bank to sell its account receivable. Under the agreement, the Group transferred the first 80% of account receivables and is obligated to provide partial guarantees for the default risk of the transferred accounts receivable. Therefore, the Group did not derecognise these accounts receivable in their entirety. Related advanced payments are recorded under short-term borrowings.
- (b) As of December 31, 2023 and 2022, no factoring accounts receivable of the Group was transferred.

(5) Inventories

	December 31, 2023		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 424,645	(\$ 75,932)	\$ 348,713
Work in progress	237,008	(60,343)	176,665
Finished goods	444,862	(47,765)	397,097
	<u>\$ 1,106,515</u>	<u>(\$ 184,040)</u>	<u>\$ 922,475</u>

	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 523,258	(\$ 64,499)	\$ 458,759
Work in progress	260,653	(67,717)	192,936
Finished goods	594,121	(78,764)	515,357
	<u>\$ 1,378,032</u>	<u>(\$ 210,980)</u>	<u>\$ 1,167,052</u>

The cost of inventories recognised as expense for the year:

	Year ended December 31, 2023	Year ended December 31, 2022
Cost of goods sold	\$ 2,749,451	\$ 2,510,223
Other operating costs	166,044	157,361
Unallocated fixed production overheads	37,480	30,353
(Gain) Loss on decline in market value and obsolete	(25,914)	17,660
Loss from retirement	18,849	34,101
Loss (gain) on physical inventory	211	(160)
	<u>\$ 2,946,121</u>	<u>\$ 2,749,538</u>

(6) Property, plant and equipment

Cost	Year ended December 31, 2023					
	Opening balance	Additions	Decreases	Transfers	Net exchange difference:	Ending balance
Land	\$ 34,157	\$ -	\$ -	\$ -	\$ -	\$ 34,157
Buildings and structures	98,830	-	-	-	(9)	98,821
Machinery equipment	2,339,928	456,311	(51,826)	-	(5,179)	2,739,234
Module equipment	823,657	100,800	-	-	-	924,457
Leasehold improvements	328,129	5,021	-	-	(2,237)	330,913
Other equipment	50,721	15,334	(907)	-	(497)	64,651
Unfinished construction	1,666,890	211,485	-	-	-	1,878,375
	<u>\$ 5,342,312</u>	<u>\$ 788,951</u>	<u>(\$ 52,733)</u>	<u>\$ -</u>	<u>(\$ 7,922)</u>	<u>\$ 6,070,608</u>

Accumulated depreciation

Buildings and structures	(\$ 57,437)	(\$ 4,549)	\$ -	\$ -	\$ 57	(\$ 61,929)
Machinery equipment	(1,692,830)	(224,063)	42,832	-	3,312	(1,870,749)
Module equipment	(761,645)	(105,099)	-	-	-	(866,744)
Leasehold improvements	(253,786)	(27,080)	-	-	1,476	(279,390)
Other equipment	(33,762)	(9,187)	894	-	398	(41,657)
	<u>(\$ 2,799,460)</u>	<u>(\$ 369,978)</u>	<u>\$ 43,726</u>	<u>\$ -</u>	<u>\$ 5,243</u>	<u>(\$ 3,120,469)</u>
	<u>\$ 2,542,852</u>					<u>\$ 2,950,139</u>

Year ended December 31, 2022

Cost	Year ended December 31, 2022					
	Opening balance	Additions	Decreases	Transfers	Net exchange difference:	Ending balance
Land	\$ 34,157	\$ -	\$ -	\$ -	\$ -	\$ 34,157
Buildings and structures	91,762	1,368	-	-	5,700	98,830
Machinery equipment	2,186,591	127,004	(32,978)	712	58,599	2,339,928
Module equipment	663,679	159,978	-	-	-	823,657
Leasehold improvements	324,935	2,948	(2,698)	-	2,944	328,129
Other equipment	43,089	7,417	(355)	-	570	50,721
Unfinished construction	1,039,762	627,840	-	(712)	-	1,666,890
	<u>\$ 4,383,975</u>	<u>\$ 926,555</u>	<u>(\$ 36,031)</u>	<u>\$ -</u>	<u>\$ 67,813</u>	<u>\$ 5,342,312</u>

Accumulated depreciation

Buildings and structures	(\$ 48,753)	(\$ 4,395)	\$ -	\$ -	(\$ 4,289)	(\$ 57,437)
Machinery equipment	(1,478,916)	(196,782)	30,256	-	(47,388)	(1,692,830)
Module equipment	(606,008)	(155,637)	-	-	-	(761,645)
Leasehold improvements	(226,876)	(27,552)	2,698	-	(2,056)	(253,786)
Other equipment	(28,095)	(5,765)	297	-	(199)	(33,762)
	<u>(\$ 2,388,648)</u>	<u>(\$ 390,131)</u>	<u>\$ 33,251</u>	<u>\$ -</u>	<u>(\$ 53,932)</u>	<u>(\$ 2,799,460)</u>
	<u>\$ 1,995,327</u>					<u>\$ 2,542,852</u>

A. Amount of borrowing costs capitalised as part of property, plant and equipment and the range of the interest rates for such capitalisation are as follows:

	Year ended December 31	
	2023	2022
Amount capitalised	<u>\$ 37,419</u>	<u>\$ 23,972</u>
Range of the interest rates for capitalisation	<u>2.871%</u>	<u>2.545%</u>

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

(7) Lease transactions—lessee

A. The Group leases various assets including land, buildings and business vehicles. Rental contracts are typically made for periods of 1 to 50 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:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 70,573	\$ 73,856
Buildings and structures	31,969	24,561
Transportation equipment (Business vehicles)	<u>1,555</u>	<u>1,296</u>
	<u>\$ 104,097</u>	<u>\$ 99,713</u>

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
	<u>Depreciation expense</u>	<u>Depreciation expense</u>
Land	\$ 4,543	\$ 4,459
Buildings and structures	28,966	35,126
Transportation equipment (Business vehicles)	<u>1,225</u>	<u>1,847</u>
	<u>\$ 34,734</u>	<u>\$ 41,432</u>

C. For the years ended December 31, 2023 and 2022, the additions to right-of-use assets were \$40,561 thousand and \$ 21,538 thousand, respectively.

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

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>December 31, 2022</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 2,076	\$ 1,851
Expense on short-term lease contracts	2,136	1,772
Expense on leases of low-value assets	<u>290</u>	<u>259</u>
	<u>\$ 4,502</u>	<u>\$ 3,882</u>

E. For the years ended December 31, 2023 and 2022, the Group's total cash outflow for leases were \$ 39,648 thousand and \$ 40,895 thousand, respectively.

(8) Intangible assets

<u>Cost</u>	2023				
	<u>Opening balance</u>	<u>Additions</u>	<u>Decreases</u>	<u>Net exchange difference</u>	<u>Ending balance</u>
Technology license	\$ 807,930	\$ 250	(\$ 250)	\$ -	\$ 807,930
Computer software	122,201	18,776	(3,141)	(98)	137,738
Goodwill	36,942	-	-	-	36,942
Customer relations	32,059	-	(32,059)	-	-
	<u>\$ 999,132</u>	<u>\$ 19,026</u>	<u>(\$ 35,450)</u>	<u>(\$ 98)</u>	<u>\$ 982,610</u>

Accumulated amortisation

Technology license	(\$ 128,713)	(\$ 70,280)	\$ 250	\$ -	(\$ 198,743)
Computer software	(99,512)	(15,883)	3,098	77	(112,220)
Customer relations	(32,059)	-	32,059	-	-
	<u>(\$ 260,284)</u>	<u>(\$ 86,163)</u>	<u>\$ 35,407</u>	<u>\$ 77</u>	<u>(\$ 310,963)</u>

Accumulated impairment

Goodwill	(\$ 36,942)	\$ -	\$ -	\$ -	(\$ 36,942)
Book value	<u>\$ 701,906</u>				<u>\$ 634,705</u>

<u>Cost</u>	2022				
	<u>Opening balance</u>	<u>Additions</u>	<u>Decreases</u>	<u>Net exchange difference</u>	<u>Ending balance</u>
Technology license	\$ 807,930	\$ -	\$ -	\$ -	\$ 807,930
Computer software	112,855	13,220	(4,000)	126	122,201
Goodwill	36,942	-	-	-	36,942
Customer relations	32,059	-	-	-	32,059
	<u>\$ 989,786</u>	<u>\$ 13,220</u>	<u>(\$ 4,000)</u>	<u>\$ 126</u>	<u>\$ 999,132</u>

