

*KINKO*

**KINKO OPTICAL CO., LTD.**

**2023**  
**Annual Report**

Compiled on May 27, 2024

Annual Report e-File Search Website: <http://www.kinko-optical.com>

The public information observatory is located at:  
<http://mops.twse.com.tw>

- I. Name, title, contact telephone number and e-mail address of the Company's spokesperson and proxy spokesperson**  
Spokesperson:  
Name: LIN, PING-LIN  
Title: Special Assistant to the Chairman  
Tel: (04)2659-5985  
E-mail address:linpinglin@kinko-optical.com  
Proxy Spokesperson:  
Name: LAI, YING-FANG  
Title: Sales Office Assistant Vice President  
Tel:(04)2659-5985  
E-mail address:linpinglin@kinko-optical.com
- II. Address and telephone number of head office, branch and factory:**  
Head office: No. 91, Lane 562, Sec. 9, Xiang Shang Road, Wuqi District, Taichung, Taiwan  
Tel: (04)2630-5679  
Branch office: No. 32, Jing Yi Road, Wuqi District, Taichung, Taiwan  
Tel: (04)2659-5985
- III. Name, address, website and telephone number of the stock transfer agent**  
Name:Fubon Securities Co.  
Address: 6F, No. 6, Sec. 1, Zhongxiao West Road, Zhongzheng District, Taipei, Taiwan  
Website: www.gfortune.com.tw  
Tel: (02)2371-1658
- IV. Name, firm name, address, website and telephone number of the accountant certifying the most recent annual financial report:**  
Name of accountant: TSENG, DONE-YUIN, SU, TING-CHIEN  
Name of the firm: Deloitte & Touche Firm  
Address: 20F, No. 100, Songren Road, Xinyi District, Taipei, Taiwan  
Website: www.deloitte.com.tw  
Tel: (02) 2725-9988
- V. Name of overseas marketable securities trading exchange and inquiry method:**  
None
- VI. Company website:**  
<http://www.kinko-optical.com>

# Table of Contents

<b>Chapter 1. Report to Shareholders .....</b>	<b>1</b>
<b>Chapter 2. Company Profile .....</b>	<b>7</b>
I. Establishment date: June 19, 1980.....	7
II. Company History:.....	7
<b>Chapter 3. Corporate Governance Report .....</b>	<b>10</b>
I. Organizational System: .....	10
II. Directors, Supervisors, General Manager, Vice General Manager, Senior Managers, and Heads of Departments and Branches: .....	13
III. Remuneration for directors, supervisors, general manager and vice general manager for the most recent year .....	22
IV. Corporate governance operation situation .....	27
V. Accountant Fee Information: .....	68
VI. Change of Accountant Information: None.....	68
VII. The chairperson, general manager, or manager in charge of financial or accounting matters of the Company has worked in the firm of the certified public accountant or its affiliated companies within the last year: None. ....	68
VIII. Changes in the shareholdings of directors, supervisors, managers and shareholders holding more than 10% of the shares or pledges of shares in the most recent year and up to the date of printing of the annual report. ....	68
IX. Information on the relationship between the top ten shareholders and their shareholdings.....	70
X. The number of shares held by the Company, its directors, supervisors, managers, and businesses directly or indirectly controlled by the Company in the same reinvestment business, and the consolidated percentage of shareholding:.....	70
<b>Chapter 4. Capital Raising .....</b>	<b>71</b>
I. Company Capital and Shares .....	71
II. The Company Debt Situation: .....	77
III. Special shares: None. ....	78
IV. Overseas depository receipts: None.....	78
V. Employee stock option certificate application:.....	78
VI. The following items shall be recorded in the case of new shares with restricted employee rights: .....	79
VII. Merger or acquisition of shares of other companies to issue new shares: None. ....	79
VIII. Implementation status of fund utilization plan: None. ....	79
<b>Chapter 5. Operation Overview .....</b>	<b>80</b>
I. Business Content.....	80
II. Market, Production and Sales Overview .....	85
III. The number of workers, average length of service, average age and education distribution of employees for the last two years and as of the printing date of the annual report: .....	94
IV. Information on environmental expenditures:.....	94
V. Labor relations: .....	95
VI. Cyber security management.....	97
VII. Important contracts .....	98

<b>Chapter 6. Financial Overview</b>	99
I. Condensed Balance Sheet and Consolidated Income Statement Information	99
II. Financial analysis for the last five years	103
III. Name and audit opinion of the accountant for the last five years:	106
IV. Audit committee review report:	107
V. Individual Financial Reports	112
VI. Consolidated Financial Reports	189
VII. If the Company and its affiliates had financial difficulties in the most recent year and as of the printing date of the annual report, the impact on the financial position of the Company should be stated: None.	248
<b>Chapter 7. Review and analysis of financial position and financial performance and risk issues</b>	249
I. Review and Analysis of Financial Condition and Financial Performance:	249
II. Comparative financial performance analysis table:	250
III. Cash flow review and analysis	250
IV. Impact of recent significant capital expenditures on financial operations: There is no such item.	251
V. Recent investment policy, main reasons for profit or loss, improvement plan and investment plan for the coming year:	251
VI. Risk management and evaluation:	252
VII. Other important matters:None.	256
<b>Chapter 8. Special Notes</b>	257
I. Information on affiliated companies:	257
II. For the most recent year and as of the date of the annual report, the status of the private placement of securities should disclose the date and amount approved by the shareholders' meeting or the board of directors, the basis and reasonableness of the price, the method of selection by the specific person and the necessary reasons for the private placement, the target of the private placement, the eligibility criteria, the number of subscriptions, the relationship with the Company, the operation of the participating companies, the actual subscription (or conversion) price, the actual subscription (or conversion) price and the reference price, the impact of the private placement on shareholders' equity, the use of funds from the completion of the capital utilization plan after the payment or price is received, the progress of the plan implementation and the effectiveness of the plan: None.	258
III. Holdings or dispositions of the Company's shares by subsidiaries for the most recent year and as of the date of the annual report: None.	258
IV. Other necessary supplementary notes: None.	2
V. For the most recent year and as of the printing date of the annual report, if there is any event that has a significant impact on shareholders' equity or the price of securities as defined in Article 36, Paragraph 2, Clause 2 of the "Guidelines Governing the Preparation of Annual Reports by Public Companies", it should be stated in each item: None.	255

# Chapter 1. Report to Shareholders

Hello, shareholders :

Thank you to all shareholders for your trust and support in Jinguo Optical's management team. The optical industry is a traditional industry that has been around for more than a century. However, with the rapid changes in technology, the management team continues to introduce new technologies and launch new products. We will continue to make self-requirements and make breakthroughs in order to reward shareholders with more fruitful operating performance.

In terms of the international situation, the Russia-Ukraine war is still in a stalemate, the Israeli-Palestinian conflict has not eased, and the competition between China and the United States is becoming increasingly severe. The above factors have put the global economy in a sluggish state. Domestic electricity bills increased significantly last year, as well as rising commodity prices and wage increases... which have also continued to erode our operating performance.

Entering 2024 , Considering these unfavorable factors of the external environment, we still need to remain vigilant and cautious and carefully implement important operating strategies. We look forward to fruitful results in 2023. The following is a brief report on the operating results in 2023 and the business plan in 2024:

## I. 2023 business results

### (I) Implementation results of business plan

The net operating income of NT\$2,696,985 thousand in 2023 decreased by 24.70% compared with NT\$3,581,478 thousand in 2022, the net profit after tax was NT(\$49,788) thousand and the after-tax earnings per share was NT(\$0.29).

Unit: NTD thousand; %

Item \ Year	Year 2023	Year 2022	Increase/decrease rate (%)
Net operating income	2,696,985	3,581,478	(24.70)
Operating gross profit (note)	194,539	314,504	(38.14)
Operating costs	336,396	421,147	(20.12)
Net operating profit (loss)	(141,857)	(106,643)	33.02
Pre-tax net profit (loss)	(78,614)	41,424	(289.78)
Net profit (loss) for this year	(49,788)	64,944	(176.66)
Earnings (losses) per share (NT\$)	(0.29)	0.37	(178.38)

Note: It is the realized gross profit of sales after deducting unrealized/realized benefits between affiliated companies

### (II) Budget performance

Not applicable, the company did not disclose its financial forecast for Year 2023.

(III) Financial revenue and expenditure situation

Unit: NTD/thousand

Item	Merger in 2023	Dependent in 2023	Merger in 2022	Dependent in 2022
Opening cash balance	447,491	117,338	203,076	127,335
Net cash inflow (outflow) from operating activities	420,699	(122,405)	494,773	114,323
Net cash inflow (outflow) from investment activities	(210,902)	470,309	(80,520)	(30,562)
Net cash inflow (outflow) from financing activities	(165,573)	(163,317)	(95,883)	(93,488)
Ending cash balance	475,222	301,925	447,491	117,338

(IV) Profitability analysis

Unit: %

Item		Merger in 2023	Dependent in 2023	Merger in 2022	Dependent in 2022
Return on assets (%)		(0.99)	(0.92)	1.54	1.43
Return on shareholders' equity (%)		(1.59)	(1.59)	2.02	2.02
Percentage of paid-in capital (%)	Business interests	(8.14)	(3.43)	(6.12)	(9.58)
	Pre-tax net profit	(4.51)	(1.73)	2.38	2.39
Net profit rate (%)		(1.85)	(2.87)	1.81	3.34
Earnings (losses) per share (NT\$)		(0.29)	(0.29)	0.37	0.37

(V) Research and development status

1. R&D expenses in the last two years (including the proportion of net operating income)

Unit: NTD thousand; %

Item/Year	Year 2023	Year 2022
R&D expenses (A)	91,257	133,228
Net operating income (B)	2,696,985	3,581,478
Proportion of net operating income (A/B)	3.38	3.72

2. R&D achievements in the last two years

Year	R&D achievements
Year 2023	Doorbell surveillance camera Smart speaker lens Sweeping robot lens Storage robot lens Machine vision lenses Monitoring wide-angle lens IOT application lens AR/VR lens

Year	R&D achievements
	Conference video equipment lenses Wearable camera lenses FRESNEL LENS Plastic prism Reflective lens assemblies and collimating lens assemblies for laser communication low-orbit satellites Large concentrator modules for solar energy storage ALD coating technology Indoor small UAV lenses Wide-angle lenses for driving monitoring Vehicle-mounted panoramic lens Car lens (mass production import) Wisdom car light Train monitoring lens ADAS lens Lidar lenses Infrared thermal imaging lenses
Year 2022	Doorbell surveillance camera Smart speaker lens Sweeping robot lens Storage robot lens Monitoring wide-angle lens IOT application lens AR/VR lens PANCAKE LENS Vehicle-mounted panoramic lens Car lens (mass production import) ADAS lens Lidar lens Train monitoring lens Wisdom car light Wear device application lens FRESNEL LENS

### 3. Future research and development strategy

1. The R&D of lenses for mid-to-high-end and forward-looking application fields, including automotive lenses/Lidar lenses/AR&VR/ADAS/surveillance/infrared thermal imaging/IoT lenses/surveillance wide-angle lenses/doorbell surveillance lenses/sweeping robot lenses/warehouse robot lenses/machine vision lenses/meeting room video equipment lenses/train monitoring lenses/smart speaker lenses/wearable camera lenses/wide-angle lenses for driving monitoring/smart automotive light/Indoor small UAV lenses/plastic prism/Fresnel lenses/ALD coating technology/reflective lens assemblies and collimating lens assemblies for laser communication low-orbit satellites/large concentrator modules for solar energy storage, to continue to expand product development in multiple aspects.
2. Continue to deepen the technical needs of important brand customers, and expand the introduction of development cases.
3. Focus on the mobile phone market demand, to carry out business, focusing on large aperture, high-level, multi-application technology development.
4. The rise of the automotive market has increased the demand for Lidar and ADAS used in automotive lenses and self-driving. The production technology yield also made a significant breakthrough. Currently, the development is moving towards composite

- technology (ie, anti-fog and defogging designs).
5. Cooperate with the system of resources integration and technology, grasp the development direction of the forefront of the market, develop new application fields and create new product value.
  6. Deepen IOT, monitor lens quality, win over several top customer bases for sales, and increase market share.
  7. Continue to deepen the development of key technologies of AR/VR products, such as AR/VR lens, PANCAKE LENS, FRESNEL LENS..., etc.
  8. In the initial stage of design and development, preventive design, auxiliary design optimization and immediate solution of technical issues corresponding to customers are carried out by simulation analysis software, so as to effectively shorten the development time, reduce development costs and win customer recognition.
  9. Deepen the layout of patents, effectively control the Company's technical strength and core resources, and strengthen the competitiveness of KINKO OPTICAL CO., LTD.'s market.
  10. The effective integration of resources shortens the product development cycle, and the quality reaches increase, zero learning curve, seamless integration of development and production, high quality and high yield production and adheres to Design for manufacturing to achieve the highest benefit. Committed to the development of optical lens technology, the implementation of high-specification challenges, build high-tech, high-quality requirements, to create KINKO OPTICAL CO., LTD.'s core value.

## **II. Summary of 2024 business plan:**

### **(I) Management policy**

1. Actively contribute to the earth's green environment, human civilization, life safety and social responsibility.
2. Become a first-class enterprise in image product design/development/manufacturing and a world-famous front-end optical factory.
3. Strengthen the core values of innovation, quality, speed and customer satisfaction.
4. Provide excellent innovative/safe and comfortable working environment, strengthen excellent corporate culture and share operating results with employees.

### **(II) Expected sales quantity and its basis**

Not applicable, the company did not disclose its financial forecast for Year 2024.

### **(III) Important production, marketing and research policies**

1. Master the global industry trends and fluctuations, adjust the product structure according to the Company's strengths and skills, strengthen the advantages of glass-plastic hybrid lenses in KINKO OPTICAL CO., LTD./continuously develop far infrared thermal imaging lens products/produce products with high added value.
2. In combination with the Company's optical and mechanism design capabilities and the production advantages of glass, plastic, molded lenses and dies, we will develop lenses for the Internet of Things, lenses for Advanced Driver-Assistance Systems (ADAS), far-infrared thermal imaging lenses, sensing lenses, game consoles, 3D face recognition lenses, video conference lenses, security lenses for home safety and road monitoring, and lenses for biometric identification; optical products required for VR/AR/MR products, machine vision lenses, niche projector lenses, etc.
3. Continue to promote Taiwan Province's KINKO OPTICAL CO., LTD. production system, improve the proposal system, eliminate waste, reduce costs and enhance profits.
4. Continue to recruit and expand the operation and R&D departments, recruit talented people and improve the ability of personnel to solve problems, strengthen the ability of management, R&D and sales through continuous reflection and continuous improvement, and build the constitution of sustainable management.



5. Cooperate with international brand manufacturers to develop new products, create a win-win situation, strive for large orders with high added value and long life and continue to grow revenue.
6. Actively participate in foreign exhibitions to win new customer orders and improve the company's visibility.

### **III. Future company development strategy**

#### **(I) Short-term development plan**

Our company constantly innovates and develops new technologies and improves the manufacturing process, so as to improve the production yield, reduce the cost and enhance the market competitiveness. We expect to be at the forefront of product application in optical imaging products. The short-term business development plan is as follows:

1. Increase the proportion of orders for high value-added mixed lenses.
2. Actively participate in international exhibitions to strive for new business opportunities and enhance the company's visibility.
3. Adjust the product structure to produce products with high added value. Develop related lens products such as Internet of Things/vehicle-mounted/security monitoring/far infrared thermal imaging lens/projector/optical products required for VR/AR/MR products/3D biometric lens.
4. Design innovation and improvement from the design source, improve the yield and manufacturability, reduce the cost and increase the gross profit margin.
5. Deepen the cooperation between the three places, shorten the manufacturing process (including seasoning ~ manufacturing ~ shipment).
6. Accelerate automation and effective use of shared group resources.

#### **(II) Medium-and long-term planning objectives**

Developing new application products in the future and improving the market share of hybrid lenses are the primary goals of the company's future development.

1. Continue to develop new process technology/new product application to gather new customers.
2. Continue to apply for new invention/technology/new process patents to ensure intellectual property rights.
3. Deepen the development and cooperation with customers in Europe, America, Japan/Mainland/emerging markets and find strategic partners to jointly develop new products to ensure high added value markets.

### **IV. Influence of external competitive environment, regulatory environment and overall economic environment**

#### **(I) Influence on external competitive environment**

Kinko utilizes its experience in optical design, manufacturing, and processing in response to major companies in Europe, America, and Japan, the advantage of development experience in optical parts and various lenses, and the advantage of production capacity to satisfy customers' requirements. Meanwhile, Kinko has also won the customers' trust for its prompt response and stable quality.

Infrared thermal imager can accurately quantify or measure the detected heat, not only can observe the thermal image, but can also accurately identify and analyze the heating fault area. It can be mainly used in monitoring, vehicle-mounted, medical care, electric power, steel, chemical industry and environmental monitoring, with a wide range of applications, which also makes the shipment of thermal imaging lenses deeply cultivated in KINKO OPTICAL CO., LTD. for many years increase.

The number of lenses equipped on automobiles is increasing, from reversing to taking an image

in the early days, to the requirements of looking around system, lane deviation system, road condition identification in front, driver monitoring, cabin monitoring and replacing rearview mirrors. With the increasing demand for safety, automobile manufacturers gradually list lenses as standard equipment. In recent years, the rise of the electric vehicle market, car lens growth rate is high. KINKO OPTICAL CO., LTD. has cooperated with the international automotive electronic parts vehicle-mounted customers for many years and has rich product design and production experience. In addition, it has its own production line of glass, plastic, molded glass and molds and has all the design and manufacturing in-house. Its share in the vehicle-mounted market has begun to emerge and is gradually rising.

With the advent of the Internet of Everything and the rise of AI artificial intelligence, KINKO OPTICAL CO., LTD. has developed various IOT lenses, 3D sensing lenses and face recognition lenses according to the needs of major customers in Europe and America.

In the field of glass lenses and lenses, KINKO OPTICAL CO., LTD. is one of the few glass lens foundries in the world that can mass-produce high-quality lenses for monocular digital cameras. At the same time, there are also high-level security lenses, machine vision lenses, projector lenses, customized lenses, etc. and new models are constantly introduced.

In the future, we will continue to develop optical products with high performance and high added value, and at the same time choose materials and processes that meet the requirements of environmental protection, give back to society and customers with low cost and high quality and do our best for the global environment.

## (II) Influence of regulatory environment on the Company

With the division of trade without borders, countries have enacted laws and regulations that keep pace with the times. The Company has also grasped all laws and regulations related to its own operations and their changes in a timely and appropriate manner, assessed the risks faced by the Company as a whole according to the internal control system and adjusted its operations and implementation strategies in accordance with the laws and regulations.

## (III) Influence on overall economic environment

In 2023, under the influence of the continuous Russo-Ukrainian War, the Israel-Palestine conflict, and the US-China trade war, the needs of major customers have changed drastically. In this perilous environment, our company upholds a conscientious attitude, not only focusing on consolidating basic business and products, but also continuing to strengthen the management of production and marketing research, implement production innovation, continuously develop high-performance and high value-added products and actively develop new product markets.

It is expected that these business policies and plans can enhance the competitiveness of the company and let shareholders, customers and employees share the future business results. Finally, thank you again for your long-term support and trust, and wish you good health and all the best.

KINKO OPTICAL CO., LTD.

Chairperson: CHEN, CHING-CHI

Manager: CHEN, YI-FANG

Accountant in charge: HUANG, WAN-TING

## Chapter 2. Company Profile

I. Establishment date: June 19, 1980

II. Company History:

- 1980 -Established in Caonan Lane, Wuqi Township, Taichung County
- 1983 -Introduced into the field of production camera lens
- 1992 -Investment in China Foshan Huaguo Company
- 1995 -Entered the field of lens exchange with TAMRON
- 1996 -New factory in Wuqi Guanlian Industrial Zone Phase II
- 1997 -Developed the first 350,000 pixel CCD digital camera lens in Taiwan.
  - Over 500,000 sets of single model 35mm~70mm 2x Zoom lenses produced
- 1998 -Passed ISO9002 certification
  - Developed the first 30~60mm 2xZoom lens for APS cameras in Taiwan.
  - Developed 300dpi, 600dpi scanner lens
  - Developed 810,000 pixel CCD digital camera lens
  - Capital increase by cash of NT\$60 million, resulting in paid-in capital of NT\$110 million
- 1999 -Cooperated with Fuji (Japan) to produce DVD readhead optical lens
  - Developed 35~70mm 2 times Zoom lens by 6G1P 3G2P
  - The first domestic development completed 135 single focus short focal length Bf: 22.0 lens (3G, 1G2P)
  - Digital camera lens lenses are in mass production, and optical lenses such as scanners and bar coders are being actively developed.
  - Capital increase by cash of NT\$40 million, resulting in paid-in capital of NT\$150 million
- 2000 -First to develop a 2G2P350k pixel CMOS lens in Taiwan
  - Developed 3G2P28~56mm 2xZoom wide angle lens
  - Capital increase by cash of NT\$48 million, resulting in paid-in capital of NT\$198 million
- 2001 -New factory addition 3F
  - Securities and Futures Commission approves public offering of shares
  - Completion of new factory in Foshan, China
  - Developed 2G2P35~70mm, 32~56mm Zoom lens
  - Developed 28~70mm 2.4x Zoom lens
  - Completed development of 0.9' and 0.7' LCOS LCD projector lenses
  - The first 135 single-focus short-focus Bf: 19.5 lens developed in China
  - Capital increase by cash of NT\$54 million, resulting in paid-in capital of NT\$252 million
  - Introduced ITRI's optical coating element technology for LCD projector display systems
  - Developed and finished 0.88' rear projection TV lens
  - Capital increase by cash of NT\$54 million and capital increase of NT\$78 million from surplus, resulting in paid-in capital of NT\$330 million
- 2002 -Applied to OTC on April 10 for trading of Emerging Stock and listed on April 19
  - April 15 0.7" DLP zoom lens developed successfully
  - Capital increase of NT\$104 million from earnings, resulting in paid-in capital of NT\$443 million
  - Applied to OTC for listing on Dec. 30
- 2003 -In September, surplus increased capital by NT\$137.2 million, resulting in paid-in capital of NT\$571.2 million
  - In December, the conversion of overseas unsecured convertible bonds increased capital by NT\$11.11 million, resulting in a paid-in capital of NT\$582.31 million.
  - Completed development of 3 million pixel 1/2" CMOS lens

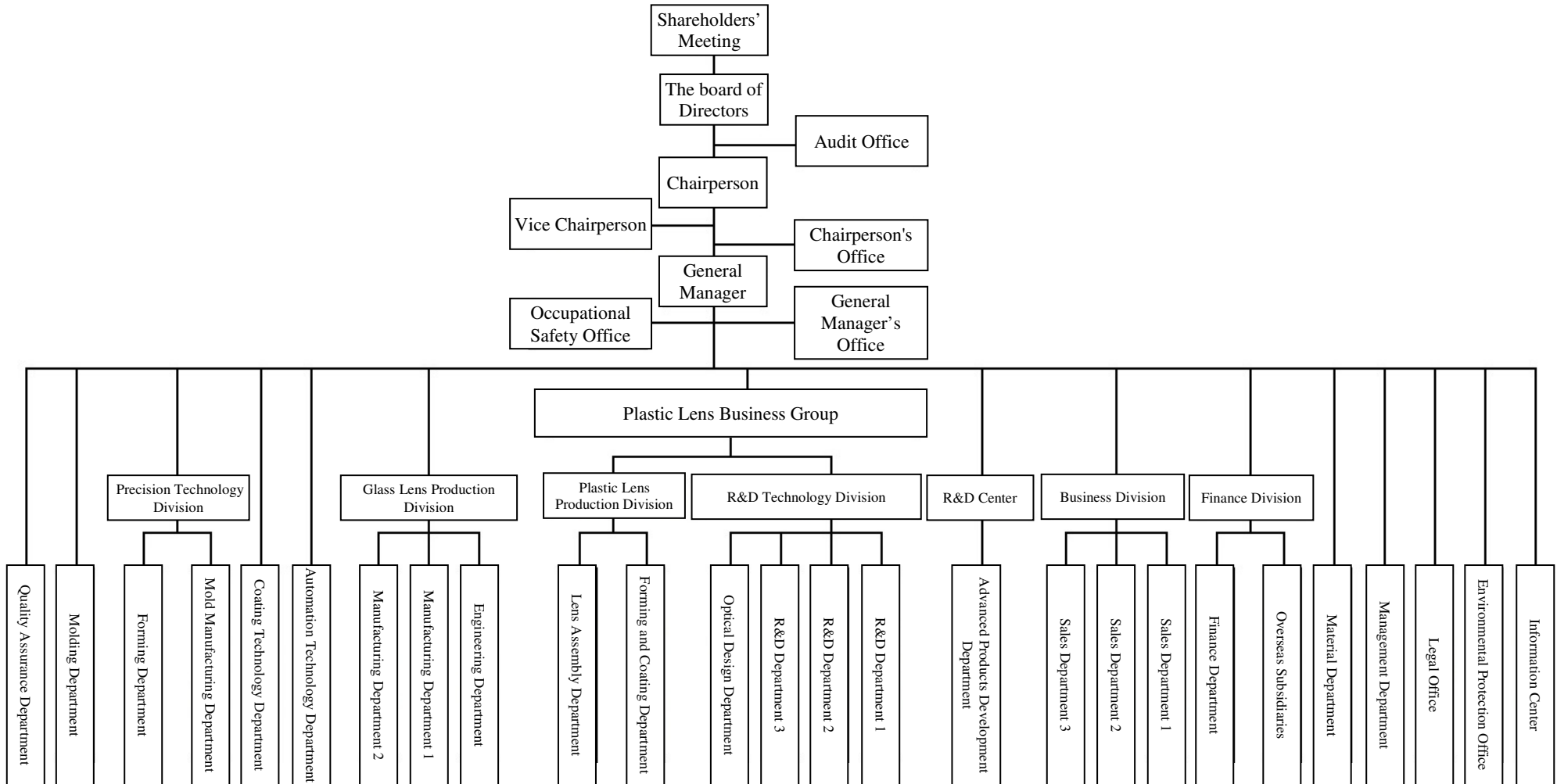
- Completed development of 3 million pixel 1/2.5" CCD module lens
- Completed development of 4 million pixel 1/2.5" CCD module lens
- Completed development of 0.7" DLP projector zoom lens
- Development of a 0.55" rear projection TV fixed focus lens
- Introduced Japanese technology and established a molding department
- 2004 -In May, the capital was increased by NT\$190.11 million from surplus to paid-in capital of NT\$776.81 million.
- Applied to the SEC in August to list shares for trading and listed on November 8
- 2005 -In September, surplus increased capital by NT\$256.86 million and overseas unsecured convertible bonds increased capital by NT\$31.28 million to NT\$1,064.95 million in paid-in capital
- Second issuance of overseas unsecured convertible bonds on December 22
- Completed development of 0.95" DLP rear projection video wall lens
- Completed development of 0.44" DLPL type rear-projection TV lens
- Completed development of 6 million pixels 1/2.5" CCDLENS(1G3P)
- Completed development of 5 million pixel 1/2.5" CCDLENS(2G2P)
- Completed development of 5 million pixels 1/2.5" CCDLENS(3MG3G)
- Completed development of 0.7" DLP fixed focus lens
- 2006 -Completed development of 2 million pixel 1/4" LENS (1G3P/3P)
- Completed development of 350,000 pixel 1/5" LENS (2P)
- Completed development of 600dpiA3 scanner lens
- 2007 -Completed development of 3 million pixel 1/3.2" LENS (1G3P)
- Completed development of X20CCTVZoomLens
- Capital surplus and employee stock bonus of NT\$22,060 thousand, paid-in capital of NT\$1,219,567 thousand
- Transferred NT\$1,000 thousand each to GOLDCORP Investment limited Co. and Jinqiang Investment Co.
- 2008 -Transferred to GOLDCORP INVESTMENT LIMITED Co. NT\$69,000 thousand
- Capital surplus and employee stock bonus of \$24,730 thousand, paid-in capital of NT\$1,244,297 thousand
- 2009 -New investment in Kinko optical Co., Ltd (Hong Kong) \$16,925 thousand
- New investment in Cheng Kuo Optical Hong Kong Limited NT\$16,602 thousand
- First domestic unsecured convertible bond issued on March 10
- Completed development of Endoscopy Lens, Relaylens, 3P2GIPCAMLens, MP3M/5M4PLens
- Completed development of NB2M3PLens, Mouselensx4, 3PIPCAMLens, DSC10Mlens
- Completed development of 5GProjectorLens, 3PNBLens, 2P optical touch lens
- 2010 -Capital increase by cash of NT\$180,000 thousand, resulting in a paid-in capital of NT\$1,641,277 thousand
- New investment in Kinko optical Co., Ltd (Hong Kong) NT\$80,466 thousand
- Canceled treasury stock of NT\$1,552 thousand and reduced paid-in capital to NT\$1,625,757 thousand
- Completed development of projector lighting lens, barcode lens, MPEDOF lens, micro projection lens set
- Developed MP4P8Mlens, DSC10Mlens, touch mouse lens, touch lens
- 2011 -5 million / 8 million pixel cell phone camera lens, home theater projector lens, 14 million pixel digital camera lens, pico projector lens, 2D barcode machine lens, car lens, surveillance lens, 185 ° ultra-wide angle lens
- Groundbreaking for Taichung Port Factory Building B
- 2012 -5 million / 8 million pixel cell phone camera lens, HD / FullHDNB video lens, large projector lens, remote monitoring lens, car lens, game machine lens
- Increase the monthly production capacity of plastic to 5 million pcs

- 2013 -Issuance of employee stock options approved by the FSC 1,000,000 shares
  - Opening of Taichung Port Factory Building B
  - Sony PS4 gaming console mirror mass production shipment
- 2014 -Established Precision Technology Division
- 2015 -Passed/obtained TIPS certification/certificate
- 2016 -Passed TS16949 certification/certificate
  - Opening of Taichung City R&D Technology Office
- 2017 -Completed development of 13-megapixel narrow-bezel front-facing camera for cell phones
  - Completed development of structured light lens
  - Completed development of fused optical zoom lens completed
  - 6P cell phone lens mass production
- 2018 -Completed development of 16/21 megapixel cell phone lens
  - Completed development of dual lens for cell phones
  - Completed development of 3D sensing lens completed
  - Completed development of the IOT Internet of Things application lens (smart home, robotics, AI and other new applications)
  - Completed development of wide angle lens for surveillance
  - Completed development of in-car wide-angle lens
  - Completed development of in-car surround lens
  - Completed development of high end projector lens
  - Disposal of 100% equity interest in Kinko Optical (Suzhou) Co., Ltd.
  - Employee stock warrants approved by the FSC 2,218,750 shares
- 2019 -Completed development of face recognition camera
  - Completed development of Sweeping robot lens
  - Completed development of sweeper robot lens
  - Completed development of AR/VR lens
  - Completed development of special inspection lens
  - Completed development of doorbell monitoring camera
  - Mass production introduction of in-vehicle lenses
  - Completion of liquidation of Jinjing Optical Technology Co. and Singapore Hua Guo Optical Co.
- 2020 -Passed IATF 16949 (in-vehicle lens) certification
  - Completed development of the new generation of game machine lens
  - Infrared lens mass production introduction
  - Application for the Ministry of Economic Affairs Research and Development Project has been approved
- 2021 -SA8000 corporate social responsibility institution imported
  - Mass production of in-car surround view mirrors and reversing camera lenses for European and American automotive electronics customers
  - Mass production of Camera,North America's intelligent audio and video secretary
  - North America IOT Smart Doorbell and Surveillance Camera products in mass production
- 2022 -Completed development of smart speaker lens
  - Completed development of conference video equipment lens
  - Completed development of PANCAKE LENS
  - Completed development of FRESNEL LENS
  - Passed SA8000 corporate social responsibility certification
- 2023 -Completed development of Lidar lens
  - Completed development of Vehicle-mounted infrared thermal imaging lens
  - Completed development of Doorbell surveillance camera lens
  - Completed development of Lenses for machine vision
  - Completed development of Vehicle-mounted panoramic lens
  - Passed ISO 45001 and ISO 14001 certification

# Chapter 3. Corporate Governance Report

## I. Organizational System: (i) Organizational structure:

### Organizational Chart of KINKO OPTICAL CO., LTD.



(II) The business of each major division:

Department	Businesses
Chairperson's Office	To plan and promote the control of the company's management plans and procedures. Performing duties under the order of the Chairperson. To assist the Chairman in coordinating the planning and implementation of various departments, systems and projects.
General Manager's Office	Under the orders of the general manager, the general manager performs duties and assists the general manager in coordinating the planning and implementation of various departments and systems or projects.
Audit Office	To prepare, execute, and report internal audit plans and track improvement issues.
Occupational Safety Office	<ol style="list-style-type: none"> <li>1. Develop and promote occupational safety and health management, and guide the implementation of the relevant departments.</li> <li>2. To perform the identification, statistical analysis and management of occupational hazards.</li> <li>3. Planning and handling health management, occupational disease prevention and health promotion.</li> <li>4. Establish occupational safety audit procedures and implement occupational safety and health audits to ensure effective operation and continuous improvement of all operating procedures.</li> </ol>
Environmental Protection Office	<ol style="list-style-type: none"> <li>1. Implementation and management of environmental management system.</li> <li>2. Identification and implementation of environmental protection laws and regulations.</li> <li>3. Operation and maintenance of environmental protection and prevention equipment.</li> </ol>
Legal Office	<ol style="list-style-type: none"> <li>1. Patent or other intellectual property rights investigation and application processing.</li> <li>2. Maintenance of intellectual property rights management system and patent reporting.</li> </ol>
Finance Division	<ol style="list-style-type: none"> <li>1. Integrated company finance, capital deployment, budget analysis and reporting, as well as accounting, cost and tax matters.</li> <li>2. Investment management of overseas subsidiaries.</li> </ol>
Information Center	Compilation of various operating systems, system procedures and operation manuals, updating, maintenance and archiving of system programs, and maintenance of the security, cleanliness and normal functions of various machines in the server room.
Management Department	In charge of personnel, correspondence, paperwork, general affairs, transportation, security, asset management, employee welfare, labor safety and health management, and emergency crisis management.
Business Division	<p>Department 1 and Department 2: Non-mobile phone lenses in Europe, America, Japan and Taiwan</p> <p>Department 3: lenses for cell phones in China and Taiwan</p> <p>Handle market research, product marketing, promotion, collection and after-sales service.</p>
Material Department	<ol style="list-style-type: none"> <li>1. Responsible for domestic and foreign raw materials, materials and parts inquiry, procurement, import clearance and customs declaration, factory equipment and accessories, hardware, tools, electrical parts and equipment, finished parts, etc. inquiry, procurement, inspection, inventory, issuance and registration management of tools, fixtures, molds, consumable (general) materials.</li> <li>2. Based on the company's business plan, market sales forecast, business orders and factory production capacity, formulate standard working hours, various production plans and coordinate production matters,</li> </ol>

Department	Businesses
	prepare production schedules for production units and manufacturing process schedules for each unit to follow, and track, check and coordinate production progress.
R&D Technology Division	<p>Department 1, Department 2 and Optical Design: Responsible for the research and development of new products, improvement of product functions, collection, establishment and management of technical data and technical support to the manufacturing department.</p> <p>Department 3:</p> <ol style="list-style-type: none"> <li>1. Conduct technical review with customers on optical design/ mechanism design/ manufacturing process.</li> <li>2. Project scheduling and management - including overall schedule and detailed development schedule.</li> <li>3. External project meeting chairing - including customer visit audit response and regular/unscheduled con-call</li> <li>4. Internal project coordination meetings - resource allocation and issue resolution for each department, etc.</li> </ol>
Glass Lens Production Division	Production of all kinds of optical lenses.
Quality Assurance Department	Product quality assurance and management, implementation of incoming materials, production and finished product quality inspection.
Precision Technology Division	Precision mold design and development, black parts production.
Molding Department	Production and manufacturing of molded glass lenses according to production plans, mold processing, and development of all molded glass lens related production technologies.
Plastic Lens Production Division	Production of various types of optical components and lenses.
Coating Technology Department	Introduction of new technologies: introduction of new processes and equipment.
Automation Technology Division	Assist each project to introduce automation, reduce production variation caused by personnel problems; collect and consolidate technical data, improve efficiency/reduce defect rate/stable quality and develop and self-produce automation equipment and integration of machinery and electricity.
R&D Center	<ol style="list-style-type: none"> <li>1. Advanced product planning and execution according to the technology trend.</li> <li>2. Responsible for advanced product research, design and development, and related technical data collection.</li> </ol>



## II. Directors, Supervisors, General Manager, Vice General Manager, Senior Managers, and Heads of Departments and Branches:

### (I) Directors and Supervisors

April 22, 2024

Title	Nationality or place of incorporation	Name	Gender Age	Date of election (inauguration)	Term of office	Date of first election	Shareholding while elected		Current shareholding		Spouse and minor children now hold shares		Using others' names to hold shares		Major Experience (Education)	Current position(s) in the Company and other companies	Other officers, directors or supervisors who are spouses or relatives within two degrees		
							Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio			Title	Name	Relationships
Chairperson	Republic of China	CHEN,CHING-CHI	Male Age 66-75	2022.6.17	3 years	2001.5.15	8,623,385	4.95	8,623,385	4.95	4,764,408	2.73	0	0	Senior Engineer, Taichung Chairperson of KINKO OPTICAL INDUSTRY CO., LTD.	Chairperson of Foshan Huaguo Optical Equipment CO., LTD. Chairperson of Kinko optical Co., Ltd (Hong Kong)	Director Director Director	CHEN,YI-FANG CHEN,CHIN-FU CHEN,CHIN-MING	Father and Son Brother Nephew
Vice Chairperson	Republic of China	CHEN,YI-FANG	Male 36-45 years old	2022.6.17	3 years	2007.6.15	903,694	0.52	1,312,094	0.75	0	0	0	0	M.S., Feng Chia University	Head of Optical R&D Center, KINKO OPTICAL INDUSTRY CO., LTD. Director of Lianyi Optoelectronics Co.,Ltd.	Chairpers on Director Director	CHEN,CHING-CHI CHEN,CHIN-FU CHEN,CHIN-MING	Father and Son Nephew Cousins
Director	Republic of China	CHEN,CHIN-FU	Male Age 66-75	2022.6.17	3 years	2001.5.15	7,011,098	4.02	7,011,098	4.02	1,318,653	0.76	0	0	Feng Chia University	Chairperson of Foshan Huaguo Optical Equipment Co.Ltd.	Chairpers on Director Director	CHEN,CHING-CHI CHEN,YI-FANG CHEN,CHIN-MING	Brother Nephew Nephew
Director	Republic of China	CHEN,CHIN-MING	Male 46-55 years old	2022.6.17	3 years	2006.6.15	1,046,829	0.60	1,062,829	0.61	0	0	0	0	Nanya Institute of Technology	None	Chairpers on Director Director	CHEN,CHING-CHI CHEN,CHIN-FU CHEN,YI-FANG	Nephew Nephew Cousins
Director	Republic of China	WANG,CHI-CHU	Male 56-65 years old	2022.6.17	3 years	2006.6.15	2,258,991	1.30	2,299,991	1.32	255,627	0.15	0	0	National Dajia Industrial Senior High School	Supervisor of Yami Technology Co.,Ltd. Head of Crafty Design Consulting Co.	None	None	None
Director	Republic of China	CHANG,CHUN-MEI	female 56-65 years old	2022.6.17	3 years	2010.6.18	90,348	0.05	195,760	0.11	118,714	0.07	0	0	Qiang Shu High School Qiucheng Shoes Industry Finance Associate Manager	None	None	None	None
Independent director	Republic of China	CHEN,WEN-HUNG	Male Age 66-75	2022.6.17	3 years	2002.6.21	63,581	0.04	63,581	0.04	0	0	0	0	Qing Shui High School Manager of Qiafa Enterprises	None	None	None	None
Independent director	Republic of China	YU,HUEY-MIN	Male 56-65 years old	2022.6.17	3 years	2006.6.15	210	0	210	0	0	0	0	0	M.S., I-Shou University Supervisor of Lianyi Optoelectronics Co.,Ltd. Supervisor of Lianli Investment Co.,Ltd.	Chairperson of Taiwan Riyan Seiko Co.,Ltd. Supervisor of Liaohong Investment Co.,Ltd.	None	None	None
Independent director	Republic of China	CHEN,YU-HO	Male 65-75 years old	2022.6.17	3 years	2018.6.26	255,355	0.15	250,355	0.14	0	0	0	0	Ta Hwa University of Science and Technology	General Manager of Foshan Purihua Technology Co.,Ltd. Honorary General Manager of Foshan Chancheng District Taiwanese Business Association Independent Director of SunPower Energy Technology Co.	None	None	None
Independent director	Republic of China	LU,HUEY-MIN	Male 65-75 years old	2023.6.16	3 years	2006.6.8	0	0	0	0	0	0	0	0	Master of Accounting Institute of Soochow University	Director of Lu Hui-Min Accounting Firm Independent Director of Taiwan Digital Optical Co.,LTD Independent Director of Asia Optical Co., Ltd. Independent Director of Ever Supreme Bio Technology Co.,Ltd.	None	None	None

Note: In order to implement corporate governance; one additional independent director is expected in 2023 to implement corporate governance.