Accumulated amortisation

Technology license	(\$ 58,433)	(\$ 70,280)	\$ -	\$ -	(\$ 128,713)
Computer software	(81,759)	(21,669)	4,000	(84)	(99,512)
Customer relations	(29,555)	(2,504)	-	-	(32,059)
	<u>(\$ 169,747)</u>	<u>(\$ 94,453)</u>	<u>\$ 4,000</u>	<u>(\$ 84)</u>	<u>(\$ 260,284)</u>

Accumulated impairment

Goodwill	(\$ 36,942)	\$ -	\$ -	\$ -	(\$ 36,942)
Book value	<u>\$ 783,097</u>				<u>\$ 701,906</u>

A. Details of amortisation on intangible assets are as follows:

	Year ended December 31	
	2023	2022
Operating costs	\$ 71,656	\$ 79,021
Selling expenses	743	224
Administrative expenses	10,995	12,483
Research and development expenses	2,769	2,725
	<u>\$ 86,163</u>	<u>\$ 94,453</u>

B. The Group's goodwill arose from a business combination with RHOSON CORPORATION amounting to \$36,942 thousand in order to improve benefit comprising of potential customer relations and operating revenue in the location of acquired companies. Based on IAS 36, goodwill acquired in a business combination had been fully provided impairment loss as of December 31, 2023.

C. Technology authorisation pertained to the technology on optical lens modules obtained by the Group and is amortised on a straight-line basis over their estimated useful life.

(9) Other non-current assets

	December 31, 2023	December 31, 2022
Prepayments for equipment	\$ 49,749	\$ 106,772
Refundable deposits	4,573	8,588
Other	8,702	7,140
	<u>\$ 63,024</u>	<u>\$ 122,500</u>

(10) Short-term borrowings

Type of borrowings	December 31, 2023	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	\$ 461,000	2.00%~2.73%	None
Secured borrowings	629,000	1.83%~2.41%	Refer to Note 8
	<u>\$ 1,090,000</u>		

Type of borrowings	December 31, 2022	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	\$ 469,669	1.75%~6.113%	None
Secured borrowings	632,000	1.74%~2.51%	Refer to Note 8
	<u>\$ 1,101,669</u>		

Interest expenses recognised in profit or loss amounted to \$24,727 thousand and \$ 18,413 thousand for the years ended December 31, 2023 and 2022, respectively.

(11) Short-term notes and bills payable

Type of borrowings	December 31, 2023	range	Institutional guarantor
Short-term notes and bills payable	<u>\$ 30,000</u>	2.20%	China Bills Finance Corporation

The Company did not have this situation on December 31, 2022.

(12) Other payables

	Year ended December 31	
	2023	2022
Compensation for damage and royalty fee payable	\$ 184,967	\$ 380,355
Wages and salaries payable	94,654	121,176
Payable on machinery and equipment	24,669	10,622
Payables for module	34,859	42,761
Service fees payable	12,323	8,786
Utilities expense payable	11,196	9,819
Labour and health insurance fees payable	14,719	14,100
Import/export (customs) expenses payable	2,447	2,371
Compensation payable to employees and directors	72,493	37,154
Others	62,612	112,402
	<u>\$ 514,939</u>	<u>\$ 739,546</u>

(13) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2023</u>	<u>Footnote</u>
Secured borrowings	Borrowing period is from January 22, 2019 to June 3, 2028; interest is repayable monthly.	2.19%~2.75%	Refer to Note 8	\$ 8,749	
Syndicated secured borrowings (A-1)	Borrowing period is from September 20, 2022 to September 20, 2027; interest is repayable monthly.	2.89%	Refer to Note 8	817,000	Note 1 and Note 3
Syndicated secured borrowings (A-2)	Borrowing period is from December 7, 2023 to March 6, 2024; interest is repayable monthly.	2.825%	Refer to Note 8	383,000	Note 2 and Note 3
Unsecured borrowings	Borrowing period is from June 28, 2021 to February 10, 2027; interest is repayable monthly.	2.35%~4.21%	None	128,125	
Syndicated commercial papers (B-1)	Borrowing period is from September 20, 2022 to September 20, 2027; interest is	2.89%	Refer to Note 8	287,400	Note 1 and Note 3
Syndicated commercial papers (B-2)	Borrowing period is from December 7, 2023 to March 6, 2024; interest is repayable monthly.	2.825%	Refer to Note 8	<u>134,600</u>	Note 2 and Note 3
				1,758,874	
Less: Current portion				(588,698)	
Less: Syndicated loan arrangement fees				(<u>11,340</u>)	
				<u>\$ 1,158,836</u>	

<u>Type of borrowings</u>	<u>Borrowing period</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2022</u>	<u>Footnote</u>
Secured borrowings	Borrowing period is from November 15, 2018 to June 3, 2028; interest is repayable monthly.	1.84%~2.50%	Refer to Note 8	\$ 27,578	
Syndicated secured borrowings (A-1)	Borrowing period is from September 20, 2022 to September 20, 2027; interest is repayable monthly.	2.742%	Refer to Note 8	817,000	Note 1 and Note 3
Syndicated secured borrowings (A-2)	Borrowing period is from December 19, 2022 to March 14, 2023; interest is repayable monthly.	2.573%	Refer to Note 8	383,000	Note 2 and Note 3
Unsecured borrowings	Borrowing period is from June 28, 2021 to February 10, 2027; interest is repayable monthly.	2.225%~4.21%	None	136,780	
Syndicated commercial papers (B-1)	Borrowing period is from September 20, 2022 to September 20, 2027; interest is	2.742%	Refer to Note 8	83,100	Note 1 and Note 3
Syndicated commercial papers (B-2)	Borrowing period is from December 14, 2022 to March 14, 2023; interest is repayable monthly.	2.573%	Refer to Note 8	38,900	Note 2 and Note 3
				1,486,358	
Less: Current portion				(491,149)	
Less: Syndicated loan arrangement fees				(16,380)	
				<u>\$ 978,829</u>	

Note 1: The credit terms of the Group's syndicated loans of tranches A-1, B-1 and C-1 was five years from the first drawing date and the loans of tranches A-1 and B-1 were non-revolving. The first drawing date was September 20, 2022, and the deadline of the credit term was September 20, 2027.

Note 2: The credit terms of the Group's syndicated loans of tranches A-2, B-2 and C-2 was one year from the first drawing date, and the loans can be drawn several times based on the agreement. However, during the terms of the syndicated loans, if the Group does not breach the contract and the syndicated banks do not exercise the early termination right on the facilities, the syndicated banks shall unconditionally agree to provide credit facilities in the coming year under the relevant regulations.

Note 3: The Group used the new syndicated loans to repay the old syndicated loans in September 2022.

Note 4: The credit terms of the Group's syndicated loans of tranches B and C was five years from the first drawing date and the loans can be drawn several times based on the agreement. The first drawing date was June 23, 2020, and the deadline of the credit term was June 23, 2025.

A. The Group entered into a NT\$1.2 billion syndicated loan agreement with syndicate of banks on December 27, 2019 with Entie Commercial Bank acting as the lead bank in managing the loan repayments and loans for mid-term working capital replenishment. In the syndicated loan agreement, the facility is NT\$800,000 thousand for tranche A, NT\$100,000 thousand for tranche B and NT\$300,000 thousand for tranche C. As of December 31, 2023, all the loans have been repaid.

B. The Group entered into a NT\$4.2 billion syndicated loan agreement with syndicate of banks on March 25, 2022 with Entie Commercial Bank acting as the lead bank in managing the loan repayments and loans for mid-term working capital replenishment. In the syndicated loan agreement, the facility is NT\$817,000 thousand for tranche A-1, NT\$383,000 thousand for tranche A-2, NT\$1,225,800 thousand for tranche B-1, NT\$574,200 thousand for tranche B-2, NT\$817,200 thousand for tranche C-1, NT\$382,800 thousand for tranche C-2. As of December 31, 2023, the Company has drawn \$1,622,000 thousand and the undrawn facility was \$2,578,000 thousand.

C. In accordance with the syndicated loan agreement, the Group has to comply with the covenants which are contracted with the mandated lead arranger, Entie Commercial Bank. During the term of the loan, the Company shall maintain following financial ratios on the basis of the audited annual consolidated financial statements and the reviewed semi-annual consolidated financial statements. Those ratios will be checked semi-annually:

(a) Current ratio shall not be lower than 100%.

(b) Debt ratio shall not be higher than 200%.

(c) Interest coverage ratio shall not be lower than 3 times.

(d) Net tangible assets shall not be lower than NT\$2,300,000 thousand.

According to the covenants above, syndicated loan agreement requires the Group to comply with the specific financial ratios at the end of the year and half year during the loan period. As of December 31, 2023, the Group did not violate aforementioned covenants.

(14) 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 Labor Standards 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 the end of 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	\$ 11,359	\$ 11,308
Fair value of plan assets	(9,323)	(8,918)
Net defined benefit liabilities	<u>\$ 2,036</u>	<u>\$ 2,390</u>

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

	2023		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
At January 1	\$ 11,308	(\$ 8,918)	\$ 2,390
Interest expense (income)	147	(117)	30
	<u>11,455</u>	<u>(9,035)</u>	<u>2,420</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(73)	(73)
Change in financial assumptions	102	-	102
Experience adjustments	(198)	-	(198)
	<u>(96)</u>	<u>(73)</u>	<u>(169)</u>
Pension fund contribution	-	(215)	(215)
Paid pension	-	-	-
At December 31	<u>\$ 11,359</u>	<u>(\$ 9,323)</u>	<u>\$ 2,036</u>
	2022		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
At January 1	\$ 11,740	(\$ 8,045)	\$ 3,695
Interest expense (income)	82	(57)	25
	<u>11,822</u>	<u>(8,102)</u>	<u>3,720</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(617)	(617)
Change in financial assumptions	(678)	-	(678)
Experience adjustments	164	-	164
	<u>(514)</u>	<u>(617)</u>	<u>(1,131)</u>
Pension fund contribution	-	(199)	(199)
Paid pension	-	-	-
At December 31	<u>\$ 11,308</u>	<u>(\$ 8,918)</u>	<u>\$ 2,390</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:

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Discount rate	<u>1.20%</u>	<u>1.30%</u>
Future salary increases	<u>2.25%</u>	<u>2.25%</u>

Assumptions regarding future mortality rate in 2023 and 2022 are set based on the sixth empirical life table of Taiwan's life insurance industry.

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

	<u>Discount rate</u>		<u>Future salary increases</u>	
	<u>Increase 0.1%</u>	<u>Decrease 0.1%</u>	<u>Increase 0.1%</u>	<u>Decrease 0.1%</u>
December 31, 2023				
Effect on present value of defined benefit obligation	(\$ <u>101</u>)	<u>\$ 103</u>	<u>\$ 91</u>	(\$ <u>90</u>)
December 31, 2022				
Effect on present value of defined benefit obligation	(\$ <u>107</u>)	<u>\$ 109</u>	<u>\$ 97</u>	(\$ <u>96</u>)

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 Group for the year ending December 31, 2024 amount to \$ 216 thousand.

B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have 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 and domestic subsidiaries 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 Group’s mainland China subsidiaries have 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 Group’s Vietnam subsidiaries are bound by relevant local regulations. Monthly contributions to a pension fund administered by the relevant competent authority in accordance with the local pension regulations are based on certain percentage of employees’ monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.

(d) The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2023 and 2022, were \$ 34,516 thousand and \$ 30,075 thousand, respectively.

(15) Other non-current liabilities

	Year ended December 31	
	2023	2022
Compensation for damage and royalty fee payable	\$ 161,704	\$ 321,600
Defined benefit liabilities	2,036	2,390
Guarantee deposits received	183	183
	<u>\$ 163,923</u>	<u>\$ 324,173</u>

(16) Share-bases payment

A. For the year ended December 31, 2023, the Group's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (thousand shares)	Contract period	Vesting conditions
Restricted stocks to employees	2022.5.12	394	2022/7~2025/7	Note 1
Restricted stocks to employees	2022.11.10	520	2023/1~2025/12	Note 1

Note 1: Employees of the Company who have limited employee rights and who are still working in the Company after the expiration of the following schedule from the date of issuance of new shares will receive new shares according to the following schedule and the proportion of the allocated shares:

Expiry period	Proportion
Expires in one year	30%
Expires in two years	30%
Expires in three years	40%

Except for inheritance, the restricted stocks issued by the Company cannot be sold, pledged, transferred, donated, set, or disposed in any other method during the vesting period. The voting rights of these shares in the shareholders' meeting are the same as the Company's other ordinary shares and those shares have no right to participate in the distribution of stocks and dividends of the original shareholders. Upon receiving the restricted stocks, if the Company's employees have gross negligence such as violating the employment contract or working policy, the Company has the right to redeem and retire those employee restricted stocks which do not meet the vesting condition at the issuing price.

B. Details of the share-based payment arrangements are as follows:

	2023		2022	
	Weighted- average exercise price		Weighted- average exercise price	
	<u>No. of options</u>	<u>(in dollars)</u>	<u>No. of options</u>	<u>(in dollars)</u>
At January 1	914	\$ -	-	\$ -
Restricted stocks granted	-	-	914	-
At December 31	<u>914</u>	-	<u>914</u>	-

C. The fair value of share-bases payment granted is measured using open market price. Relevant information is as follows:

Type of arrangement	Grant date	Stock price	Exercise price	Fair value per unit
Restricted stocks to employees	2022.05.12	53.1	10	43.1
Restricted stocks to employees	2022.11.10	65.1	10	55.1

D. Expenses incurred on share-based payment transactions are shown below:

	Year ended December 31, 2023	Year ended December 31, 2022
Equity-settled	\$ 13,690	\$ 2,273

(17) Share capital

As of December 31, 2023, the Group's authorised capital was \$2,000,000 thousand, consisting of 200,000 thousand shares (including 2,000 thousand shares reserved for employee stock options) with a par value of \$10 per share, and the paid-in capital was \$1,424,599 thousand, consisting of 142,460 thousand shares. All proceeds from shares issued have been collected.

Movements in the number of the Group's ordinary shares outstanding are as follows (in thousand of shares):

	2023	2022
At January 1	\$ 142,460	\$ 131,546
Employee restricted shares	-	914
Cash capital increase - private placement	-	10,000
At December 31	\$ 142,460	\$ 142,460

A. On March 17, 2022, the Board of Directors resolved to make a private placement of the Company's 10,000 thousand ordinary shares. The subscription price was \$53.45 (in dollars) per share, and the transaction price was \$534,500 thousand. On March 31, 2022, the Company collected the full price of \$534,500 thousand. The effective date of the capital increase was set on March 31, 2022, and the registration had been completed. Pursuant to the Securities and Exchange Act, the ordinary shares raised through the private placement are subject to certain transfer restrictions and cannot be listed on the stock exchange until three years after they have been issued and have been offered publicly. Other than these restrictions, the rights and obligations of the ordinary shares raised through the private placement are the same as other issued ordinary shares.

B. On May 5, 2022, the Company's Board of Directors of resolved to issue employee restricted stock of 394 thousand shares with a par value of \$10 (in dollars) per share, the issuing price was \$10 (in dollars) per share, and the transaction price was \$3,940 thousand. On June 20, 2022, the Company collected the full price of \$3,940 thousand and the registration had been completed.

C. On November 10, 2022, the Company's Board of Directors resolved to issue employee restricted

stock of 520 thousand shares with a par value of \$10 (in dollars) per share, the issuing price was \$10 (in dollars) per share, and the transaction price was \$5,200 thousand. On December 15, 2022, the Company collected the full price of \$5,200 thousand and the registration had been completed.

(18) 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.

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Share premium on issuance	\$ 1,090,544	\$ 1,090,544
Employee restricted shares	45,633	45,633
Difference between consideration and carrying	1,924	1,924
Expired employee share options	<u>16,090</u>	<u>16,090</u>
	<u>\$ 1,154,191</u>	<u>\$ 1,154,191</u>

For movements in capital surplus for the year ended December 31, 2023, please refer to the consolidated statements of changes in equity.