(2) Major shareholders of corporate shareholders

April 22, 2024

Name of corporate shareholder	Major shareholders of corporate shareholders
None	None

(III) The major shareholder of the company is a legal entity.

April 22, 2024

Legal Name	Major shareholders of legal entities
None	None

(IV) Information on directors and supervisors:

I. Disclosure of professional qualifications of directors and supervisors and independence of independent directors:

Conditions Name	Professional qualifications and experience	Independence situation	Chairperson of other public companies with independent directors
Chairperson CHEN, CHING-CHI	He is currently the chairperson of the company. He has the work experience required for business, finance and company business. He has been committed to the professional manufacturing of optical components and optical lenses for 40 years. Under the consistent concept of staying in Taiwan and looking at the world, he leads the company to move towards sustainable operation, and there is no Article 30 of the Company Law.	<p>(1) A director, supervisor or employee of another company that is not controlled by the same person as the Company's directorships or more than half of the voting shares.</p> <p>(2) A director, supervisor, or employee of another company or organization who is not the same person or spouse of the chairperson, the general manager, or the equivalent of the chairman of the board of directors of the Company.</p> <p>(3) Not a director (director), supervisor (supervisor), manager, or shareholder holding 5% or more of the shares of a specific company or organization with which the Company has financial or business dealings.</p> <p>(4) Professionals, sole proprietors, partners, directors (directors), supervisors (supervisors), managers and their spouses who do not provide business, legal, financial or accounting related services for the Company or its affiliates, or who have received compensation in the last two years.</p> <p>(5) Not elected by or on behalf of the government or a legal entity as provided for in Article 27 of the Company Act.</p>	None
Vice Chairperson CHEN, YI-FANG	Graduated from Feng Chia University with a master's degree, he is currently an senior manager of the optical design department of the Company and a director of Lianyi Optical Industry. He has working experience in business, finance, accounting or corporate business, and provides professional advice on research and development and sales of the Company, and is not subject to the provisions of Article 30 of the Company Act.	<p>(1) Not a director, supervisor or employee of a corporate shareholder who directly holds more than 5% of the total issued shares of the Company, holds the top five shares or designates a representative as a director or supervisor of the Company in accordance with Article 27, Paragraph 1 or 2 of the Company Act.</p> <p>(2) A director, supervisor or employee of another company that is not controlled by the same person as the Company's directorships or more than half of the shares with voting rights.</p> <p>(3) Not a natural person shareholder who holds more than 1% of the total issued shares of the Company or the top ten shares in the name of himself/herself, his/her spouse, minor children or others.</p> <p>(4) Not a director (director), supervisor (supervisor) or employee of another company or organization who is the same person or spouse of the chairperson, general manager or equivalent of the Company.</p> <p>(5) Not a director, supervisor, manager or shareholder holding more than 5% of the shares of a specific company or organization with which the Company has financial or business dealings.</p> <p>(6) Professionals, sole proprietors, partners, directors (directors), supervisors (supervisors), managers and their spouses who do not provide business, legal, financial or accounting related services for the Company or its affiliates, or who have received compensation in the last two years.</p> <p>(7) There is no Article 27 of the Company Act that provides for the election of the government, legal entities or their representatives.</p>	None

Conditions Name	Professional qualifications and experience	Independence situation	Chairperson of other public companies with independent directors
Director CHEN,CHIN-FU	Graduated from Feng Chia University and currently serves as a director of Foshan Hua Guo Optical Equipment Co.,Ltd, he has working experience in business, law, finance, accounting or corporate business and does not have any experience under Article 30 of the Company Act.	<ul style="list-style-type: none"> <li>(1) Not an employee of the Company or its affiliates.</li> <li>(2) A director, supervisor or employee of another company that is not controlled by the same person as the Company's directorships or more than half of the shares with voting rights.</li> <li>(3) A director (director), supervisor (supervisor), or employee of another company or organization who is not the same person or spouse of the chairperson, general manager, or equivalent of the chairperson of the board of directors of the Company.</li> <li>(4) Not a director, supervisor, manager or shareholder holding more than 5% of the shares of a specific company or organization with which the Company has financial or business dealings.</li> <li>(5) Professionals, sole proprietors, partners, directors (directors), supervisors (supervisors), managers and their spouses who do not provide business, legal, financial or accounting related services for the Company or its affiliates, or who have received compensation in the last two years.</li> <li>(6) There is no Article 27 of the Company Act that stipulates the election of the government, legal entity or its representative.</li> </ul>	None
Director CHEN,CHIN-MING	Graduated from South Asia Institute of Technology with working experience in business, law, finance, accounting, or corporate business, and without any of the circumstances described in Article 30 of the Company Act.	<ul style="list-style-type: none"> <li>(1) Not an employee of the Company or its affiliates.</li> <li>(2) Not a director or supervisor of the Company or its affiliates.</li> <li>(3) Not a natural person shareholder who holds more than 1% of the total issued shares of the Company or the top ten shares in the name of himself/herself, his/her spouse, minor children or others.</li> <li>(4) A director, supervisor or employee of a corporate shareholder who does not directly hold more than 5% of the total number of issued shares of the Company, or who is among the top five holders of shares, or who has designated a representative to be a director or supervisor of the Company pursuant to Article 27, Paragraph 1 or 2 of the Company Act.</li> <li>(5) A director, supervisor or employee of another company that is not controlled by the same person as the Company's directorship or more than half of the voting shares.</li> <li>(6) A director (director), supervisor (supervisor), or employee of another company or organization who is not the same person or spouse of the chairperson, the general manager, or equivalent of the Company.</li> <li>(7) Not a director, supervisor, manager or shareholder holding more than 5% of the shares of a specific company or organization with which the Company has financial or business dealings.</li> <li>(8) Professionals, sole proprietors, partners, directors (directors), supervisors (supervisors), managers and their spouses who do not provide business, legal, financial or accounting related services for the Company or its affiliates, or who have received compensation in the last two years.</li> <li>(9) No spouse or relative within two degrees of consanguinity with other directors.</li> <li>(10) Not elected by or on behalf of the government or a corporation as provided in Article 27 of the Company Act.</li> </ul>	None

Conditions Name	Professional qualifications and experience	Independence situation	Chairperson of other public companies with independent directors
Director WANG,CHI-CHU	Currently, he is also a director of JD Optoelectronics Co., Ltd, a supervisor of Yami Technology Co.,Ltd, and the person in charge of Crafty Design Consulting Co., Ltd. He has working experience in business, law, finance, accounting or corporate business and does not have any experience under Article 30 of the Company Act.	<ul style="list-style-type: none"> <li>(1) Not an employee of the Company or its affiliates.</li> <li>(2) Not a natural person shareholder who holds more than 1% of the total issued shares of the Company or the top ten shares in the name of himself/herself, his/her spouse, minor children or others.</li> <li>(3) Not a manager listed in (1) or a spouse, a relative within the second degree of consanguinity or a relative within the third degree of consanguinity of a person listed in (2) or (3).</li> <li>(4) A director, supervisor or employee of a corporate shareholder who does not directly hold more than 5% of the total number of issued shares of the Company, or who is among the top five holders of shares, or who has designated a representative to be a director or supervisor of the Company pursuant to Article 27, Paragraph 1 or 2 of the Company Act.</li> <li>(5) A director, supervisor or employee of another company that is not controlled by the same person as the Company's directorship or more than half of the voting shares.</li> <li>(6) A director (director), supervisor (supervisor), or employee of another company or organization who is not the same person or spouse of the chairperson, the general manager, or equivalent of the Company.</li> <li>(7) Not a director, supervisor, manager or shareholder holding more than 5% of the shares of a specific company or organization with which the Company has financial or business dealings.</li> <li>(8) Professionals, sole proprietors, partners, directors (directors), supervisors (supervisors), managers and their spouses who do not provide business, legal, financial or accounting related services for the Company or its affiliates, or who have received compensation in the last two years.</li> <li>(9) No spouse or relative within two degrees of consanguinity with other directors.</li> <li>(10) Not elected by or on behalf of the government or a corporation as provided in Article 27 of the Company Act.</li> </ul>	None

Conditions Name	Professional qualifications and experience	Independence situation	Chairperson of other public companies with independent directors
Director CHANG,CHUN-MEI	Previously, she served as an associate financial manager of Qiucheng Shoes Industry, specializing in corporate finance and accounting matters. She has working experience in business, finance, accounting or corporate business and does not have any experience under Article 30 of the Company Act.	(1) Not an employee of the Company or its affiliates. (2) Not a director or supervisor of the Company or its affiliates. (3) Not a natural person shareholder who holds more than 1% of the total issued shares of the Company or the top ten shares in the name of himself/herself, his/her spouse, minor children or others. (4) A director, supervisor or employee of a corporate shareholder who does not directly hold more than 5% of the total number of issued shares of the Company, or who is among the top five holders of shares, or who has designated a representative to be a director or supervisor of the Company pursuant to Article 27, Paragraph 1 or 2 of the Company Act. (5) A director, supervisor or employee of another company that is not controlled by the same person as the Company's directorship or more than half of the voting shares. (6) A director (director), supervisor (supervisor), or employee of another company or organization who is not the same person or spouse of the chairperson, the general manager, or equivalent of the Company. (7) Not a director, supervisor, manager or shareholder holding more than 5% of the shares of a specific company or organization with which the Company has financial or business dealings. (8) Professionals, sole proprietors, partners, directors (directors), supervisors (supervisors), managers and their spouses who do not provide business, legal, financial or accounting related services for the Company or its affiliates, or who have received compensation in the last two years. (9) No spouse or relative within two degrees of consanguinity with other directors. (10) Not elected by or on behalf of the government or a corporation as provided in Article 27 of the Company Act.	None
Independent director CHEN,WEN-HUNG	He is the convener of the Compensation Committee of the Company and was the manager of Qia Fa Enterprise Co.,Ltd. He has working experience in business, law, finance, accounting or corporate business, and does not have any experience under Article 30 of the Company Act.	(1) Not an employee of the Company or its affiliates. (2) Not a director or supervisor of the Company or its affiliates. (3) Not a natural person shareholder who holds more than 1% of the total issued shares of the Company or the top ten shares in the name of himself/herself, his/her spouse, minor children or others. (4) Not a manager listed in (1) or a spouse, a relative within the second degree of consanguinity or a relative within the third degree of consanguinity of a person listed in (2) or (3).	None

Conditions Name	Professional qualifications and experience	Independence situation	Chairperson of other public companies with independent directors
Independent director YU,HUEY-MIN	Graduated from Yishou University with a master's degree, he was the supervisor of Lianyi Optoelectronics Co.,Ltd. and the supervisor of Lianli Investment Co.,Ltd. Currently, he is also the chairperson of the board of directors of Taiwan Riyan Seiko Co.,Ltd, and the supervisor of Lianhong Investment Co.,Ltd and JD Optoelectronics Co.,Ltd. He has working experience in business, finance, accounting and corporate business, and does not have any working experience under Article 30 of the Company Act.	(5) A director, supervisor or employee of a corporate shareholder who does not directly hold more than 5% of the total number of issued shares of the Company, hold the top five shares, or designate a representative as a director or supervisor of the Company in accordance with Article 27(1) or (2) of the Company Act. (6) Not a director, supervisor, or employee of another company controlled by the same person as the Company in terms of directorship or more than half of the voting shares of the Company. (7) A director, supervisor, or employee of another company or organization who is not the same person or spouse of the chairperson, general manager, or equivalent of the Company. (8) Not a director, supervisor, manager or shareholder holding more than 5% of the shares of a specific company or organization with which the Company has financial or business dealings. (9) Professionals, sole proprietors, partners, directors (directors), supervisors (supervisors), managers and their spouses who do not provide business, legal, financial or accounting related services for the Company or its affiliates, or who have received compensation in the last two years.	None
Independent director CHEN,YU-HO	Graduated from Dahua University of Science and Technology, he served as the general manager of Foshan Purihua Technology Co.,Ltd, the honorary general manager of Foshan Chancheng District Taiwanese Businessmen's Association, and the independent director of Solar Energy Technology (Stock) Co.,Ltd. He has working experience in business, finance, accounting and corporate business, and has no experience under Article 30 of the Company Act.	(10) No spouse or relative within two degrees of consanguinity with other directors. (11) There is no Article 27 of the Company Act that stipulates the election of the government, legal entity or its representative.	None
Independent director LU,HUEY-MIN	Graduated from Yishou University with a master's degree, he is the Director of Lu HuiMin Accounting Firm, and independent Director of Taiwan Digital Optical Co.,LTD, and independent Director of Asia Optical Co., Ltd., and independent Director of Ever Supreme Bio Technology Co.,Ltd. He has working experience in business, finance, accounting and corporate business, and has no experience under Article 30 of the Company Act.		3

## II. Diversity and Independence of the Board of Directors:

Article 20(3) of the “Code of Corporate Governance Practices”: The composition of the board of directors should emphasize gender equality and generally possess the knowledge, skills and qualities necessary to perform its duties. In order to achieve the desired goal of corporate governance, the board of directors as a whole should possess the following capabilities: I. Ability to exercise operational judgment. II. Accounting and financial analysis ability. III. Business management ability. IV. Crisis management ability. V. Knowledge of the industry. VI. An international market perspective. VII. Leadership ability. VIII. Decision-making ability.

Diversified core programs Name of director	Gender	Operating judgment	Accounting and financial analysis	Business management	Crisis management	Knowledge of the industry.	An international market perspective	Leadership ability.	Decision-making ability.
CHEN, CHING-CHI	Male	✓	✓	✓	✓	✓	✓	✓	✓
CHEN, YI-FANG	Male	✓	✓	✓	✓	✓	✓	✓	✓
CHEN, CHIN-FU	Male	✓	-	✓	-	✓	✓	-	✓
CHEN, CHIN-MING	Male	✓	-	✓	-	✓	-	-	✓
WANG, CHI-CHU	Male	✓	-	✓	-	✓	✓	-	✓
CHANG, CHUN-MEI	Female	✓	✓	-	-	✓	-	-	✓
CHEN, WEN-HUNG	Male	✓	✓	✓	✓	✓	✓	✓	✓
YU, HUEY-MIN	Male	✓	✓	✓	✓	✓	✓	✓	✓
CHEN, YU-HO	Male	✓	✓	✓	✓	✓	✓	✓	✓
LU, HUEY-MIN	Male	✓	✓	✓	✓	✓	✓	✓	✓

The current Board of Directors consists of 10 directors, including 4 independent directors and 1 female director, with extensive experience and expertise in the fields of finance, business, and management, and the following table shows the implementation of the Diversity Core Program.

The Company has 10% of directors who are employees, 40% of independent directors, and 10% of female directors.

2 of the 4 independent directors have more than 7 years of service, and 5 of the 10 directors are aged 66 to 75, 3 are aged 56 to 65, and 2 are under 55.

The composition of the Company’s Board of Directors places emphasis on gender equality. It is expected that the 16th Board of Directors will add one independent director and give priority to women in order to achieve the goal.



## (V) General Manager, Vice General Manager, Senior Managers, Heads of Departments and Branches:

April 18, 2023

Title	Nationality	Name	Gender	Date of election (inauguration)	Shareholding		Shares held by spouse, minor children		Using others' names to hold shares		Major Experience (Education)	Current position(s) in the other companies	A manager who is related to a spouse or consanguineous within two degrees			Remarks
					Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio			Title	Name	Relationships	
General Manager&R&D Center Supervisor	Republic of China	CHEN,YI-FANG	Male	2021.01.01	1,312,094	0.75	0	0	0	0	M.S., Feng Chia University KINKO OPTICAL CO., LTD. Optical Design Senior Manager	Supervisor of Lianyi Optoelectronics Co.,Ltd	None	None	None	None
Vice General Manager of R&D Technology Division	Republic of China	CHANG, KU-YUAN	Male	2014.04.11	0	0	0	0	0	0	National United Business College Manager of R&D Technology Department, Advanced Optoelectronics Co.,Ltd.	None	None	None	None	None
Vice General Manager of Sales Division	Republic of China	LAI, YING-FANG	Male	2014.04.11	0	0	0	0	0	0	National Shizuoka University, Japan Commissioner of Lingsen Precision Sales Department	None	None	None	None	None
Special Assistant to the Chairperson	Republic of China	LIN, PING-LIN	Male	2008.07.01	0	0	0	0	0	0	Master of Business, Chung Yuan University Special Assistant to Excel Cell Electronic Co., Ltd's staff auditors Manager, Capital Markets Department, Ace Diversified Capital Co., Ltd.	None	None	None	None	None
Special Assistant to the Chairperson	Republic of China	LI, WEI-CHUNG	Male	2011.10.03	0	0	0	0	0	0	Ph.D. Program, Institute of Electrical Engineering, National Cheng Kung University Engineer, Industrial Technology Research Institute	None	None	None	None	None
Precision Technology Division Assistant Manager	Republic of China	HSU, CHIH-CHIN	Male	2021.06.01	0	0	0	0	0	0	National Kaohsiung University of Science and Technology KINKO OPTICAL Precision Technology Manager	None	None	None	None	None
Glass Lens Production Division Senior Manager	Republic of China	CHUANG,CHENG-CHANG	Male	2022.07.01	0	0	0	0	0	0	National Shalu Industrial High School KINKO OPTICAL Glass Technology Association Manager	None	None	None	None	None
Quality Production Division Senior Manager	Republic of China	CHANG,MING-WEI	Male	2023.07.01	0	0	0	0	0	0	Ph.D. Program, Institute of Electrical Engineering, Yuanzhi University Assistant Professor, Department of Electrical Engineering, Yuanzhi University	None	None	None	None	None
Forming and Coating Division Senior Manager	Republic of China	JIAN,HUEY-MIN	Male	2023.07.01	0	0	0	0	0	0	M.S of mechanical National Taiwan University Associate Director of Newmax Co., Ltd.	None	None	None	None	None
Associate Manager of Finance Department	Republic of China	HUANG, WAN-TING	Female	2022.04.27	200	0	0	0	0	0	Department of Accounting, Tunghai University Associate Director of Audit Department of KPMG	None	None	None	None	None

### III. Remuneration for directors, supervisors, general manager and vice general manager for the most recent year

#### (I) Remuneration of directors (including independent directors)

December 31, 2023 Unit: NTD thousand; %

Title	Name	Directors' remuneration								A, B, C and D and their proportion to net income after tax		Part-time employees receive related remuneration								A, B, C, D, E, F and G, and their proportion to net income after tax		Receive remuneration from businesses other than subsidiaries or parent companies																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																												
		Compensation (A)		Retirement pension(B)		Directors' remuneration (C))		Business execution expenses (D)				Salaries, bonuses and special expenses (E)		Retirement pension(F)		Employee compensation (G)																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company		All companies in the financial statements		The Company	All companies in the financial statements																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																													

## (II) Remuneration for General Manager and Deputy General Manager

December 31, 2023 Unit: NTD thousand; %

Title	Name	Salary(A)		Retirement pension(B)		Salaries, bonuses and special expenses (C)		Employee compensation amount (D)				A, B, C and D and their proportion to net income after tax		Receive remuneration from businesses other than subsidiaries or parent companies
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company		All companies in the financial statements		The Company	All companies in the financial statements	
								Cash amount	Stock amount	Cash amount	Stock amount			
General Manager (Note 2)	CHEN,CHING-CHI	3,520	3,520	0	0	0	0	0	0	0	0	3,520 (7.07)%	3,520 (7.07)%	None
General Manager (Note 3)	CHEN, YI-FANG	2,983	2,983	0	0	0	0	0	0	0	0	2,983 (5.99)%	2,983 (5.99)%	None
Vice General Manager	CHANG, KU-YUAN	2,314	2,314	0	0	0	0	0	0	0	0	2,314 (4.65)%	2,314 (4.65)%	None
Vice General Manager	LAI, YING-FANG	1,537	1,537	0	0	0	0	0	0	0	0	1,537 (3.09)%	1,537 (3.09)%	None

Note 1: The compensation of the general manager and vice general manager is based on the salary standard of the company's employees; the compensation of employees cannot be estimated individually for 2023.

Note 2: The period is 1/1~8/9.

Note 3: The period is 8/9~12/31.

(III) Remuneration of the top five highest paid executives :

Title	Name	Salary(A)		Retirement pension(B)		Salaries, bonuses and special expenses (C)		Employee compensation amount (D)				A, B, C and D and their proportion to net income after tax		Receive remuneration from businesses other than subsidiaries or parent companies
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company		All companies in the financial statements		The Company	All companies in the financial statements	
								Cash amount	Stock amount	Cash amount	Stock amount			
General Manager (Note 1)	CHEN,CHING-CHI	3,520	3,520	0	0	0	0	0	0	0	0	3,520 (7.07)%	3,520 (7.07)%	None
General Manager (Note 2)	CHEN, YI-FANG	2,983	2,983	0	0	0	0	0	0	0	0	2,983 (5.99)%	2,983 (5.99)%	None
Vice General Manager of R&D Technology Division	CHANG, KU-YUAN	2,314	2,314	0	0	0	0	0	0	0	0	2,314 (4.65)%	2,314 (4.65)%	None
Vice General Manager of Sales Division	LAI, YING-FANG	1,537	1,537	0	0	0	0	0	0	0	0	1,537 (3.09)%	1,537 (3.09)%	None
Precision Technology Division Assistant Manager	HSU, CHIH-CHIN	1,382	1,382	0	0	0	0	0	0	0	0	1,382 (2.78)%	1,382 (2.78)%	None
Special Assistant to the Chairperson	LI, WEI-CHUNG	1,362	1,362	0	0	0	0	0	0	0	0	1,537 (2.74)%	1,537 (2.74)%	None

Note 1: The period is 1/1~8/9.

Note 2: The period is 8/9~12/31.

(IV) The name of the manager who distributes employees' remuneration and the circumstances of distribution

December 31, 2023 Unit: NTD thousand

	Title	Name	Stock amount	Cash amount	Total	Total to net income after tax (%)
Manager	General Manager	CHEN, CHING-CHI	0	0	0	0%
	General Manager	CHEN, YI-FANG				
	Vice General Manager	CHANG, KU-YUAN				
	Vice General Manager	LAI, YING-FANG				
	Senior Manager	LIN, PING-LIN				
	Senior Manager	LI, WEI-CHUNG				
	Senior Manager	HSU, CHIH-CHIN				
	Senior Manager	CHUANG, CHENG-CHANG				
	Senior Manager	CHANG, MING-WEI				
	Senior Manager	JIAN, HUEY-MIN				
	Finance Division and Accounting Supervisor	HUANG, WAN-TING				

- (V) An analysis of the total compensation paid to the Company's directors, supervisors, general manager and vice general manager as a percentage of net income after tax for the most recent two years, and an explanation of the policy, criteria and composition of compensation payments, the process of setting compensation, and the relevance to operating performance and future risks, for the Company and all consolidated companies, respectively:

1. Analysis of the ratio of total remuneration to net income (loss) after tax paid to directors, supervisors and general manager of the Company for the last two years:

	Total remuneration as a percentage of net income (loss) after tax %				Increase (decrease) ratio %	
	Year 2023		Year 2022		The Company	Consolidation of all companies
	The Company	Consolidation of all companies	The Company	Consolidation of all companies		
Director	(14.82)	(14.82)	13.14	13.14	(213)%	(213)%
Supervisor	-	-	0.45	0.45	(100)%	(100)%
General Manager and Vice General Manager	(20.80)	(20.80)	10.4	10.4	(300)%	(300)%

2. The compensation of the directors and supervisors of the Company is the remuneration of the directors and supervisors for the distribution of business execution expenses and earnings, and the business execution expenses are paid according to the number of attendance; the remuneration of the general manager and vice general manager of the Company includes salary, bonuses, etc., which are based on the positions and responsibilities they hold. Responsibilities and the salary standard of the company's managers are paid, and are reviewed by the Salary Compensation Committee and approved by the resolution of the board of directors.
3. Article 30 of the Company's "Articles of Incorporation" stipulates that if the Company makes a profit in a year, not less than (including) 10% shall be set aside as remuneration for employees and not more than (including) 2.5% shall be set aside as remuneration for directors and supervisors, and the Board of Directors shall resolve on a motion for distribution and submit it to the shareholders' meeting. However, if the Company still has accumulated losses, it should retain the indemnification amount in advance.
4. In 2023, due to the change in net profit (loss) after tax from profit to loss and the addition of a vice general manager, total remuneration as a percentage of net income (loss) after tax is lower than the previous year.

#### IV. Corporate governance operation situation

##### (I) Operation of the Board of Directors:

The Board of Directors met 6 times in 2023 and the attendance of the directors was as follows:

Title	Name	Actual number of seats (column)	Number of attendance by Proxy	Actual attendance rate (%)	Remarks
Chairperson	CHEN,CHING-CHI	5	0	100	
Director	CHEN,YI-FANG	5	0	100	
Director	CHEN,CHIN-MING	5	0	100	
Director	WANG,CHI-CHU	5	0	100	
Director	CHEN,CHIN-FU	5	0	100	
Director	CHANG,CHUN-MEI	5	0	100	
Independent director	CHEN,WEN-HUNG	5	0	100	
Independent director	YU,HUEY-MIN	5	0	100	
Independent director	CHEN,YU-HO	5	0	100	
Independent director	LU,HUEY-MIN	5	0	100	2023.6.16 New appointment

The Board of Directors met 5 times in 2023 and ten directors attended the meetings as follows:

Director	Name	2023/01/13	2023/03/23	2023/05/04	2023/08/09	2023/11/09	Number of actual attendance
Chairperson	CHEN,CHING-CHI	✓	✓	✓	✓	✓	5
Director	CHEN,YI-FANG	✓	✓	✓	✓	✓	5
Director	CHEN,CHIN-MING	✓	✓	✓	✓	✓	5
Director	WANG,CHI-CHU	✓	✓	✓	✓	✓	5
Director	CHEN,CHIN-FU	✓	✓	✓	✓	✓	5
Director	CHANG,CHUN-MEI	✓	✓	✓	✓	✓	5
Independent director	CHEN,WEN-HUNG	✓	✓	✓	✓	✓	5
Independent director	YU,HUEY-MIN	✓	✓	✓	✓	✓	5
Independent director	CHEN,YU-HO	✓	✓	✓	✓	✓	5
Independent director	LU,HUEY-MIN	-	-	-	✓	✓	2

Note: The actual number of attendees was: 47 The number of attendees should be: 47 The actual attendance rate of the board of directors of all directors was: 47/47=100%

Other items to be recorded:

I. The operation of the board of directors' meeting shall state the date and period of the board meeting, the content of the motion, the opinions of all independent directors and the Company's handling of the opinions of the independent directors if any of the following circumstances apply:

(I) The matters listed in Article 14-3 of the Securities and Exchange Act: are listed below.

Date of the Board Meeting	Period	Motion Content	The matters listed in Article 14-3 of the Securities and Exchange Act	Opinion of all independent directors	The Company's handling of the independent directors' opinions
January 13, 2023	The Fifteenth Fourth Board Meeting	Review the scope of the applicable Manager's compensation that should be submitted to the Compensation Committee for pre-approval of the Company's compensation and bring it up for discussion.	Yes	None	None
		Review the salary and compensation of the new manager of the Company and submit the proposal for discussion.	Yes	None	None
		Review the year-end bonus distribution proposal for directors and managers of the Company in 2022, and submit it for review.	Yes	None	None
		Present the Company's overdue accounts receivable and loans of group funds for discussion.	Yes	None	None
March 23, 2023	The Fifteenth Fifth Board Meeting	Present the proposal to distribute cash from capital surplus for discussion.	Yes	None	None
		The proposal to issue cash from capital reserves is proposed for discussion.	Yes	None	None
		The company's "General Principles for Pre-Approval of Uncertain Service Policies" has been added and proposed for discussion.	Yes	None	None
		Present the Company's overdue accounts receivable and loans of group funds for discussion.	Yes	None	None
May 04, 2023	The Fifteenth Sixth Meeting of the Board of Directors	Present the Company's overdue accounts receivable and loans of group funds for discussion.	Yes	None	None
August 09, 2023	The Fifteenth Seventh Board Meeting	Present the Company's overdue accounts receivable and loans of group funds for discussion.	Yes	None	None
		Review the new manager of the Company and submit the proposal for discussion.	Yes	None	None
		Review the salary and compensation of the new manager of the Company and submit the proposal for discussion.	Yes	None	None
		Review the director's remuneration distribution plan for the company's directors in 2022 and propose it for	Yes	None	None



		discussion.			
November 09, 2023	The Fifteenth eighth Board of Directors Meeting	The company's "Regulations on Transaction Processing of Related Persons, Specific Companies and Group Enterprises" were revised and proposed for discussion.	Yes	None	None
		Present the Company's overdue accounts receivable and loans of group funds for discussion.	Yes	None	None

(II) Other than the foregoing, other resolutions of the Board of Directors that are opposed or reserved by the independent directors and for which records or written statements are available: None.

II. In the case of recusal of a director from the implementation of an interest motion, the name of the director, the content of the motion, the reason for the recusal and the participation in voting should be stated:

In the case of the proposal of the "Salary and Compensation Committee", CHEN WEN-HUNG, YU HUEY-MIN, CHEN YU-HO, CHEN CHIN-MING, WANG CHI-CHU, CHANG CHUN-MEI, CHEN CHIN-FU, CHEN YI-FANG and Chairperson CHEN CHING-CHI, were recused from the meeting deducted from the total number of directors present.

Date of the Board Meeting	Period	Motion Content	Name of director	Reasons for interest avoidance	Voting participation
August 09, 2023	The Fifteenth Seventh Board Meeting	Review the year-end bonus distribution proposal for directors and managers of the Company in 2022, and submit it for review.	CHEN, WEN-HUNG YU, HUEY-MIN CHEN, YU-HO CHEN, CHIN-MING WANG, CHI-CHU, CHANG CHUN-MEI, CHEN CHIN-FU, CHEN YI-FANG and CHEN CHING-CHI	Part-time manager and second class relative	No voting

III. Listed companies should disclose information on the periodicity and duration, scope, method and content of the board of directors' self-assessment, as well as the implementation status of the board of directors' assessment:

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation content
Once a year	January 1, 2023 December 31, 2023	<input checked="" type="checkbox"/> Overall board of directors <input type="checkbox"/> Individual board members <input type="checkbox"/> Each functional committee	<input checked="" type="checkbox"/> Internal self-assessment by the board of directors <input type="checkbox"/> Self-evaluation of directors <input type="checkbox"/> Peer evaluation <input type="checkbox"/> External evaluation	(1) Participation in the operation of the company; (2) Improvement of the quality of the board of directors' decision making; (3) Composition and structure of the board of directors; (4) Election and continuing education of the directors; and (5) Internal control
Once a year	January 1, 2023 December 31, 2023	<input type="checkbox"/> Overall board of directors <input checked="" type="checkbox"/> Individual board members <input type="checkbox"/> Each functional committee	<input type="checkbox"/> Internal self-assessment by the board of directors <input checked="" type="checkbox"/> Self-evaluation of directors <input type="checkbox"/> Peer evaluation <input type="checkbox"/> External evaluation	(1) Mastery of the goals and mission of the company; (2) Awareness of the duties of a director; (3) Participation in the operation of the company; (4) Management of internal relationship and communication; (5) The director's professionalism and continuing education; and (6) Internal control.
Once a year	January 1, 2023 December 31, 2023	<input type="checkbox"/> Overall board of directors <input type="checkbox"/> Individual board members <input checked="" type="checkbox"/> Each functional committee	<input checked="" type="checkbox"/> Internal self-assessment by the board of directors <input type="checkbox"/> Self-evaluation of directors <input type="checkbox"/> Peer evaluation <input type="checkbox"/> External evaluation	(1) Participation in the operation of the company; (2) Functional committee responsibilities awareness (3) Improving the quality of functional committee decisions (4) Functional committee composition and selection of members (5) Internal control

The self-assessment results of the Board of Directors for 2023 were all excellent and effective.

- IV. Assessment of the current and most recent year's goals for enhancing the functions of the Board of Directors (e.g., establishing an audit committee, enhancing information transparency, etc.) and their implementation:  
The Company has three independent directors and has revised the "Regulations Governing Board Meetings of Public Companies" in accordance with the "Regulations Governing Board Meetings of Public Companies" issued by the competent authorities. The directors and supervisors of the Company actively participate in and attend the board of directors' meetings and fully express their opinions, and the financial information has been announced on the Market Observation Post System in accordance with the law.

(II) Audit committee operations:

I、Audit Committee Responsibilities：

1. Establishment or amendment of the internal control system in accordance with Article 14-1 of the Securities and Exchange Act
2. Evaluation of the effectiveness of the internal control system
3. Establishment or amendment of the procedures for the acquisition or disposal of assets, engagement in derivatives transactions, loaning of funds to others, endorsements or guarantees for others in accordance with Article 36-1 of the Securities and Exchange Act
4. Matters involving the interests of directors
5. Major asset or derivative transactions
6. Material lending, endorsement, or guarantee
7. Offering, issuance, or private placement of equity securities
8. Appointment, dismissal, or remuneration of CPAs
9. Appointment and dismissal of financial, accounting, or internal auditing supervisors
10. Annual and semi-annual financial reports
11. Other important matters regulated by the Company or competent authorities

II 、Audit committee member information：

<div>Condition</div> <div>Title \ Name</div>		Professional qualifications and experience	Independence situation	Chairperson of other public companies with independent directors
Independent director (Convener)	CHEN,WEN-HUNG	For professional qualifications and experience of independent directors, please refer to the disclosure of professional qualifications of directors and supervisors and independence of independent directors on page 18~19.	(1) Not an employee of the Company or its affiliates. (2) Not a director or supervisor of the Company or its affiliates. (3) Not a natural person shareholder who holds more than 1% of the total issued shares of the Company or the top ten shares in the name of himself/herself, his/her spouse, minor children or others. (4) Not a manager listed in (1) or a spouse, a relative within the second degree of consanguinity or a relative within the third degree of consanguinity of a person listed in (2) or (3).	NONE
Independent director	YU,HUEY-MIN		(5) A director, supervisor or employee of a corporate shareholder who does not directly hold more than 5% of the total number of issued shares of the Company, hold the top five shares, or designate a representative as a director or supervisor of the Company in accordance with Article 27(1) or (2) of the Company Act. (6) Not a director, supervisor, or employee of another company controlled by the same person as the Company in terms of directorship or more than half of the voting shares of the Company.	NONE
Independent director	CHEN,YU-HO		(7) A director, supervisor, or employee of another company or organization who is not the same person or spouse of the chairperson, general manager, or equivalent of the Company. (8) Not a director, supervisor, manager or shareholder holding more than 5% of the shares of a specific company or organization with which the Company has financial or business dealings.	NONE
Independent director	LU,HUEY-MIN		(9) Professionals, sole proprietors, partners, directors (directors), supervisors (supervisors), managers and their spouses who do not provide business, legal, financial or accounting related services for the Company or its affiliates, or who have received compensation in the last two years. (10) There is no Article 30 of the Company Act that stipulates the election of the government, legal entity or its representative.	3

### III 、Audit committee operations :

(1) Audit committee has 4 members.

(2) The term of office of the current members: June 17, 2022 to June 16, 2025. The Audit Committee met 5 times in the most recent year. Member qualifications and attendance are as follows:

Title	Name	Actual number of attendance (B)	Number of attendance by Proxy	Actual attendance rate (%) (B/A)	Remarks
Convener	CHEN,WEN-HUNG	5	0	100	None
Members	YU,HUEY-MIN	5	0	100	None
Members	CHEN,YU-HO	5	0	100	None
Members	LU,HUEY-MIN	2	0	100	None

The Audit Committee met two times in 2023, with three members present as follows:

Title	Name	2023/01/13	2023/03/23	2023/05/04	2023/08/09	2023/11/09	Number of actual attendance
Convener	CHEN,WEN-HUNG	✓	✓	✓	✓	✓	5
Members	YU,HUEY-MIN	✓	✓	✓	✓	✓	5
Members	CHEN,YU-HO	✓	✓	✓	✓	✓	5
Members	LU,HUEY-MIN	-	-	-	✓	✓	2

Other items to be recorded:

#### I. The matters listed in Article 14-5 of the Securities and Exchange Act:

Meeting date	Period	Motion Content	Whether the Board of Directors does not adopt or amend	Are there any objections or reservations from members
2023/01/13	The first third Audit Committee	1. The company regularly evaluates the independence and competency of its accountants. 2. The Company's overdue accounts receivable and loans of group funds	No	None
2023/03/23	The first fourth Audit Committee	1. The Company's consolidated financial statements for 2022.And the Company's individual financial statements for the third quarter of 2022. 2. The Company's Profit Distribution Proposal for 2022. 3. The company's annual self-assessment report on the internal control system and internal control system statement 4. The Company's overdue accounts receivable and loans of group funds 5. Update one of the company's "pre-approved non-certified service policies" "General Principles" case	No	None
2023/05/04	The first fifth Audit Committee	1. The company's annual business report. 2. The Company's consolidated financial statements for the first quarter of 2023. 3. The Company's overdue accounts receivable and loans of group funds.	No	None
2023/08/09	The first sixth Audit Committee	1. The Company's consolidated financial statements for the second quarter of 2023 2. The Company's overdue accounts receivable and loans of group funds	No	None
2023/11/09	The first seventh Audit Committee	1. The Company's consolidated financial statements for the third quarter of 2023 2. The Company's overdue accounts receivable and loans of group funds	No	None

(Note 1)The Board of Directors has approved all the resolutions passed by the Audit Committee, and there has been no

difference in the content of the resolutions.

(Note 2) The resolutions of the Audit Committee were approved by all members, and there were no objections or reservations.

II. The independent directors' recusal from the implementation of the interest motion should state the names of the independent directors, the content of the motion, the reasons for the interest recusal and the circumstances of their participation in voting: None.

III. Communication between the independent directors and the internal auditors and accountants (including the major issues, methods and results of communication regarding the Company's financial and business conditions)

(I) Communication between the independent directors and the head of internal audit and the accountants:

1. Normally, the audit supervisor and the accountant may contact the independent directors directly for communication as necessary.
2. The internal audit supervisor sends audit reports on a monthly basis and communicates the results of the audit with the independent directors in a timely manner, and conducts reports and discussions on the effectiveness of the internal control system in the Audit Committee annually.
3. The accountant will participate in the Audit Committee at least annually to report the results of the annual audit.
4. In the event of material irregularities, or in the event that the independent directors, auditors and accountants deem it necessary to communicate independently, they may convene a meeting from time to time to communicate.

(II) Communication between the independent directors and internal auditors and accountants for the year ended December 31, 2023:

Date	Attendance	Communication matters	Communication results
2023/03/23 Audit committee	Independent director YU, HUEY-MIN Independent director CHEN, WEN-HUNG Independent director CHEN, YU-HO Audit supervisor SHI, JIA-HUANG	Discuss the internal control system operation for 2022, and Self-assessment report and internal control system statement	Pass without objection
2023/03/23 Seminar for accountants and independent directors	Independent director CHEN, WEN-HUNG Independent director YU, HUEY-MIN Independent director CHEN, YU-HO Accountant SU, TING-CHIEN	1. Annual audit for 2022 2. Latest legal reminder	Pass without objection
2023/11/09 Seminar for accountants and independent directors	Independent director CHEN, WEN-HUNG Independent director YU, HUEY-MIN Independent director CHEN, YU-HO Independent director LU, HUEY-MIN Accountant SU, TING-CHIEN	(1) Review results for the 3rd quarter of 2023 (2) 2023 annual check planning (3) Computer audit findings and recommendations for 2023	No comments on this meeting

(III) Supervisors' participation in the operation of the Board of Directors: None

(IV) The operation of corporate governance and the differences with the code of practice for governance of listed and OTC companies and the reasons therefor

Evaluation items	Operating conditions(Note)			and the differences with the code of practice for governance of listed and OTC companies and the reasons therefor
	Yes	No	Summary description	
I. Has the Company formulated and disclosed the Code of Corporate Governance Practices in accordance with the Code of Corporate Governance Practices for Listed and OTC Companies?	✓		The Code of Corporate Governance Practices of the Company is disclosed on the Company's website.	No significant differences.
II. Shareholding structure and shareholders' equity of the Company (I) Has the Company established internal operating procedures to deal with shareholders' proposals, questions, disputes and litigation matters, and implement them in accordance with the procedures? (II) Does the Company have a list of the substantial shareholders and ultimate controllers of the substantial shareholders who effectively control the Company? (III) Has the company established and implemented a risk control and firewall mechanism with its affiliates? (IV) Has the Company established internal regulations to prohibit insiders from trading marketable securities using undisclosed information in the market?	✓  ✓  ✓  ✓		(I) The company has a spokesperson and handles shareholder proposals or disputes, etc.  (II) The Company has a dedicated shareholder who keeps track of the list of major shareholders of the company under effective control  (III) In addition to the relevant laws and regulations, the transactions of related companies are carried out in accordance with the relevant provisions of the Company's internal control system.  (IV) The Company has established the "Code of Ethical Conduct" and the "Regulations on the Management of Insider Trading" for regulation.	The Company is in compliance with the Code of Corporate Governance Practices and there are no material differences.
III. Composition and duties of the Board of Directors (I) Has the Board of Directors formulated a diversity policy, specific management objectives and implemented them?	✓		(I) The composition of the Board of Directors is regulated in Article 20 of the Company's "Code of Corporate Governance Practices". For information on the diversity of the Board of Directors, please refer to "Diversity and Independence of the Board of Directors" in this annual report.	No difference. Other functional committees will be established in the future according to actual needs.

Evaluation items	Operating conditions(Note)			and the differences with the code of practice for governance of listed and OTC companies and the reasons therefor
	Yes	No	Summary description	
(II) Does the Company voluntarily set up various functional committees other than the Compensation Committee and Audit Committee in accordance with the law?		✓	(II) At present, there are no other functional committees, but they will be set up in the future according to actual needs.	
(III) Has the Company established a method for evaluating the performance of the Board of Directors and its assessment method, and conducts performance evaluation annually and periodically, and submits the results of the performance evaluation to the Board of Directors for the reference of individual director's salary compensation and nomination for reappointment?	✓		(III) In accordance with Article 3 of the "Regulations Governing the Evaluation of the Performance of the Board of Directors", the evaluation of the performance of the members of the Board of Directors, the Board of Directors and the Compensation Committee for 2023 was completed on January 25, 2024, and the performance evaluation results were rated as excellent, which means that "the Board of Directors and the Compensation Committee as a whole are operating effectively". The results of the performance evaluation will be used as reference for individual director's salary compensation and nomination for reappointment.	
(IV) Does the Company regularly evaluate the independence of the certifying accountant?	✓		(IV) The Audit Committee of the Company evaluates the independence and appropriateness of its certifying accountants annually, and in addition to requesting the certifying accountants to provide the "Statement of Extraordinary Independence" and "Audit Quality Indicators (AQIs)", the Committee also evaluates the independence and appropriateness of the certifying accountants in accordance with the criteria in Note 2 and the AQI indicators. After confirming that the accountants have no financial	

Evaluation items	Operating conditions(Note)			and the differences with the code of practice for governance of listed and OTC companies and the reasons therefor
	Yes	No	Summary description	
			<p>interest or business relationship with the Company other than the fees for visa and tax cases, and that the members of the accountants' family do not violate the independence requirements, and referring to the AQI index information, we confirm that the accountants and the firm have better audit experience and training hours than the industry average, and we continue to introduce digital audit tools to improve audit quality.</p> <p>The results of the latest annual evaluation have been discussed and approved by the Audit Committee on January 25, 2024, and were submitted to the Board of Directors for approval of the evaluation of the independence and appropriateness of the accountants on January 25, 2024.</p>	
IV. Does the listed company have a suitable and appropriate number of corporate governance personnel and designate a corporate governance officer to be responsible for corporate governance-related matters (including but not limited to providing directors and supervisors with information necessary for the execution of business, assisting directors and supervisors in complying with laws and regulations, conducting board meetings and shareholders' meetings in accordance with the law, and preparing minutes of board meetings and shareholders' meetings, etc.)?	✓		The Board of Directors' Office and the Finance Department are responsible for corporate governance-related matters. The Company conducts annual self-evaluation of corporate governance in cooperation with the competent authorities, and proposes priorities and measures for improvement where improvements have not yet been made.	No difference.



Evaluation items	Operating conditions(Note)			and the differences with the code of practice for governance of listed and OTC companies and the reasons therefor
	Yes	No	Summary description	
V. Has the company established communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers, etc.), set up a stakeholder area on the company's website, and responded appropriately to important corporate social responsibility(CSR) issues of concern to stakeholders?	✓		A stakeholder area has been set up on the Company's website to respond appropriately to important CSR issues of concern to stakeholders.	No difference.
VI. Does the company appoint a professional shareholding agent to conduct shareholders' meetings?	✓		Fubon Securities is a professional stockbroker of the Company and the related matters are running smoothly.	No difference.
VII. Information Disclosure (I) Has the Company set up a website to disclose financial operations and corporate governance information?  (II) Has the Company adopted other means of information disclosure (e.g., setting up an English website, designating a person responsible for the collection and disclosure of Company information, implementing a spokesperson system, placing the Company's website in the course of corporate meetings, etc.)?  (III) Does the Company announce and report its annual financial statements within two months after the end of the fiscal year, and announce and report its first, second and third quarterly financial statements and its operations for each month well in advance of the prescribed deadline?	✓  ✓  ✓		(I) The Company's financial operations and related disclosures are disclosed on the Market Observation Post System (MOPS) in accordance with regulations.  (II) The Company has a spokesperson responsible for the collection and disclosure of corporate information, and implements a spokesperson system, and if there is a corporate presentation, it will be disclosed on the Company's website.  (III) The declaration period before the announcement by law.	No significant differences.
VIII. Is there any other important information that can help you understand the operation of corporate governance (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholder rights, director and supervisor training, implementation of risk management policies and risk measurement standards, implementation of customer policies, and the	✓		(I) The Company has established a Compensation Committee in accordance with the law to evaluate the remuneration policies and systems of the Company's directors and managers from a professional and objective standpoint, and to make recommendations to	No significant differences.

Evaluation items	Operating conditions(Note)			and the differences with the code of practice for governance of listed and OTC companies and the reasons therefor
	Yes	No	Summary description	
company's purchase of liability insurance for directors and supervisors, etc.)?			<p>the Board of Directors for its reference in making decisions.</p> <p>(II) The Company has taken out liability insurance for the directors.</p> <p>(III) The Company has disclosed in its annual report the status of directors' and managers' continuing education.</p>	
<p>IX. Please provide information on the results of the corporate governance assessment released by the Corporate Governance Center of the Taiwan Stock Exchange Corporation in the most recent year, and propose priorities and measures to enhance those areas that have not yet been improved. (Those not included in the rated company do not need to fill in)</p> <p>The ninth evaluation score was 62.03, ranking between 66% and 80% of the listed companies. The current priorities for improvement are</p> <p>(1) Whether the company has been invited (on its own) to hold at least two corporate meetings with an interval of at least three months between the first and last corporate meetings of the year under evaluation.</p>				

Note 1: The operating conditions should be described in the summary description field regardless of whether "Yes" or "No" is checked.

Note 2: The evaluation procedure is shown in the table below.

Evaluation items	Evaluation results	Conformity with independence
Whether the accountant has a direct or material indirect financial interest in the Company	No	Yes
Whether the accountant has engaged in financing or assurance activities with the Company or the Company's directors	No	Yes
Whether the accountant has a close business relationship and potential employment relationship with the Company	No	Yes
Whether the accountant and the members of the audit team currently hold or have held any directorships, managerial positions or positions of significant influence over the audit of the Company in the last two years	No	Yes
Whether the accountant has provided any non-audit services to the Company that may directly affect the audit work	No	Yes
Whether the accountant has brokered any shares or other securities issued by the Company	No	Yes
Whether the accountant has acted as an advocate for the Company or coordinated conflicts with other third parties on behalf of the Company	No	Yes
Whether the accountant is related to a director or manager of the Company or a person who has significant influence on the audit	No	Yes

(V) The Company's managers participate in corporate governance-related education and training as follows:

Title	Name	Date of study	Organizer	Name of course	Hours of study
Independent director	CHEN, WE N-HUNG	2023/08/18	Taiwan Financial Research and Training Institute	Corporate Governance	3
Independent director	CHEN, WE N-HUNG	2023/03/15	Taiwan Financial Research and Training Institute	Corporate Governance	3
Independent director	YU, HUEY-MIN	2023/10/13	Securities and Futures Market Development Foundation	2023 Insider Trading Prevention Seminar	3
Independent director	YU, HUEY-MIN	2023/06/02	Securities and Futures Market Development Foundation	2023 Insider Trading Prevention Seminar	3
Independent director	CHEN, YU-HO	2023/10/13	Securities and Futures Market Development Foundation	2023 Insider Trading Prevention Seminar	3
Independent director	CHEN, YU-HO	2023/06/02	Securities and Futures Market Development Foundation	2023 Insider Trading Prevention Seminar	3
Independent director	LU, HUEY-MIN	2023/08/10	Securities and Futures Market Development Foundation	Information Disclosure and Prevention of Insider Trading	3
Independent director	LU, HUEY-MIN	2023/04/13	Securities and Futures Market Development Foundation	Corporate Governance and Securities Regulation	3
Director	CHEN, YI-FANG	2023/08/10	Taiwan Corporate Governance Association	Board governance on ESG	3
Director	CHEN, YI-FANG	2023/08/03	Taiwan Corporate Governance Association	Global Economic Trends and Industry Outlook	3
Audit supervisor	SHI, JIA-HUA	2023/07/20	Internal Auditing Association	Analysis of illegal cases of audit and accounting personnel and ways to deal with them	6
Audit supervisor	SHI, JIA-HUA	2023/09/07	Internal Auditing Association	Information security protection and cloud security audit	6
Accounting executive	HUANG, WAN-TING	2023/05/25~2023/05/26	Accounting Research and Development Foundation of the Republic of China (ARDF)	Continuing training courses for accounting supervisors of issuers, securities companies and stock exchanges	12
Corporate Management Directord	LIN, PING-LIN	2023/04/18	Internal Auditing Association	countermeasures on "insider trading" and "false financial reporting"	6
Corporate Management Directord	LIN, PING-LIN	2023/06/02	Chinese National Association of Industry and Commerce	2023 Taishin Zero Power Summit Forum	3
Corporate Management Directord	LIN, PING-LIN	2023/06/09	Securities and Futures Market Development Foundation	2023 Insider Trading Prevention Seminar	3
Corporate Management Directord	LIN, PING-LIN	2023/09/22~2023/09/23	Taiwan Corporate Governance Association	Sustainable Talent Training Class Carbon Sinks, Carbon Rights and Carbon Trading	9

(VI) Establishment of the duties and operations of the Salary and Compensation Committee:

I. Salary and Compensation Committee Member Information:

<div>Conditions</div> <div>Identity</div> <div>Name</div>		Professional qualifications and experience	Independence situation	Number of members of compensation committees of other public companies
Independent director (Convener)	CHEN, WEN-HUNG	For professional qualifications and experience of independent directors, please refer to the disclosure of professional qualifications of directors and supervisors and independence of independent directors on page 18~19.	<ol style="list-style-type: none"> <li>Not an employee of the Company or its affiliates.</li> <li>Not a director or a supervisor of the Company or its affiliates (except in the case where the Company and its parent company, subsidiaries or subsidiaries of the same parent company are appointed as independent directors in accordance with this Act or local laws and regulations).</li> <li>Not a natural person shareholder who holds more than 1% of the total issued shares of the Company or the top ten shares in the name of himself/herself, his/her spouse, minor children or others.</li> <li>Not a manager listed in (1) or a spouse, a relative within the second degree of consanguinity or a relative within the third degree of consanguinity of a person listed in (2) or (3).</li> </ol>	None
Independent director	YU, HUEY-MIN		<ol style="list-style-type: none"> <li>A director, supervisor or employee of a corporate shareholder who does not directly hold more than 5% of the total number of issued shares of the Company, hold the top five shares, or designate a representative as a director or supervisor of the Company in accordance with Article 27(1) or (2) of the Company Act.</li> <li>Not a director, supervisor, or employee of another company controlled by the same person as the Company in terms of directorship or more than half of the voting shares of the Company.</li> <li>A director (director), supervisor (supervisor), or employee of another company or organization who is not the same person or spouse of the chairperson, the general manager, or equivalent of the Company.</li> </ol>	None
Independent director	CHEN, YU-HO		<ol style="list-style-type: none"> <li>Not a director, supervisor, manager or shareholder holding more than 5% of the shares of a specific company or organization with which the Company has financial or business dealings.</li> <li>Professionals, sole proprietors, partners, directors (directors), supervisors (supervisors), managers and their spouses who do not provide business, legal, financial or accounting related services for the Company or its affiliates, or who have received compensation in the last two years.</li> <li>There is no one of the cases in Article 30 of the Company Act.</li> </ol>	None

## II. Information on the operation of the Salary and Compensation Committee

(1) There are three members of the Compensation Committee.

(2) The term of office of the current members: From June 17, 2022 to June 16, 2025, the most recent annual Salary and Compensation Committee met three times (A). The qualifications and attendance of the members are as follows:

Title	Name	Actual number of attendance (B)	Number of attendance by Proxy	Actual attendance rate (%) (B/A)	Remarks
Convener	CHEN, WEN-HUNG	3	0	100	None
Members	YU, HUEY-MIN	3	0	100	None
Members	CHEN, YU-HO	3	0	100	None

The Salary and Compensation Committee met two times in 2023, with three directors present as follows:

Title	Name	2023/01/13	2023/03/23	2023/08/09	Number of actual attendance
Convener	CHEN, WEN-HUNG	V	V	V	3
Members	YU, HUEY-MIN	V	V	V	3
Members	CHEN, YU-HO	V	V	V	3

Other items to be recorded:

Meeting date	Period	Motion Content	Whether the Board of Directors does not adopt or amend	Are there any objections or reservations from members
2023/01/13	The 5th 2th Salary and Compensation Committee	1. Pre-approval of compensation for managers 2. To review the salary and compensation proposal for the new managers of the Company 3. To review the year-end bonus distribution proposal for managers of the Company in 2022.	No	None
2023/03/23	The 5th 3th Salary and Compensation Committee	1. Pre-approval of compensation for managers 2. Salary and compensation for new managers 3. To review the financial director's salary and salary remuneration case	No	None
2023/08/09	The 5th 4th Salary and Compensation Committee	1. Pre-approval of compensation for managers 2. Salary and compensation for new managers 3. To review the employee remuneration distribution plan for 2022. 4. To review the year-end bonus distribution proposal for directors of the Company in 2022.	No	None

(Note 1) The Board of Directors approved all the resolutions of the Salary and Compensation Committee as proposed, and there is no discrepancy in the content of the resolutions.

(Note 2) The resolutions of the Salary and Compensation Committee are approved by all members and there are no objections or reservations.

(Note 3) In this case, the interests of myself and my blood relatives within the second degree of kinship have been avoided in accordance with the law.

(VII) Promotion of sustainable development and differences with the code of practice for sustainable development of listed and OTC companies and the reasons therefor:

Promote implementation	of the project			and differences with the code of practice for sustainable development of listed and OTC companies and the reasons therefor
	Yes	No	Summary description	
I. Has the company established a governance structure to promote sustainable development and set up a special (part-time) unit to promote sustainable development, which is authorized by the board of directors to be handled by senior management, and is supervised by the board of directors?	V		<p>1. Describe the company's governance structure to promote sustainable development:</p> <p>In accordance with the Financial Supervisory Commission's "Sustainable Development Pathway for Listed Companies", the Company has submitted to the Board of Directors for authorization to establish a "Sustainable Development Committee" in Q2 2022 to promote sustainable development. The management representative of the committee is served by vice chairperson CHEN, YI-FANG, who prepares the executive secretary, audit team and audit organization. The audit organization covers the management department, occupational safety room, environmental protection room, various manufacturing units, procurement department, equipment department and subsidiaries, and stipulates that before Q4 each year, report to the board of directors the progress of the execution/planning project for the current year and the next year.</p> <p>The Board of Directors continues to monitor the implementation process at the regular quarterly Board meetings to ensure that the management policy, strategies and targets are being followed and to provide support and assistance.</p>	No significant differences.
II. Does the Company conduct risk assessment on environmental, social and corporate governance issues related to its operations in accordance with the principle of materiality, and establish relevant risk management policies or strategies?	V		<p>In accordance with the Financial Supervisory Commission's "Sustainable Development Pathway for Listed Companies", the "Sustainable Development Committee" has established various risk management policies.</p> <p>The Company's social responsibility is promoted by the "Sustainable Development Committee" and covers all factories and subsidiaries, focusing on issues related to the environment, society and corporate governance, to implement relevant</p>	No significant differences.

Promote implementation	of the project			and differences with the code of practice for sustainable development of listed and OTC companies and the reasons therefor
	Yes	No	Summary description	
			corporate governance norms, personnel system planning, participation in social welfare, formulation of corporate environmental and energy-saving measures, implementation of relevant government energy-saving and carbon-reduction plans, promotion of work rules to employees through internal education and training, encouragement of participation in social welfare and implementation of energy-saving and carbon-reduction measures.	
III. Environmental Issues (I) Has the company established an appropriate environmental management system according to its industrial characteristics?	V		I. The Company is committed to improving at source and enhancing the efficiency of resource utilization to achieve the goal of raw material reduction and waste reduction in order to reduce the impact on the environment.  II. Environmental impact of the Company's operations: (I) Office: Carry out lighting management, electronic form to reduce paper consumption, use management and regular maintenance of official vehicles to reduce the impact on the environment.  (II) Production: The company has obtained ISO 14001 environmental management system certification; the use of optical glass, metals, chemicals, gases, water and electricity in the production process is based on the principle of saving and not wasting; the process wastewater is recycled and reused through the recycling system, and the discharge is treated by effective pollution control equipment to meet government emission standards; the use and treatment of waste and chemical substances are handled in accordance with environmental laws and regulations, and the operation is	No significant differences.

Promote implementation	of the project			and differences with the code of practice for sustainable development of listed and OTC companies and the reasons therefor
	Yes	No	Summary description	
			<p>good; ISO 45001 counseling is in progress, and the certification is expected to be obtained in Q3 2025.</p> <p>(III) The Company responds promptly and appropriately to external feedback and communicates closely with them.</p> <p>III. Environmental management affairs are handled by the management department of the head office, occupational safety office and each branch.</p> <p>IV. As with the second point, the Company is committed to reducing the amount of water used for production, switching to alternative chemicals and pollution prevention equipment, all of which can reduce the environmental impact of our operations.</p>	
(II) Is the company committed to improving energy efficiency and using recycled materials that have a low impact on the environment?	V		The company has obtained ISO14001 environmental management system certification; the use of optical glass, metals, chemicals, gases, water and electricity in the production process is based on the principle of saving and not wasting; the process wastewater is recycled and reused through the recycling system, and the discharge is treated by effective pollution control equipment to meet government emission standards; the use and treatment of waste and chemical substances are handled in accordance with the environmental laws and regulations, and the operation is good.	No significant differences.
(III) Has the company assessed the potential risks and opportunities of climate change on the enterprise now and in the future, and taken relevant measures in response?	V		In accordance with the Financial Supervisory Commission's "Sustainable Development Pathway for Listed Companies", the "Sustainable Development Committee" has formulated various control and management policies to address climate change.	No significant differences.
(IV) Has the company compiled statistics on greenhouse gas emissions, water consumption and total weight of waste for the past two years, and formulated	V		I. Statistical data, intensity (e.g. calculated per unit of product, service or turnover) and data coverage (e.g. all factories and subsidiaries) of the following items in the past two years:	No significant differences.



Promote implementation	of the project			and differences with the code of practice for sustainable development of listed and OTC companies and the reasons therefor
	Yes	No	Summary description	
policies for greenhouse gas reduction, water use reduction or other waste management?			<p>(I) Greenhouse gases: Emissions in 2023 of 12,283 (metric tons CO2e/kilowatt-hour) / year are as follows:</p> <ol style="list-style-type: none"> <li>1. No direct greenhouse gas emissions from our company</li> <li>2. Energy indirect greenhouse gas emissions, the main source of emissions is purchased electricity, and energy emissions of about 12,283 (metric tons of CO2e/kilowatt-hour) / year.</li> <li>3. Emissions from other business vehicles, suppliers, and employee travel are not counted because they are relatively small.</li> </ol> <p>Emissions in 2022 of 13,821 (metric tons CO2e/kilowatt-hour) / year are as follows:</p> <ol style="list-style-type: none"> <li>1. No direct greenhouse gas emissions from our company</li> <li>2. Energy indirect greenhouse gas emissions, the main source of emissions is purchased electricity, and energy emissions of about 13 ,821 (metric tons of CO2e/kilowatt-hour) / year.</li> <li>3. Emissions from other business vehicles, suppliers, and employee travel are not counted because they are relatively small.</li> </ol> <p>(II) Water consumption: The water source of each plant in our company is tap water. Under the condition of limited water resources, we implement RO waste recycling in air conditioning cooling water to save water after: Total water consumption in 2023 is 189,239 kWh Total water consumption in 2022 is 192,121 kWh</p> <p>(III) Waste: The total weight of hazardous waste and non-hazardous waste are distinguished. In accordance with the “Waste Management Program”, we continue to promote process waste reduction and resource-based recycling, and then entrust qualified vendors to carry out recycling, incineration and landfill treatment according to the characteristics of the</p>	

Promote implementation	of the project			and differences with the code of practice for sustainable development of listed and OTC companies and the reasons therefor
	Yes	No	Summary description	
			<p>waste.</p> <p>The statistical data based on the actual annual clearance volume of the two factories are as follows::</p> <p>(1) Amount of business waste:The total amount of business waste in 2023 was 105.831 tons.(not harmful 59.831 tons, harmful 46.000 tons)The total amount of business waste in 2022 was 97.787 tons. .(not harmful 56.732 tons, harmful 41.055 tons)</p> <p>(2) Direct disposal of waste products (incineration, landfill)Waste lubricating oil, waste organic solvents and their empty barrels are incinerated to avoid re-pollution of the environment.Hazardous sludge shall be solidified/buried in accordance with regulations.</p> <p>The total amount of disposal incineration in 2023 was 30.410 tons. (not harmful 9.220 tons, harmful 21.190 tons).</p> <p>The total amount of disposal landfill in 2023 was 24.810 tons. (not harmful 0 tons, harmful 24.81 tons).</p> <p>The total amount of disposal incineration in 2022 was 23.343 tons. (not harmful 5.588 tons, harmful 17.755 tons).</p> <p>The total amount of disposal landfill in 2022 was 23.300 tons. (not harmful 0 tons, harmful 23.300 tons).</p> <p>(3) Waste recycling:</p> <p>Except for the announced reuse projects R-0401 and R-0701, D-0902 and D-1099 are physically treated and recycled and reused by qualified treatment plants.</p> <p>The total amount of recycling in 2023 was 50.611 tons.</p> <p>Recycling ratio:47.82%</p> <p>The total amount of recycling in 2022 was 51.144 tons.</p> <p>Recycling ratio:52.30%</p> <p>II. Describe policies for greenhouse gas reduction, water use reduction or other</p>	

Promote implementation	of the project			and differences with the code of practice for sustainable development of listed and OTC companies and the reasons therefor
	Yes	No	Summary description	
			<p>waste management, including but not limited to: base year data, reduction targets, promotion measures and achievement status, etc.</p> <p>(I) The old adsorption dryer in Chungkang factory was replaced by a new heating adsorption dryer. After the improvement, the electricity consumption was saved by 271.296 kWh/year.</p> <p>(II) In main factory, three old ice water machines were replaced with 150RT and 180RT variable frequency spiral ice water machines. After the improvement, the electricity consumption was saved by 1,451,695 kWh/year.</p> <p>(III) Water conservation measures include recycling RO recycled water for process cooling towers and plant garden irrigation. The annual RO recycled water tonnage reaches 8,212 tons.</p> <p>III. ISO 14064 (greenhouse gas inventory) counseling, is expected to obtain certification by 2026 at the latest.</p>	
<p>IV. Social issues</p> <p>(I) Has the company established relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?</p>	V		<p>The company's SA8000 (Social Responsibility Standard) has been certified. Implement social responsibility in accordance with relevant laws and regulations and international human rights conventions.</p>	No significant differences.
<p>(II) Has the Company established and implemented reasonable employee benefit measures (including salary, vacation and other benefits, etc.) and appropriately reflected operational performance or results in employee compensation?</p>	V		<p>I. Comply with relevant labor laws and regulations, protect the legal rights and interests of employees, and establish appropriate management methods and procedures:</p> <p>(I) Provide employees with reasonable salaries and bonuses.</p> <p>(II) Conduct employee education and training.</p> <p>(III) Implement insurance plan and leave attendance.</p> <p>(IV) Contribute to retirement benefits in accordance with the law.</p>	No significant differences.

Promote implementation	of the project			and differences with the code of practice for sustainable development of listed and OTC companies and the reasons therefor						
	Yes	No	Summary description							
			<p>II. Provide a safe and healthy working environment for employees as follows:</p> <p>(I) Regularly organize staff health checkups.</p> <p>(II) Set up labor opinion boxes and employee grievance channels to establish diversified communication channels.</p> <p>(III) Establish “Measures to Prevent and Punish Sexual Harassment in the Workplace” and provide channels for complaints to maintain an orderly work environment.</p> <p>(IV) Provide employees with labor insurance and group accident insurance.</p> <p>(V) Carry out annual fire drills and exercises, and hold regular safety maintenance meetings.</p>							
(III) Does the company provide a safe and healthy working environment for employees and implement regular safety and health education for employees?	V		<p>1. Quarterly safety education committees are held to discuss the dissemination of safety and health education concepts, and each employee conducts related education and training courses every year.</p> <p>2. Follow SA8000 (Social Responsibility Standard) policy.</p> <p>3. The number of employee accidents in the current year, the number of employees and their ratio to the total number of employees, and the related improvement measures:</p> <p>The Company’s occupational accidents reporting status for 2023:</p> <p>I. Number of occupational accidents:</p> <p>(I) Total factory: 1 pieces.</p> <p>(II) Chungkang factory: 1 pieces.</p> <p>II. Number of employees and ratio to total number of employees:</p> <p>(I) Main factory: The number of occupational accidents was 1 out of 218, a ratio of 0.46%.</p> <p>(II) Chungkang factory: The number of occupational accidents was 1 out of 667, a ratio of 0.15%.</p> <p>III. Related Improvement Measures:</p> <table><tr><th>Factory</th><th>Type of disaster</th><th>Improvement measures</th></tr><tr><td>Main factory</td><td>Falling</td><td>1. The unit where the incident occurred has provided non-slip shoes to those involved in the accident on 112/06/08 2. Implement work visits and labor health services.</td></tr></table>	Factory	Type of disaster	Improvement measures	Main factory	Falling	1. The unit where the incident occurred has provided non-slip shoes to those involved in the accident on 112/06/08 2. Implement work visits and labor health services.	No significant differences.
Factory	Type of disaster	Improvement measures								
Main factory	Falling	1. The unit where the incident occurred has provided non-slip shoes to those involved in the accident on 112/06/08 2. Implement work visits and labor health services.								

Promote implementation	of the project			and differences with the code of practice for sustainable development of listed and OTC companies and the reasons therefor
	Yes	No	Summary description	
			<div> <div>Chungkang factory</div> <div>Falling</div> <div> <p>1. The training informs people about the danger of slippery ground. If there is oil or water on the ground and other slippery conditions, it should be cleaned up immediately.</p> <p>2. Inform people to use handrails when going down stairs for safety.</p> </div> </div> <p>4. Number of fire cases, number of casualties and number of casualties and ratio of casualties to total number of employees in the current year: None. Improvement measures in response to fire: Not applicable.</p>	
(IV) Has the company established an effective career development program for employees?	V		<p>1. Pre-employment training (newcomer education training): It enables new employees to understand the company's current situation and familiarize themselves with the scope of their job duties.</p> <p>2. On-the-job training (professional and project training): It trains staff to improve their basic academic skills and the latest professional knowledge and skills in the market.</p>	No significant differences.
(V) Does the company comply with relevant laws and regulations and international standards on issues such as customer health and safety, customer privacy, marketing and labeling of products and services, and has it established relevant policies and complaint procedures to protect the rights of consumers or customers?	V		<p>1. ISO9001 (R&amp;D Quality System) / ISO14001 (Environmental System) / SA 8000 (Corporate Social) / IATF 16949 (In-vehicle) and public security regulations are followed to develop design / manufacturing / quality assurance and zero-customer-complaint assurance system.</p> <p>2. Comply with the respective regulations of international business customers.</p> <p>3. The products of the Company are parts and components, not final consumer goods, and do not need to face consumers directly yet, but it will still comply with relevant regulations and international standards as requested by our customers.</p>	No significant differences.
(VI) Does the Company have a supplier management policy requiring suppliers to comply with relevant regulations on	V		<p>1. Introduce SA8000 (social responsibility standard) and require all suppliers to unconditionally cooperate with the implementation of relevant social</p>	No significant differences.