(19) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The Board of Directors should present the distribution of the remaining earnings, if any, along with prior accumulated distributable earnings for the approval of the shareholders.
- B. The Company's dividend policy is summarised below: as the Company operates in a volatile business environment and is in the stable growth stage, the residual dividend policy is adopted taking into consideration the Company's financial structure, operating results and future expansion plans. According to the dividend policy adopted by the Board of Directors, cash dividends shall account for at least 10% of the total dividends distributed.
- 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 appropriations of 2022 and 2021 earnings had been approved by the shareholders on June 14, 2023 and June 22, 2022, respectively. Details are summarised below:

	Year ended December 31			
	2022		2021	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 42,515	\$ -	\$ 410	\$ -
Special reserve	(22,214)	-	3,688	-
Cash Dividend	141,546	1	-	-
	<u>\$ 161,847</u>	<u>\$ 1</u>	<u>\$ 4,098</u>	<u>\$ -</u>

G. As of March 7, 2024, the aforementioned appropriations of 2023 earnings has not yet been reported to the Board of Directors.

(20) Other equity item

	Year ended December 31, 2023		
	Exchange Differences on Translation of Foreign Financial Statements	Unearned compensation	Total
	At January 1	(\$ 21,737)	(\$ 43,360)
Recognize expense of share-based payment	-	13,690	13,690
Currency translation differences:	-	-	-
–Group	(11,718)	-	(11,718)
At December 31	<u>(\$ 33,455)</u>	<u>(\$ 29,670)</u>	<u>(\$ 63,125)</u>

	Year ended December 31, 2022		
	Exchange Differences on Translation of Foreign Financial Statements	Unearned compensation	Total
	At January 1	(\$ 49,523)	\$ -
Released this year	-	(45,633)	(45,633)
Recognize expense of share-based payment		2,273	2,273
Currency translation differences:			
–Group	28,060		28,060
Obtain portion of ownership of a subsidiary	(274)	-	(274)
At December 31	<u>(\$ 21,737)</u>	<u>(\$ 43,360)</u>	<u>(\$ 65,097)</u>

(21) Operating revenue

	Year ended December 31	
	2023	2022
Revenue from contracts with customers	\$ 3,995,843	\$ 3,662,279

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods at a point in time. Please refer to Note 14(3) for the relevant information.

B. Contract assets and liabilities: None.

(22) Interest income

	Year ended December 31	
	2023	2022
Interest income from bank deposits	\$ 23,152	\$ 3,163
Other interest income	5	-
	<u>\$ 23,157</u>	<u>\$ 3,163</u>

(23) Other income

	Year ended December 31	
	2023	2022
Rent income	\$ 688	\$ 802
Technical service revenue	-	23,866
Other income- other	27,692	38,752
	<u>\$ 28,380</u>	<u>\$ 63,420</u>

(24) Other gains and losses

	Year ended December 31	
	2023	2022
Foreign exchange gains	\$ 16,324	\$ 170,727
Gains (Losses) on disposals of property, plant and equipment	350	(2,499)
Other losses	(1,546)	(5,823)
	<u>\$ 15,128</u>	<u>\$ 162,405</u>

(25) Finance costs

	Year ended December 31	
	2023	2022
Interest expenses:		
Bank borrowings	\$ 70,890	\$ 47,900
Lease liabilities	2,076	1,851
Amortisation of syndicated loan arrangement fees	5,040	10,980
Less: Capitalisation of qualifying interests	(37,419)	(23,972)
	<u>\$ 40,587</u>	<u>\$ 36,759</u>

(26) Expenses by nature

	Year ended December 31	
	2023	2022
Employee benefit expense	\$ 961,869	\$ 1,029,613
Depreciation expense	404,712	431,563
Amortisation expense	86,163	94,453
	<u>\$ 1,452,744</u>	<u>\$ 1,555,629</u>

(27) Employee benefit expense

	Year ended December 31	
	2023	2022
Wages and salaries	\$ 793,193	\$ 871,418
Directors' remuneration	3,769	5,751
Labour and health insurance fees	67,930	71,553
Pension expense	34,546	30,100
Other personnel expenses	62,431	50,791
	<u>\$ 961,869</u>	<u>\$ 1,029,613</u>

A. Under the Company's Articles of Incorporation, the profit of the current year, if any, shall be distributed between 5% and 12% as employees' compensation and distributed at no higher than 3% as directors' remuneration. If the Company has an accumulated deficit, earnings should be reserved to cover deficit. The above employees' compensation can be distributed in the form of shares or cash to the employees who meet certain requirements, including the employees of subsidiaries.

B. The employees' compensation and directors' and supervisors' remuneration of the Group are as follows:

	Year ended December 31	
	2023	2022
Employees' compensation	\$ 28,272	\$ 30,726
Directors' remuneration	3,239	5,121
	<u>\$ 31,511</u>	<u>\$ 35,847</u>

The aforementioned amounts, which were recognised in salary expenses, have been distributed after the resolution by the Board of Directors, and the employees' compensation was distributed in the form of cash. For the years ended December 31, 2023 and 2022, the employees' compensation and directors' remuneration were estimated and accrued based on distributable profit of current year as of the end of reporting period at the following ratios:

	Year ended December 31	
	2023	2022
Proportion of employees' compensation	6%	6%
Proportion of directors' remuneration	<u>0.7%</u>	<u>1%</u>

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

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

(28) Income tax

A. Income tax expense

Components of income tax expense:

	Year ended December 31	
	2023	2022
Current tax:		
Current tax on profits for the year	\$ 62,808	\$ 44,920
Tax on undistributed surplus earnings	6,158	-
Prior year income tax underestimation	1,436	400
Total current tax	<u>70,402</u>	<u>45,320</u>
Deferred tax:		
Origination and reversal of temporary differences	36,421	44,881
Total deferred tax	<u>36,421</u>	<u>44,881</u>
Income tax expenses	<u>\$ 106,823</u>	<u>\$ 90,201</u>

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31, 2023	Year ended December 31, 2022
Tax calculated based on profit before tax and statutory tax rate (Note)	\$ 160,293	\$ 161,438
Expenses disallowed by tax regulation	800	39
Tax exempt income by tax regulation	(38,527)	(51,720)
Temporary differences not recognised as deferred tax assets	(8,637)	1,243
Temporary differences not recognised as deferred tax liabilities	(11,294)	-
Taxable loss not recognised as deferred tax assets	708	4,432
Tax on undistributed earnings	6,158	-
Change in assessment of realisation of deferred tax assets	(5,335)	(25,631)
Prior year income tax underestimation	1,436	400
Other	1,221	-
Income tax expense	<u>\$ 106,823</u>	<u>\$ 90,201</u>

Note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group entities operate.

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

	2023			<u>December 31</u>
	<u>January 1</u>	Recognised in profit or loss	Recognised in other comprehensive income	
Deferred tax assets:				
- Temporary differences:				
Unrealised profit from sales	\$ 27,565	(\$ 6,211)	\$ -	\$ 21,354
Allowance for inventory valuation losses	14,910	(4,201)	-	10,709
- Unrealised exchange loss	7,398	6,934	-	14,332
- Unrealised gain on sales of fixed assets	3,310	(1,577)	-	1,733
Unused tax losses	104,427	(17,756)	-	86,671
Others	<u>58,785</u>	<u>(18,465)</u>	-	<u>40,320</u>
	<u>216,395</u>	<u>(41,276)</u>	-	<u>175,119</u>
- Deferred tax liabilities:				
- Temporary differences:				
Unrealised loss on sales of fixed assets	-	(371)	-	(371)
Unrealised exchange gain	<u>(16,040)</u>	<u>5,226</u>	-	<u>(10,814)</u>
	<u>(16,040)</u>	<u>4,855</u>	-	<u>(11,185)</u>
	<u>\$ 200,355</u>	<u>(\$ 36,421)</u>	<u>\$ -</u>	<u>\$ 163,934</u>

	2022			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
- Temporary differences:				
Unrealised profit from sales	\$ 13,138	\$ 14,427	\$ -	\$ 27,565
Allowance for inventory valuation losses	8,337	6,573	-	14,910
- Unrealised exchange loss	1,900	5,498	-	7,398
- Unrealised gain on sales of fixed assets	2,985	325	-	3,310
Unused tax losses	161,924	(57,497)	-	104,427
Others	58,785	-	-	58,785
	<u>247,069</u>	<u>(30,674)</u>	<u>-</u>	<u>216,395</u>
- Deferred tax liabilities:				
- Temporary differences:				
Unrealised exchange gain	(1,833)	(14,207)	-	(16,040)
	<u>(1,833)</u>	<u>(14,207)</u>	<u>-</u>	<u>(16,040)</u>
	<u>\$ 245,236</u>	<u>(\$ 44,881)</u>	<u>\$ -</u>	<u>\$ 200,355</u>