Promote implementation	of the project			and differences with the code of practice for sustainable development of listed and OTC companies and the reasons therefor
	Yes	No	Summary description	
environmental protection, occupational safety and health or labor human rights, etc., and how is it implemented?			<p>responsibility-related checks, periodic inspections and audits.</p> <p>2. The Company has a supplier management policy and will continue to strengthen the requirement for suppliers to comply with relevant regulations on environmental protection, occupational safety and health or labor human rights issues.</p> <p>3. Implementation of Supplier Management Policies and Related Compliance Standards</p> <p>(1) All suppliers are required to complete a "Supplier Basic Information Form." Suppliers of raw materials must first undergo on-site audits and evaluations, and only those who pass can be registered in the "Qualified Supplier List." However, on-site audits are conducted for suppliers located overseas based on the specific circumstances.</p> <p>(2) A "Supplier Social Responsibility Questionnaire" was provided for self-evaluation for major raw material suppliers. All questionnaires have been collected and are used to evaluate their active and concrete regulations on labor, occupational safety, the environment, business ethics, and management systems and assess their commitment to corporate social responsibility.</p>	
V. Does the company make reference to international standards or guidelines for the preparation of reports, such as perpetual reports, which disclose non-financial information about the company? Has the previous report obtained the confidence or assurance opinion of the third-party verification unit?		V	The Company has not yet prepared a sustainability report, but will do so in the future, depending on practical needs, to strengthen the disclosure of the promotion of corporate social responsibility and sustainable management.	The Company's website discloses relevant social responsibility information, which is not materially different from the spirit of the system.
VI. If the company has its own code of conduct for sustainable development in accordance with the "Code of Practice for Sustainable Development of Listed Companies", please describe the differences between its operation and the code:				

Promote implementation	of the project			and differences with the code of practice for sustainable development of listed and OTC companies and the reasons therefor
	Yes	No	Summary description	
The Company complies with the “Code of Practice for Sustainable Development of Listed Companies” of the Financial Supervisory Commission without material differences.				
VII. Other important information to help understand the implementation of sustainable development:				
<p>(I) The Company attaches great importance to industrial safety, environmental protection and safety and health. In addition to setting up a dedicated industrial safety room, the Company have complied with RoHS regulations and have conducted appropriate tests on our products. The Company will regularly monitor the air, waste water, noise, etc. in the factory, and if the standard value is exceeded, we will immediately carry out improvement plans.</p> <p>(II) The Company actively implements the “Cherish Energy, Reduce Waste, and Conserve the Environment” policy, and internally communicates the environmental policy to each and every employee in order to truly implement and promote it; at the same time, it establishes a strict management system, sets environmental goals and action targets, monitors them to achieve environmental performance, implements compliance with policy guidelines including ISO/TIPS/RBA/EICC, and upholds its commitment to green products.</p> <p>(III) The Company has created many high-quality employment opportunities, established an employee welfare committee, implemented a pension system, provided various employee training courses and employee group insurance, arranged regular health checkups, etc., and placed emphasis on harmonious labor relations.</p> <p>(IV) The Company places the same importance on the working environment and rights of its employees. In addition to establishing an employee welfare committee to promote and implement various employee welfare issues, the Company also actively organize education and training to enable employees to grow with the company, and provide pensions in accordance with the law to enable employees to work with peace of mind during their employment and protect their livelihood after retirement.</p> <p>(V) The Company was awarded the honor of the 2019 Excellent Labor Relations Business Unit in the processing and exporting area, and was won the Taichung City Government’s Workplace Healthy Enterprise Award and the Healthy Workplace Certification and Health Promotion Seal from the National Health Service of the Ministry of Health and Welfare. And hold regular employee seminars, care letters, and labor-management meetings...etc. We believe that harmonious labor-management relations will create a win-win situation for both parties.</p> <p>(VI) The Company actively promotes education and training, from material design/colleague participation/insight feedback/continuous improvement efforts, and has been awarded the silver bronze medals of TTQS Enterprise Organization Edition by the Department of Labor Development, Ministry of Labor in 2014, 2016, 2018, 2020 and 2022.</p> <p>(VII) The Company promotes energy saving, carbon reduction and resource reuse.</p> <p>(VIII) The Company is committed to emergency relief, used clothing collection, various donations or contributions, and various public welfare activities from time to time.</p>				

(VIII) The company’s performance of integrity management and the measures taken:

- I. The Company operates with integrity and upholds the principle of honesty and trust, and prohibits employees from accepting any form of gifts. In addition, the Company’s directors and managers are required to abstain from participating or voting in any decision or transaction involving their own interests.
- II. The Company has completed the formulation of the “Code of Ethical Conduct”, the “Code of Conduct for Honest Management and Procedures and Guidelines for Conduct”, the “Rules for Handling Cases of Reporting Illegal and Unethical or Dishonest Conduct”, and the “Management Practices for Preventing Insider Trading”, which were approved by the Board of Directors and then issued and disclosed on the Company’s website.

(IX) The Company's compliance with the Code of Conduct for integrity management and the differences with the Code of Corporate Social Responsibility of listed and OTC companies and the reasons therefor

Evaluation items	operating conditions			and the differences with the code of practice for integrity of Listed and OTC companies and reasons therefor
	Yes	No	Summary description	
<p>I. Establish integrity management policies and programs</p> <p>(I) Has the Company established an integrity management policy approved by the Board of Directors, and has the policy and practice of integrity management been stated in the Articles of Incorporation and external documents, as well as the commitment of the Board of Directors and the senior management to actively implement the management policy?</p> <p>(II) Has the Company established a mechanism for assessing the risk of dishonest acts, regularly analyzing and evaluating business activities within the scope of business that have a higher risk of dishonest acts, and formulating a plan to prevent dishonest acts based on this, and covering at least the preventive measures for the acts mentioned in Article 7, Paragraph 2 of the "Code of Conduct for Listed and OTC Companies with Integrity"?</p> <p>(III) Does the Company specify the operating procedures, conduct guidelines, disciplinary and grievance systems for non-compliance in its dishonesty prevention program, and implement them, and regularly review and revise the previously disclosed program?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(I) The Company has established the "Code of Conduct and Procedures and Guidelines for Integrity", "Code of Ethical Conduct", "Management Practices to Prevent Insider Trading" and "Rules for Handling Cases of Illegal, Unethical or Dishonest Conduct" to regulate the items listed on the left, implement them, and disclose them on the Company's website.</p> <p>(II) The Company's valuable values of "honesty, selflessness and integrity" are the basis of the operating policies of the Board of Directors and the management when they are disclosed internally and externally.</p> <p>(III) The Company prohibits bribery and accepting bribes, as well as illegal political contributions or other unreasonable gifts, and all personnel will comply with Company policy in the performance of their duties.</p>	No significant differences.
<p>II. The Implementation of Integrity Management</p> <p>(I) Does the Company evaluate the integrity records of its counter-parties and specify the terms of integrity behavior in the contracts it signs with them?</p> <p>(II) Does the Company have a dedicated unit under the Board of Directors to</p>	<p>✓</p>	<p>✓</p>	<p>(I) The Company has established the "Code of Conduct and Procedures and Guidelines for Integrity Management", of which the items listed on the left are regulated in Articles 20~22.</p> <p>(II) The Office of the Chairperson of the</p>	No significant differences.



Evaluation items	operating conditions			and the differences with the code of practice for integrity of Listed and OTC companies and reasons therefor
	Yes	No	Summary description	
<p>promote ethical corporate management and report regularly (at least once a year) to the Board of Directors on its ethical management policies and programs to prevent dishonest practices and monitor their implementation?</p> <p>(III) Does the company have a conflict of interest prevention policy, provide appropriate channels of presentation, and implement it?</p> <p>(IV) Has the Company established an effective accounting system and internal control system for the implementation of honest management, and has the internal audit unit prepared an audit plan based on the assessment results of the risk of dishonest acts and checked the compliance of the dishonest act prevention plan, or appointed an accountant to perform the audit?</p> <p>(V) Does the company regularly conduct internal and external education and training on integrity management?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>Board of Directors of the Company is a special (part-time) unit to promote the integrity of corporate management, conduct relevant operations, supervise the implementation and review the implementation.</p> <p>(III) The Company has established a “Code of Ethical Conduct”, of which Article 3 has regulated and implemented the items listed on the left.</p> <p>(IV) The Company has established an effective internal control system, which is regularly audited by the internal audit unit in accordance with the regulations.</p> <p>(V) At monthly meetings of the Company, the Board of Directors often promotes the valuable values of our people: integrity, selflessness and honesty. The Company conducts annual internal education and training on important topics related to the Code of Ethics and Procedures and the Code of Conduct at the annual management review meetings.</p> <p>(1) The 2023/10/16 meeting was held for 20 minutes for a total of 30 staff members at or above the Chief of Staff level.</p> <p>(A) Prohibit the provision or receipt of improper benefits</p> <p>(B) Procedures for receiving improper benefits</p> <p>(C) Interest avoidance</p> <p>(D) Prohibit the disclosure of</p>	

Evaluation items	operating conditions			and the differences with the code of practice for integrity of Listed and OTC companies and reasons therefor
	Yes	No	Summary description	
			<p>trade secrets</p> <p>(E) Prohibit insider trading for educational training.</p> <p>(2) The 2023/08/01 meeting was held for 15 minutes for a total of 32 staff members at or above the Chief of Staff level.</p> <p>(A) Avoid dealing with dishonest operators</p> <p>(B) Handling of dishonest conduct by company personnel</p> <p>(C) Educate and train others on handling dishonest acts by the Company.</p>	
<p>III. The Operation of the Corporate Reporting System</p> <p>(I) Has the Company established a specific reporting and reward system, and established a channel to facilitate reporting and assigned appropriate staff to receive reports on the subject?</p>	✓		<p>(I) The Company has established a “Code of Ethical Conduct”, of which Article 7~8 has regulated and implemented the items listed on the left. In addition, the Company has established the “Regulations on Rewards and Punishments for Employees”, which stipulates in Article 6, Paragraph 1, Clause 6, that those who are able to report or prevent fraud or other incidents that jeopardize the rights and interests of the Company in advance so that the Company’s losses can be minimized. We will record minor merits or pay a bonus of NT\$1,800 to \$12,000.</p>	No significant differences.
<p>(II) Has the Company established standard operating procedures for the investigation of whistleblower matters, follow-up measures to be taken after the completion of the investigation and the relevant confidentiality mechanism?</p>	✓		<p>(II) The Company has established the “Rules for Handling Reports of Illegal, Unethical or Dishonest Conduct” and posted them on the Company’s website.</p>	
<p>(III) Does the company take measures to protect the whistleblower from improper disposal as a result of the whistleblowing?</p>	✓		<p>(III) The Company’s “Code of Ethical Conduct” and “Rules for Handling Reports of Illegal, Unethical or Dishonest Conduct” stipulate that the Company shall maintain the</p>	

Evaluation items	operating conditions			and the differences with the code of practice for integrity of Listed and OTC companies and reasons therefor
	Yes	No	Summary description	
			confidentiality and protection of those who report such conduct.	
<p>IV. Strengthen the disclosure of information</p> <p>Does the company disclose the content and effectiveness of its Code of Ethics on its website and on the Market Observation Post System?</p>	✓		<p>(I) The Company has established the “Code of Conduct and Procedures and Guidelines for Integrity Management” and disclosed it on the Company’s website and the Market Observation Post System. The Company’s performance of honest management is disclosed in the annual report, and the annual report is placed on the company’s website for the public to browse.</p> <p>(II) The Company has designated personnel to keep an eye on the announcement and development of the regulations related to the integrity management by the competent authorities and update them on the Company’s website in a timely manner.</p>	No significant differences.
<p>V. If the company has its own code of integrity management in accordance with the “Code of Conduct for Listed and OTC Companies”, please describe the differences between its operation and the code:</p> <p>The Company has established the “Code of Conduct and Procedures and Guidelines for Integrity Management” and disclosed it on the Company’s website and the Market Observation Post System.</p>				
<p>VI. Other important information for understanding the company’s integrity management: (e.g., the company reviews and amends its code of conduct for integrity management, etc.)</p> <p>The Company’s valuable values of “integrity, selflessness and honesty” are used by the Board of Directors and management as the basis for their operating policies when they are disclosed internally and externally. The Company has also established a “Code of Ethical Conduct,” “Work Rules,” “Rules for Handling Reports of Illegal, Unethical or Dishonest Conduct,” “Management Practices to Prevent Insider Trading,” and “Rules for Rewarding and Punishing Employees” to urge employees and related personnel to carry out their duties in compliance with the Company’s policies and laws and regulations.</p>				

(X) If the Company has established a code of corporate governance and related regulations, it should disclose its inquiry methods:

The Company has established the “Code of Conduct and Procedures and Guidelines for Integrity”, “Code of Ethical Conduct”, “Rules for Handling Reports of Illegal and Unethical or Dishonest Conduct,” “Management Practices to Prevent Insider Trading” and “Code of Corporate Governance Practices”, which are posted on the Company’s website ([www.kinko-optical.com](http://www.kinko-optical.com)).

(XI) The Board of Directors of the Company on January 25, 2024 has reported that the directors and supervisors are covered by liability insurance:

In 2024, the Company insured all directors with liability insurance of US\$3 million. The insurance company is Shin Kong Insurance Co., Ltd. and the insurance period is from January 01, 2024 to December 31, 2024.

(XII) Other important information to enhance understanding of corporate governance operations: None.

(XIII) Implementation status of internal control system

1. Statement of Internal Control

(This statement applies when all of the Acts are declared in compliance with the Acts)



March 13, 2024

Based on the findings of a self-assessment, Kinko Optical Co., Inc. states the following with regard to its internal control system during the year 2023:

1. The Company is fully aware that establishing, operating and maintain an internal control system are the responsibilities of its Board of Directors and management. The aim of the internal control system is to provide reasonable assurance to effectiveness and efficiency of operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency, and regulatory compliance of reporting and compliance with applicable laws, regulations, and bylaws.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can only provide reasonable assurance of accomplishing the aforementioned three objectives. Moreover, the effectiveness of an internal control system may be subject to changes of environmental or circumstances. Nevertheless, the internal control system of the company contains self-monitoring mechanism and the company takes corrective actions whenever a deficiency is identified.
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 System by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five components of internal control based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each component further contains several items. Please refer to the Regulations for details.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the assessment mentioned in the preceding paragraph, the Company believes that, as of December 31, 2023, its internal control system (including its supervision and management of subsidiaries), as well as its internal controls to monitor the achievement of its objective concerning effectiveness and efficiency of operations, reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with applicable laws, regulations, and bylaws, were effective in design and operation, and reasonably assured the achievement of the above-stated objectives.
6. This Statement will be 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 passed by the Board of Directors in their meeting held on March 13, 2024 with zero of ten attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Kinko Optical Co., Inc.

Chairman : CHEN, CHING-CHI

General Manager : CHEN, YI-FANG



2. If an accountant is appointed to review the internal control system, the accountant's review report should be disclosed: Not applicable.

(XIV) For the most recent year and as of the printing date of the annual report, the Company and its internal personnel have been punished by law, or the Company has punished its internal personnel for violating the provisions of the internal control system, and the result of the punishment may have a significant impact on shareholders' equity or securities prices, the content of the punishment, major deficiencies and improvements should be listed: None.

(XV) Significant resolutions of the shareholders' meeting and the board of directors for the most recent year and up to the date of printing of the annual report :

Meeting name	Meeting date	Important resolutions
The board of Directors	The Fifteenth session Fourth 2023.01.13	<p>1. The Company periodically evaluates the independence of the accountants and submits them for discussion. Resolution: Approved by the Chairperson after consulting all directors present without any objection. Opinion of the independent directors: None. The Company's handling of the independent directors' opinions: None.</p>
		<p>2. Present the Company's overdue accounts receivable and loans of group funds for discussion Resolution: Approved by the Chairperson after consulting all directors present without any objection. Opinion of the independent directors: None. The Company's handling of the independent directors' opinions: None.</p>
		<p>3. Appointment of the Company's Corporate Governance Officer for discussion. Resolution: Approved by the Chairperson after consulting all directors present without any objection Opinion of the independent directors: None. The Company's handling of the independent directors' opinions: None.</p>
		<p>4. Present the Company's operating plan for 2023 for discussion Resolution: Approved by the Chairperson after consulting all directors present without any objection. Opinion of the independent directors: None. The Company's handling of the independent directors' opinions: None.</p>
		<p>5. Review the scope of the applicable Manager's compensation that should be submitted to the Compensation Committee for pre-approval of the Company's compensation and bring it up for discussion. Resolution: Approved by the Chairperson after consulting all directors present without any objection. Opinion of the independent directors: None. The Company's handling of the independent directors' opinions: None.</p>
		<p>6. Review the salary and compensation of the new manager of the Company and submit the proposal for discussion. Resolution: As the chairperson, director CHEN, CHING-CHI, director CHEN, CHING-FU and director CHEN, YI-FANG are recused from the Board of Directors, the proposal are approved by 6 directors present and 6 Directors without any objection. Opinion of the independent directors: None. The Company's handling of the independent directors' opinions: None. Note: Chairman CHEN, CHING-CHI: Since the sixth and seventh cases are related to my own interests, I would like to ask Director CHEN, WEN-HUNG to be the acting chairman. Director CHEN CHIN-FU and Director CHEN YI-FANG are the second-degree blood relatives of the chairman, so this case requires avoidance of interests in accordance with the law.</p>
		<p>7. Review the year-end bonus distribution proposal for directors and managers of the Company in 2022, and submit it for review. Resolution: As the chairperson, director CHEN, CHING-CHI and director CHEN, YI-FANG are recused from the Board of Directors, the proposal are approved by 7 directors present and 7 Directors without any objection Opinion of the independent directors: None. The Company's handling of the independent directors' opinions: None. Note: Director CHEN YI-FANG concurrently serves as the director of the R&amp;D center and receives a year-end bonus. Director CHEN, CHING-CHI is director CHEN, YI-FANG's second-degree blood relative. Therefore, both of them are required to avoid interests in accordance with the law in this case.</p>

Meeting name	Meeting date	Important resolutions
The board of Directors	The Fifteenth session Fifth 2023.03.23	<p>1. The Company's consolidated financial statements and individual financial statements for the year ended December 31, 2022 are presented for discussion.  Resolution: Passed by all directors present and submitted to the supervisor for examination and recognition at the general meeting.  Opinion of the independent directors: None.  The Company's handling of the independent directors' opinions: None.</p>
		<p>2. The Company's consolidated financial statements and individual financial statements for the year ended December 31, 2022 are presented for discussion.  Resolution: Passed by all directors present and submitted to the supervisor for examination and recognition at the general meeting.  Opinion of the independent directors: None.  The Company's handling of the independent directors' opinions: None.</p>
		<p>3. The Company's Profit Distribution Proposal for 2022.  Resolution: Approved by the Chairperson after consulting all directors present without any objection.  Opinion of the independent directors: None.  The Company's handling of the independent directors' opinions: None.</p>
		<p>4. Present the proposal to distribute cash from capital surplus for discussion.  Resolution: Approved by the Chairperson after consulting all directors present without any objection.  Opinion of the independent directors: None.  The Company's handling of the independent directors' opinions: None.</p>
		<p>5. The report on the self-assessment of the Company's internal control system and the statement of internal control system for fiscal year 2022 are presented for discussion.  Resolution: Approved by the Chairperson after consulting all directors present without any objection.  Opinion of the independent directors: None.  The Company's handling of the independent directors' opinions: None.</p>
		<p>6. Revise some provisions of the Company's "Standard Operating Procedures for Handling Directors' Requests" for discussion.  Resolution: Approved by the Chairperson after consulting all directors present without any objection.  Opinion of the independent directors: None.  The Company's handling of the independent directors' opinions: None.</p>
		<p>7. The election of additional independent directors of the Company is proposed for discussion.  Resolution: Approved by the Chairperson after consulting all directors present without any objection.  Opinion of the independent directors: None.  The Company's handling of the independent directors' opinions: None.</p>
		<p>8. The date and place of the 2023 Annual General Meeting of Shareholders of the Company and the motion are presented for discussion.  Resolution: Approved by the Chairperson after consulting all directors present without any objection.  Opinion of the independent directors: None.  The Company's handling of the independent directors' opinions: None.</p>
		<p>9. Review the scope of the applicable Manager's compensation that should be submitted to the Compensation Committee for pre-approval of the Company's compensation and bring it up for discussion.  Resolution: Approved by the Chairperson after consulting all directors present without any objection.  Opinion of the independent directors: None.  The Company's handling of the independent directors' opinions: None.</p>
		<p>10. Review the proposal of the Company's the salary and compensation of the new manager and submit it for discussion.  Resolution: Approved by the Chairperson after consulting all directors present without any objection.  Opinion of the independent directors: None.  The Company's handling of the independent directors' opinions: None.</p>

Meeting name	Meeting date	Important resolutions
		<p>11. Review the proposal of the Company's the salary and compensation of the Financial manager and submit it for discussion. Resolution: Approved by the Chairperson after consulting all directors present without any objection. Opinion of the independent directors: None. The Company's handling of the independent directors' opinions: None.</p>
		<p>12. Present the Company's overdue accounts receivable and loans of group funds for discussion and submit it for discussion. Resolution: Approved by the Chairperson after consulting all directors present without any objection. Opinion of the independent directors: None. The Company's handling of the independent directors' opinions: None.</p>
		<p>13. Updated the Company's "General Principles for Pre-Approval of Uncertain Service Policies" for discussion. Resolution: Approved by the Chairperson after consulting all directors present without any objection. Opinion of the independent directors: None. The Company's handling of the independent directors' opinions: None.</p>
The board of Directors	The Fifteenth session Sixth 2023.05.04	<p>1. Present the Company's operating plan for 2022 for discussion. Resolution: Passed by all directors present and submitted to the supervisor for examination and recognition at the general meeting. Opinion of the independent directors: None. The Company's handling of the independent directors' opinions: None.</p>
		<p>2. Discuss the nomination list of candidates for independent directors. Resolution: Approved by the Chairperson after consulting all directors present without any objection. Opinion of the independent directors: None. The Company's handling of the independent directors' opinions: None.</p>
		<p>3. Discuss the nomination list of candidates for independent directors. Lifting the non-competition case for new directors Resolution: Approved by the Chairperson after consulting all directors present without any objection. Opinion of the independent directors: None. The Company's handling of the independent directors' opinions: None.</p>
		<p>4. Submit the proposal of the company's consolidated financial statements for the first quarter of 2023 for discussion. Resolution: Approved by the Chairperson after consulting all directors present without any objection. Opinion of the independent directors: None. The Company's handling of the independent directors' opinions: None.</p>
		<p>5. The Company intends to apply for short-term consolidated lines of credit from Mega Bank Pouchen Branch for business purposes for discussion. Resolution: Approved by the Chairperson after consulting all directors present without any objection. Opinion of the independent directors: None. The Company's handling of the independent directors' opinions: None.</p>
		<p>6. The Company intends to apply for short-term consolidated lines of credit from BANK SINOPAC for business purposes for discussion. Resolution: Approved by the Chairperson after consulting all directors present without any objection. Opinion of the independent directors: None. The Company's handling of the independent directors' opinions: None.</p>
		<p>7. The Company intends to apply for short-term consolidated lines of credit from Yuanta Commercial Bank for business purposes for discussion. Resolution: Approved by the Chairperson after consulting all directors present without any objection. Opinion of the independent directors: None. The Company's handling of the independent directors' opinions: None.</p>
		<p>8. Present the Company's overdue accounts receivable and loans of group funds for discussion. Resolution: Approved by the Chairperson after consulting all directors present without any objection.</p>



Meeting name	Meeting date	Important resolutions
		<p>Opinion of the independent directors: None.</p> <p>The Company's handling of the independent directors' opinions: None.</p>
The board of Directors	The fifteenth session Seventh 2023.08.09	<p>1. Submit the proposal of the Company's consolidated financial statements for the second quarter of 2023 for discussion</p> <p>Resolution: Independent Director Lu Huey Min mentioned: It is recommended to add a column to the description of this case: This case has been discussed and approved by the Audit Committee on August 9, 2023.</p> <p>Opinion of the independent directors: None.</p> <p>The Company's handling of the independent directors' opinions: None.</p>
		<p>2. Present the Company's overdue accounts receivable and loans of group funds for discussion.</p> <p>Resolution: Approved by the Chairperson after consulting all directors present without any objection.</p> <p>Opinion of the independent directors: None.</p> <p>The Company's handling of the independent directors' opinions: None.</p>
		<p>3. Set the benchmark date for the capital increase of the Company's "First Employee Stock Option Certificate in 2018" to execute the conversion into ordinary shares in the second quarter of 2023, and submit it for discussion.</p> <p>Resolution: Approved by the Chairperson after consulting all directors present without any objection.</p> <p>Opinion of the independent directors: None.</p> <p>The Company's handling of the independent directors' opinions: None.</p>
		<p>4. The Company intends to apply for short-term consolidated lines of credit from BANK SINOPAC for business purposes for discussion.</p> <p>Resolution: Approved by the Chairperson after consulting all directors present without any objection.</p> <p>Opinion of the independent directors: None.</p> <p>The Company's handling of the independent directors' opinions: None.</p>
		<p>5. Review the scope of the applicable Manager's compensation that should be submitted to the Compensation Committee for pre-approval of the Company's compensation and bring it up for discussion.</p> <p>Resolution: Approved by the Chairperson after consulting all directors present without any objection.</p> <p>Opinion of the independent directors: None.</p> <p>The Company's handling of the independent directors' opinions: None.</p>
		<p>6. Review the proposal of the Company's the salary and compensation of the new manager and submit it for discussion.</p> <p>Resolution: Approved by the Chairperson after consulting all directors present without any objection.</p> <p>Opinion of the independent directors: None.</p> <p>The Company's handling of the independent directors' opinions: None.</p>
		<p>7. Present the appointment proposal of the Company's general manager for discussion.</p> <p>Resolution: As the chairperson and director CHEN,YI-FANG are recused from the Board of Directors, the proposal are approved by 8 directors present and 8 Directors without any objection.</p> <p>Note: Chairman CHEN, CHING-CHI: Since Motion No. 7, 8, and 9 concern my interests, I would like Director CHEN, WEN-HUNG to act as the acting chairperson.</p> <p>Resolution: Approved by the Chairperson after consulting all directors present without any objection.</p> <p>Opinion of the independent directors: None.</p> <p>The Company's handling of the independent directors' opinions: None.</p>
		<p>8. Review the proposal of the Company's the salary and compensation of the new manager and submit it for discussion</p> <p>Resolution: As the chairperson and director CHEN,YI-FANG are recused from the Board of Directors, the proposal are approved by 8 directors present and 8 Directors without any objection.</p> <p>Opinion of the independent directors: None.</p> <p>The Company's handling of the independent directors' opinions: None.</p>
		<p>9. The proposal for the appropriation and distribution of employees' compensation and directors' compensation for the year 2022 is presented for discussion.</p> <p>Resolution: As the chairperson and director CHEN,YI-FANG are recused from the Board of Directors, the proposal are approved by 8 directors present and 8 Directors</p>

Meeting name	Meeting date	Important resolutions
		<p>without any objection.</p> <p>Note: Director CHEN, YI-FANG concurrently serves as a supervisor of the R&amp;D Center and receives employee remuneration. Director CHEN, CHING-CHI is 2nd degree of kinship to Director CHEN, YI-FANG. Therefore, both individuals must recuse themselves from this motion in accordance with the law due to a conflict of interest.</p> <p>Opinion of the independent directors: None.</p> <p>The Company's handling of the independent directors' opinions: None.</p>
		<p>10. Review the 2022 distribution of remunerations to the Company's directors</p> <p>Opinion of the independent directors: None</p> <p>Resolution: 1. CHEN, WEN-HUNG's director's remuneration was approved unanimously by all 9 attending directors without objection.</p> <p>2. LU, HUEY-MIN's director's remuneration was approved unanimously by all 9 attending directors without objection.</p> <p>3. CHEN, YU-HO's director's remuneration was approved unanimously by all 9 attending directors without objection.</p> <p>4. CHEN, CHIN-MING's director's remuneration was approved unanimously by all 9 attending directors without objection.</p> <p>5. WANG, CHI-CHU's director's remuneration was approved unanimously by all 9 attending directors without objection.</p> <p>6. CHANG, CHUN-MEI's director's remuneration was approved unanimously by all 9 attending directors without objection.</p> <p>7. CHOU, LIANG-CHAN's director's remuneration was approved unanimously by all 10 attending directors without objection.</p> <p>8. CHEN, FU-JIAN's supervisor's remuneration was approved unanimously by all 10 attending directors without objection.</p> <p>9. CHEN, CHIN-MING's director's remuneration was approved unanimously by all 8 attending directors without objection.</p> <p>10. CHEN, YI-FANG's director's remuneration was approved unanimously by all 8 attending directors without objection.</p> <p>11. CHEN, CHING-CHI's director's remuneration was approved unanimously by all 7 attending directors without objection.</p> <p>Note: The case has been carried out in accordance with the law to avoid conflicts of interest involving the persons and their second degree of kinship. When reviewing the remuneration of Directors CHEN, CHIN-FU, Director CHEN, YI-FANG, and Director CHEN, CHING-CHI, Director CHEN, WEN-HUNG was appointed as the acting chair.</p> <p>Opinion of the independent directors: None.</p> <p>The Company's handling of the independent directors' opinions: None.</p>
The board of Directors	The fifteenth session eighth 2023.11.09	<p>1. The Company's auditing plan for 2024 is presented for discussion.</p> <p>Resolution: Approved by the Chairperson after consulting all directors present without any objection.</p> <p>Opinion of the independent directors: None.</p> <p>The Company's handling of the independent directors' opinions: None.</p>
		<p>2. Revise the proposal of the Company's "Handling of Related Party Specific Company and Group Enterprise Transactions", and submit them for discussion.</p> <p>Resolution: Approved by the Chairperson after consulting all directors present without any objection.</p> <p>Opinion of the independent directors: None.</p> <p>The Company's handling of the independent directors' opinions: None.</p>
		<p>3. Revise the proposal of the Company's "Methods for handling cases of reporting illegal, unethical, or dishonest behavior", and submit them for discussion.</p> <p>Resolution: Approved by the Chairperson after consulting all directors present without any objection.</p> <p>Opinion of the independent directors: None.</p> <p>The Company's handling of the independent directors' opinions: None.</p>
		<p>4. Submit the proposal of the company's consolidated financial statements for the third quarter of 2023 for discussion.</p> <p>Resolution: Approved by the Chairperson after consulting all directors present without any objection.</p> <p>Opinion of the independent directors: None.</p>

Meeting name	Meeting date	Important resolutions
		The Company's handling of the independent directors' opinions: None.
		5. Set the benchmark date for the capital increase of the Company's "First Employee Stock Option Certificate in 2018" to execute the conversion into ordinary shares in the third quarter of 2023, and submit it for discussion. Resolution: Approved by the Chairperson after consulting all directors present without any objection. Opinion of the independent directors: None. The Company's handling of the independent directors' opinions: None.
		6. Present the Company's overdue accounts receivable and loans of group funds for discussion. Resolution: Approved by the Chairperson after consulting all directors present without any objection. Opinion of the independent directors: None. The Company's handling of the independent directors' opinions: None.
		7. The Company has applied for a short-term consolidated line of credit of US\$3.2 million from Taipei Fubon Bank for its business needs, and intends to apply for renewal of the contract and submit it for discussion. Resolution: Approved by the Chairperson after consulting all directors present without any objection. Opinion of the independent directors: None. The Company's handling of the independent directors' opinions: None.
The board of Directors	The fifteenth session Ninth 2024.01.25	1. The Company periodically evaluates the independence of the accountants and submits them for discussion. Resolution: Approved by the Chairperson after consulting all directors present without any objection. Opinion of the independent directors: None. The Company's handling of the independent directors' opinions: None.
		2. Present the Company's overdue accounts receivable and loans of group funds for discussion. Resolution: Approved by the Chairperson after consulting all directors present without any objection. Opinion of the independent directors: None. The Company's handling of the independent directors' opinions: None.
		3. Review the scope of the applicable Manager's compensation that should be submitted to the Compensation Committee for pre-approval of the Company's compensation and bring it up for discussion. Resolution: Approved by the Chairperson after consulting all directors present without any objection. Opinion of the independent directors: None. The Company's handling of the independent directors' opinions: None.
		4. Review the proposal of the Company's the salary and compensation of the new manager and submit it for discussion. Resolution: Approved by the Chairperson after consulting all directors present without any objection. Opinion of the independent directors: None. The Company's handling of the independent directors' opinions: None.
		5. Review the proposal of the Company's the salary and compensation of the new manager and submit it for discussion. Resolution: Approved by the Chairperson after consulting all directors present without any objection. Opinion of the independent directors: None. The Company's handling of the independent directors' opinions: None.
		6. Present the Company's operating plan for 2024 for discussion. Resolution: Approved by the Chairperson after consulting all directors present without any objection. Opinion of the independent directors: None. The Company's handling of the independent directors' opinions: None.
		7. Proposal of abolishing the Articles of Incorporation and the 3-year business plan of Huaguo Infrared Technology Co., Ltd. Resolution: As the chairperson, director CHEN, CHIN-FU, and director CHEN, YI-FANG are recused from the Board of Directors, the proposal are approved by 6

Meeting name	Meeting date	Important resolutions
		<p>directors present and 6 Directors without any objection.</p> <p>Opinion of the independent directors: None.</p> <p>The Company's handling of the independent directors' opinions: None.</p>
The board of Directors	The fifteenth session Tenth 2024.03.13	<p>1. The company's consolidated financial statements and individual financial statements for the year 2023 are submitted for discussion.</p> <p>Resolution: Approved by all directors present and reported to the general meeting.</p> <p>Opinion of the independent directors: None.</p> <p>The Company's handling of the independent directors' opinions: None.</p>
		<p>2. Present the proposal of the Company's profit and loss for 2023 for discussion</p> <p>Resolution: Approved by all directors present and proposed to be recognized by the shareholders at the general meeting.</p> <p>Opinion of the independent directors: None.</p> <p>The Company's handling of the independent directors' opinions: None.</p>
		<p>3. Present the proposal to distribute cash from capital surplus for discussion.</p> <p>Resolution: Approved by all directors present and proposed to be recognized by the shareholders at the general meeting.</p> <p>Opinion of the independent directors: None.</p> <p>The Company's handling of the independent directors' opinions: None.</p>
		<p>4. The proposal of the Company's application for renewal of the short-term consolidated line of credit with Mega Bank is submitted for discussion.</p> <p>Resolution: Approved by the Chairperson after consulting all directors present without any objection.</p> <p>Opinion of the independent directors: None.</p> <p>The Company's handling of the independent directors' opinions: None.</p>
		<p>5. Present the Company's overdue accounts receivable and loans of group funds for discussion.</p> <p>Resolution: Approved by the Chairperson after consulting all directors present without any objection.</p> <p>Opinion of the independent directors: None.</p> <p>The Company's handling of the independent directors' opinions: None.</p>
		<p>6. Amend the proposal of the Company's "General Principles of Pre-Approved Non-Confirmation Service Policy" for discussion.</p> <p>Resolution: Approved by the Chairperson after consulting all directors present without any objection.</p> <p>Opinion of the independent directors: None.</p> <p>The Company's handling of the independent directors' opinions: None.</p>
		<p>7. The report on the self-assessment of the Company's internal control system and the statement of internal control system for fiscal year 2023 are presented for discussion.</p> <p>Resolution: Approved by the Chairperson after consulting all directors present without any objection.</p> <p>Opinion of the independent directors: None.</p> <p>The Company's handling of the independent directors' opinions: None.</p>
		<p>8. Revise the operation of the internal control system and present it for discussion.</p> <p>Resolution: Approved by the Chairperson after consulting all directors present without any objection.</p> <p>Opinion of the independent directors: None.</p> <p>The Company's handling of the independent directors' opinions: None.</p>
		<p>9. The date and place of the 2023 Annual General Meeting of Shareholders of the Company and the motion are presented for discussion.</p> <p>Resolution: Approved by the Chairperson after consulting all directors present without any objection.</p> <p>Opinion of the independent directors: None.</p> <p>The Company's handling of the independent directors' opinions: None.</p>

Meeting name	Meeting date	Important resolutions
Shareholders' Meeting	2023.06.16	1. The Company's 2022 annual report of operations and financial statements are submitted for ratification. Implementation status: The proposal was passed as proposed.
		2. Present the proposal of the Company's profit and loss for 2022 for discussion. Implementation status: The proposal was passed as proposed.
		3. Revise the proposal of the Company's "Procedures for Lending Funds to Others" and present it for discussion. Implementation status: The revised procedures have been announced on the Company's website.
		4. The election of additional independent directors of the Company is proposed for discussion. Implementation status: Registration has been approved by the Ministry of Economic Affairs and announced on the Company's website.
		5. Proposal of lifting the non-competition restriction for the newly elected directors. Implementation status: The proposal was passed as proposed.

(XVI) For the most recent year and up to the date of printing of the annual report, the directors or supervisors had different opinions on important resolutions passed by the board of directors and there were records or written statements of the main contents: None.

(XVII) Summary of the resignations and dismissals of the chairperson, the general manager, head of accounting, head of finance, head of internal audit, Head of Corporate Governance and head of research and development for the most recent year and up to the date of printing of the annual report:

December 31, 2023

Title	Name	Date of arrival	Date of dismissal	Reasons for resignation or dismissal
Senior Manager	LIN, PING-LIN	2023/1/13	-	New
General Manager	CHEN, YI-FANG	2023/8/9	-	New

(XVIII) The significant resolutions of the Compensation Committee for the most recent year and up to the date of printing of the annual report are as follows:

Meeting name	Meeting date	Important resolutions
The Compensation Committee	The fifth session Second 2023.01.13	<p>1. Review the scope of the applicable Manager's compensation that should be submitted to the Compensation Committee for pre-approval of the Company's compensation. Resolution: Approved by the Chairperson after consulting all directors present without any objection. The Company's handling of the Salary and Compensation Committee's opinion: No objection and approved.</p> <p>2. Review the salary and compensation proposal for the new managers of the Company. Resolution: Approved by the Chairperson after consulting all directors present without any objection. The Company's handling of the Salary and Compensation Committee's opinion: No objection and approved.</p> <p>3. Review the year-end bonus distribution proposal for directors and managers of the Company in 2022. Resolution: Approved by the Chairperson after consulting all directors present without any objection. The Company's handling of the Salary and Compensation Committee's opinion: No objection and approved.</p>
The Compensation Committee	The fifth session Third 2023.03.23	<p>1. Review the scope of the applicable Manager's compensation that should be submitted to the Compensation Committee for pre-approval of the Company's compensation. Resolution: Approved by the Chairperson after consulting all directors present without any objection. The Company's handling of the Salary and Compensation Committee's opinion: No objection and approved.</p> <p>2. Review the salary and compensation proposal for the new management supervisor of the Company. Resolution: Approved by the Chairperson after consulting all directors present without any objection. The Company's handling of the Salary and Compensation Committee's opinion: No objection and approved.</p> <p>3. Review the proposal of the Company's the salary and compensation of the finance supervisor and submit it for discussion. Resolution: Approved by the Chairperson after consulting all directors present without any objection. The Company's handling of the Salary and Compensation Committee's opinion: No objection and approved.</p>
The Compensation Committee	The fifth session Fourth 2023.08.09	<p>1. Review the scope of the applicable Manager's compensation that should be submitted to the Compensation Committee for pre-approval of the Company's compensation. Resolution: Approved by the Chairperson after consulting all directors present without any objection. The Company's handling of the Salary and Compensation Committee's opinion: No objection and approved.</p> <p>2. Review the salary and compensation proposal for the new managers of the Company. Resolution: Approved by the Chairperson after consulting all directors present without any objection.</p>

Meeting name	Meeting date	Important resolutions
		<p>The Company's handling of the Salary and Compensation Committee's opinion: No objection and approved.</p> <p>3. Resolution: Approved by the Chairperson after consulting all directors present without any objection.</p> <p>Resolution: Approved by the Chairperson after consulting all directors present without any objection.</p> <p>The Company's handling of the Salary and Compensation Committee's opinion: No objection and approved.</p> <p>4. Review of the 2022 distribution of remunerations to the Company's directors.</p> <p>Resolution: 1. CHEN, WEN-HUNG's director's remuneration was approved unanimously by all 2 attending directors without objection.</p> <p>2. YU, HUEY-MIN's director's remuneration was approved unanimously by all 2 attending directors without objection.</p> <p>3. CHEN, YU-HO's director's remuneration was approved unanimously by all 2 attending directors without objection.</p> <p>NOTE: The case has been carried out in accordance with the law to avoid conflicts of interest involving the persons and their second degree of kinship. While reviewing the remunerations of CHEN, WEN-HUNG, YU, HUEY-MIN was requested to act as the acting chair.</p> <p>The Company's handling of the Salary and Compensation Committee's opinion: No objection and approved.</p>
The Compensation Committee	The fifth session Fifth 2024.01.25	<p>1. Review the scope of the applicable Manager's compensation that should be submitted to the Compensation Committee for pre-approval of the Company's compensation.</p> <p>Resolution: Approved by the Chairperson after consulting all directors present without any objection.</p> <p>The Company's handling of the Salary and Compensation Committee's opinion: No objection and approved.</p> <p>2. Review the salary and compensation proposal for the new managers of the Company.</p> <p>Resolution: Approved by the Chairperson after consulting all directors present without any objection.</p> <p>The Company's handling of the Salary and Compensation Committee's opinion: No objection and approved.</p> <p>3. Review the year-end bonus distribution proposal for directors and managers of the Company in 2023.</p> <p>Resolution: Approved by the Chairperson after consulting all directors present without any objection.</p> <p>The Company's handling of the Salary and Compensation Committee's opinion: No objection and approved.</p>

## V. Accountant Fee Information:

The company's 2023 annual accountant's fee information is as follows:

Unit of amount: NTD thousand

Name of the accounting firm	Name of accountant	Accountants' review period	Audit fees	Non-audit fees	Total	Remarks
Deloitte & Touche Firm	TSENG, DONE YUIN, SU, TING-CHIEN	2023/1/1~2023/12/31	5,700	1,057	6,757	-

Note: Other non-audit expenses mainly consist of NT\$290 thousand for transferring pricing audit reports, \$NT350 thousand for tax returns and NT\$417 thousand for others.

- (I) If the non-audit fees paid to the certified public accountant, the certified public accountant's firm and its affiliates account for at least one-fourth of the audit fees, the amount of audit and non-audit fees and the content of non-audit services shall be disclosed: None.
- (II) Change in accounting firm and the audit fee paid in the year of change is less than the audit fee paid in the year before the change: None.
- (III) Audit expenses decreased by 10% or more from the previous year: None.

## VI. Change of Accountant Information: None.

VII. The chairperson, general manager, or manager in charge of financial or accounting matters of the Company has worked in the firm of the certified public accountant or its affiliated companies within the last year: None.

VIII. Changes in the shareholdings of directors, supervisors, managers and shareholders holding more than 10% of the shares or pledges of shares in the most recent year and up to the date of printing of the annual report.

### 1. Changes in shareholdings of directors, supervisors, managers and substantial shareholders: Units: shares

Title	Name	Year 2023		Current year ended April 22	
		Increase (decrease) in the number of shares held	Increase (decrease) in the number of pledged shares	Increase (decrease) in the number of shares held	Increase (decrease) in the number of pledged shares
Chairperson and general manager	CHEN, CHING-CHI	0	0	0	0
Vice chairperson and general manager	CHEN, YI-FANG	117,000	0	152,000	0
Director	CHEN, CHIN-FU	0	0	0	0
Director	CHEN, CHIN-MING	0	0	0	0
Director	WANG, CHI-CHU	10,000	0	31,000	0
Director	CHANG, CHUN-MEI	58,126	0	47,286	0
Independent director	CHEN, WEN-HUNG	0	0	0	0
Independent director	YU, HUEY-MIN	0	0	0	0
Independent director	CHEN, YU-HO	0	0	0	0
Independent director	LU, HUEY-MIN	0	0	0	0



Title	Name	Year 2023		Current year ended April 22	
		Increase (decrease) in the number of shares held	Increase (decrease) in the number of pledged shares	Increase (decrease) in the number of shares held	Increase (decrease) in the number of pledged shares
Vice general manager of R&D Technology Division	CHANG, KU-YUAN	0	0	0	0
Vice general manager of Sales Office	LAI, YING-FANG	0	0	0	0
Special Assistant to the Chairperson	LIN, PING-LIN	0	0	0	0
Special Assistant to the Chairperson	LI, WEI-CHUNG	(11,000)	0	0	0
Precision Technology Division Assistant Manager	HSU, CHIH-CHIN	0	0	0	0
Glass Lens Production Division Supervisor	CHUANG, CHENG-CHANG	0	0	0	0
Quality Assurance Department Senior Manager	CHANG, MING-WEI	0	0	0	0
Forming and Coating Department Senior Manager	JIAN, HUEY-MIN	0	0	0	0
Finance Division and Accounting Supervisor	HUANG, WAN-TING	200	0	0	0

## 2. Transfer of equity information:

Name	Reasons for transfer of equity	Transaction date	Trading counterparty	Relationship between the counterparty and the Company, its directors, supervisors, managers and shareholders holding more than 10 percent of the shares	Shares	Trading price
CHANG, C HUN-MEI	obtain	112/06/19	CHOU, CHENG-YI	-	48,126	25.35
CHEN, YI-FANG	obtain	112/06/19	CHEN, ZHANG, SU-HUA	Mother and Son	96,000	25.35
CHANG, C HUN-MEI	obtain	113/03/06	CHOU, CHENG-YI	-	23,643	25.8
CHANG, C HUN-MEI	obtain	113/03/06	YANG, YU-TUAN	-	23,643	25.8
CHEN, YI-FANG	obtain	113/04/02	CHEN, ZHANG, SU-HUA	Mother and Son	100,000	24.3

## 3. Equity pledge information:

Name	Reasons for change in pledge	Date of change	Trading counterparty	Relationship between the counterparty and the Company, its directors, supervisors, managers and shareholders holding more than 10 percent of the shares	Shares	Shareholding ratio	Pledge ratio	Borrowing (redemption) amount
None								

IX. Information on the relationship between the top ten shareholders and their shareholdings.

April 22, 2024

Name	Shares held by me		Shares held by spouse, minor children		Using others' names to hold shares		The names and relationships of the top ten shareholders who are related to each other or who are related to each other as spouses, second cousins, etc.		Remarks
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio	Name	Relationships	
CHEN, CHING-CHI	8,623,385	4.95%	4,764,408	2.73%	0	0	CHEN, ZHANG, SU-HUA CHEN, CHIN-FU	Spouse Brother	None
CHEN, CHIN-FU	7,011,098	4.02%	1,318,653	0.76%	0	0	CHEN, CHING-CHI YANG, YU-TUAN	Brother Spouse	None
CHEN, ZHANG, SU-HUA	4,764,408	2.73%	8,623,385	4.95%	0	0	CHEN, CHING-CHI	Spouse	None
CHEN, ZHUO-JIN-QUE	4,205,678	2.41%	0	0	0	0	None	None	None
CHEN, SONG-KUN	4,054,062	2.33%	0	0	0	0	None	None	None
PEI, SHU-QIN	2,558,753	1.47%	1,650,843	0.95%	0	0	ZHOU, LIANG-CHENG	Spouse	None
WANG, CHI-CHU	2,299,991	1.32%	255,627	0.15%	0	0	None	None	None
CHOU, LIANG-CHENG	1,650,843	0.95%	2,558,753	1.47%	0	0	PEI, SHU-QIN	Spouse	None
CHEN HSIN-LIANG	1,380,787	0.79%	0	0	0	0	None	None	None
YANG, YU-TUAN	1,318,653	0.76%	7,011,098	4.02%	0	0	CHEN, CHIN-FU	Spouse	None

X. The number of shares held by the Company, its directors, supervisors, managers, and businesses directly or indirectly controlled by the Company in the same reinvestment business, and the consolidated percentage of shareholding:

Units: shares; %

Transfer of Investment	Investment of the Company		Directors, supervisors, managers and investments in direct or indirectly controlled businesses		Consolidated investment	
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio
Kinko Optical (HK) Limited (Note 1)	508,691	100%	0	0	508,691	100%
Jinwei Optical Industry Co., Ltd. (Note 1)	100,000	100%	0	0	100,000	100%
Hu Shang Optical Industry Co., Ltd. (Note 1)	100,000	100%	0	0	100,000	100%
Unique Opto-Electronics Co., Ltd. (Note 2)	1,130,036	3%	0	0	1,130,036	3%

Note 1: The Company's investments are accounted for using the equity method.

Note 2: Lianyi Optoelectronics Co., (Stock) Ltd. is a financial asset measured at fair value through other comprehensive income.

## Chapter 4. Capital Raising

### I. Company Capital and Shares

#### (I) Sources of share capital:

Unit: A thousand shares: NTD thousand

Year and month	Issue price	Authorized share capital		Paid-in share capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of share capital:	Use of property other than cash to offset stock dividends	Others
1998.08	10	8,000	80,000	8,000	80,000	Capital increase by cash 80,000	None	
1998.12	10	11,000	110,000	11,000	110,000	Capital increase by cash 30,000	None	1999.1.13 the authorized business No. 100870
1999.09	10	15,000	150,000	15,000	150,000	Capital increase by cash 40,000	None	1999.9.8 the authorized business No.133513
2000.07	10	18,600	186,000	18,600	186,000	Capital increase by cash 36,000	None	2000.8.1 the authorized business No. 126009
2000.12	10	19,800	198,000	19,800	198,000	Capital increase by cash 12,000	None	2001.1.8 the authorized (business) No. 09001001940
2001.03	10	31,800	318,000	22,800	228,000	Capital increase by cash 30,000	None	2001.3.19 the authorized business No. 09001089980
2001.04	10	31,800	318,000	25,200	252,000	Capital increase by cash 24,000	None	2001.4.26 the authorized business No. 09001134070
2001.09	10	50,000	500,000	33,000	330,000	Transfer of capital from surplus 73,000 Employee bonus to capital increase 5,000	None	2001.9.19 the authorized business No.090011375320
2002.09	10	70,000	700,000	43,400	434,000	Transfer of capital from surplus 99,000 Employee bonus to capital increase 5,000	None	2002.9.17 the authorized business No.09101370430
2003.09	10	70,000	700,000	57,120	571,200	Transfer of capital from surplus 130,200 Employee bonus to capital increase 7,000	None	2002.9.05 the authorized business No.09201265800
2003.12	10	70,000	700,000	58,231	582,310	Overseas convertible bonds 11,110	None	2004.1.19 the authorized business No.09301010040
2004.03	10	70,000	700,000	58,670	586,700	Overseas convertible bonds 4,390	None	2004.4.22 the authorized business No.09301069130
2004.05	10	100,000	1,000,000	77,681	776,810	Transfer of capital from surplus 176,010 Employee bonus to capital increase 14,100	None	2004.6.25 the authorized business No.09301111250
2005.05	10	100,000	1,000,000	80,677	806,773	Overseas convertible bonds 29,963	None	2005.5.19 the authorized business No.09401089070
2005.08	10	100,000	1,000,000	80,713	807,136	Overseas convertible bonds 363	None	2005.8.3 the authorized business No.09401149460
2005.09	10	180,000	1,800,000	106,399	1,063,992	Transfer of capital from surplus 242,032 Employee bonus to capital increase 14,824	None	2005.9.5 the authorized business No.09401149460
2005.10	10	180,000	1,800,000	106,495	1,064,949	Overseas convertible bonds 957	None	2005.10.26 the authorized business No.09401213520
2006.05	10	180,000	1,800,000	106,878	1,068,777	Overseas convertible bonds 3,828	None	2006.5.08 the authorized business No.09501077620
2006.08	10	180,000	1,800,000	119,751	1,197,508	Transfer of capital from surplus 106,878 Employee bonus to capital	None	2006.8.18 the authorized business No.09501182020

Year and month	Issue price	Authorized share capital		Paid-in share capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of share capital:	Use of property other than cash to offset stock dividends	Others
						increase 21,853		
2007.08	10	180,000	1,800,000	121,957	1,219,567	Transfer of capital from surplus 11,975 Employee bonus to capital increase 10,084	None	2007.8.28 the authorized business No.09601210600
2008.08	10	180,000	1,800,000	124,430	1,244,297	Transfer of capital from surplus 12,040 Employee bonus to capital increase 12,690	None	2008.8.22 the authorized business No.09701207070
2009.09	10	180,000	1,800,000	143,335	1,433,352	Domestic convertible bonds 189,055	None	2009.09.02 the authorized business No.09801199770
2009.12	10	180,000	1,800,000	146,109	1,461,088	Domestic convertible bonds 27,736	None	2009.09.02 the authorized business No.09801199770
2010.02	10	180,000	1,800,000	146,128	1,461,277	Domestic convertible bonds 189	None	2010.02.26 the authorized business No.09901036560
2010.04	10	180,000	1,800,000	164,128	1,641,277	Capital increase by cash 180,000	None	2010.04.27 the authorized business No. 09901083110
2010.11	10	180,000	1,800,000	162,576	1,625,757	Cancellation of treasury stock 1,552 thousand shares	None	2010.11.26 the authorized business No.09901264230
2017.12	10	180,000	1,800,000	163,023	1,630,229	Employees exercising stock options to increase capital	None	2017.12.07 the authorized business No. 10601164050
2018.02	10	180,000	1,800,000	163,028	1,630,279	Employees exercising stock options to increase capital	None	2018.02.23 the authorized business No. 10701020110
2018.06	10	180,000	1,800,000	163,031	1,630,309	Employees exercising stock options to increase capital	None	2018.02.23 the authorized business No. 10701054360
2018.09	10	180,000	1,800,000	163,042	1,630,424	Employees exercising stock options to increase capital	None	2018.09.14 the authorized business No. 10701108730
2018.11	10	180,000	1,800,000	163,108	1,631,079	Employees exercising stock options to increase capital	None	2018.11.29 the authorized business No. 10701149780
2019.04	10	180,000	1,800,000	163,120	1,631,199	Employees exercising stock options to increase capital	None	2019.04.22 the authorized business No. 10801044250
2019.12	10	250,000	2,500,000	163,135	1,631,349	Employees exercising stock options to increase capital	None	2019.12.09 the authorized business No. 10801169800
2020.01	10	250,000	2,500,000	163,139	1,631,389	Employees exercising stock options to increase capital	None	2020.01.31 the authorized business No. 10901015580
2020.05	10	250,000	2,500,000	163,147	1,631,469	Employees exercising stock options to increase capital	None	2020.05.22 the authorized business No.10901084720
2021.10	10	250,000	2,500,000	174,147	1,741,469	Capital increase by cash 110,000	None	2021.10.26 the authorized business No.11001193940
2022.04	10	250,000	2,500,000	174,229	1,742,286	Employees exercising stock options to increase capital	None	2022.04.21 the authorized business No.11101060170
2023.09	10	250,000	2,500,000	174,284	1,742,839	Employees exercising stock options to increase capital	None	2023.09.01 the authorized business No.11230168300
2023.12	10	250,000	2,500,000	174,329	1,743,288	Employees exercising stock options to increase capital	None	2022.04.21 the authorized business No.11230225850

Basis date: April 22, 2024 Unit: thousands of shares

Type \ Shares	Authorized share capital			Remarks
	Shares in circulation	Unissued shares	Total	
Ordinary shares	174,329	75,671	250,000	None

Special shares	0	0	0	None
----------------	---	---	---	------

(II) General information about the reporting system

Type of securities	Estimated issue amount		Issued amount		Issued portion of purposes and estimated benefits	Unissued portion of scheduled issuance period	Remarks
	Total Shares	Approved amount	Shares	Price			
None							

(III) Shareholder structure:

Basis date: April 22, 2024

Shareholder structure Quantity	Government agencies	Financial institutions	Other legal entities	Foreign institutions and foreigners	Personal	Total
Number of people	0	0	166	65	41,294	41,525
Number of shares held	0	0	419,365	2,556,299	171,353,117	174,328,781
Shareholding ratio	0	0	0.24%	1.47%	98.29%	100%

(IV) Diversification of shareholdings:

Basis date: April 22, 2024

Shareholding classification	Number of shareholders	Number of shares held	Shareholding ratio
1 ~ 999	21,988	420,222	0.24%
1,000 ~ 5,000	15,476	31,894,059	18.30%
5,001 ~ 10,000	2,199	17,444,495	10.01%
10,001 ~ 15,000	615	7,718,268	4.43%
15,001 ~ 20,000	379	7,034,708	4.04%
20,001 ~ 30,000	336	8,558,253	4.91%
30,001 ~ 40,000	136	4,880,751	2.80%
40,001 ~ 50,000	92	4,271,464	2.45%
50,001 ~ 100,000	168	12,126,652	6.96%
100,001 ~ 200,000	64	8,922,468	5.12%
200,001 ~ 400,000	33	9,965,632	5.71%
400,001 ~ 600,000	12	5,740,270	3.29%
600,001 ~ 800,000	3	2,163,715	1.24%
800,001 ~ 1,000,000	5	4,539,817	2.60%
Over 1,000,000	19	48,648,007	27.90%
Total	41,525	174,328,781	100.00%

## (V) List of major shareholders

Basis date: April 22, 2024

Shares Name of major shareholders	Number of shares held	Shareholding ratio
CHEN, CHING-CHI	8,623,385	4.95%
CHEN, CHIN-FU	7,011,098	4.02%
CHEN, ZHANG, SU-HUA	4,764,408	2.73%
CEHN, ZHUO-JIN-QUE	4,205,678	2.41%
CHEN, SONG-KUN	4,054,062	2.33%
PEI, SHU-QIN	2,558,753	1.47%
WANG, CHI-CHU	2,299,991	1.32%
CHOU, LIANG-CHENG	1,650,843	0.95%
CHEN, HSIN-LIANG	1,380,787	0.79%
YANG, YU-YUAN	1,318,653	0.76%

## (VI) Stock price, net worth, earnings, dividends and related information per share for the last two years

Year			Year 2023	Year 2022	Current year as of March 31, 2024
Item					
Price per stock (Note 1)	Highest		35.35	38.70	28.00
	Lowest		24	21.50	24.25
	Average		28.01	28.77	26.23
Net value per share (Note 2)	Before distribution		17.45	18.54	17.62
	After distribution		16.95	17.84	17.12
Earnings per share	Weighted average shares		174,257,099	174,210,002	174,328,781
	Earnings (loss) per share (Note 3)		(0.29)	0.37	(0.01)
Dividend per share (Note 7)	Cash dividends		87,164	121,960	None
	Gratuitous allotment of shares	Allotment of surplus shares	0	0	
		Capital provident fund share allotment	0	0	
	Accumulated unpaid dividends		0	0	
Investment compensation analysis	Principal to benefit ratio (Note 4)		(98.03)	77.17	
	Principal to profit ratio (Note 5)		56.02	41.10	
	Cash dividend yield (Note 6)		0.0179	0.0243	

Note 1: The stock price per share, the Company's shares were listed and traded on the OTC on December 30, 2002 and on the Taiwan Stock Exchange from November 2004.

Note 2: Based on the number of shares outstanding at the end of the year, and based on the distribution resolved at the shareholders' meeting of the following year.

Note 3: If a retroactive adjustment is required due to a no-compensation stock allotment, etc., the earnings per share before and after the adjustment should be presented.

Note 4: Principal to benefit ratio = average closing price per share for the year / earnings per share.

Note 5: Principal to profit ratio = average closing price per share for the year / Cash dividends per share.

Note 6: Principal to profit ratio = cash dividend per share / average closing price per share for the year.

Note 7: The appropriation of earnings for 2023 is subject to the resolution of the shareholders' meeting.

(VII) Dividend policy and enforcement status of the Company:

1. Dividend policy as set forth in the Articles of Incorporation

If there is any surplus in the annual accounts of the Company, 10% of the accumulated deficit shall be set aside as legal reserve after paying taxes in accordance with the law, except that if the legal reserve has reached the amount of the Company's paid-in capital, no further provision shall be made, and the remainder shall be set aside or reversed to a special reserve in accordance with the law; If there is any unappropriated earnings, the Board of Directors shall prepare a proposal for the appropriation of the earnings and submit it to the shareholders' meeting for resolution on the distribution of dividends to shareholders.

In case the Company may authorize the distributable dividends and bonuses or its legal reserve and capital reserve in whole or in part to be paid or distributed in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

The dividend policy of the Company aligns with current and future development plans, considering the investment environment, capital needs, and domestic and international competition and taking into account the interests of shareholders and other factors. The dividends paid to shareholders shall not be less than 40% of the distributable net profit for the current year, and may be distributed in the form of shares or in cash, of which cash dividends shall not be less than 10% of the total dividends.

2. Circumstances of the proposed dividend distribution at the shareholders' meeting

The company's 2024 earnings distribution plan was approved by the board of directors on March 13, 2023, use statutory surplus reserve to make up for losses NT\$32,873,580; In addition, the Company resolved to distribute cash from capital surplus from the issuance of shares in excess of par value in the amount of NT\$0.5 per share (NT\$87,164,391) in proportion to the shares held by the Company as of the record date for distribution, but the resolution has not yet been approved by the shareholders' meeting.

(VIII) The effect of the proposed gratis allotment of shares at the shareholders' meeting on the Company's operating results and earnings per share:

The Company does not intend to allot shares at no consideration and is therefore not applicable.

(IX) Compensation for employees, directors and supervisors:

1. The percentage and scope of compensation for employees and directors as set forth in the Articles of Incorporation:

If the Company makes a profit in a year, it shall set aside not less than (including) 10% as compensation to employees, which shall be distributed in shares or cash by resolution of the Board of Directors, and the targets of such distribution shall include employees of subordinate companies who meet certain criteria; the Company may set aside not more than (including) 2.5% of the above-mentioned profit as compensation to directors by resolution of the Board of Directors. A report of the distribution of employees' compensation and remuneration to directors shall be submitted to the shareholders' meeting.

However, the Company's accumulated losses shall have been covered first, and then the employees' compensation and remuneration to directors shall be appropriated according to the preceding ratios.

2. The basis for estimating the amount of compensation to employees and directors, the basis for calculating the number of shares for employee compensation distributed by stock, and the accounting treatment if the actual amount of distribution differs from the estimated amount:

As a pre-tax loss in 2023, the remuneration of employees and directors and is not estimated. If there is a difference between the resolution amount and the estimated amount, the difference is accounted for as a change in accounting estimate and recorded as an adjustment in the year of the resolution.

3. The Board of Directors approved the distribution of compensation:

- (1) Amount of employee compensation and director compensation distributed in cash or stock:

As a pre-tax loss in 2023, the board of directors resolved not to distribute employee and director compensation.

- (2) The amount of employee compensation distributed in stock and its proportion to the aggregate amount of net income after tax and total employee compensation in individual or separate financial statements for the period:

As a pre-tax loss in 2023, the remuneration of employees and directors and is not estimated, so it is not applicable.

4. The actual distribution of compensation to employees, directors and supervisors in the previous year (including the number of shares distributed, the amount and the price of the shares), the difference between the distribution and the recognition of compensation to employees, directors and supervisors, and the amount of the difference, the reasons for the difference and the treatment of the difference should be described:

There is no discrepancy between the actual distribution amount of employee compensation and director/supervisor compensation for 2022 and the estimated amount recorded in the accounts.

- (X) Repurchase of the Company's shares in the most recent year and up to the date of printing of the annual report: None.



## II. The Company Debt Situation:

### (I) Corporate debt

Types of corporate debt		Second domestic guaranteed convertible bonds
Date of issue (apply)		August 31, 2021
Face amount		NTD 100 thousand
Issue and Trading Venue		Over-the-counter trading center (Over-the-counter)
Issue price		NT\$115.1700
Total amount		NT\$403,105 thousand
Interest rate		Coupon rate 0%
Period		Three years
Guarantee agency		Mega International Commercial Bank Co., Ltd.
Trustees		SinoPac Bank Co., Ltd.
Underwriting Institutions		IBF Securities Co., Ltd.
Visa attorney		QIU, YA-WEN, attorney at law
Certified public accountant		Deloitte & Touche Firm SU, TING-CHIEN and YAN, XIAO-FANG, Certified Public Accountants
Reimbursement Method		In accordance with Article 10 of these Measures, it is converted into ordinary shares of the Company, or the Company recovers it in advance in accordance with Article 17 of these Measures, or the bondholder exercises the right of sale in accordance with Article 18 of these Measures, or except for those cancelled by the Company's securities dealer, the Company will repay the convertible bonds held by the bondholders in cash at face value within 10 business days from the day after the maturity of the bonds.
Outstanding principal		NT\$350,000,000
Terms of redemption or early settlement		In accordance with Article 17 of the Regulations Governing the Issuance and Conversion of the Second Domestic Secured Convertible Bonds, the right of redemption of the convertible bonds shall be as follows
Restricted terms		Not applicable
Name of credit rating agency, date of rating, results of corporate bond rating		None
With other rights	As of the printing date of the annual report, there were no conversions of common stock,	overseas depositary receipts or other marketable securities that had been converted (exchanged or warrants).
	Issuance and conversion (exchange or stock option) method	Please refer to the terms of issue and conversion
The method of issuance and conversion, exchange or stock options, the possible dilution of shareholdings by the terms of issuance and the effect on the interests of existing shareholders		Convertible bonds do not have a dilutive effect on the company's equity until the creditor requests to execute the conversion right. The creditor can choose a more favorable time point for conversion during the convertible period and therefore has a deferred effect on equity dilution. The conversion of convertible bonds into common stock will not only reduce liabilities, but also increase shareholders' equity, which in turn will increase net worth per share, thus protecting existing shareholders' equity in the long run.
Name of entrusted custodian for the exchange of the subject		Not applicable

### (II) Conversion of corporate bonds

Types of corporate debt		Second domestic guaranteed convertible bonds	
Item	Year	2023	Current year as of March 31, 2024
Market value convertible bonds	Highest	116.50	106.65
	Lowest	103.65	102.05
	Average	110.07	104.35
Conversion price		33.0	
Issue (processing) date and conversion price at issuance		Conversion price at the time of issue on August 13, 2021: 35.0	
Fulfillment of conversion obligations		Issue of new shares	

(III) Issuance of corporate bonds under shelf registration: None.

(VI) Corporate bonds with warrants: None.

III. Special shares: None.

IV. Overseas depository receipts: None.

V. Employee stock option certificate application:

(I). Employee stock option certificate application situation:

March 31, 2024

The types of employee stock option certificate	Second (term) employee stock option certificate
Effective registration date and total number of units	2019/01/14 、2,218,750
Date of issue (apply)	2020/01/08
Number of units issued	2,218,750
Number of units still available for issuance	0
Number of shares issued as a percentage of the total number of shares in issue	1.27%
Subscription period	6 years
Performance method	Issue of new shares
Restricted period and rate (%)	50% subscription after two years of maturity; 75% subscription after three years of maturity; 100% subscription after four years
Number of shares executed	100,150
Amount of executed warrants	5,033,310
Number of outstanding stock options	1,312,150
Subscription price per share for unexecuted stock options	26.9
Number of outstanding warrants to the total number of issued shares (%)	0.75%
Effect on shareholders' equity	The warrants are exercised in three years after the expiration of two years from the date of issuance, and the dilutive effect on the original shareholders' equity is limited as the warrants are diluted yearly.

Note 1: The employee stock option certificate application includes public and private placement employee stock options in process. The public employee stock options under processing refer to those that have been validated by the Association; the private employee stock options under processing refer to those that have been approved by the shareholders' meeting.

(II) The names, acquisition and subscription of the top ten employees who have acquired employee stock options and the number of stock options available to them

March 31, 2024

	Title	Name	Number of shares acquired	Number of share options acquired to the total number of shares in issue	Implemented			Not implemented				
					Number of shares subscribed	Share subscription price	Amount of stock subscription	Ratio of number of subscriptions to total number of shares in issue	Number of shares subscribed	Share subscription price	Amount of stock subscription	Ratio of number of subscriptions to total number of shares in issue
Manager	General Manager	CHEN,YI-FANG	241,000	0.14	18,000	27.6	496,800	0.01	223,000	26.9	5,998,700	0.13
	Vice General Manager	CHANG, KU-YUAN										
	Vice General Manager	LAI, YING-FANG										
	Special Assistant	LIN, PING-LIN										
	Special Assistant	LI, WEI-CHUNG										
	Senior Manager	CHUANG, CHENG-CHANG										
	Senior Manager	CHANG,MING-WEI										
	Senior Manager	CHIEN,HUI-MING										
Employee	Manager	YANG, CHAO-KAI	120,000	0.07	66,000	28.1	1,802,400	0.04	54,000	26.9	1,452,600	0.03
	Manager	TSAI, TSUNG-CHING				27.6						
	Manager	WANG, CHENG-MIN				26.9						
	Assistant manager	CHEN, LI-HUA										
	Assistant manager	HSIAO, JU-CHIANG										

Note 1: Calculated by the Company's current number of issued shares of 174,328,781.

VI. The following items shall be recorded in the case of new shares with restricted employee rights:

- (I) New shares with restricted employee rights that have not yet fully met the vesting conditions should be disclosed as of the printing date of the annual report and the impact on shareholders' equity: None.
- (II) The names of managers and the top ten employees who acquired new shares with restricted employee rights as of the date of publication of the annual report and the circumstances of acquisition: None.

VII. Merger or acquisition of shares of other companies to issue new shares: None.

VIII. Implementation status of fund utilization plan: None.

## Chapter 5. Operation Overview

### I. Business Content

#### (I) Business scope

##### 1. The main contents of the Company's business and its operating weight

Our business is focused on the research and development, design, production, sales and after-sales technical services of various optical lens modules and their components. Our products include the design, manufacturing, processing and trading of key components such as lenses for IoT products, automotive lenses, security lenses, far-infrared thermal imaging lenses, game machine lenses, Autonomous Mobile Robot (AMR) lenses, Machine-Vision Lens, Lidar lens, drone lens, digital cameras, projector lenses, face recognition lenses, and lenses for wearable devices, etc. The major products of the Company in 2023 and 2022 can be classified as optical lenses, optical lenses and others, and the operating shares of each product category are listed below:

Unit: NTD thousand

Main product categories	Year 2023		Year 2022	
	Amount	Share of revenue(%)	Amount	Share of revenue(%)
Optical lenses	910,270	34	1,504,349	42
Optical lens	1,731,636	64	2,045,081	57
Others	55,079	2	32,048	1
Total	2,696,985	100	3,581,478	100

##### 2. Current products (services) of the Company

Main product categories	Important uses or functions
Optical lens	Smart Doorbell, smart speakers, security system, car lens, far infrared thermal imaging lens, Industrial inspection, drones, Autonomous Mobile Robot (AMR) lenses, Lidar products, projectors, 3D sensor lens, IP CAM, game machine lens and other industrial use
Optical lenses	Provide digital monocular camera, LCD projector, in-car, digital camera, digital surveillance system, etc.
Others	Procure raw materials, machinery and equipment revenue, processing revenue, etc.

##### 3. Develop new products (services)

- (1) IOT Lens IPcam/Doorbell Lens
- (2) Far-infrared thermal imaging lens
- (3) Advanced Assisted Driving System (ADAS) camera, fatigue detection camera (DMS), in-cabin monitoring (OMS), and lidar camera for automobiles
- (4) Security lenses for home safety and road surveillance
- (5) The optics for a large concentrator photovoltaic system
- (6) 3D sensing / depth-of-field lens
- (7) The combination of Cassegrain optical system and primary mirror subsystem for LEO(low earth orbit satellite) to LEO laser communication
- (8) Research and development of new coating technology

## (II) Industry overview

### 1. Current status and development of the industry:

Almost any image/lighting output input requires a variety of optical lenses or lenses, including digital cameras, cell phone cameras, telescopes, microscopes, photocopiers, fax machines, laser printers, scanners, barcode scanners, computer cameras (NB Camera), video cameras, security systems, projectors, and even recent topics such as in-car lenses, thermal imaging lenses, drones, biometric systems, VR/AR devices, and even satellites in space also require the use of optical lenses or lenses. Among the optical industry, the market growth of cell phone camera, IPCAM, far infrared thermal imaging lens and car lens is the most remarkable.

Although the smartphone has gradually replaced the digital camera in the convenience of life has also affected the use of consumer habits. However, as the inventory of digital cameras has been digested and bottomed out, the inventory has begun to be replenished; and with the lifting of the epidemic, the demand for cameras has picked up. At the same time, the design, assembly and manufacture of monocular cameras are still in the hands of Japanese optical factories. However, due to the reduction in the overall unit price of the product, Japanese optical factories have greatly released lens grinding to overseas lens grinding factories that are capable of producing. However, the lens size and quality requirements of monocular lenses, if there is no strong production capacity and manufacturing capacity, it is impossible to undertake this part of the business. Therefore, there are not many optical manufacturers in Japan that can undertake it. It has a strong production base in Taiwan and mainland China and has worked with Japanese customers for more than 40 years. KINKO OPTICAL CO., LTD. is one of the best manufacturers to benefit from this.

New crown epidemic has also brought a surge in demand for far-infrared thermal imaging lenses. With access to public spaces, public transportation systems, offices are required to take temperature measurements. A thermal imager that can measure a wide range of people is the best choice. This has led to an increase in the shipment of our hot lens. In addition, thermal imaging lenses also began to be widely used in other products, such as: Russia-Ukraine War let us see the use of drones in the military industry, also need to be equipped with thermal imaging lenses. Besides, there is a growing demand for thermal imaging lenses in inspection equipment. High-end car models released in China in 2023 have also begun to introduce thermal imaging lenses. We believe that thermal imaging products will contribute significantly to the KINKO Group's revenue growth.

The number of cameras on cars is increasing, from one in the early days of reversing to the demand for surround-view systems, lane shift systems, forward road recognition, driver monitoring, cabin monitoring, replacing the need for rear mirrors, and with the demand for safety, car manufacturers are gradually making cameras standard equipment. In recent years, the rise of the electric vehicle market, car lens growth rate is high. The most basic requirement for an onboard lens is to be able to maintain lens quality under various harsh environments for long periods of time. The Advanced Assisted Driving System (ADAS) requires even more demanding lenses. KINKO OPTICAL CO., LTD. has cooperated with the international automotive electronic parts vehicle-mounted customers for many years and has rich product design and production experience. In addition, it has its own production line of glass, plastic, molded glass and molds and has all the design and manufacturing in-house. The share of today's in-vehicle market is also gradually increasing.

In the era where everything is connected to the Internet, various mechanical devices use lenses to capture external image information, making lenses equivalent to the eyes of the equipment. With the rise of AI, having sharp eyes (lenses) enables machines to collect more information, allowing the brain (AI) to quickly make various judgments. KINKO OPTICAL CO., LTD. has developed various IOT lenses, 3D sensing lenses and face recognition lenses according to the needs of major customers in Europe and America. At the same time, we continue to develop and manufacture a variety of niche lens products in small quantities.

In addition to optical lenses, KINKO is also investing in non-optical imaging products, such as: Large-scale concentrator modules for solar energy storage. We also hope to utilize the Company's optical technology to invest in other fields and contribute to the society.

We believe 2024 will be a fruitful year for KINKO OPTICAL CO., LTD, as we continue to research and develop lenses for the Internet of Things, in-vehicle lenses, far-infrared thermal imaging lenses to meet customer needs, There is also scope to branch out into other non-optical imaging products.