D. The amounts of deductible temporary difference that are not recognised as deferred tax assets are as follows:

	December 31, 2023	December 31, 2022
Deductible temporary differences	\$ <u>127,570</u>	\$ <u>180,917</u>

E. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

December 31, 2023				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2017	Amount assessed	5,745	5,745	2022, 2027
2018	Amount assessed	4,417	4,417	2023, 2028
2019	Amount assessed	8,011	8,011	2024, 2029
2020	Amount assessed	2,875	2,875	2025, 2030
2021	Amount assessed	464,346	30,990	2026, 2031
2022	Amount filed	22,036	22,036	2027, 2032
2023	Estimated amount of filing	19,426	19,426	2033
		<u>\$ 526,856</u>	<u>\$ 93,500</u>	

December 31, 2022				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2014	Amount assessed	\$ 417	\$ 417	2024
2015	Amount assessed	590	590	2025
2016	Amount assessed	45	45	2026
2017	Amount assessed	6,470	6,470	2022, 2027
2018	Amount assessed	52,367	52,367	2023, 2028
2019	Amount assessed	109,378	109,378	2024, 2029
2020	Amount assessed	108,721	108,721	2025, 2030
2021	Amount filed	608,606	59,799	2026, 2031
2022	Estimated amount of filing	37,137	37,137	2027, 2032
		<u>\$ 923,731</u>	<u>\$ 374,924</u>	

F. The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2023 and 2022, the amounts of temporary difference unrecognised as deferred tax liabilities were \$33,654 thousand and \$0, respectively.

G. The Company's income tax returns through 2021 have been assessed and approved by the Tax Authority. The income tax returns of the subsidiary, Miyabi Technology Co., Ltd. and RHOSON CORPORATION through 2021 have been assessed and approved by the Tax Authority.

(29) Earnings per share

	Year ended December 31, 2023		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit for the year	\$ 400,720	141,599	\$ 2.83
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of parent	400,720	141,599	
Assumed conversion of all dilutive potential ordinary shares	-	-	
Employees' compensation	-	222	
Employee restricted shares issued	-	494	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 400,720</u>	<u>142,315</u>	<u>\$ 2.82</u>
Year ended December 31, 2022			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit for the year	\$ 424,023	139,080	\$ 3.05
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of parent	424,023	139,080	
Assumed conversion of all dilutive potential ordinary shares	-	-	
Employees' compensation	-	443	
Employee restricted shares issued	-	90	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 424,023</u>	<u>139,613</u>	<u>\$ 3.04</u>

A. When calculating the diluted earnings per share, the employees' compensation was assumed to distribute in the form of shares and included the weighted average number of ordinary shares outstanding while the potential ordinary shares have dilutive effects.

B. For the years ended December 31, 2023 and 2022, the weighted average number of ordinary shares outstanding, is calculated by considering the weighted average number of shares of cash capital increase.

(30) Supplemental cash flow information

Investing activities with partial cash payments:

	Year ended December 31,	
	2023	2022
Purchase of property, plant and equipment	\$ 788,951	\$ 926,555
Add: Opening balance of payable on equipment	10,622	66,525
Less: Ending balance of payable on equipment	(24,669)	(10,622)
Add: Ending balance of prepayment for equipment	49,749	106,772
Less: Opening balance of prepayment for equipment	(106,772)	(131,310)
Cash paid during the year (Note 1)	<u>\$ 717,881</u>	<u>\$ 957,920</u>

	Year ended December 31,	
	2023	2022
Purchase of intangible assets	\$ 19,026	\$ 13,220
Add: Opening balance of other payables	267,680	360,000
Opening balance of long-term payables (shown as "other non-current liabilities")	120,000	387,680
Ending balance of Intangible assets (shown as "other non-current assets")	8,702	-
Less: Ending balance of other payables	(60,000)	(267,680)
Ending balance of long-term payables (shown as "other non-current liabilities")	(60,000)	(120,000)
Opening balance of Intangible assets (shown as "other non-current assets")	(7,140)	-
Cash paid during the year	<u>\$ 288,268</u>	<u>\$ 373,220</u>

Note 1: For the years ended December 31, 2023 and 2022, the payments include interest capitalization were \$37,419 thousand and \$23,972 thousand, respectively.

(31) Changes in liabilities from financing activities

	2023					
	Short-term borrowings	Short-term notes and bills payable	Long-term borrowings	Lease liabilities	Dividends payable	Liabilities from financing activities-gross
At January 1	\$ 1,101,669	\$ -	\$ 1,469,978	\$ 70,805	\$ -	\$ 2,642,452
Changes in other non-cash items	-	-	5,040	40,114	141,546	186,700
Changes in cash flow from financing activities	(13,070)	30,000	275,040	(35,146)	(141,546)	115,278
Impact of changes in foreign exchange rate	1,401	-	(2,524)	(1,345)	-	(2,468)
At December 31	<u>\$ 1,090,000</u>	<u>\$ 30,000</u>	<u>\$ 1,747,534</u>	<u>\$ 74,428</u>	<u>\$ -</u>	<u>\$ 2,941,962</u>
	2022					
	Short-term borrowings	Short-term notes and bills payable	Long-term borrowings	Lease liabilities		Liabilities from financing activities-gross
At January 1	\$ 943,763	\$ 50,000	\$ 1,049,092	\$ 87,603		\$ 2,130,458
Changes in other non-cash items	-	-	10,980	19,797		30,777
Changes in cash flow from financing activities	157,136	(50,000)	409,048	(37,013)		479,171
Impact of changes in foreign exchange rate	770	-	858	418		2,046
At December 31	<u>\$ 1,101,669</u>	<u>\$ -</u>	<u>\$ 1,469,978</u>	<u>\$ 70,805</u>		<u>\$ 2,642,452</u>

7. Related Party TransactionsKey management compensation

	Year ended December 31,	
	2023	2022
Short-term employee benefits	\$ 24,729	\$ 21,938
Post-employment benefits	319	312
Share-based payments	2,134	104
	<u>\$ 27,182</u>	<u>\$ 22,354</u>

8. Pledged Assets

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

<u>Pledged asset</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>	
Property, plant and equipment	\$ 650,084	\$ 297,134	Short-term borrowings, Long-term borrowings
Bank finance margins (shown as "Current financial assets at amortised cost")	289,225	323,534	Short-term borrowings
Bank finance margins (shown as "Non-current financial assets at amortised cost")	16,983	8,905	Long-term borrowings
	<u>\$ 956,292</u>	<u>\$ 629,573</u>	

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) Contingencies

None.

(2) Commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Property, plant and equipment	\$ 372,494	\$ 406,790
Intangible assets	3,273	4,760
	<u>\$ 375,767</u>	<u>\$ 411,550</u>

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

None.

12. Others

(1) Capital management

The Group's capital management are based on the industrial scale taking into consideration industrial future growth and product development in order to set appropriate market share and plans the corresponding capital expenditure accordingly. In addition, the Group calculates working capital based on the financial operation plan, considering operating profit and cash inflows generating from product competitiveness, to determine the appropriate capital structure.

The Group monitors its capital by periodically reviewing the debt to assets ratio. As of December

31, 2023 and 2022, the Group's debt to assets ratio were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Total liabilities	\$ 4,101,393	\$ 4,145,809
Total assets	\$ 7,420,927	\$ 7,205,185
Debt to assets ratio	<u>55.27%</u>	<u>57.54%</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 fair value through profit or loss		
Accounts payable	\$ 254,720	\$ 267,284
Financial assets at amortised cost		
Cash and cash equivalents	\$ 711,173	\$ 614,071
Financial assets at amortised cost	306,208	492,589
Notes receivable	711	611
Accounts receivable	1,216,951	901,819
Other receivables	19,696	17,199
Guarantee deposits paid	4,573	8,588
	<u>\$ 2,259,312</u>	<u>\$ 2,034,877</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 1,090,000	\$ 1,101,669
Short-term notes and bills payable	30,000	-
Accounts payable	400,059	388,738
Other payables	514,939	739,546
Long-term borrowings (including current portion)	1,747,534	1,469,978
Other non-current liabilities	161,704	321,600
Guarantee deposits received	183	183
	<u>\$ 3,944,419</u>	<u>\$ 4,021,714</u>
Lease liability (including current portion)	<u>\$ 74,428</u>	<u>\$ 70,805</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, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and financial performance.