## 2.Upstream, midstream, and downstream industry linkages:

	Industry	Products
Optical materials (Upstream industry)	Optical glass industry	Optical glass blocks, glass blanks
	Optical plastic industry	PC, PMMA and other plastic pellets
Optical components (Midstream industry)	Optical component industry	Lenses, prisms, flat lenses, filters, various lenses
Optical application products (Downstream industry)	Traditional optical equipment	Slideshows, headlights, glasses, telescopes, microscopes
	Traditional imaging products	Photocopiers, fax machines, cameras, projectors
	Consumer digital imaging products	Digital cameras, digital camcorders, projectors, smartphones, game consoles, VR/AR/MR devices, sports cameras
	Computer peripheral digital products	Laser printer, scanner, NBCamera, DataProjector, mouse, smart TV
	Medical, industrial and automotive	Medical Endoscope, Barcode Scanner, Security Camera, IPCAM, Car Lens
	Others	Optical communication components, lighting equipment, thermal imaging equipment

## 3.Various trends of product development:

With the continuous technological innovation of electronic and information technology products, various new optoelectronic products have emerged in the world and the demand for them has increased, especially with the reform of electronic manufacturing technology, which has made it possible to miniaturize the size of circuits and components, facilitating the development of optoelectronic products. Optical lenses are mostly used as interfaces for optoelectronic products, so optical component products are also developing towards high quality, high precision and high coating technology products, such as products for digital

cameras, security monitors, automotive lenses, cell phone cameras, LCD projectors and optical fiber components.

#### 4.Competitive situation:

KINKO OPTICAL CO., LTD is focusing on the development and production of custom lenses for the Internet of Things (IOT), automotive lenses, and lenses for consumer electronics, etc. It is also taking advantage of our many years of experience in mainland China to develop far-infrared thermal imaging lenses, which are shipped steadily to local customers for thermal sensitive products. The original optical component foundry business, which requires high quality and precision, and the long-term cooperation with Japanese majors, has become a highly trusted strategic partner.

#### 5.Industry-specific key performance indicators:

The Company's key performance indicators can be divided into financial and non-financial aspects, as shown in the following table:

Financial aspect		Non-Financial aspect	
Debt to assets ratio	25.96%	Market share	3%
Current Ratio	232.46%	R&D expenses to revenue ratio	3%
Net profit rate	(1.85)%	Staff output (yuan/person/month)	123,116

#### (III) Technology and R&D overview:

The research and development expenses and the successful technologies or products developed in the most recent year and as of the date of the annual report are as follows, and the estimated additional investment in research and development for 2024 is NT\$90,000 thousand.

Year Item	Year 2023	Year 2024 (As of March 31, 2024)
R&D expenses	NT\$91,257 thousand	NT\$22,193 thousand
Development of new products	1. Smart speaker lens 2. Machine-Vision Lens 3. Sweeping robot lens 4. Storage robot lens 5. AR/VR lens 6. Conference video equipment lenses 7. IOT application lens 8. Doorbell surveillance camera 9. Monitoring wide-angle lens 10. Vehicle-mounted panoramic lens 11. Car lens (mass production import) 12. ADAS lens 13. Lidar lens 14. FRESNEL LENS	1. Smart speaker lens 2. Sweeping robot lens 3. Storage robot lens 4. AR/VR lens(Pancake lens) 5. Conference video equipment lenses 6. IOT application lens 7. Monitoring wide-angle lens 8. Vehicle-mounted panoramic lens 9. Car lens (mass production import) 10. ADAS lens 11. Lidar lens 12. FRESNEL LENS 13. Wearable Camera Lens (Body Camera Lens) 14. PANCAKE LENS

Year Item	Year 2023	Year 2024 (As of March 31, 2024)
	15 、Wearable Camera Lens (Body Camera Lens) 16 、Plastic Prisms 17 、The combination of Cassegrain optical system and primary mirror subsystem for LEO(low earth orbit satellite) to LEO laser communication 18 、The optics for a large concentrator photovoltaic system 19 、Atomic Layer Deposition Coating Technology 20 、Indoor Drone Lens 21 、Wisdom car light 22 、Wisdom car light 23 、Train monitoring lens 24 、Infrared Thermal Imaging Lens	15 、The combination of Cassegrain optical system and primary mirror subsystem for LEO(low earth orbit satellite) to LEO laser communication 16 、The optics for a large concentrator photovoltaic system 17 、Atomic Layer Deposition Coating Technology 18 、Indoor Drone Lens 19 、Wisdom car light 20 、Driver Monitoring System Lens 21 、Infrared Thermal Imaging Lens 22 、Development of IK05 lens technology 23 、Development of Anti-fog technology 24 、Development of Defog technology 25 、T-Lens research and design 26 、Smart display lenses

#### (IV) Long- and short-term business development plans

##### (I) Short-term development plan:

The Company continues to innovate and develop new techniques and improve the manufacturing process to increase the yield rate, hoping to be at the front end of the industry in the optical component products, in the product development plan to increase the proportion of the IOT lens, car lens products, infrared thermal imaging lens, and continue to maintain the monocular camera lens orders, short-term business development plans are as follows:

1. Execute the Mars plan to get target customers.
2. Maintain orders for exchange lenses with high added value.
3. Continuously improve waste, inefficient operation and space saving in the factory.
4. Increase the ratio of in-mold production.
5. Shorten the manufacturing process (including seasoning → manufacturing → shipping).
6. Effective integration of cross-strait procurement in three places, unified purchase bargaining.
7. Actively participate in foreign exhibitions to strive for new business opportunities and enhance the Company's visibility.

##### (II) Long-term planning objectives

1. Continue to develop new process technology, new product application to gather new customers.
2. Continuously apply for patents for new technologies and processes to ensure intellectual property rights, and cross-license with customers to protect against



patent infringement.

3. Strengthen the development and application of the European and American markets, increase the proportion of orders received, and find strategic partners for alliance system manufacturers to jointly develop new application products to ensure a high value-added market.
4. Expand into other non-optical products and create new revenue-based products for the Company.

## II. Market, Production and Sales Overview

### (I) Market analysis

#### 1. Sales (provision) of major goods (services) by region

Unit: NTD thousand

Year Sales Area	Year 2023		Year 2022	
	Sales amount	Proportion (%)	Sales amount	Proportion (%)
Export sales	2,293,590	85	3,066,559	86
Domestic sales	403,395	15	514,919	14
Total	2,696,985	100	3,581,478	100

#### 2. Market shares

Unit: NTD thousand

Operating income The name of the company;	Year 2023	Approximate share (%)	Year 2022	Approximate share (%)
KINKO OPTICAL CO., LTD.	2,696,985	3	3,581,478	4
LARGAN PRECISION CO., LTD.	48,842,247	54	47,675,228	53
GENIUS ELECTRONIC OPTICAL CO., LTD.	21,674,701	24	19,215,304	22
ASIA OPTICAL CO., LTD.	17,830,192	19	19,077,048	21
Total	91,044,125	100	89,549,058	100

Source: Company Information and Public Information Observation Post  
System <http://newmops.tse.com.tw/>

#### 3. Future market supply and demand and growth

The optical industry has a century-long history abroad, and the optical industry in Taiwan has been developing for decades. Optical components are also gradually diversified, from the earliest optical products of glasses, telescopes, cameras, to the early image transmission needs of scanners, fax machines, optical disk drives, and other products need to be equipped with optical components. With the growth of cell phones, digital cameras and other handheld mobile devices in recent years, the

consumer demand for improved quality and sophisticated design of products has led to continuous innovation and significant growth in optical lenses.

In addition to the image viewed by the human eye, with the recent development of the Internet of Things, the Internet of Vehicles, 3D sensing technology, and other technologies, optical lenses are no longer just a simple “photo” function; currently the lens is also given the “sensing” function, becoming the eyes of the device. This function is needed for home sweeping robots, smart speakers, home monitoring, face recognition and payment in unmanned stores, car lane recognition, pedestrian detection, driver monitoring, future autonomous driving systems, and temperature measurement using thermal imaging devices all require high quality optical lenses.

The optical components are gradually diversifying into other industries in addition to consumer electronics, and the entire optical industry is still in a growth phase. Depending on the needs of each industry for image quality and environmental weather resistance, there are different design combinations of spherical glass lenses, full aspheric plastic lenses, glass-plastic lens hybrid, or spherical glass with molded aspheric glass to meet the application needs of end products. KINKO OPTICAL CO., LTD. have our own production lines for spherical glass, aspheric molded glass, and aspheric plastic; plus our in-house optical design team, mechanism design team, mold team, and automated assembly line; and it maintains good relationships with major customers in various fields around the world. We believe that in the booming optical industry in the future, KINKO OPTICAL CO., LTD. will be able to occupy a place!

#### 4. Advantages, disadvantages and countermeasures of competitive niche and development prospects

##### (1) Strong R&D capability

Since the establishment of our company, the Company have always focused on the design, development and manufacture of optical lenses and mirrors. In recent years, various miniaturized lenses for IoT have been developed, such as Lenses for smart doorbells, Smart speaker lens, IP Cam ; in-vehicle lenses for reversing, ambient vision, driver monitoring, and ADAS (Advanced Driver Assistance System), lidar camera for automobiles; various lenses for the Internet of Things; 4K high-resolution projector lenses; various security lenses; lenses for face recognition; far-infrared thermal imaging lenses; and lenses for machine vision. Its product applications include consumer electronics and other industrial needs.

##### (2) Internal production of optical components, and strong autonomy

The optical design and mechanism design research and development staff of the Company can develop various lenses to meet customer needs. In addition, the Company has its own production lines for glass spherical lenses, aspheric plastic lenses, molded glass aspheric lenses, precision molds, and fully automatic lens assembly and inspection lines to meet customers' needs from design to manufacturing.

##### (3) Having a good relationship with the world's largest manufacturers, and a technical ability to keep up with the times

Since its inception, the Company has been committed to research and development innovation, in addition to the early that the major Japanese camera manufacturers CANON, NIKON, TAMRON, PANASONIC and other companies, have established a complete product OEM / ODM system, thickening the company's

technical capabilities. In recent years, the Company also has cooperated with well-known international manufacturers in Europe and the United States, and has had a better niche than its peers in terms of obtaining market information and grasping the future development trends of the products.

(4) Adequate mastery of raw material sources

There are not many domestic manufacturers of glass blanks, which is the main raw material for the company's production, and only Japanese manufacturer OHARA OPTICAL CO., LTD and Taiwanese manufacturer Lianyi Optoelectronics Co., Ltd. have the ability to provide them; the glass blanks used in mainland China are mainly provided by OHARA OPTICAL CO., LTD, BOGU Technology Co., Ltd and Lianyi Optoelectronics Co., Ltd. The Company has a long history of close cooperation with our suppliers, forming an important supply chain that gives us a competitive advantage over our competitors in obtaining raw materials. We also maintain a good relationship with the original manufacturers and their agents in Taiwan for the raw materials required for plastic lenses, and we can supply them without any problems.

(5) Passed ISO9001, ISO14001, IATF16949, SA8000 and IATF16949 certification system, and has stable product quality

The Company and Mainland China Huaguo company have passed ISO-9001, ISO14001 and IATF16949 quality assurance certification. From the design, development, manufacturing, quality control and sales stages of the products, there are relevant systems and operation standards to regulate the work of our products, and the quality of our products is recognized by international optical manufacturers. In addition, our company spares no effort in staff education and training, and we require our staff on site to thoroughly implement the relevant internal control system, which results in strict quality control during the production process and stable product quality.

(6) Advantages, disadvantages and countermeasures of competitive niche and development prospects

Item	Advantages	Disadvantages	Countermeasures
I. Main contents of the business and development prospect	<ol style="list-style-type: none"> <li>1. Consumer electronic products continue to innovate and increase the number of optical lenses used.</li> <li>2. The requirements for lens image quality are becoming more and more stringent.</li> <li>3. The demand for lenses that retain a certain quality under strict conditions has increased the demand for all-glass composition or glass-plastic hybrid lenses.</li> <li>4. Lens miniaturization continues, the optical components and mold precision requirements are becoming increasingly high. Customers are becoming more</li> </ol>	<ol style="list-style-type: none"> <li>1. Facing cross-sector competition from other related industries.</li> <li>2. Mainland manufacturers copying products and low price suppression.</li> <li>3. Competitive capacity among the industry.</li> </ol>	We are actively developing new products in the areas of Internet of Things, automotive, thermal imaging, projectors and other lenses, as well as 3D sensing and the development of small-volume, diversified niche products, and have long-term cooperation with internationally renowned manufacturers to maintain our competitiveness in the market.

Item	Advantages	Disadvantages	Countermeasures
	and more concerned about patents. 5. Sino-US trade friction is beneficial to Taiwan business development.		
II. The status of the industry	1. The R&D team is strong and complete, and the quality of the process is affirmed by the customers. 2. Main supplier of glass optical components in Taiwan. 3. Glass-plastic hybrid lens technology leads the industry.	1. Mainland China's industry capacity expansion and low prices for orders. 2. The short life cycle of consumer electronic products has resulted in the gradual shortening of lens product cycles.	1. Leverage the advantages of KINKO's glass-plastic hybrid lenses to develop high-quality IOT and in-vehicle lenses. 2. Move lower margin products to Mainland China to reduce costs and increase profits. 3. Take advantage of the fact that production can be arranged in both Taiwan and Mainland China to meet the production needs of our customers.
III. Supply of major raw materials	Have a long-term cooperation with raw material suppliers, stable and normal supply relationship.	The market price has increased. Longer delivery time.	Enhance the added value of our products, reduce the impact of raw materials on our profitability, and actively develop potential overseas suppliers to increase the source of raw materials supply.
IV. Sales of major products	Our customers are all international manufacturers, and we are able to meet the requirements of international manufacturers in terms of quality and delivery, so our orders are growing steadily every year.	The mainland China industry has grown rapidly in recent years	1. Using the company's one-stop service from design to manufacturing, we can quickly meet the needs of international manufacturers. 2. Connect with local customers in Mainland China, and serve nearby through Huaguo factories and agents
V. Financial position	1. Highly owned funds and low debt ratio. 2. Good financial ratio.	None	1. The shares are listed and capital market capital is obtained through the open market to finance medium- and long-term business expansion. 2. Capitalization will help the company to face the competition from the financial advantages of international companies.

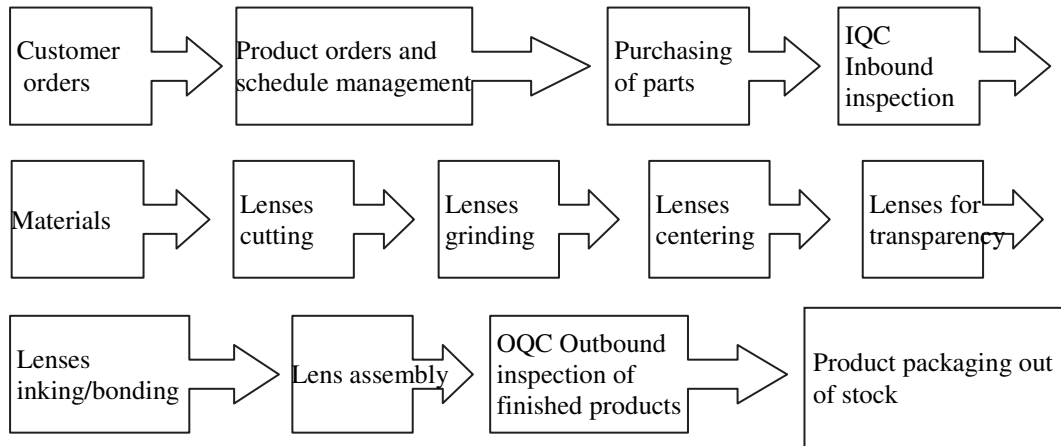
(II) Important applications and production processes of major products:

1. Important uses

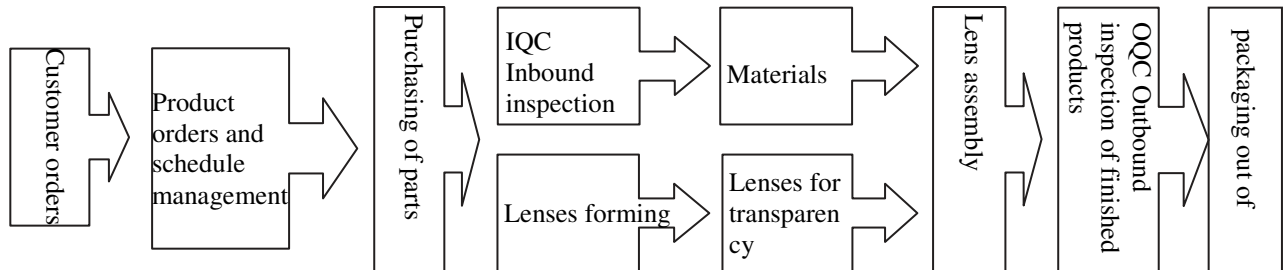
Main product categories	Important uses or functions
Optical lens	Provides 8~46 million pixel, high-end cell phone camera use
	Provide surveillance lens industry use
	Provide game machine lens use
	Provide in-car lens use(ADAS,Lidar,Driver Monitoring System Lens Vehicle-mounted panoramic lens and other products use )
	Provide high end projector lens
	Provide IOT lens (intelligent home, robot, AI, Smart display lenses and other products use)
Optical lenses	Provide special detection lens
Others	Provide monocular camera, cell phone camera, car lens, LCD projector, multifunctional business machine, digital camera, digital surveillance system, conference video system, Plastic Prisms,The combination of Cassegrain optical system and primary mirror subsystem for LEO(low earth orbit satellite) to LEO laser communication, The optics for a large concentrator photovoltaic system, Atomic Layer Deposition Coating Technology, Indoor Drone Lens, T-Lens research and design, development of IK05 lens technology, development of Anti-fog technology, development of Defog technology and other industrial use

## 2. Production process

### Glass lenses / lens



### Plastic lens



(III). Supply of major raw materials

Products Categories	Main raw materials	Main suppliers	Supply status
Optical lenses	Glass blanks	Unique Opto-Electronics Co., Ltd.	Stable quality, stable source, and high delivery cooperation
		HOYA OPTICAL(ASIA) Co., Ltd.	Universal material, large supply quantity, stable quality
		TAIWAN OHARA OPTICAL CO., LTD	Universal material, large supply quantity, stable quality
	Semi-finished products	Foshan HuaGuo Optical Co., Ltd.	Stable quality and stable source
		XINYANG TUZHAN OPTICS CO.,LTD.	Stable quality and stable source
		ACE	Stable quality and stable source
Assembly parts	Lens barrel ring	Junhe Technology Co., Ltd.	Large supply quantity, stable quality, and stable source
		Hongyang Technology Co., Ltd.	Large supply quantity, stable quality, and stable source
		Mingly Investments Co., Ltd.	Large supply quantity, stable quality, and stable source
	Metal gasket	Fujian Xinfeng Technology Co., Ltd.	Large supply quantity, stable quality, and stable source
	Filters	Fuhongda Technology Co., Ltd.	Large supply quantity, stable quality, and stable source
		JIANGXI CRYSTAL-OPTECH CO.,LTD.	Large supply quantity, stable quality, and stable source
	Soma	BULIESHI Precision Co., Ltd.	Large supply quantity, stable quality, and stable source
		Lixin Precision Co., Ltd.	Large supply quantity, stable quality, and stable source
		Liming Technology Co., Ltd.	Large supply quantity, stable quality, and stable source
	Plastic materials	ZEON CSC CORPORATION	Large supply quantity, stable quality, and stable source
		Dongling Electromechanical Technology Manufacturing Co., Ltd.	Large supply quantity, stable quality, and stable source

(IV) List of major import and export customers:

1. The names of customers who have accounted for more than 10% of total sales in any of the last two years and the amount and percentage of sales:

Unit: NTD thousand

Item	Year 2023				Year 2022				Year 2024 as of the previous quarter			
	Name	Amount	As a percentage of net sales for the year (%)	Relationship with the Issuer	Name	Amount	As a percentage of net sales for the year (%)	Relationship with the Issuer	Name	Amount	Percentage of sales for the year as of the previous quarter Net ratio (%)	Relationship with the Issuer
1	G Company	695,949	26	-	G Company	664,736	19	-	G Company	133,871	22	-
2	C Company	385,575	14	-	C Company	434,848	12	-	C Company	76,091	13	-
3	H Company	131,637	5	-	H Company	423,235	12	-	H Company	50,394	8	-
4	I Company	136,927	5	-	I Company	140,614	4		I Company	60,957	10	
5	M Company	7,493	-		M Company	91,462	2		M Company	59,957	10	
	Others	1,339,404	50		Others	1,826,583	51		Others	220,075	37	
	Net sales of goods	2,696,985	100		Net sales of goods	3,581,478	100		Net sales of goods	601,345	100	

Note: The decrease in revenue of C, H, G, I, and M was due to the delivery of goods in line with end-user supply chain.

2. The names of suppliers that have accounted for more than 10% of total shipments in any of the last two years and the amount and percentage of shipments:

Unit: NTD thousand

Item	Year 2023				Year 2022				Year 2024 as of the previous quarter			
	Name	Amount	As a percentage of net imports for the year (%)	Relationship with the Issuer	Name	Amount	As a percentage of net imports for the year (%)	Relationship with the Issuer	Name	Amount	As a percentage of net purchases for the year as of the previous quarter (%)	Relationship with the Issuer
1	C Company	198,064	18	-	C Company	187,585	13	-	C Company	33,194	11	-
2	E Company	83,220	7	-	E Company	169,425	12	-	E Company	38,024	13	-
3	F Company	126,236	11	-	F Company	101,094	7	-	F Company	24,520	9	-
	Others	711,591	64		Others	996,263	68		Others	196,568	67	
	Net imports	1,119,111	100		Net imports	1,454,367	100		Net imports	292,306	100	

Note: The decrease in shipments was due to a decrease in the purchase of lens components and materials as customers were affected by the epidemic and material shortages.



(V) The value of the last two years of production:

Unit: NT\$ thousand PCS/NT\$ thousand

Production value \ Year	Year 2023			Year 2022		
	Productivity	Production volume	Product value	Productivity	Production volume	Product value
Main products						
Optical lenses	60,539	14,857	823,090	71,875	27,884	1,373,863
Optical lens	43,484	13,523	1,398,306	44,723	16,222	1,696,881
Total	104,023	28,380	2,221,396	116,598	44,106	3,070,744

Note 1: Production capacity refers to the amount that the company can produce under normal operation using existing production equipment after taking into account necessary shutdowns, holidays and other factors.

Note 2: Production volume and output value are the sum of production bases, excluding intercompany transactions.

Note 3: The unit of production capacity of optical lens is piece, and the unit of production capacity of optical lens is group.

(VI) The value of the last two years of production:

Unit: NT\$ thousand PCS/NT\$ thousand

Sales value \ Year	Year 2023				Year 2022			
	Domestic sales		Export sales		Domestic sales		Export sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Main products								
Optical lenses	2,619	146,971	11,917	835,636	4,665	229,398	21,838	1,414,759
Optical lens	2,154	254,232	8,656	1,445,492	2,242	281,397	10,499	1,627,240
Others	615	2,192	2,449	12,462	538	4,124	2,521	24,560
Total	5,388	403,395	23,022	2,293,590	7,445	514,919	34,858	3,066,559

Note 1: The Company produces all kinds of glass and plastic lens and lenses, the main products are camera lenses / lens, plastic lenses / lens, monitor lenses / lens, car lenses / lens and special lenses / lens, etc. The special lenses/lens are mainly used for projectors, cameras, medical lenses, telescopes, gun scopes and other end products.

Note 2: The volume and value of the transactions do not include the portion of transactions between related parties.

Note 3: Other refers to the revenue from the sale of filters, raw materials, mold fixtures and processing.

III. The number of workers, average length of service, average age and education distribution of employees for the last two years and as of the printing date of the annual report:

Unit: people  
2024/03/31

Item		Year 2023	Year 2022	Current year as of March 31, 2024
Number of employees	Direct employees	1,211	1,570	1,144
	Indirect employees	448	412	443
	Total	1,659	1,982	1,587
Average age		38	38	38
Average length of service		10.43	9.16	10.69
Academic distribution ratio	PhD	0.12%	0.10%	0.12%
	Master	2.17%	1.92%	2.27%
	College	23.57%	19.93%	24.39%
	High School	32.07%	31.74%	32.14%
	Less than high school education	42.07%	46.31%	41.08%

IV. Information on environmental expenditures:

For the most recent year and up to the printing date of the annual report, the Company has suffered from environmental pollution, the total amount of penalties, future countermeasures and possible expenses:

The Company was fined NT\$50,789 for polluting the environment in the most recent year and as of the date of the annual report (September 22, 2023, Ruling No. 40-112-100001 and was fined NT\$6,000 (Zhonggang factory violated the Waste Disposal Act - D-0699, the quantity of paper declared exceeded the permit by 10%, and the waste disposal plan was not changed as required; a fine of NTD 6,000 was imposed. Official Letter No.: Jing-Yuan-Zhong-Huan-Zi No. 1120102177 dated October 3, 2023. A spot check on the effluent from Zhonggang Sewage Plant showed that the water value was COD 519 and failed to meet the management limit ( $COD \leq 450$ ). According to the "Fee Points for the Use of Sewage and Drainage Systems in Technology Industrial Parks Affiliated with the Ministry of Economic Affairs," a fine of NTD 989 was imposed. Official Letter No.: Jing-Yuan-Zhong-Huan-Zi No. 1120008641 dated December 13, 2023, the pH value of the discharged water from the Zhonggang Plant's wastewater treatment plant was found to be 2.X during a random inspection, which does not comply with the regulated limit (pH 5.0-9.0).

According to the "Fee Points for the Use of Sewage and Drainage Systems in Technology Industrial Parks Affiliated with the Ministry of Economic Affairs," a fine of NTD 43,800 was imposed.). The Company has completed the improvement of the violations and will continue to track and control and evaluate the clean production in order to comply with the regulations and avoid the recurrence.

In accordance with ISO14001, an institutionalized PDCA management cycle has been implemented to effectively reduce pollution emissions and the impact on the environment.

The Company set up annual implementation plans and programs, and regularly track and review the progress of each project to ensure that the goals are achieved. The Company are actively promoting green production and procurement, and have been cooperating with the major customers to propose products that are free from harmful substances. The products of the Company are RoHS compliant, and has implemented appropriate testing for the products.

## V. Labor relations:

- (I) Losses suffered by the Company due to labor disputes in the most recent year and up to the date of printing of the annual report: None.
- (II) Estimated amount of current and future losses due to labor disputes and measures to deal with them: the Company has good labor relations and attaches importance to employee benefits, therefore, the possibility of future losses due to labor disputes is minimal.
- (III) Employee welfare measures  
 The Company established the Employee Benefit Committee in May 1994 to promote and implement various employee benefit issues. In addition to the provision of employee benefit funds to the Employee Benefit Committee in accordance with the tax law, the major employee benefit measures are as follows:
  - I. Welfare system
    - 1. Bonuses, gifts and grants.
    - 2. Annual bonus, dividends, three holiday bonuses , seniority bonus, employee recommendation bonus, best partner reward, birthday gift, employee travel and dinner allowance, Labor Day, patent/proposal bonus, wedding and funeral celebrations, maternity subsidy.
    - 3. Employees from other counties are entitled to a rental housing allowance or transportation allowance.
    - 4. Dinner is provided free of charge for those who work overtime.
    - 5. Overtime pay is given to those who are scheduled to work in accordance with the law.
    - 6. Employee referral bonus and newcomer retention bonus.
  - II. Education and Training, Promotion and Salary Transfer
    - 1. Have pre-employment training, on-the-job training, and internal and external training of personnel.
    - 2. Have a smooth pipeline for advancement.
    - 3. Salaries are adjusted periodically from time to time.
  - III. Balance of Mind and Body of Employees
    - 1. Staff cafeteria, beverage/ snack vending machines, and coffee machines are available.
    - 2. Resident nurses and physicians are set up .
    - 3. Have Free annual special environmental health checkups, free general health checkups for those with the required years of experience, and discounted health checkups for mid- and senior-level executives.
    - 4. Have social activities.
    - 5. Breastfeeding rooms and special nursery care are available.
    - 6. The newcomer/in-service sincere discussion dinner.
  - IV. Other benefits
    - 1. Tailgate dinner touching the color.
    - 2. Special Shops.
    - 3. Staff uniform release.
    - 4. Supervisor parking position.

(IV) Staff development and training in 2023

Unit: NT\$ thousand

Item	Number of shifts	Total number of people	Total hours	Total costs
New employee training	38	159	360	0
Professional functional training	76	173	670	68.8
Supervisor training	0	0	0	0
General studies training	8	34	48	24.7
Self-initiated training	0	0	0	0
Total	122	366	1,078	93.5

(V) Work environment and staff safety protection measures

I. Regular implementation of the operating environment monitoring

1. In order to prevent occupational hazards, protect the health of workers and prevent them from physical and chemical hazards, organizations should provide and manage a safe and healthy workplace environment for workers and implement regular monitoring of the work environment.
2. In accordance with the Occupational Safety Law and Regulations, the statutory dust and noise inspections of workplaces are conducted every six months to comply with the statutory regulations and to maintain and ensure the safety and health of workers.

II. The regular implementation of safety and health education training

According to the occupational safety and health education and training rules, Article 16 and 17 of the regulations

1. Implement general safety and health education and hazard awareness for new employees and transferred employees for 3 hours each in accordance with the law.
2. Conduct and implement safety and health education and training for on-the-job personnel in accordance with the law, 3 hours every three years.

III. Regular implementation of health checkups, health management and health promotion

1. In addition to following laws and regulations and implementing on-the-job work and operator health inspections with excellent law items and frequencies, and implementing special personnel health inspections in accordance with the law.
2. Carry out health management and health promotion, and implement graded management in accordance with the provisions of Article 15 of the Labor Health Protection Regulations to maintain the health of workers.

IV. The regular implementation of fire training

Strengthen the fire prevention education in the company, the company and the buildings in the factory, to improve the personnel's fire danger escape, disaster prevention alertness, and to prevent the occurrence of disasters. Fire training is implemented regularly according to Article 13 of the Fire Services Law and Article 15 of the Enforcement Rules of the Fire Services Law, and is implemented once every six months according to the special decree of the Fire Services Law.

- V. In accordance with the Occupational Safety and Health Act and its implementing regulations, a "Safety and Health Code of Practice" has been established and has

been announced and implemented to stipulate safety and health management matters for all employees to follow in order to prevent hazards and protect their own work safety.

- VI. The organization of each unit on their respective rights and responsibilities and the scope of equipment, machinery, appliances, operations and other regulatory items, the implementation and management of safety and health automatic inspection to maintain and ensure the safety of labor and work.

(VI) Retirement system

In accordance with the Labor Standards Law, the Company established the Labor Retirement Fund Supervisory Committee, which has been operating normally. The Company regularly contributes monthly to the retirement fund at the prescribed rate of salary to a special account. The Company also contributes 6% of the employee's monthly salary to the Labor Insurance Bureau's personal pension account for employees who choose the new labor retirement system.

- (VII) Other significant labor agreements: None.

## VI. Cyber security management

- (I) The cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management :

The Company has established information security-related management rules and regulations to specify the use of each information equipment, and has set up various access rights and left usage records for each information security software and hardware equipment to prevent the occurrence of information security hazards, and constantly reviews and evaluates network security regulations to ensure their appropriateness and effectiveness. All information security-related software and hardware equipment are subject to annual maintenance contracts to ensure their proper functioning and effectiveness, and information security-related information and cases are communicated through internal e-mail systems and related meetings.

Information security risks can lead to information system downtime, data corruption, leakage of confidential business information, interference with company operations or blackmail through cyber attacks. These attacks may cause the Company to delay or discontinue orders and compensate customers for losses, or to implement remedial or improvement measures at significant expense to enhance the Company's network security systems, and may expose the Company to significant liability in connection with legal cases or regulatory investigations arising from the breach of information about customers or third parties to whom the Company is under a duty of confidentiality.

The Information Center is the information security promotion unit and is responsible for deploying human, material and financial resources related to information security. The head of the Information Center is the information security supervisor and has designated a dedicated information security officer to promote, coordinate, supervise and review information security management matters.

- (II) 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 : None.

## VII. Important contracts

Nature of contract	Parties	Date of commencement of contract	Main content	Restricted terms
Long-term loans	Mega Bank, Pouchen Branch	2017.7.19~2024.7.19	Total amount borrowed: NT\$ 20,000 thousand Loans at the end of the period: NT\$2,142 thousand	None
Long-term loans	Mega Bank, Pouchen Branch	2017.7.19~2024.7.19	Total amount borrowed: NT\$ 10,000 thousand Loans at the end of the period: NT\$1,071 thousand	None
Long-term loans	Mega Bank, Pouchen Branch	2020.06.29~2025.06.15	Total amount borrowed: NT\$ 65,086 thousand Loans at the end of the period: NT\$19,440 thousand	None
Long-term loans	Mega Bank, Pouchen Branch	2020.07.16~2025.06.15	Total amount borrowed: NT\$ 13,970 thousand Loans at the end of the period: NT\$4,248 thousand	None
Long-term loans	Mega Bank, Pouchen Branch	2020.07.20~2027.06.15	Total amount borrowed: NT\$ 22,172 thousand Loans at the end of the period: NT\$15,498 thousand	None
Long-term loans	Mega Bank, Pouchen Branch	2020.07.23~2025.06.15	Total amount borrowed: NT\$15,380 thousand Loans at the end of the period: NT\$4,680 thousand	None
Long-term loans	Mega Bank, Pouchen Branch	2020.09.21~2027.06.15	Total amount borrowed: NT\$3,007 thousand Loans at the end of the period: NT\$2,106 thousand	None
Long-term loans	Mega Bank, Pouchen Branch	2020.10.20~2027.06.15	Total amount borrowed: NT\$6,014 thousand Loans at the end of the period: NT\$4,200 thousand	None
Long-term loans	Mega Bank, Pouchen Branch	2020.11.20~2027.06.15	Total amount borrowed: NT\$4,511 thousand Loans at the end of the period: NT\$3,150 thousand	None
Long-term loans	Mega Bank, Pouchen Branch	2020.12.21~2025.06.15	Total amount borrowed: NT\$19,903 thousand Loans at the end of the period: NT\$6,624 thousand	None
Long-term loans	Mega Bank, Pouchen Branch	2020.12.31~2025.06.15	Total amount borrowed: NT\$3,619 thousand Loans at the end of the period: NT\$1,206 thousand	None
Long-term loans	Mega Bank, Pouchen Branch	2021.01.20~2025.06.15	Total amount borrowed: NT\$7,237 thousand Loans at the end of the period: NT\$2,448 thousand	None
Long-term loans	Mega Bank, Pouchen Branch	2021.01.20~2025.06.15	Total amount borrowed: NT\$2,714 thousand Loans at the end of the period: NT\$918 thousand	None
Long-term loans	Mega Bank, Pouchen Branch	2021.02.20~2025.06.15	Total amount borrowed: NT\$2,413 thousand Loans at the end of the period: NT\$828 thousand	None
Long-term loans	Fubon Bank Chungkang Branch	2020.08.20~2025.08.20	Total amount borrowed: NT\$50,000 thousand Loans at the end of the period: NT\$27,778 thousand	None
Long-term loans	Fubon Bank Chungkang Branch	2020.09.18~2025.09.18	Total amount borrowed: NT\$36,800 thousand Loans at the end of the period: NT\$21,467 thousand	None
Long-term loans	Fubon Bank Chungkang Branch	2020.09.29~2025.09.18	Total amount borrowed: NT\$7,935 thousand Loans at the end of the period: NT\$4,628 thousand	None
Long-term loans	Fubon Bank Chungkang Branch	2020.10.29~2025.09.18	Total amount borrowed: NT\$13,860 thousand Loans at the end of the period: NT\$8,085 thousand	None

## Chapter 6. Financial Overview

### I. Condensed Balance Sheet and Consolidated Income Statement Information

#### (I) Condensed Balance Sheet: Consolidated Condensed Balance Sheet - International Financial Reporting Standards (IFRSs)

Unit: NTD thousand

Item \ Year		Financial information for the last five years (Note 1)					Financial information for the year as of March 31, 2024 (Note 2)
		Year 2023	Year 2022	Year 2021	Year 2020	Year 2019	
Current assets		2,274,749	2,321,052	2,303,974	2,258,245	2,247,145	2,352,608
Property, factory and equipment		1,351,486	1,515,078	1,626,020	1,693,271	1,634,565	1,324,667
Intangible assets		20,494	10,017	8,669	8,669	8,669	21,091
Other assets		462,209	732,597	685,307	631,329	492,905	458,444
Total assets		4,108,938	4,578,744	4,623,970	4,591,514	4,383,284	4,156,810
Current liabilities	Before distribution	978,545	815,056	827,382	1,255,064	1,024,981	1,016,850
	After distribution	(Note 3)	693,096	740,268	1,255,064	1,024,981	-
Non-current liabilities		87,981	533,620	608,320	343,511	139,717	69,468
Total liabilities	Before distribution	1,066,526	1,348,676	1,435,702	1,598,575	1,164,698	1,086,318
	After distribution	(Note 3)	1,226,716	1,348,588	1,598,575	1,164,698	-
Equity attributable to owners of the parent company		3,042,412	3,230,068	3,188,268	2,992,939	3,218,586	3,070,492
Share capital		1,743,288	1,742,286	1,741,469	1,631,469	1,631,632	1,743,288
Capital fund		906,373	903,424	1,039,811	809,598	799,893	906,373
Retention of surplus	Before distribution	550,333	669,531	596,245	745,195	962,725	531,759
	After distribution	(Note 3)	669,531	596,245	745,195	962,725	-
Other interests		(157,582)	(137,442)	(189,257)	(193,323)	(175,664)	(110,928)
Treasury stocks		0	0	0	0	0	0
Non-controlling interests		0	0	0	0	58,000	0
Total equity interests	Before distribution	3,042,412	3,230,068	3,188,268	2,992,939	3,218,586	3,070,492
	After distribution	(Note 3)	3,108,108	3,101,154	2,992,939	3,218,586	-

Note 1: The financial information for the last five years using IFRSs has been audited by a certified public accountant.