- (b) Risk management is carried out by a central 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 units. The Board 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 derivative financial instruments and 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 and RMB. Foreign exchange rate 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. Each company in the Group should hedge its overall foreign exchange risk through the Group treasury.
- iii. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

(Foreign currency: functional currency)	December 31, 2023		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 109,503	30.705	\$ 3,362,290
USD:RMB	30,086	7.096	923,791
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 50,901	30.705	\$ 1,562,915
USD:RMB	25,317	7.096	777,358

December 31, 2022			
(Foreign currency: functional currency)	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 99,010	30.710	\$ 3,040,597
USD:RMB	21,098	6.967	647,920
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 33,508	30.710	\$ 1,029,031
USD:RMB	30,891	6.967	948,663

Year ended December 31, 2023			
Sensitivity analysis			
(Foreign currency: functional currency)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	3%	\$ 100,869	\$ -
USD:RMB	3%	27,714	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	3%	\$ 46,887	\$ -
USD:RMB	3%	23,321	-

Year ended December 31, 2022			
Sensitivity analysis			
(Foreign currency: functional currency)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	3%	\$ 91,218	\$ -
USD:RMB	3%	19,438	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	3%	\$ 30,871	\$ -
USD:RMB	3%	28,460	-

- iv. The total exchange gain and loss, 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 \$16,324 thousand for exchange gain and \$ 170,727 thousand for exchange loss, respectively.

Cash flow and fair value Interest rate risk

- i. The Group's interest rate risk arises from short-term borrowings and long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. During 2023 and 2022, the Group's borrowings at variable rate were mainly denominated in New Taiwan dollars and US Dollars.
- ii. On December 31, 2023 and 2022, if interest rates on borrowings had been increased/decreased by 0.1% with all other variables held constant, pre-tax for the years ended December 31, 2023 and 2022 would have been increased/decreased by \$2,294 thousand and \$2,070 thousand, respectively.

(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, and the contract cash flows of debt instruments stated at amortised cost, at fair value through profit or loss and at fair value through other comprehensive income.
- ii. 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. The utilisation of credit limits is regularly monitored.
- iii. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- v. The Group adopts accounts receivable policies, the default occurs when the contract payments are past due over 210 days.

- vi The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. On December 31, 2023 and 2022, the Group had no written-off financial assets that are still under recourse procedures.
- vii The Group used the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of notes and accounts receivable. On December 31, 2023 and 2022, the provision matrix, loss rate methodology is as follows:

	Not past due	Up to 90 days past due	91~210 days past due	Over 210 days	Total
<u>At December 31, 2023</u>					
Expected loss rate	-	3.04%	-	100%	
Total book value	\$ 1,426,580	\$ 47,239	\$ -	\$ 2,755	\$ 1,476,574
Loss allowance	\$ -	\$ 1,437	\$ -	\$ 2,755	\$ 4,192

	Not past due	Up to 90 days past due	91~210 days past due	Over 210 days	Total
<u>At December 31, 2022</u>					
Expected loss rate	0.02%	4.95%	58.33%	100%	
Total book value	\$ 1,146,774	\$ 24,340	\$ 12	\$ 6,399	\$ 1,177,525
Loss allowance	\$ 200	\$ 1,205	\$ 7	\$ 6,399	\$ 7,811

- viii. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	2023
	Accounts receivable
At January 1	\$ 7,811
Reversal of impairment loss	(4)
Write-offs	(3,564)
Effect of foreign exchange	(51)
At December 31	\$ 4,192
	2022
	Accounts receivable
At January 1	\$ 7,961
Reversal of impairment loss	(191)
Effect of foreign exchange	41
At December 31	\$ 7,811

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities 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 while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants on any of its borrowing facilities.
- ii. The details of the Group's unused borrowings amount are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Floating rate:		
Expiring within one year	\$ 1,181,365	\$ 965,895
Expiring beyond one year	<u>2,595,697</u>	<u>2,966,632</u>
	<u>\$ 3,777,062</u>	<u>\$ 3,932,527</u>

- iii. 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 for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

<u>December 31, 2023</u>	<u>Less than 1 year</u>	<u>and 2 years</u>	<u>and 5 years</u>	<u>Over 5 years</u>
<u>Non-derivative financial liabilities</u>				
Short-term borrowings	\$ 1,097,435	\$ -	\$ -	\$ -
Short-term notes and bills payable	30,098			
Accounts payable	400,059	-	-	-
Other payables	514,939	-	-	-
Long-term borrowings (including current portion)	627,238	66,813	1,191,373	604
Lease liability (including current portion)	32,354	10,735	3,508	34,462
Other non-current liabilities	-	161,704	-	-

<u>December 31, 2022</u>	<u>Less than 1 year</u>	<u>and 2 years</u>	<u>and 5 years</u>	<u>Over 5 years</u>
<u>Non-derivative financial liabilities</u>				
Short-term borrowings	\$ 1,106,956	\$ -	\$ -	\$ -
Accounts payable	388,738	-	-	-
Other payables	739,546	-	-	-
Long-term borrowings (including current portion)	517,032	71,464	999,075	2,277
Lease liability (including current portion)	18,845	12,833	14,947	31,329
Other non-current liabilities	-	261,600	60,000	-

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's expected factoring is included in Level 3.

B. The carrying amounts of the Group's financial instruments not measured at fair value, including cash and cash equivalents, notes receivable, accounts receivable (excluding factoring), other receivables, refundable deposits, short-term borrowings, short-term notes and bills payable, notes payable, accounts payable, other payables, and guarantee deposits received are approximate to their fair values.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

(a) The related information of natures of the assets and liabilities is as follows:

<u>December 31, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Accounts receivable	\$ -	\$ -	\$ 254,720	\$ 254,720
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 254,720</u>	<u>\$ 254,720</u>
<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Accounts receivable	\$ -	\$ -	\$ 267,284	\$ 267,284
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 267,284</u>	<u>\$ 267,284</u>

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

When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

	<u>Fair value at December 31, 2023</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument :					
Accounts payable	\$ 254,720	Discounted cash flow	market rate	2.61%	The higher the discount rate, the lower the fair value
	<u>Fair value at December 31, 2022</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument :					
Accounts payable	\$ 267,284	Discounted cash flow	market rate	2.53%	The higher the discount rate, the lower the fair value

D. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

			December 31, 2023			
			Recognised in profit or loss		Recognised in other comprehensive income	
			Favourable change	Unfavourable change	Favourable change	Unfavourable change
	Input	Change				
Financial assets						
Debt instrument	Market rate	±10%	\$ -	\$ -	\$ 984	(\$ 1,202)
			<u>\$ -</u>	<u>\$ -</u>	<u>\$ 984</u>	<u>(\$ 1,202)</u>
			December 31, 2022			
			Recognised in profit or loss		Recognised in other comprehensive income	
			Favourable change	Unfavourable change	Favourable change	Unfavourable change
	Input	Change				
Financial assets						
Debt instrument	Market rate	±10%	\$ -	\$ -	\$ 1,015	(\$ 1,240)
			<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,015</u>	<u>(\$ 1,240)</u>

E. For the years ended December 31, 2023 and 2022, there was no transfer into or out from Level 3.

F. The movement of Level 3 for the years ended December 31, 2023 and 2022 is as follows:

	2023	2022
	Accounts payable	Accounts payable
At January 1	\$ 267,284	\$ 181,978
Drawn down in the period	414,067	432,793
Paid in the period	(426,631)	(347,487)
At December 31	<u>\$ 254,720</u>	<u>\$ 267,284</u>

13. Supplementary Disclosures

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

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 paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: Please refer to table 3.
- 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: Please refer to table 4.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 7.

(3) Information on investments in Mainland China

Basic information: Please refer to table 8.

(4) Major shareholders information

Major shareholders information: Please refer to table 9.

14. Operating Segment Information

(1) General information

The Company and its subsidiaries are primarily engaged in manufacturing and sales of optical products and electronic components. The Group's chief operating decision-maker, the Board of Directors, assesses performance and allocates revenue from the product type perspective. The Group's key management has determined the reportable operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

(2) Measurement of segment information

The Company and subsidiaries evaluates the performance of the operating segments based on a measure of income before tax.

(3) Information about segment profit or loss

A. The segment information provided to the chief operating decision-maker for the reportable segments during 2023 is as follows:

<u>Year ended December 31, 2023</u>	<u>Optical segment</u>	<u>Electronic components segment</u>	<u>Total</u>
	<u>Optical products</u>	<u>Electronic parts</u>	
Revenue from external customers	\$ 2,745,677	\$ 1,250,166	\$ 3,995,843
Inter-segment revenue	7,674	-	7,674
Total segment revenue	<u>\$ 2,753,351</u>	<u>\$ 1,250,166</u>	<u>\$ 4,003,517</u>
Segment income	<u>\$ 256,354</u>	<u>\$ 250,040</u>	<u>\$ 506,394</u>

Segment income including:

Finance costs	\$ 33,272	\$ 7,315	\$ 40,587
Depreciation and amortisation	448,360	42,515	490,875
Income tax expense	49,390	57,433	106,823

Note: The measured amount of the Group's assets is not a measure used by the chief operating decision-maker, so the reportable measured amount of assets is zero.

B. The segment information provided to the chief operating decision-maker for the reportable segments during 2022 is as follows:

<u>Year ended December 31, 2022</u>	<u>Optical segment</u>	<u>Electronic components segment</u>	<u>Total</u>
	<u>Optical products</u>	<u>Electronic parts</u>	
Revenue from external customers	\$ 2,454,242	\$ 1,208,037	\$ 3,662,279
Inter-segment revenue	5,645	-	5,645
Total segment revenue	<u>\$ 2,459,887</u>	<u>\$ 1,208,037</u>	<u>\$ 3,667,924</u>
Segment income	<u>\$ 269,568</u>	<u>\$ 234,257</u>	<u>\$ 503,825</u>

Segment income including:

Finance costs	\$ 26,058	\$ 10,701	\$ 36,759
Depreciation and amortisation	491,450	34,566	526,016
Income tax expense	61,059	29,142	90,201

Note: The measured amount of the Group's assets is not a measure used by the chief operating decision-maker, so the reportable measured amount of assets is zero.

(4) Reconciliation for segment income (loss)

A. A reconciliation of reportable segment revenue from continuing operations for the years ended December 31, 2023 and 2022 is provided as follows:

	Year ended December 31	
	2023	2022
Reportable segments revenue before adjustment	\$ 4,003,517	\$ 3,667,924
Elimination of inter-segment revenue	(7,674)	(5,645)
Reportable revenue from continuing operations	<u>\$ 3,995,843</u>	<u>\$ 3,662,279</u>

B. A reconciliation of reportable segment income or loss to the income/(loss) before tax from continuing operations for the years ended December 31, 2022 and 2021 is provided as follows:

	Year ended December 31	
	2023	2022
Reportable segments segments income/ before tax before adjustment	\$ 506,394	\$ 503,825
Elimination of inter-segment income/ before tax	-	-
Reportable Income/before tax from continuing operations	<u>\$ 506,394</u>	<u>\$ 503,825</u>

(5) Geographical information

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

	2023		2022	
	Revenue	Non-current assets	Revenue	Non-current assets
Mainland China	\$ 3,508,079	\$ 203,802	\$ 3,262,155	\$ 220,215
Taiwan	377,776	3,451,792	337,176	3,117,017
Others	109,988	91,798	62,948	121,151
	<u>\$ 3,995,843</u>	<u>\$ 3,747,392</u>	<u>\$ 3,662,279</u>	<u>\$ 3,458,383</u>

(6) Major customer information

For the years ended December 31, 2023 and 2022, the information of major customers of the Group whose sales reached 10% of net sales is as follows:

Customer	Year ended December 31	
	2023	2022
	Revenue	Revenue
A	\$ 832,033	\$ 612,312
B	609,624	587,113
C	597,980	528,953
D	471,911	-
	<u>\$ 2,511,548</u>	<u>\$ 1,728,378</u>

Ability Opto-Electronics Technology Co., Ltd. and subsidiaries
Loans to others
Year ended December 31, 2023

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2023	Balance at December 31, 2023	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote	
												Allowance for Creditor Counterparty doubtful accounts	Item Value				
0	The Company	Miyabi Technology Co., Ltd.	Financing receivables due from related parties	Y	\$ 400,000	\$ -	\$ -	-	Revolving funds	\$ -	Revolving funds	\$ -	-	\$ -	994,967	1,326,622	Note 2 and Note 3
0	The Company	RHOSON CORPORATION	Financing receivables due from related parties	Y	200,000	200,000	\$ -	-	Revolving funds	-	Revolving funds	-	-	-	994,967	1,326,622	Note 2 and Note 3

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1) The Company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Limit on loans to a single party with short-term financing is 30% of the consolidated company's net asset.

Note 3: The ceiling on total loans amount is 40% of the consolidated company's net assets.

Note 4: For loans granted between foreign companies whose voting rights are 100% directly and indirectly owned by the parent company, the limit for a single loan and ceiling on total loans granted both are the total amount of the creditor's net assets.

Ability Opto-Electronics Technology Co., Ltd. and subsidiaries
 Provision of endorsements and guarantees to others
 Year ended December 31, 2023

Table 2

Expressed in thousands of NTD
 (Except as otherwise indicated)

No. (Note 1)	Endorser/guarantor	Party being endorsed/ guaranteed		Limit on endorsements /guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2023	Outstanding endorsement/ guarantee amount at December 31, 2023	Actual amount drawn down	Amount of endorsements /guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the Endorser/guarantor company	Ceiling on total amount of endorsements /guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements /guarantees by subsidiary to parent company	Provision of endorsements /guarantees to the party in Mainland China	Footnote
		Relationship with the Endorser/guarantor (Note 2)	Company name											
0	Ability Opto-Electronics Technology Co., Ltd.	Miyabi Technology Co., Ltd.	3	\$ 1,658,278	\$ 559,000	\$ 464,000	\$ 122,923	\$ -	13.99%	\$ 1,658,278	Y	N	N	Note 3
0	Ability Opto-Electronics Technology Co., Ltd.	Miyabi Technology (Zhejiang) Co., Ltd.	3	1,658,278	66,465	66,465	-	-	2.00%	1,658,278	Y	N	N	Note 3

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

- (1) The Company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of category each case belongs to:

- (1) Having business relationship.
- (2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.
- (4) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.
- (5) Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.
- (6) Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.
- (7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: The ceiling on total amount of endorsements/guarantees provided to others by the Company is 50% of the Company's net assets and limit on total endorsements/guarantees provided for a single party is 50% of the Company's net assets.

Ability Opto-Electronics Technology Co., Ltd. and subsidiaries
Acquisition of real estate reaching NTS300 million or 20% of paid-in capital or more
Year ended December 31, 2023

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Real estate acquired by	Real estate acquired	Transaction date or date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:				Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
							Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount			
Ability Opto-Electronics Technology Co., Ltd.	Construction in progress	2020.01	\$ 721,400	\$ 693,318	Lee Ming Construction Co. Ltd.	Non-related party	-	-	-	-	-	Construction for building plant	None
Ability Opto-Electronics Technology Co., Ltd.	Construction in progress	2020.07	435,247	318,706	POYUAN ENGINEERING CO., LTD.	Non-related party	-	-	-	-	-	Construction for building plant	None

Ability Opto-Electronics Technology Co., Ltd. and subsidiaries
Purchases or sales of goods from or to related parties reaching NTS100 million or 20% of paid-in capital or more
Year ended December 31, 2023

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		Footnote	
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance at December 31, 2023		Percentage of total notes/accounts receivable (payable)
Ability Opto-Electronics Technology Co., Ltd.	ABILITY OPTO-ELECTRONICS TECHNOLOGY (Zhenjiang) CO.,LTD.	Subsidiary	Purchase	\$ 497,137	15.44%	180 days after next monthly billings	Note 1	-	\$ 603,026	53.71%	Note 2 and Note 3
Ability Opto-Electronics Technology Co., Ltd.	TOP OPTO TEC CO.,LTD.	Subsidiary	Purchase	210,215	6.53%	180 days after next monthly billings	Note 1	-	369,001	32.87%	Note 2 and Note 3
Miyabi Technology Co., Ltd.	Miyabi Technology (Zhenjiang) Co., Ltd.	Subsidiary	Purchase	977,781	65.95%	180 days after next monthly billings	Note 1	-	347,144	71.17%	Note 2 and Note 3

Note 1: There are no comparative information for camera modules purchased by the Company because they are not sold to general customers.