Note 2: The financial information as of March 31, 2024 was reviewed by a certified public accountant.

Note 3: The appropriation of earnings and cash distribution for 2023 are pending resolution at the shareholders' meeting.



## (II) Condensed Balance Sheet: Consolidated Condensed Balance Sheet - IFRSs

Unit: NTD thousand

Item \ Year		Financial information for the last five years (Note 1)					Financial information for the year as of March 31, 2024 (Note 2)
		Year 2022	Year 2021	Year 2020	Year 2019	Year 2018	
Current assets		1,317,606	1,029,994	1,043,364	1,076,840	1,118,748	Not applicable
Property, factory and equipment		986,572	1,099,585	1,243,277	1,248,666	1,148,039	
Intangible assets		11,825	1,348	0	0	0	
Other assets		1,988,549	2,896,502	2,592,954	3,352,369	3,516,255	
Total assets		4,304,552	5,027,429	4,879,595	5,677,875	5,783,042	
Current liabilities	Before distribution	1,174,693	1,267,216	1,088,772	2,347,003	2,430,231	
	After distribution	(Note 3)	1,145,256	1,001,658	2,347,003	2,430,231	
Non-current liabilities		87,447	530,145	602,555	337,933	134,225	
Total liabilities	Before distribution	1,262,140	1,797,361	1,691,327	2,684,936	2,564,456	
	After distribution	(Note 3)	1,675,401	1,604,213	2,684,936	2,564,456	
Equity attributable to owners of the parent company		3,041,412	3,230,068	3,188,268	2,992,939	3,218,586	
Share capital		1,743,288	1,742,286	1,741,469	1,631,469	1,631,632	
Capital fund		906,373	955,693	1,039,811	809,598	799,893	
Retention of surplus	Before distribution	550,333	669,531	596,245	745,195	962,725	
	After distribution	(Note 3)	599,840	596,245	745,195	962,725	
Other interests		(157,582)	(137,442)	(189,257)	(193,323)	(175,664)	
Treasury stocks		0	0	0	0	0	
Non-controlling interests		0	0	0	0	0	
Total equity interests	Before distribution	3,042,412	3,230,068	3,188,268	2,992,939	3,218,586	
	After distribution	(Note 3)	3,108,108	3,101,154	2,992,939	3,218,586	

Note 1: The financial information for the last five years using IFRSs has been audited by a certified public accountant.

Note 2: Quarterly reports are not required to issue individual financial statements and are therefore not applicable.

Note 3: The appropriation of earnings and cash distribution for 2023 are pending resolution at the shareholders' meeting.



## (III) Condensed Balance Sheet: Consolidated Condensed Balance Sheet - IFRSs

Unit: NTD thousand

Item \ Year	Consolidate financial information for the last five years (Note 1)					Financial information for the year as of March 31, 2024 (Note 2)
	Year 2023	Year 2022	Year 2021	Year 2020	Year 2019	
Operating income	2,696,985	3,581,478	3,613,661	2,979,162	3,391,609	601,345
Operating gross profit	194,539	314,504	201,584	121,402	197,443	43,151
Operating (profit or loss) income	(141,857)	(106,643)	(221,463)	(213,036)	(207,313)	(45,977)
Non-operating income and expenditure	63,243	148,067	3,848	(864)	98,426	26,287
Net income (loss) before income tax of continuing business units	(78,614)	41,424	(217,615)	(213,900)	(108,887)	(19,690)
Net income (loss) of continuing business units for the period	(49,788)	64,944	(150,464)	(216,792)	(110,169)	(18,574)
Profit (loss) of the closed unit	0	0	0	0	0	0
Net income (loss) for the period	(49,788)	64,944	(150,464)	(216,792)	(110,169)	(18,574)
Other comprehensive income (net of tax) for the period	(19,859)	60,157	5,580	(18,397)	(89,059)	46,654
Total consolidated profit or loss for the period	(69,647)	125,101	(144,884)	(235,189)	(199,228)	28,080
Net income (loss) attributable to owners of the parent company	(49,788)	64,944	(150,464)	(216,792)	(113,925)	(18,574)
Net income (loss) attributable to noncontrolling interests	0	0	0	0	3,756	0
Total consolidated profit or loss attributable to owners of the parent company	(49,788)	125,101	(144,884)	(235,189)	(196,251)	28,080
Total consolidated profit or loss attributable to noncontrolling interests	0	0	0	0	(2,977)	0
Earnings (loss) per share	(0.29)	0.13	(0.91)	(1.33)	(0.70)	(0.11)

Note 1: The financial information for the last five years using IFRSs has been audited by a certified public accountant.

Note 2: The financial information as of March 31, 2024 was reviewed by a certified public accountant.

## (IV) Condensed Balance Sheet: Consolidated Condensed Balance Sheet - IFRSs

Unit: NTD thousand

Item \ Year	Independent financial information for the last five years (Note 1)					Financial information for the year as of March 31, 2024 (Note 2)
	Year 2023	Year 2022	Year 2021	Year 2020	Year 2019	
Operating income	1,737,551	1,947,322	1,940,196	1,705,298	1,911,763	Not applicable
Gross profit from operations ( Loss )	147,530	105,541	(3,272)	4,684	119,324	
Operating (profit or loss) income	(59,789)	(166,983)	(266,829)	(185,087)	(77,116)	
Non-operating income and expenditure	29,608	208,640	52,365	(32,146)	(32,972)	
Net income before income tax (loss)	(30,181)	41,657	(214,464)	(217,233)	(110,088)	
Net income (loss) of continuing business units for the period	(49,788)	64,944	(150,464)	(216,792)	(113,925)	
Loss of closed units	0	0	0	0	0	
Net income (loss) for the period	(49,788)	64,944	(150,464)	(216,792)	(113,925)	
Other comprehensive income (net of tax) for the period	(19,859)	60,157	5,580	(18,397)	(82,326)	
Total consolidated profit or loss for the period	(69,647)	125,101	(144,884)	(235,189)	(196,251)	
Net income (loss) attributable to owners of the parent company	(49,788)	64,944	(150,464)	(216,792)	(113,925)	
Net income attributable to noncontrolling interests	0	0	0	0	0	
Total consolidated profit or loss attributable to owners of the parent company	(69,647)	125,101	(144,884)	(235,189)	(196,251)	
Total consolidated profit or loss attributable to noncontrolling interests	0	0	0	0	0	
Earnings (loss) per share	(0.29)	0.37	(0.91)	(1.33)	(0.70)	

Note 1: The financial information for the last five years using IFRSs has been audited by a certified public accountant.

Note 2: Quarterly reports are not required to issue individual financial statements and are therefore not applicable.

## II. Financial analysis for the last five years

### (I) Financial analysis of consolidated financial statements - IFRSs

Annual (Note 1) Analysis of the project (Note 2)		Financial analysis for the last five years					Current year as of March 31, 2024
		Year 2023	Year 2022	Year 2021	Year 2020	Year 2019	
Financial structure (%)	Debt to assets ratio	25.96	29.46	31.05	34.82	26.57	26.13
	Long-term capital to property, factory and equipment ratio	231.63	248.42	233.49	197.04	205.46	237.19
Debt service capacity (%)	Current Ratio	232.46	284.77	278.47	179.93	219.24	231.36253.92
	Quick ratio	174.98	201.87	179.78	124.23	152.32	176.90
	Interest cover multiplier	(8.33)	6.70	(23.49)	(23.16)	(9.44)	(8.57)
Operating capabilities	Receivables turnover rate (times)	3.17	3.51	3.91	3.89	4.88	3.46
	Average number of days of receipt	115.14	103.99	93.35	93.83	74.80	105.49
	Inventory turnover rate (times)	3.73	4.04	4.36	4.07	4.55	3.61
	Payables turnover rate (times)	7.4	6.89	6.56	6.48	8.41	7.90
	Average number of sales days	97.86	90.35	83.72	89.68	80.22	101.11
	Property, factory and equipment turnover rate (times)	1.88	2.28	2.18	1.79	2.00	1.80
	Total assets turnover rate (times)	0.62	0.78	0.78	0.66	0.75	0.558
Profitability	Return on assets (%)	(0.99)	1.54	(3.11)	(4.67)	(2.24)	(1.64)
	Return on equity (%)	(1.59)	2.02	(4.87)	(6.98)	(3.29)	(2.43)
	Net income before income tax as a percentage of paid-in capital (%)	(4.51)	2.38	(12.50)	(13.11)	(6.67)	(4.52)
	Net profit rate (%)	(1.85)	1.81	(4.16)	(7.28)	(3.25)	(3.09)
	Earnings per share (NT\$)	(0.29)	0.37	(0.91)	(1.33)	(0.70)	(0.11)
Cash flow	Cash flow ratio (%)	42.99	60.70	(29.94)	3.95	16.51	11.65
	Cash flow fair ratio (%)	85.63	45.75	26.86	90.70	155.33	92.90
	Cash reinvestment ratio (%)	4.73	5.48	(3.47)	0.76	2.69	1.85
Leverage	Operating leverage	(1.07)	(2.06)	(0.56)	(0.26)	(0.39)	(0.60)
	Financial leverage	0.94	0.94	0.96	0.96	0.95	0.96

Reasons for changes in financial ratios of 20% or more in the last two years:

- 1.The interest coverage ratio decreased mainly due to the after-tax loss incurred this year.
- 2.Profitability-related ratios declined compared to 2022, mainly due to inventory adjustments and the slowdown of interest rate hikes, resulting in lesser appreciation of the US dollar and, thus, lower foreign exchange gains than in the previous period.
3. Various cash flow ratios decreased compared to 2022, mainly due to a decrease in cash inflow from operating activities.

Note 1: The financial information for the year 2019 through 2023 was audited by a certified public accountant, and the financial information as of March 31, 2024 was reviewed by a certified public accountant.

Note 2: The calculation formula is as follows (II) Financial analysis of Individual Financial Statements - (IFRSs) formula.

**(II) Financial analysis of Individual Financial Statements - International Financial Reporting Standards**

Annual (Note 1)  Analysis of the project (Note 2)		Financial analysis for the last five years					Current year as of March 31, 2024	
		Year 2023	Year 2022	Year 2021	Year 2010	Year 2019		
Financial structure (%)	Debt to assets ratio	29.32	35.75	34.66	47.29	44.34	Not applicable	
	Long-term capital to property, factory and equipment ratio	317.25	341.97	304.91	266.75	292.05		
Debt service capacity (%)	Current Ratio	112.17	81.28	95.83	45.88	46.03		
	Quick ratio	95.35	65.31	76.23	37.73	39.11		
	Interest cover multiplier	(2.58)	6.73	(23.14)	(23.55)	(11.35)		
Operating capabilities	Receivables turnover rate (times)	3.74	3.94	4.34	4.30	4.67		
	Average number of days of receipt	97.59	92.64	84.10	84.88	78.16		
	Inventory turnover rate (times)	7.55	8.25	8.77	8.70	11.43		
	Payables turnover rate (times)	2.24	2.05	1.74	1.17	0.98		
	Average number of sales days	48.34	44.24	41.62	41.95	31.93		
	Property, factory and equipment turnover rate (times)	1.67	1.66	1.56	1.42	1.64		
	Total assets turnover rate (times)	0.37	0.39	0.37	0.30	0.31		
Profitability	Return on assets (%)	(0.92)	1.43	(2.72)	(3.66)	(1.75)		
	Return on equity (%)	(1.59)	2.02	(4.87)	(6.98)	(3.44)		
	Net income before income tax as a percentage of paid-in capital (%)	(1.73)	2.39	(12.32)	(13.32)	(6.75)		
	Net profit rate (%)	(2.87)	3.34	(7.76)	(12.71)	(5.96)		
	Earnings per share (NT\$)	(0.29)	0.37	(0.91)	(1.33)	(0.70)		
Cash flow	Cash flow ratio (%)	(10.42)	9.02	(58.91)	(9.20)	(10.53)		
	Cash flow fair ratio (%)	(138.04)	(139.29)	(134.48)	(11.59)	65.83		
	Cash reinvestment ratio (%)	(0.54)	0.51	(12.33)	(4.71)	(5.83)		
Leverage	Operating leverage	(2.92)	(0.49)	0.10	0.11	(1.27)		
	Financial leverage	0.88	0.96	0.97	0.95	0.90		
Reasons for changes in financial ratios of 20% or more in the last two years:								
1. The interest coverage ratio decreased mainly due to the after-tax loss incurred this year. 2.Current and quick ratios increased compared to the previous period, mainly due to the payments to related parties, which substantially reduced accounts payable. 3. Profitability-related ratios declined compared to 2022, mainly due to a slowdown in interest rate increases, resulting in a smaller appreciation of the US dollar and thus lower foreign exchange gains than in the previous period. 4. Cash flow ratios decreased compared to 2022, mainly due to a significant reduction in accounts payable this year, leading to an increase in net cash outflow from operating activities.								

Note 1: The financial information for 2019 to 2023 has been audited and certified by the accountants.

Note 2: The calculation formula is as follows

1. Financial structure

(1) Debt to asset ratio = total liabilities / Total assets.

(2) Long-term capital to property, factory and equipment = (total equity + non-current liabilities)/net property, factory and equipment.

2. Debt service capacity

- (1) Current ratio = current assets / current liabilities.
- (2) Quick ratio = (current assets - inventories - prepaid expenses) / current liabilities.
- (3) Interest coverage = net income before income tax and interest expense / interest expense for the period.

3. Operating capabilities

- (1) Turnover rate of accounts receivable (including accounts receivable and notes receivable arising from operations) = net sales / average balance of accounts receivable (including accounts receivable and notes receivable arising from operations) for each period.
- (2) Average number of collection days = 365 / receivables turnover rate.
- (3) Inventory turnover rate = cost of goods sold / average inventory amount.
- (4) Turnover rate of accounts payable (including accounts payable and notes payable arising from operations) = cost of goods sold / average balance of accounts payable (including accounts payable and notes payable arising from operations) for each period.
- (5) Average number of sales days = 365 / inventory turnover rate.
- (6) Turnover rate of property, factory and equipment = net sales / average net property, factory and equipment.
- (7) Total asset turnover = net Sales / average total assets.

4. Profitability

- (1) Return on assets = income after tax + interest expense  $\times$  (1 - tax rate) / average total assets.
- (2) Return on equity = profit or loss after tax / average total equity.
- (3) Net profit margin = profit or loss after tax / Net sales.
- (4) Earnings per share = (profit or loss attributable to owners of the parent company - preferred stock dividends) / weighted-average number of shares outstanding. (Note 3)

5. Cash flow

- (1) Cash flow ratio = net cash flow from operating activities / Current liabilities.
- (2) Net cash flow fair value = net cash flow from operating activities for the last five years / (capital expenditures + increase in inventories + cash dividends) for the last five years.
- (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other noncurrent assets + working capital). (Note 4)

6. Leverage

- (1) Operating leverage = (net operating revenues - variable operating costs and expenses) / operating income (Note 5).
- (2) Financial leverage = operating income / (operating income - interest expense).

Note 3: In the preceding formula for calculating earnings per share, special attention should be paid to the following matters when measuring:

1. Based on the weighted-average number of common shares rather than the number of shares outstanding at the end of the year.
2. The weighted-average number of shares should be calculated by considering the period of liquidity of the shares in which the capital increase by cash or treasury stock is traded.
3. Any capital increase from earnings or capital surplus should be adjusted retroactively in proportion to the capital increase when calculating earnings per share for prior years and semiannual periods, without regard to the issuance period of such capital increase.
4. If the preferred shares are non-convertible cumulative preferred shares, the dividends (whether or not paid) for the year shall be reduced or increased by the net loss after tax from net income. If the preferred stock is non-cumulative, the preferred stock dividends should be deducted from net income if there is after-tax profit; if there is a loss, no adjustment is required.

Note 4: Cash flow analysis should pay particular attention to the following in measurement:

1. Net cash flow from operating activities represents the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditures represent the annual cash outflows from capital investments.
3. Increases in inventories are included only if the ending balance is greater than the opening balance, or zero if inventories decrease at the end of the year.
4. Cash dividends include cash dividends on common stock and preferred stock.

5. Gross property, factory and equipment represents the total amount of property, factory and equipment before accumulated depreciation.

Note 5: The issuer should distinguish each operating cost and operating expense into fixed and variable according to their nature, and if any involves estimation or subjective judgment, it should pay attention to their reasonableness and maintain consistency.

Note 6: If the Company's stock has no par value or the par value per share is not NT\$10, the calculation of the ratio of paid-in capital in the preceding paragraph is based on the ratio of equity attributable to the owners of the parent company in the balance sheet.

### III. Name and audit opinion of the accountant for the last five years:

Year	Name of the accounting firm	Certified Public Accountant (CPA)	Audit opinion
2019	Deloitte & Touche	SU, TING-CHIEN 、 TSENG, DONE-YUIN	unqualified opinion
2020	Deloitte & Touche	SU, TING-CHIEN 、 YAN, SIAO-FAN	unqualified opinion
2021	Deloitte & Touche	SU, TING-CHIEN 、 YAN, SIAO-FAN	unqualified opinion
2022	Deloitte & Touche	SU, TING-CHIEN 、 TSENG, DONE-YUIN	unqualified opinion
2023	Deloitte & Touche	TSENG, DONE-YUIN 、 SU, TING-CHIEN	unqualified opinion

#### IV. Audit committee review report:

##### **Audit Committee Review Report**

The Board of Directors has prepared and submitted the Company's 2023 operating report, individual financial statements, consolidated financial statements and profit and loss appropriation, which have been reviewed by the Audit Committee and others and no discrepancies have been found. The financial statements have been audited by TSENG, DONE-YUIN and SU, TING-CHIEN from Deloitte and Touche and an unqualified opinion report has been issued for the record. Therefore, the report is prepared in accordance with Article 219 of the Company Act.

Please check

Yours truly

The Company's 2024 General Meeting of Shareholders

KINKO OPTICAL CO., LTD.

Convenor of the Audit Committee: You Huimin

May 10, 2024

## V. Individual Financial Reports

### Independent Auditors' Report

To the Board of Directors of Kinko Optical Co., Ltd.:

#### Opinion

We have audited the financial statements of Kinko Optical Co., Ltd. (the "Company" which comprise the balance sheets as of December 31, 2023 and 2022, the statement of comprehensive income, changes in equity and cash flows for the years ended December 31, 2023 and 2022, and notes to the financial statements, including a summary of significant accounting policies.

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

#### Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the financial statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the financial statements for the year ended December 31, 2023 is as follows:

##### Revenue Recognition

The main source of revenue of the Company is the revenue from the export of optical lenses and lenses, which are sold in various markets, including Mainland China and Southeast Asia. Some of these important customers have experienced significant growth in operating revenue, which has a significant impact on the financial statements, and the recognition of the revenue from the export of optical lenses and lenses is considered as the key audit item. For the accounting policies related to revenue recognition, please refer to Note IV to the individual financial statements.

The principal audit procedures that the Accountant has performed in respect of the above key audit items are as follows:



1. Understand and evaluate the design and implementation of internal controls related to audit and risk in the sales and collection cycle, and perform tests on their effectiveness.
2. Sampling from the self-selling goods details, reviewing the sales order and export declaration and other related documents, and checking whether the recipient is the same as the shipper.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or 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 Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are

inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Done-Yuin Tseng and Ting-Chien Su.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 13, 2024

Notice to Readers

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

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

**Kinko Optical Co., Ltd.**  
**Balance Sheets**  
**December 31, 2023 and 2022**  
**(Expressed in Thousands of New Taiwan Dollars)**

Code	Assets	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
	<b>Current assets</b>				
1100	Cash and cash equivalents (Notes 4 and 6)	\$ 301,925	7	\$ 117,338	2
1110	Financial assets at fair value through profit or loss - current (Notes 4, 7 and 31)	-	-	6,077	-
1120	Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	71,484	2	44,367	1
1136	Financial assets measured at amortized cost - current (Notes 4, 9 and 31)	352,869	8	85,988	2
1150	Notes receivable (Notes 4 and 22)	516	-	-	-
1170	Accounts receivable-net from unrelated parties (Notes 4, 10 and 23)	387,516	9	540,243	11
1200	Other receivables (Notes 4 and 30)	5,746	-	6,538	-
1220	Current tax assets (Notes 4 and 25)	1,306	-	665	-
1310	Inventories (Notes 4 and 11)	189,500	5	192,503	4
1470	Other current assets (Note 17)	6,744	-	9,152	-
11XX	Total current assets	<u>1,317,606</u>	<u>31</u>	<u>1,029,994</u>	<u>20</u>
	<b>Non-current assets</b>				
1510	Financial assets at fair value through profit or loss - non-current (Notes 4, 7 and 31)	30,355	1	-	-
1535	Financial assets measured at amortized cost - non-current (Notes 4, 9 and 31)	-	-	74,513	2
1550	Investments accounted for using equity method (Notes 4 and 12)	1,607,736	37	2,189,811	44
1600	Property, plant and equipment (Notes 4, 13 and 31)	986,572	23	1,099,585	22
1755	Right-of-use assets (Notes 4 and 14)	27,757	-	52,718	1
1760	Investment property (Notes 4 and 15)	28,001	1	-	-
1840	Deferred tax assets (Notes 4 and 25)	246,204	6	260,604	5
1915	Prepayments for equipment	20,896	-	29,445	1
1981	Cash surrender value of life insurance (Note 16)	-	-	271,264	5
1990	Other non-current assets (Note 4, 17 and 21)	39,425	1	19,495	-
15XX	Total non-current assets	<u>2,986,946</u>	<u>69</u>	<u>3,997,435</u>	<u>80</u>
1XXX	<b>Total assets</b>	<u><b>\$ 4,304,552</b></u>	<u><b>100</b></u>	<u><b>\$ 5,027,429</b></u>	<u><b>100</b></u>
	<b>Liabilities and equity</b>				
	<b>Current liabilities</b>				
2100	Short-term borrowings (Notes 18 and 31)	\$ 97,000	2	\$ 59,298	1
2150	Notes payable	9,995	-	5,954	-
2170	Accounts payable - unrelated parties	111,484	2	181,612	4
2180	Accounts payable - related parties (Note 30)	369,944	9	740,092	15
2219	Other payables (Note 19)	122,523	3	137,826	3
2280	Lease liabilities - current (Notes 4 and 14)	4,151	-	5,439	-
2322	Long-term borrowings and bonds payable - current portion (Notes 18, 20 and 31)	421,522	10	74,541	1
2399	Other current liabilities (Note 23 and 30)	38,074	1	62,454	1
21XX	Total current liabilities	<u>1,174,693</u>	<u>27</u>	<u>1,267,216</u>	<u>25</u>
	<b>Non-current liabilities</b>				
2530	Bonds payable (Notes 4, 20 and 31)	-	-	344,923	7
2541	Long-term borrowings (Notes 18 and 31)	57,047	1	130,518	3
2570	Deferred tax liabilities (Notes 4 and 25)	4,815	-	4,566	-
2580	Lease liabilities - non-current (Notes 4 and 14)	25,413	1	50,138	1
2645	Guarantee deposits received	172	-	-	-
25XX	Total non-current liabilities	<u>87,447</u>	<u>2</u>	<u>530,145</u>	<u>11</u>
2XXX	<b>Total liabilities</b>	<u>1,262,140</u>	<u>29</u>	<u>1,797,361</u>	<u>36</u>
	<b>Equity</b>				
3110	Ordinary shares	1,743,288	41	1,741,469	36
3200	Capital surplus	906,373	21	1,039,811	21
	Retained earnings				
3310	Legal reserve	414,317	10	406,988	8
3320	Special reserve	168,894	4	189,257	4
3350	Undistributed earnings (loss to be covered)	( 32,878 )	( 1 )	73,286	1
3400	Other equity	( 157,582 )	( 4 )	( 137,442 )	( 3 )
3XXX	<b>Total equity</b>	<u>3,042,412</u>	<u>71</u>	<u>3,230,068</u>	<u>64</u>
	<b>Liabilities and total equity</b>	<u><b>\$ 4,304,552</b></u>	<u><b>100</b></u>	<u><b>\$ 5,027,429</b></u>	<u><b>100</b></u>

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

**Kinko Optical Co., Ltd.**  
**Statements of Comprehensive Income**  
**For the years ended December 31, 2023 and 2022**  
**(Expressed in Thousands of New Taiwan Dollars, Except Earnings (loss) Per Share)**

Code		2023		2022	
		Amount	%	Amount	%
4000	<b>Operating revenues</b> (Notes 4, 23 and 30)	\$ 1,737,551	100	\$ 1,947,322	100
5000	<b>Operating costs</b> (Notes 11, 21, 24 and 30)	<u>1,590,021</u>	<u>92</u>	<u>1,841,781</u>	<u>95</u>
5900	<b>Operating gross profit</b>	147,530	8	105,541	5
5910	Unrealized profits on sales (Note 4)	( 7 )	-	( 200 )	-
5920	Realized profits on sales (Note 4)	<u>200</u>	<u>-</u>	<u>290</u>	<u>-</u>
5950	<b>Realized operating gross profit</b>	<u>147,723</u>	<u>8</u>	<u>105,631</u>	<u>5</u>
	<b>Operating expenses</b> (Notes 21 and 24)				
6100	Selling and marketing expenses	28,415	2	41,771	2
6200	General and administrative expenses	109,782	6	113,726	6
6300	Research and development expenses	69,286	4	117,117	6
6450	Expected credit losses	<u>29</u>	<u>-</u>	<u>-</u>	<u>-</u>
6000	Total operating expenses	<u>207,512</u>	<u>12</u>	<u>272,614</u>	<u>14</u>
6900	<b>Operating loss</b>	( <u>59,789</u> )	( <u>4</u> )	( <u>166,983</u> )	( <u>9</u> )
	<b>Non-operating income and expenses</b>				
7010	Other income (Notes 30)	3,971	-	5,296	-
7020	Other gains and losses (Notes 4 and 24)	13,866	1	51,358	3
7050	Finance costs (Notes 4 and 24)	( 8,429 )	-	( 7,269 )	-
7070	Share of profit or loss of subsidiaries recognized using the equity method (Note 4)	8,088	-	156,895	8
7100	Interest income (Note 4)	<u>12,112</u>	<u>1</u>	<u>2,360</u>	<u>-</u>
7000	Total non-operating revenues and expenses	<u>29,608</u>	<u>2</u>	<u>208,640</u>	<u>11</u>

(Next page)

(Previous page)

Code		2023		2022	
		Amount	%	Amount	%
7900	<b>Profit (loss) before income tax</b>	(\$ 30,181)	( 2)	\$ 41,657	2
7950	Income tax profits(expense) (Notes 4 and 25)	( 19,607)	( 1)	23,287	1
8200	<b>Profit (loss) for the period</b>	( 49,788)	( 3)	64,944	3
	<b>Other comprehensive income</b> (Note 4)				
8310	<b>Items not reclassified to profit or loss:</b>				
8311	Remeasurement of defined benefit plans	281	-	8,342	-
8316	Unrealized evaluation (losses) gains on investments in equity instruments measured at fair value through other comprehensive income	( 968)	-	( 85)	-
8360	<b>Items that may be reclassified subsequently to profit or loss:</b>				
8361	Exchange differences on translation of financial statements of foreign operating institutions	( 20,113)	( 1)	54,935	3
8367	Unrealized evaluation (losses) gains on investments in debt instruments measured at fair value through other comprehensive income	941	-	( 3,035)	-
8300	<b>Other comprehensive income for the period (net of tax)</b>	( 19,859)	( 1)	60,157	3
8500	<b>Total comprehensive income (loss) for the period</b>	(\$ 69,647)	( 4)	\$ 125,101	6
	<b>Earnings (loss) per share</b> (NT Dollars) (Note 26)				
9750	Basic	(\$ 0.29)		\$ 0.37	
9850	Diluted	(\$ 0.29)		\$ 0.37	

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

**Kinko Optical Co., Ltd.**  
**Statements of Changes in Equity**  
**For the years ended December 31, 2023 and 2022**  
**(Expressed in Thousands of New Taiwan Dollars)**

Code		Ordinary shares (Note 22)	Capital surplus (Notes 4, 22 and 27)	Retained earnings (Note 22)			Other equity (Note 4)		Total equity
				Legal reserve	Special reserve	Undistributed earnings (loss to be covered) (Note 22)	Exchange differences on translation of financial statements of foreign operating institutions	Unrealized evaluation profit (loss) on financial assets measured at fair value through other comprehensive income	
A1	<b>Balance on January 1, 2022</b>	\$ 1,741,469	\$ 1,039,811	\$ 439,549	\$ 193,326	( \$ 36,630 )	( \$ 197,679 )	\$ 8,422	\$ 3,188,268
	Appropriation and distribution of retained earnings for 2021								
B3	Reversal of special reserve	-	-	-	( 4,069 )	4,069	-	-	-
B13	Legal reserve to cover the deficit	-	-	( 32,561 )	-	32,561	-	-	-
C15	Cash dividends allotted from capital surplus	-	( 87,114 )	-	-	-	-	-	( 87,114 )
C17	Other capital surplus movements	-	18	-	-	-	-	-	18
N1	Share-based payment transactions	-	1,499	-	-	-	-	-	1,499
N1	Employee exercise of stock options	<u>817</u>	<u>1,479</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,296</u>
D1	Net profit for the period	-	-	-	-	64,944	-	-	64,944
D3	Other comprehensive income for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,342</u>	<u>54,935</u>	( <u>3,120</u> )	<u>60,157</u>
D5	Total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,286</u>	<u>54,935</u>	( <u>3,120</u> )	<u>125,101</u>
Z1	<b>Balance on December 31, 2022</b>	<b>1,742,286</b>	<b>955,693</b>	<b>406,988</b>	<b>189,257</b>	<b>73,286</b>	( <b>142,744</b> )	<b>5,302</b>	<b>3,230,068</b>
	Appropriation and distribution of retained earnings for 2022								
B1	Legal reserve	-	-	7,329	-	( 7,329 )	-	-	-
B3	Special reserve	-	-	-	( 20,363 )	20,363	-	-	-
B5	Cash dividends of common stock	-	-	-	-	( 69,691 )	-	-	( 69,691 )
C15	Cash dividends allotted from capital surplus	-	( 52,269 )	-	-	-	-	-	( 52,269 )
N1	Share-based payment transactions	-	1,213	-	-	-	-	-	1,213
N1	Employee exercise of stock options	<u>1,002</u>	<u>1,736</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,738</u>
D1	Net loss for the period	-	-	-	-	( 49,788 )	-	-	( 49,788 )
D3	Other comprehensive income for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>281</u>	( <u>20,113</u> )	( <u>27</u> )	( <u>19,859</u> )
D5	Total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	( <u>49,507</u> )	( <u>20,113</u> )	( <u>27</u> )	( <u>69,647</u> )
Z1	<b>Balance on December 31, 2023</b>	<b><u>\$ 1,743,288</u></b>	<b><u>\$ 906,373</u></b>	<b><u>\$ 414,317</u></b>	<b><u>\$ 168,894</u></b>	<b>( <u>\$ 32,878</u> )</b>	<b>( <u>\$ 162,857</u> )</b>	<b><u>\$ 5,275</u></b>	<b><u>\$ 3,042,412</u></b>

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

**Kinko Optical Co., Ltd.**  
**Statements of Cash Flows**  
**For the years ended December 31, 2023 and 2022**  
**(Expressed in Thousands of New Taiwan Dollars)**

Code		2023	2022
	<b>Cash flows from operating activities</b>		
A10000	<b>Net profit (loss) before income tax</b>	(\$ 30,181 )	\$ 41,657
	Adjustments to reconcile profit (loss):		
A20100	Depreciation expense	233,792	248,847
A20200	Amortization expense	557	388
A20300	Expected credit losses	29	-
A20400	Net loss (profit) on financial assets and liabilities at fair value through profit or loss	4,355	( 41,570 )
A20900	Finance costs	8,429	7,269
A21200	Interest income	( 12,112 )	( 2,360 )
A21300	Dividend income	( 1,716 )	( 588 )
A21900	Share-based compensation cost	1,213	1,499
A22400	Share of profit of subsidiaries recognized using the equity method	( 8,088 )	( 156,895 )
A22500	Loss on disposal of property, plant and equipment	-	1,544
A23800	Loss on decline in value of inventories and doubtful accounts (reversal of gains)	( 4,723 )	( 5,023 )
A24000	Realized profits on sales	( 193 )	( 90 )
A24100	Unrealized foreign currency exchange profits	16,465	( 8,092 )
A30000	<b>Net changes in operating assets and liabilities</b>		
A31115	Mandatory financial assets at fair value through profit or loss	3,112	33,676
A31130	Notes receivable	( 516 )	122
A31150	Accounts receivable	139,722	( 97,164 )
A31180	Other receivables	765	740
A31200	Inventories	7,726	17,380
A31240	Other current assets	( 5,073 )	( 16,644 )
A31990	Net defined benefit assets and liabilities	( 6,968 )	( 6,746 )
A32130	Notes payable	4,041	( 2,384 )
A32150	Accounts payable	( 441,200 )	49,456
A32180	Other payables	( 23,550 )	21,255
A32230	Other current liabilities	( 14,462 )	29,813
A33000	Cash inflows (outflows) from operations	( 128,576 )	116,090
A33100	Interest received	12,112	2,360
A33300	Interest paid	( 5,300 )	( 4,169 )
A33500	Income tax refunds (paid)	( 641 )	42
AAAA	<b>Net cash inflows (outflows) from operating activities</b>	( 122,405 )	114,323

(Next page)



(Previous page)

Code		2023	2022
	<b>Cash flows from investing activities</b>		
B00010	Acquisition of financial assets measured at fair value through other comprehensive income	(\$ 12)	(\$ 27,871)
B00100	Acquisition of financial assets measured at fair value through profit and loss	( 32,030)	-
B00040	Acquisition of financial assets measured at amortized cost	( 352,869)	( 198,155)
B00050	Disposal of financial asset price measured at amortized cost	159,948	304,810
B02400	Return of shares from capital reduction of subsidiaries	423,203	-
B02700	Acquisition of property, plant and equipment	( 109,033)	( 53,272)
B03700	Increase in refundable deposits	( 2,330)	( 1,044)
B03800	Decrease in refundable deposits	197	1,383
B04500	Acquisition of intangible assets	-	( 926)
B07100	Increase in prepayments for equipment	( 27,610)	( 48,606)
B07600	Dividends received from subsidiaries and others	134,696	588
B09900	Payment of life insurance premiums	-	( 7,469)
B09900	Decrease in cash surrender value of life insurance	276,149	-
BBBB	<b>Net cash inflows (outflows) from investing activities</b>	<u>470,309</u>	<u>( 30,562)</u>
	<b>Cash flows from financing activities</b>		
C00100	Increase in short-term borrowings	97,000	99,297
C00200	Decrease in short-term borrowings	( 59,298)	( 54,297)
C01700	Repayment of long-term borrowings	( 74,542)	( 47,525)
C03000	Guarantee deposit received increases	172	-
C04020	Lease principal repayment	( 7,427)	( 6,163)
C04500	Payment of cash dividends	( 121,960)	( 87,114)
C04800	Employee exercise of stock options	2,738	2,296
C09900	Exercise of right of disgorgement	-	18
CCCC	<b>Net cash outflows from financing activities</b>	<u>( 163,317)</u>	<u>( 93,488)</u>
EEEE	<b>Net increase (decrease) in cash and cash equivalents</b>	184,587	( 9,727)
E00100	<b>Cash and cash equivalents at beginning of period</b>	<u>117,338</u>	<u>127,065</u>
E00200	<b>Cash and cash equivalents at end of period</b>	<u><b>\$ 301,925</b></u>	<u><b>\$ 117,338</b></u>

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

**Kinko Optical Co., Ltd.**  
**Notes to the Financial Statements**  
**January 1 to December 31, 2023 and 2022**  
**(In thousands of NTD and foreign currency, unless otherwise stated)**

**1. Company history**

Kinko Optical Co., Ltd. (hereinafter referred to as "the Company") was established in June 1980, with the main business items being domestic and foreign sales of various camera filters, camera lenses and special camera production designs, domestic and foreign manufacturers' product quotations, distribution business and import and export trade business.