Note 2: The sale of raw materials and semi-finished products to related parties, followed by the repurchase of partially finished goods, has been accounted for in a manner that reflects their economic substance.

Note 3: The transactions were eliminated when preparing the consolidated financial statements.

Ability Opto-Electronics Technology Co., Ltd. and subsidiaries
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
Year ended December 31, 2023

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the company	Amount	Turnover rate	Transaction		Amount collected subsequent to the balance sheet date (Note 1)	Allowance for doubtful accounts
					Overdue receivables			
					Transaction terms	Action taken		
Ability Opto-Electronics Technology Co., Ltd.	ABILITY OPTO-ELECTRONICS TECHNOLOGY (Zhenjiang) CO.,LTD.	subsidiary	\$ 493,332	5.12%	-	-	\$ 240,736	\$ -
Ability Opto-Electronics Technology Co., Ltd.	TOP OPTO TEC CO.,LTD.	subsidiary	441,038	7.32%	-	-	24,917	-
ABILITY OPTOELECTRONICS TECHNOLOGY	Ability Opto-Electronics Technology Co., Ltd.	parent company	603,026	2.70%	-	-	281,970	-
TOP OPTO TECHNOLOGY CO., LTD.	Ability Opto-Electronics Technology Co., Ltd.	parent company	369,001	2.44%	-	-	46,830	-
Miyabi Technology Co., Ltd.	Miyabi Technology (Zhenjiang) Co., Ltd.	subsidiary	312,646	4.64%	-	-	143,188	-
Miyabi Technology (Zhenjiang) Co., Ltd.	Miyabi Technology Co., Ltd.	parent company	347,144	3.11%	-	-	146,906	-

Note 1: As of February 29, 2024, recovered amount of money receivable from related parties after the balance sheet date.

Ability Opto-Electronics Technology Co., Ltd. and subsidiaries
Significant inter-company transactions during the reporting periods
Year ended December 31, 2023

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

No. (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	Ability Opto-Electronics Technology Co., Ltd.	ABILITY OPTO-ELECTRONICS TECHNOLOGY (Zhejiang) CO.,LTD.	2	Purchase	\$ 497,137	Paid based on market price or cost plus	12.44%
0	Ability Opto-Electronics Technology Co., Ltd.	ABILITY OPTO-ELECTRONICS TECHNOLOGY (Zhejiang) CO.,LTD.	2	Accounts receivable	493,332	180 days after next monthly billings	6.65%
0	Ability Opto-Electronics Technology Co., Ltd.	ABILITY OPTO-ELECTRONICS TECHNOLOGY (Zhejiang) CO.,LTD.	2	Accounts payable	603,026	180 days after next monthly billings	8.13%
0	Ability Opto-Electronics Technology Co., Ltd.	TOP OPTO TEC CO.,LTD.	2	Purchase	210,215	Paid based on market price or cost plus	5.26%
0	Ability Opto-Electronics Technology Co., Ltd.	TOP OPTO TEC CO.,LTD.	2	Accounts receivable	441,038	180 days after next monthly billings	5.94%
0	Ability Opto-Electronics Technology Co., Ltd.	TOP OPTO TEC CO.,LTD.	2	Accounts payable	369,001	180 days after next monthly billings	4.97%
0	Miyabi Technology Co., Ltd.	Miyabi Technology (Zhejiang) Co., Ltd.	3	Purchase	977,781	Paid based on market price or cost plus	24.47%
1	Miyabi Technology Co., Ltd.	Miyabi Technology (Zhejiang) Co., Ltd.	3	Accounts receivable	312,646	180 days after next monthly billings	4.21%
1	Miyabi Technology Co., Ltd.	Miyabi Technology (Zhejiang) Co., Ltd.	3	Accounts payable	347,144	180 days after next monthly billings	4.68%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1)Parent company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between related parties are classified into the following five categories; fill in the number of category each case belongs to:

1. Parent company to second-tier subsidiary.
2. Parent company to subsidiary.
3. Subsidiary to second-tier subsidiary.
4. Second-tier subsidiary company to subsidiary.
5. Second-tier subsidiary to second-tier subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: Disclose transactions amounting to over \$10,000,000

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Ability Opto-Electronics Technology Co., Ltd. and subsidiaries

Information on investees

Year ended December 31, 2023

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net income of investee as of December 31, 2023	income (loss) recognised by the Company for the year ended		Footnote
				Balance as at December 31, 2023	Balance as at December 31, 2022	Number of shares	Ownership			December 31, 2023	December 31, 2023	
							(%)	Book value				
Ability Opto-Electronics Technology Co., Ltd.	Miyabi Technology Co., Ltd.	Taiwan	Trades of fingerprint identification modules	\$ 368,000	\$ 460,000	3,680	100.00%	\$ 680,728	\$ 212,993	\$ 212,993		
Ability Opto-Electronics Technology Co., Ltd.	TOP OPTO TEC CO.,LTD.	Vietnam	Manufacture of optical camera lenses and optical lenses	154,978	154,978	7,000	100.00%	192,152	16,335	16,335		
Ability Opto-Electronics Technology Co., Ltd.	Elite Optical Technology Co., Ltd.	British Virgin Islands	General investment business	710,348	710,348	22,910	100.00%	-	-	-		
Ability Opto-Electronics Technology Co., Ltd.	Rhoson Corporation	Taiwan	Trades of automotive products	182,220	182,220	7,590	94.88%	55,160	(21,934)	(21,278)		

Ability Opto-Electronics Technology Co., Ltd. and subsidiaries
Information on investments in Mainland China
Year ended December 31, 2023

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2022			Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023	Net income of investee as of December 31, 2023	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2023	Book value of investments in Mainland China as of December 31, 2023	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2023	Footnote
				Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2023	Remitted to Mainland China	Remitted back to Taiwan							
ABILITY OPTO-ELECTRONICS TECHNOLOGY (Zhejiang) CO., LTD.	Assembly of optical camera lenses	\$ 469,787	1	\$ 469,787	\$ -	\$ -	\$ 469,787	\$ 45,695	100.00%	\$ 45,695	\$ 275,574	\$ -	Note 2 and Note 3
Miyabi Technology (Zhejiang) Co., Ltd.	Manufacture of fingerprint identification modules	253,623	1	192,213	61,410	-	253,623	39,018	100.00%	40,135	253,191	-	Note 2 and Note 3
RHOSON (Zhejiang) CORPORATION	Manufacture of automotive products	21,493	1	19,958	1,535	-	21,493	(2,508)	94.88%	(2,379)	5,902	-	Note 2 and Note 3

Note 1: Investment methods are classified into the following three categories, fill in the number of category each case belongs to:
(1) Directly invest in a company in Mainland China.
(2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
(3) Others

Note 2: The investment gain or loss for the year ended December 31, 2023 was calculated based on the Company's financial statements which were audited by independent auditors.

Note 3: The paid-in capital, accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2023, amount remitted from Taiwan to Mainland China/amount remitted back to Taiwan for the year ended December 31, 2023, accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023 were translated into New Taiwan Dollars at the average exchange rate of NTD30.705 to US\$1 at the balance sheet date.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Investment amount approved by the investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Commission of Investment MOEA
Miyabi Technology Co., Ltd. (Note 2)	253,263	284,328	408,861
RHOSON CORPORATION (Note 3)	21,493	21,493	80,000

Note 1: The accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023 was translated into New Taiwan Dollars at the exchange rate of NTD30.705 to US\$1 at the balance sheet date.

Note 2: The ceiling is 60% of net assets.

Note 3: The ceiling is NTD\$0 million or 60% of the net assets or consolidated net assets, whichever is higher.

Ability Opto-Electronics Technology Co., Ltd. and subsidiaries
 Major shareholders information
 Year ended December 31, 2023

Table 9

Name of major shareholders	Shares		Ownership (%)
	Name of shares held		
Largan Precision Co., Ltd.		20,000,000	14.03%

Ability opto-Electronics
Technology Co., Ltd.

Responsible Person: Victor Kao