In December 2002, the Company's shares were approved by the Securities and Futures Commission of the Ministry of Finance (now the Securities and Futures Bureau of the Financial Supervisory Commission (Taiwan)) to be listed and traded on the GreTai Securities Market, and in November 2004, the Company was approved by the Financial Supervisory Commission to be listed and traded on the Taiwan Stock Exchange Corporation (TSEC).

The financial statements are expressed in NTD, the functional currency of the Company.

**2. Approval date and procedures of the financial statements**

This financial statements were approved by the Board of Directors on March 13, 2024.

**3. Application of new, amended and revised standards and interpretations**

- (I) First-time application of International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs), International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretation Committee (SIC) (hereinafter referred to as "IFRSs") endorsed and published by the Financial Supervisory Commission (hereinafter referred to as "FSC") are effective.

The application of the revised IFRSs approved by the FSC and issued into effect will not result in significant changes in the Company's accounting policies.

- (II) The IFRSs endorsed by the FSC for application starting from 2024

<b><u>Newly issued / amended / revised standards and interpretations</u></b>	<b><u>Effective Date Announced by IASB</u></b>
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
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 (Note 3)

- Note 1: Unless otherwise specified, the above newly issued / amended / revised standards and interpretations shall take effect during the annual reporting period starting from each such date.
- Note 2: The seller and lessee shall retroactively apply the amendments to IFRS 16 for sale and leaseback transactions signed after the first application of IFRS 16.
- Note3: Exemption from certain disclosure requirements when this amendment is applied for the first time.

As of the date of adoption and issuance of this financial statements, the amendments to other standards and interpretations evaluated by the Company will not have a material impact on the financial position and financial performance.

- (III) IFRSs issued by the International Accounting Standards Board (IASB) but not yet recognized and effective by the FSC

<b>Newly issued / amended / revised standards and interpretations</b>	<b>Effective date Announced by IASB (Note 1)</b>
Amendments to IFRS 10 and IAS 28: "Asset sales or investments between investors and their affiliated enterprises or joint ventures"	Uncertain
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS.17	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(Note 2)

- Note 1: Unless otherwise specified, the above newly issued / amended / revised standards and interpretations shall take effect during the annual reporting period starting from each such date.
- Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

As of the date of adoption and issuance of this financial statements, the Company continues to evaluate the effects of amendments to other standards and interpretations on the financial position and financial performance, and the relevant effects will be disclosed upon completion of the evaluation.

#### **4. Summary of significant accounting policies**

##### **a. Statement of compliance**

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

##### **b. Basis of preparation**

Except for financial instruments measured at fair value and net recognized benefit assets and liabilities recognized at the present value of defined benefit obligations less the fair value of planned assets, the financial statements is prepared on the historical cost basis.

The fair value measurement is divided into the level 1 to the level 3 according to the observability and importance of the related input values:

1. The level 1 input value: refers to the quoted price (unadjusted) of the same assets or liabilities that can be obtained on the measurement date in the active market.
2. The level 2 input value: refers to the observable input value of assets or liabilities directly (i.e. price) or indirectly (i.e. derived from price), in addition to the quoted price in Level 1.
3. The level 3 input value: refers to the unobservable input value of assets or liabilities.

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries, associates and joint ventures. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same as the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries and share of other comprehensive income of subsidiaries in these parent company only financial statements.

##### **c. Classification of current and non-current assets and liabilities**

Current assets include:

1. Assets held primarily for trading purposes;
2. Assets expected to be realized within 12 months after the balance sheet date; and
3. Cash and cash equivalents (excluding those restricted from being used to exchange or settle liabilities for more than 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held primarily for trading purposes;
2. Liabilities due for settlement within 12 months after the balance sheet date (even if long-term refinancing or rescheduling of payment agreements have

been completed between the balance sheet date and the issuance of financial reports, they are still current liabilities), and

3. Liabilities whose repayment terms cannot be unconditionally deferred until at least 12 months after the balance sheet date.

Those who are not-current assets or current liabilities mentioned above are classified as non-current assets or non-current liabilities.

d. Foreign currencies

When the Company prepares individual financial statements, transactions in currencies other than the Company's functional currency (foreign currencies) are recorded in the functional currency based on the exchange rate on the transaction date.

Foreign currency monetary items are translated at the closing rate at each balance sheet date. Exchange differences arising from the settlement of monetary items or the translation of monetary items are recognized in profit or loss in the year in which they occur.

The foreign currency non-monetary items measured at fair value are translated at the exchange rate on the date when the fair value is determined, and the resulting exchange differences are included in the profits and losses of the current year. However, if changes in fair value are recognized in other comprehensive income, the resulting exchange differences are included in other comprehensive income.

Foreign currency non-monetary items carried at historical cost are translated at the exchange rate at the date of the transaction and are not retranslated.

When preparing financial statements, the assets and liabilities of foreign operating institutions (including subsidiaries that operate in countries or use a currency different from that of the Company) are translated into New Taiwan dollars using the exchange rate at each balance sheet date. Income and expense items are translated at the average exchange rate for the year and the resulting exchange differences are included in other comprehensive income.

If the Company disposes of all the equity of a foreign operation, or disposes of part of the equity of a subsidiary of a foreign operation but loses control, all the accumulated exchange differences related to the foreign operation will be reclassified to profit or loss.

e. Inventories

Inventories include raw materials, work in progress, finished products, and merchandise. Inventory is measured based on the lower of cost and net realizable value, and when comparing cost and net realizable value, it is based on individual items, except for similar types of inventory. Net realized value refers to the balance of the estimated selling price under normal circumstances, minus the estimated cost of investment until completion and the estimated cost of completing the sale. The calculation of inventory cost adopts the weighted average method.

f. Investment in subsidiaries

The Company adopts the equity method to treat investments in subsidiaries.

A subsidiary refers to an individual that the Company has control over.

Under the equity method, investments are initially recognized at cost, and the book amount after acquisition increases or decreases with the Company's share of

subsidiary profits and losses and other comprehensive income, as well as profit distribution. In addition, changes in other equity of subsidiaries that the Company may enjoy are recognized based on shareholding ratios.

When the changes of the Company's ownership interest in a subsidiary does not result in the loss of control, it is treated as an equity transaction. The difference between the book amount of the investment and the fair value of the consideration paid or received is directly recognized as equity.

When the loss share of the Company to a subsidiary is equal to or exceeds its equity in the subsidiary (including the book amount of equity method subsidiaries and other long-term equity that is essentially a component of the Company's net investment in the subsidiary), the loss shall continue to be recognized according to the shareholding ratio.

When evaluating impairment, the Company considers the cash generating units as a whole in the financial report and compares their recoverable amount with their book amount. If the recoverable amount of the asset increases in the future, the reversal of the impairment loss shall be recognized as an interest, provided that the book amount of the asset after the reversal of the impairment loss shall not exceed the book amount of the asset after deducting the amortized amount that shall be recognized if the impairment loss is not recognized. Impairment losses attributable to goodwill shall not be reversed in subsequent periods.

When control over a subsidiary is lost, the Company measures its remaining investment in the former subsidiary at the fair value on the date of loss of control. The difference between the fair value of the remaining investment and any disposal price and the investment book amount on the date of loss of control is included in the current year's profit and loss. In addition, all amounts recognized in other comprehensive income related to the subsidiary are accounted for on the same basis as the Company's direct disposal of related assets or liabilities.

Unrealized profits and losses from downstream transactions between the Company and its subsidiaries are eliminated in financial statements. The profits and losses arising from the counter current and side current transactions between the Company and its subsidiaries are only recognized in financial statements to the extent unrelated to the Company's equity in the subsidiaries.

g. Property, plant and equipment

Property, plant and equipment are recognized at cost and subsequently measured at cost less accumulated depreciation.

Property, plant and equipment under construction are recognized at cost. The cost includes professional service fees and borrowing costs that meet capitalization conditions. When these assets are completed and in their expected state of use, they are classified into appropriate categories of property, plant, and equipment, and depreciation begins to be recognized.

Except for self owned land that is not depreciated, other property, plant and equipment are depreciated separately for each significant part on a straight-line basis over their useful life. The Company shall review the estimated useful life, residual value, and depreciation method at least at the end of each year, and defer the impact of changes in applicable accounting estimates.

When property, plant and equipment are derecognized, the difference between the net disposal price and the book amount of the assets is recognized in profit or loss.

h. Investment property

Investment property is held for the purpose of earning rent or capital appreciation or both. Investment property also includes land held for which the future use has not yet been determined.

Self-owned investment property is initially measured at cost (including transaction cost). Investment property acquired through a lease is initially measured at cost (including the initially measured amount of the lease liability, the original direct cost of the lease payment paid before the lease commencement date and the estimated cost of restoring the underlying asset, less any lease incentives received). Investment property is subsequently measured at fair value, and changes in fair value are recognized in profit or loss in the period in which they occur.

i. Impairment of property, plant and equipment, and right-of-use assets

The Company assesses on each balance sheet date whether there are any signs that the assets of property, plant and equipment, and right-of-use may have been impaired. If any signs of impairment exist, estimate the recoverable amount of the asset. If it is impossible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. Shared assets are allocated to the smallest group of cash generating units on a reasonable and consistent basis.

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

When the impairment loss is subsequently reversed, the book amount of the asset or cash generating unit is increased to the revised recoverable amount, provided that the increased book amount does not exceed the book amount determined by the asset or cash generating unit if the impairment loss was not recognized in the previous year (minus depreciation). The reversal of impairment losses is recognized in profit or loss.

j. Financial instruments

Financial assets and financial liabilities are recognized on the balance sheet when the Company becomes a party to the contractual provisions of the instrument.

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

1. Financial assets

The customary transactions of financial assets are recognized and derecognized in accounting on the trading day.

(1) Measurement type

The types of financial assets held by the Company are financial assets measured at amortized cost and debt instrument investment and equity instrument investment measured at fair value through other comprehensive income.

A. Financial assets measured at amortized cost

The Company's investment in financial assets is classified as financial assets measured at amortized cost if both of the following conditions are met:

- a. Held under a certain business model with the purpose of holding financial assets to receive contractual cash flows; and
- b. The contract terms generate cash flow for a specific date, which is entirely the interest on the payment of principal and outstanding principal amount.

Financial assets measured at amortized cost (including cash and equivalent cash, notes receivable measured at amortized cost, accounts receivable, other receivables, deposits, and other financial assets) are initially recognized and measured at the total book amount determined using the effective interest method minus the amortized cost of any impairment losses. Any foreign currency exchange profits or losses are recognized in profit or loss.

Except for the following two situations, interest revenue is calculated by multiplying the effective interest rate by the total book amount of financial assets:

- a. Interest revenue on credit impaired financial assets acquired or created is calculated by multiplying the effective interest rate after credit adjustment by the amortized cost of the financial asset.
- b. Financial assets that are not subject to credit impairment upon purchase or creation, but subsequently become subject to credit



impairment, shall have interest revenue calculated by multiplying the effective interest rate by the amortized cost of the financial asset from the reporting period following the credit impairment.

Credit impairment financial assets mean that the issuer or debtor has experienced major financial difficulties, defaults, the debtor is likely to file for bankruptcy or other financial restructuring, or the active market of financial assets disappears due to financial difficulties.

Cash equivalents include time deposits that are highly liquid, can be converted into fixed cash at any time and have little risk of value change within 3 months from the date of acquisition, and are used to meet short-term cash commitments.

**B. Debt instrument investment measured at fair value through other comprehensive income**

The Company's investment debt instruments are classified as financial assets measured at fair value through other comprehensive income if they meet both of the following conditions:

- a. Held under a certain business model, the purpose of which is to receive contractual cash flows and sell financial assets; and
- b. The contract terms generate cash flow for a specific date, which is entirely the interest on the payment of principal and outstanding principal amount.

The debt instrument investment measured at fair value through other other comprehensive income is measured at fair value. The interest revenue, foreign currency exchange profits and losses, impairment losses or reversal benefits calculated by effective interest method in the changes in book amount are recognized in profits and losses, and the other changes are recognized in other comprehensive income, which are reclassified into profits and losses at the time of investment disposal.

**C. Equity instrument investment measured at fair value through other comprehensive income**

At the time of original recognition, the Company may make an irrevocable choice to measure the contingent consideration equity instrument investment not held for trading and not recognized by the acquirer of a business combination at fair value through other comprehensive income.

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

Dividends on equity instrument investments measured at fair value through other comprehensive income are recognized in profit or loss when the Company's right to receive payment is established, unless such dividends clearly represent the recovery of part of the investment cost.

(2) Impairment of financial assets

On each balance sheet date, the Company assesses the impairment losses of financial assets (including accounts receivable) measured at amortized cost and debt instrument investments measured at fair value through other comprehensive income based on expected credit losses.

Accounts receivable are recognized as allowance losses based on expected credit losses during their existence period. Other financial assets are first assessed to see whether the credit risk has increased significantly since the original recognition. If it has not increased significantly, the allowance loss is recognized as the expected credit loss of 12 months. If it has increased significantly, the allowance loss is recognized as the expected credit loss during the duration.

Expected credit loss is a weighted average credit loss weighted by the risk of default. The 12 month expected credit loss represents the expected credit loss generated by a financial instrument's possible default events within 12 months after the reporting date, while the expected credit loss during the term represents the expected credit loss generated by all possible default events of the financial instrument during the expected term.

For the purpose of internal credit risk management, without considering the collateral held, the Company determines that the following situations represent the default of financial assets:

- A. Internal or external information indicates that the debtor has been unable to pay off its debts.
- B. If the overdue period exceeds the average credit period, unless there is reasonable and verifiable information indicating that the delayed default benchmark is more appropriate.

The impairment loss of all financial assets is reduced by the allowance account, but the allowance loss of debt instrument investment measured at fair value through other comprehensive income is recognized in other comprehensive income, and does not reduce its book amount.

(3) Derecognition of financial assets

The Company derecognizes financial assets only when the contractual rights to the cash flows from the financial assets have lapsed or when the financial assets have been transferred and substantially all the risks and rewards of ownership of the assets have been transferred to other enterprises.

When financial assets measured at amortized cost are derecognized as a whole, the difference between their book amount and the consideration received is recognized in profit or loss. When the debt instrument investment measured at fair value through other consolidated profits or losses is derecognized as a whole, the difference between its book amount and the sum of the consideration received plus any accumulated profits or losses recognized in other comprehensive income is recognized in profit or loss. When the equity instrument investment measured at fair value through other comprehensive income is derecognized as a whole, the accumulated profits and losses are directly transferred to the reserved surplus and are not reclassified as profits and losses.

## 2. Financial liabilities

### (1) Subsequent measurement

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

Financial liabilities measured at fair value through profit or loss are held for trading.

The financial liabilities held for trading are measured at fair value, and the profits or losses arising from the remeasurement are recognized in profit or loss.

Please refer to Note 29 for the method of determining the fair value.

### (2) Derecognition of financial liabilities

When a financial liability is derecognized, the difference between the book amount and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

## 3. Convertible corporate bonds

The composite financial instruments (convertible corporate bonds) issued by the Company are classified as financial liabilities and equity instruments based on the essence of the contract agreement and the definition of financial liabilities and equity instruments.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument and is measured at amortized cost using the effective interest method until the date of execution of the conversion or maturity. The components of liabilities that are embedded in non-equity derivatives are measured at fair value.

The conversion right classified as equity is equal to the remaining amount of the fair value of the compound instrument as a whole less the fair value of the separately determined liability component, which is recognized in equity net of the income tax effect and is not subsequently measured. When the conversion

right is exercised, the related liability component and the amount in equity will be transferred to equity and capital reserve - issue premium. If the conversion rights of convertible corporate bonds are not exercised on the maturity date, the amount recognized in equity will be transferred to capital reserve - issue premium.

Transaction costs related to the issuance of convertible corporate bonds are allocated to the liability (included in the book amount of the liability) and equity components (included in equity) of the instrument in proportion to the derivatives apportioned price.

#### 4. Derivative financial instruments

The derivatives entered into by the Company are swap contracts to manage the Company's exchange rate risk.

Derivatives are initially recognized at fair value upon entering into derivative contracts and subsequently remeasured at fair value at the balance sheet date, with profits or losses arising from subsequent measurements recognized directly in profit or loss. When the fair value of the derivative is positive, it is classified as a financial asset; when the fair value is negative, it is classified as a financial liability.

#### k. Revenue recognition

After the Company identifies performance obligations in customer contracts, the transaction price is apportioned to each performance obligation and revenue is recognized when each performance obligation is satisfied.

Contracts in which the interval between the transfer of merchandise or services and the receipt of consideration is less than one year, the transaction price is not adjusted for significant financial components of the contract.

Revenue from merchandise sales, mainly from the sale of optical lenses and lenses, is recognized as revenue and accounts receivable when the customer obtains control over the committed assets.

In the process of material removal, the control over the ownership of processed products has not been transferred, so the revenue is not recognized in the process of material removal.

#### l. Lease

The Company assesses whether the contract is (or contains) leases at the contract inception date.

##### The Company is the lessee

Right-of-use assets and lease liabilities are recognized at the beginning of the lease, except for leases of low-value underlying assets using recognized exemptions and short-term leases, where lease payments are recognized as expenses on a straight-line basis over the lease term.

Right-of-use assets are measured initially at cost (consisting of the original measurement amount of the lease liability, lease payments made before the commencement date of the lease less lease incentives received, original direct cost and estimated cost of restoration of the subject asset) and subsequently at cost less accumulated depreciation and accumulated impairment losses, and the remeasurement of the lease liability is adjusted. Right-of-use assets are presented separately in the individual balance sheets.

Right-of-use assets are depreciated on a straight-line basis from the beginning of the lease term to the earlier of the end of the useful life or the end of the lease term.

Lease liabilities are measured initially at the present value of lease payments (including fixed benefits). If the implied interest rate of the lease is readily determinable, the lease payments are discounted using that interest rate. If that interest rate is not readily determinable, then the tenant's incremental borrowing interest rate is used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, and interest expense is amortized over the lease term. If a change in the lease term results in a change in future lease payments, the Company remeasures the lease liability and adjusts the right-of-use asset accordingly. However, if the book amount of the right-of-use asset is reduced to zero, the remaining remeasurement amount is recognized in profit or loss. Leasing liabilities are presented separately in the individual balance sheets.

m. Government Grants

Government grants are recognized when there is only reasonable assurance that the Company will comply with the conditions attached to the government grants and that the grants will be received.

Government grants related to revenue are recognized as the reduction of related costs or other revenue on a systematic basis in the period in which the related costs for which they are intended to be reimbursed are recognized as expenses by the Company.

Government grants are recognized in profit or loss in the period in which they become receivable if they are intended to compensate for expenses or losses already incurred or to provide immediate financial support to the Company and have no future related costs.

n. Employee benefit

1. Short-term employee benefit

Short-term employee benefit are measured at the non-discounted amount expected to be paid.

2. Post-retirement benefits

The defined contribution pension plan is an expense that recognizes the amount of pension benefits to be contributed during the employees' service period.

The defined benefit cost (including service cost, net interest and remeasurement) of the defined benefit pension plan is actuarially determined using the projected unit benefit method. Service cost (including current service cost) and net interest on net defined benefit liabilities (assets) are recognized as employee benefit expense as incurred. Remeasurements (including actuarial profits and losses and return on plan assets, net of interest) are recognized in other comprehensive income and included in reserved surplus as incurred and are not reclassified to profit or loss in subsequent periods.

The net defined benefit liability (asset) represents the deficit (remaining) of the defined benefit pension plan contribution. The net defined benefit asset may not exceed the present value of refunds of contributions from the plan or reductions in future contributions.

o. Share-based payment agreement

Employee stock options granted to employees are recognized as expense on a straight-line basis over the vesting period based on the fair value of the equity instruments at the date of grant and the best estimate of the number of options expected to be vested, with a simultaneous adjustment to capital reserve - employee stock options. If the acquisition is made immediately on the date of grant, the full cost is recognized on the date of grant.

The Company revises the estimated number of employee stock options expected to be vested at each balance sheet date. If the original estimate is revised, the effect is recognized in profit or loss so that the accrued expenses reflect the revised estimate, with a corresponding adjustment to capital reserve - employee stock options.

p. Income tax

Income tax expense is the sum of current year income tax and deferred tax.

1. Current tax

The Company determines the current income (loss) in accordance with the regulations enacted by the income tax reporting jurisdictions and calculates the income tax payable (recoverable) accordingly.

Income tax on undistributed surplus calculated in accordance with the ROC Income Tax Act is recognized in the year when the shareholders meet to resolve the issue.

Adjustments to income tax payable in prior years are included in the current year's income tax.

2. Deferred tax.

Deferred tax is calculated on temporary differences arising between the book amounts of assets and liabilities and the tax basis of taxable income.

Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the temporary differences and loss carryforwards can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company can control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets are recognized for deductible temporary differences associated with such investments only to the extent that it is probable that sufficient taxable income will be available to allow the temporary differences to be realized and to the extent that a reversal is expected in the foreseeable future.

The book amount of deferred tax assets shall be reviewed on each balance sheet date, and the book amount shall be reduced for those who are no longer likely to have enough taxable income to recover all or part of their assets. Deferred tax assets that were not recognized as such are reviewed at each balance sheet date and the book amount is increased to the extent that it is probable that future taxable income will be available to recover all or part of the asset.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset is realized, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences of the manner in which the Company expects to recover or settle the book amounts of its assets and liabilities at the balance sheet date.

3. Current and deferred tax for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity respectively.

5. **Major sources of uncertainty in significant accounting judgments, estimates, and assumptions**

The Company adopts accounting policies that require management to make judgments, estimates and assumptions that are based on historical experience and other related factors when the information is not readily available from other sources. Actual results may differ from estimates.

The Company considers the possible impact on the economic environment as part of its consideration of cash flow projections, growth rates, discount rates, profitability and other related significant accounting estimates, and management will continue to review the estimates and underlying assumptions. If the revision of an estimate affects only the current year, it is recognized in the year of revision; if the revision of an accounting estimate affects both the current and future periods, it is recognized in the year of revision and the future period.

6. **Cash and cash equivalents**

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Cash on hand	\$ 185	\$ 70
Bank checks and demand deposits	162,659	98,697
Cash equivalents (investments with original maturity of less than 3 months)		
Time deposit	139,081	18,571
	<b><u>\$ 301,925</u></b>	<b><u>\$ 117,338</u></b>

7. **Financial instruments measured at fair value through profit or loss**

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b><u>Financial assets - current</u></b>		
Mandatory measurement at fair value through profit or loss		
Derivative (not designated as hedge)		
- Swap contract	<b><u>\$ -</u></b>	<b><u>\$ 6,077</u></b>
<b><u>Financial liability - Non-current</u></b>		
Mandatory measurement at fair value through profit or loss		
Mixed financial assets		
- structured deposits	<b><u>\$ 30,355</u></b>	<b><u>\$ -</u></b>

Swap contracts not subject to hedge accounting and not yet due at the balance sheet date are as follows:

<u>Currency category</u>	<u>Expiration period</u>	<u>Contract amount</u>
<u>December 31, 2022</u>		
USD to NTD	2023.1-2023.3	USD12,150/NTD365,583

The Company engages in swap transactions primarily for the purpose of hedging the risk of foreign currency assets and liabilities arising from fluctuations in exchange rates.



**8. Financial assets at fair value through other comprehensive income - current**

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Investments in equity instruments</u>		
Common stocks of domestic		
TWSE/TPEX listed company		
Unique Opto-Electronics Co., Ltd. (Unique Company)	\$ 42,659	\$ 43,789
Mega Financial Holding Co., Ltd. (Mega Company)	667	493
<u>Investments in debt instruments</u>		
Foreign corporate bonds	28,158	27,208
	<u>\$ 71,484</u>	<u>\$ 71,490</u>

(I) Investments in equity instruments

The Company invests in the common stock of the above-mentioned companies for medium- to long-term strategic purposes and expects to make profits from its long-term investments. The Company's management believes that it would be inconsistent with the aforementioned long-term investment plan to include short-term fair value fluctuations of these investments in profit or loss, and has therefore elected to designate these investments as measured at fair value through other comprehensive income.

(II) Investments in debt instruments

In March 2022, the Company purchased foreign unsecured subordinated corporate bonds with a face value of US\$ 1,000 thousand and the face interest rate of 1.75% and an effective interest rate of 2.05%.

The Company's investment of the unsecured subordinated corporate bonds are debt instruments with the credit rating of investment grade or higher and are evaluated as low credit risk for impairment purposes.

The debt instruments do not have significant increase in credit risk that would result in the change in interest rates or terms since original recognition, and not significant recurring changes affecting the ability to meet obligations are expected, and therefore no credit losses are expected. The Company continuously tracks external rating information to monitor changes in credit risk and periodically reviews other information such as bond yield curves and material information about the debtor to assess whether there is a significant increase in expected credit losses over the life of the investment since original recognition.

**9. Financial assets measured at amortized cost**

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current</u>		
Domestic investment		
Time deposits with original maturity of more than 3 months	<u>\$ 352,869</u>	<u>\$ 85,988</u>

	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
<u>Non current</u>		
Domestic investment		
Time deposits with original maturity of more than 3 months	<u>\$ -</u>	<u>\$ 74,513</u>
<u>Annual interest rate (%)</u>		
Time deposit	0.001-5.5	0.001-4

For information on pledges of financial assets measured at amortized cost, please refer to Note 31.

**10. Accounts receivable - net amount of unrelated parties**

	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
At amortized cost		
Gross carrying amount	\$ 387,545	\$ 540,243
Less: allowance for losses	( <u>29</u> )	<u>-</u>
	<u>\$ 387,516</u>	<u>\$ 540,243</u>

The average credit period for merchandise sales ranges by the Company from 60 to 145 days, and no interest is charged on accounts receivable. The Company's policy is to transact only with counterparties rated at or above the investment grade level, and to obtain adequate guarantees where necessary to mitigate the risk of financial loss arising from default. Credit rating information is used by the Company to rate major customers using other publicly available financial information and historical transaction records. The Company continuously monitors credit risk and the credit ratings of counterparties and spreads the total transaction amount among different customers with qualified credit ratings.

To reduce credit risk, the Company has taken appropriate actions with respect to credit facility determination, credit approval and other control procedures to ensure the collection of overdue accounts receivable. In addition, the Company periodically reviews the recoverable amounts of receivables to ensure that appropriate impairment losses have been recorded for uncollectible receivables. Accordingly, the Company's management stratum believes that the Company's credit risk has been significantly reduced.

The Company recognizes allowance losses for accounts receivable based on expected credit losses during the period of existence. Expected credit losses for the duration are calculated using an allowance preparation matrix, which takes into account the customer's past violation record and current financial condition. Since the Company's credit loss history shows that there is no significant difference in the loss patterns of different customer groups, therefore, without further differentiation of customer groups, the preparation matrix only sets the expected credit loss rate based on the days of violation on accounts receivable.

If there is evidence that the counterparty is in serious financial difficulty and the Company cannot reasonably expect to recover the amount, the Company directly writes off the related accounts receivable, but continues the recourse activities and recognizes the amount recovered in profit or loss as a result of the recourse.

The Company measures the allowance loss for accounts receivable based on the preparation matrix as follows:

<b>December 31, 2023</b>	<b>Not past due</b>	<b>1 - 60 days past due</b>	<b>61 - 90 days past due</b>	<b>91 - 120 days past due</b>	<b>More than 120 days overdue</b>	<b>Total</b>
Expected credit loss rate	0%	0%	0%	3%	0%-100%	
Gross carrying amount	\$ 382,952	\$ 4,146	\$ -	\$ 428	\$ 19	\$ 387,545
Allowance for losses (expected credit losses during the continuance period)	-	-	-	(10)	(19)	(29)
Amortized cost	<u><b>\$ 382,952</b></u>	<u><b>\$ 4,146</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 418</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 387,516</b></u>
<b>December 31, 2022</b>						
Expected credit loss rate	0%	0%	0%	0%	0%	
Gross carrying amount	\$ 404,475	\$ 135,758	\$ 10	\$ -	\$ -	\$ 540,243
Allowance for losses (expected credit losses during the continuance period)	-	-	-	-	-	-
Amortized cost	<u><b>\$ 404,475</b></u>	<u><b>\$ 135,758</b></u>	<u><b>\$ 10</b></u>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 540,243</b></u>

The information of allowance loss on accounts receivable change is as follow:

	<b>2023</b>	<b>2022</b>
Beginning of the year balance	\$ -	\$ -
Net remeasurement of loss allowance	29	-
End of year balance	<u><b>\$ 29</b></u>	<u><b>\$ -</b></u>

## 11. Inventories

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Finished product	\$ 104,183	\$ 53,824
Work in progress	58,583	78,856
Raw material	24,705	50,582
Inventory in transit	2,029	7,112
Merchandise	-	2,129
	<u><b>\$ 189,500</b></u>	<u><b>\$ 192,503</b></u>

The operating costs related to stocks respectively were NT\$ 1,590,021 thousand and NT\$ 1,841,781 thousand in 2023 and 2022.

The operating costs for the 2023 and 2022 respectively include a gain of NT\$ 4,723 thousand and 5,023 thousand from inventory decline and sluggish recovery,

The increase in net realizable value of inventories was due to the recovery in market prices of inventories.

## 12. Investments accounted for using equity method

	<u>December 31, 2023</u>		<u>December 31, 2022</u>	
		Percent		Percent
Investments in subsidiaries	Amount	age of	Amount	age of
		%		%
Kinko Optical (HK) Limited (Kinko HK Company)	\$ 1,229,024	100	\$ 1,748,534	100
Jinwei Optical Industry Co., Ltd. (Jinwei Company)	282,473	100	340,244	100
Hu Shang Optical Industry Co., Ltd. (Hu Shang Company)	96,239	100	101,033	100
	<u>\$ 1,607,736</u>		<u>\$ 2,189,811</u>	

For details of the Company's indirect investment in subsidiaries, please refer to Schedules VII and VIII.

The board of directors of Foshan HuaGuo Company resolved to return capital in the amount of US\$ 13,404 thousand in April 2023.

The board of directors of Foshan Kinko HK Company resolved to return capital in the amount of HK\$ 105,621 thousand in July 2023.

## 13. Property, plant and equipment

	<u>Beginning of</u>				<u>End of year</u>
<u>2023</u>	<u>the year</u>	<u>Increase</u>	<u>Decrease</u>	<u>Reclassification</u>	<u>balance</u>
	<u>balance</u>				
<u>Cost</u>					
Land	\$ 53,558	\$ -	\$ -	(\$ 17,862)	\$ 35,696
Buildings	606,987	7,364	-	( 8,348)	606,003
Machinery					
equipment	1,504,393	25,372	131,768	29,073	1,427,070
Mold equipment	303,718	31,040	287,965	-	46,793
Transportation				520	
equipment	710	-	-		1,230
Wealth production				-	
equipment	32,814	-	5,277		27,537
Other equipment	210,861	39,824	18,419	3,410	235,676
Unfinished work	-	13,680	-	( 12,020)	1,660
	<u>2,713,041</u>	<u>\$ 117,280</u>	<u>\$ 443,429</u>	<u>(\$ 5,227)</u>	<u>2,381,665</u>

<b>2023</b>	<b>Beginning of the year balance</b>	<b>Increase</b>	<b>Decrease</b>	<b>Reclassification</b>	<b>End of year balance</b>
<u>Accumulated depreciation</u>					
Buildings	195,540	\$ 28,699	\$ -	(\$ 2,224)	222,015
Machinery equipment	925,169	161,147	131,768	-	954,548
Mold equipment	285,640	16,832	287,965	-	14,507
Transportation equipment	293	136	-	-	429
Wealth production equipment	22,456	4,066	5,277	-	21,245
Other equipment	184,358	16,410	18,419	-	182,349
	<u>1,613,456</u>	<u>\$ 227,290</u>	<u>\$ 443,429</u>	<u>(\$ 2,224)</u>	<u>1,395,093</u>
	<u><b>\$ 1,099,585</b></u>				<u><b>\$ 986,572</b></u>
<b>2023</b>					
<u>Cost</u>					
Land	\$ 53,558	\$ -	\$ -	\$ -	\$ 53,558
Buildings	600,046	2,602	2,071	6,410	606,987
Machinery equipment	1,454,383	24,248	17,714	43,476	1,504,393
Mold equipment	290,068	14,800	1,150	-	303,718
Transportation equipment	989	-	279	-	710
Wealth production equipment	33,861	904	1,951	-	32,814
Other equipment	220,593	7,095	18,046	1,219	210,861
Unfinished work	71	-	-	( 71)	-
	<u>2,653,569</u>	<u>\$ 49,649</u>	<u>\$ 41,211</u>	<u>\$ 51,034</u>	<u>2,713,041</u>
<u>Accumulated depreciation</u>					
Buildings	168,868	\$ 28,743	\$ 2,071	\$ -	195,540
Machinery equipment	784,603	157,745	17,179	-	925,169
Mold equipment	251,838	34,112	310	-	285,640
Transportation equipment	331	154	192	-	293
Wealth production equipment	18,712	5,695	1,951	-	22,456
Other equipment	185,940	16,382	17,964	-	184,358
	<u>1,410,292</u>	<u>\$ 242,831</u>	<u>\$ 39,667</u>	<u>\$ -</u>	<u>1,613,456</u>
	<u><b>\$ 1,243,277</b></u>				<u><b>\$ 1,099,585</b></u>

Depreciation expense is provided on a straight-line basis over the following useful lives:

Housing and construction	
Plant main building	3 - 50 years
Other	1 - 22 years
Machinery equipment	1 - 15 years
Mold equipment	1 - 2 years
Transportation equipment	5 - 7 years
Wealth production equipment	1 - 10 years
Other equipment	1 - 12 years

For the amount of property, plant and equipment as guarantee for borrowings, please refer to Note 31.

**14. Lease agreement**

(I) Right-of-use assets

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Carrying amount of right-of-use assets		
Land	\$ 21,196	\$ 45,408
Building	5,173	5,285
Office equipment	365	430
Transportation equipment	1,023	1,595
	<u><u>\$ 27,757</u></u>	<u><u>\$ 52,718</u></u>
	<b>2023</b>	<b>2022</b>
Addition of right-of-use assets	<u><u>\$ 3,576</u></u>	<u><u>\$ 6,117</u></u>
Depreciation expense of right-of-use assets		
Land	\$ 742	\$ 2,182
Building	4,905	3,338
Office equipment	137	118
Transportation equipment	591	378
	<u><u>\$ 6,375</u></u>	<u><u>\$ 6,016</u></u>

(II) Lease liabilities

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Book amount of lease liabilities		
Current	<u><u>\$ 4,151</u></u>	<u><u>\$ 5,439</u></u>
Non current	<u><u>\$ 25,413</u></u>	<u><u>\$ 50,138</u></u>

The discount rate (%) range for lease liabilities is as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Land	1.73	1.73
Building	1.73	1.73
Office equipment	1.73	1.73
Transportation equipment	1.73	1.73

(III) Important tenant activities and terms

The Company leases certain land and buildings for use as plants and offices for a period of 1 to 10 years. At the end of the lease period, the Company has no preferential rights to acquire the leased land and buildings, which is leased.

(IV) Other leasing information

	<b>2023</b>	<b>2022</b>
Short-term lease payments	<u><u>\$ 168</u></u>	<u><u>\$ 1,632</u></u>
Total cash outflow from leases	<u><u>\$ 8,524</u></u>	<u><u>\$ 8,737</u></u>

The Company has elected to not recognize the related right-of-use assets and lease liabilities for such leases by applying the applicable recognition exemption to buildings that qualify as short-term leases.

**15. Investment property**

	<b><u>Completed investment property</u></b>
<b><u>Cost</u></b>	
Balance on January 1, 2023	\$ -
Reclassification from Property, plant and equipment	<u>30,352</u>
Balance on December 31, 2023	<b><u>\$ 30,352</u></b>
<b><u>Depreciation and impairment loss</u></b>	
Balance on January 1, 2023	\$ -
Reclassification from Property, plant and equipment	2,224
Depreciation for the year	<u>127</u>
Balance on December 31, 2023	<b><u>\$ 2,351</u></b>
<b><u>Carrying amounts</u></b>	
Balance on December 31, 2023	<b><u>\$ 28,001</u></b>

The lease term of the investment property is 2023 - 2025. When the lessee exercises the right to renew the lease, it is agreed that the rent will be adjusted according to the market price. The lessee does not have the preferential right to acquire the investment property at the end of the lease term.

The total amount of lease payments that will be received in the future for leasing out investment properties under operating leases is as follows:

	<b><u>December 31, 2023</u></b>
The first year	\$ 1,032
The second year	<u>516</u>
	<b><u>\$ 1,548</u></b>

The fair value of investment property is not valued by an independent valuator. The fair value of the investment property is only measured by the management of the Company based on the Level 3 input value using the valuation model commonly used by market participants. The valuation is based on market evidence of transaction prices of similar real estate and the fair values of the valuation are as follows:

	<b><u>December 31, 2023</u></b>
Fair value	<b><u>\$ 39,095</u></b>

# 16. Cash surrender value of life insurance

The cash surrender value of life insurance is the portion of the premiums paid for life insurance policies with the Company as the beneficiary, if the premiums paid are part of the cash surrender value, they are recorded as the reduction of the current year's insurance premiums and the book amount of the cash surrender value of life insurance is increased. When the guarantee period expires or is terminated, the full amount received will be reduced by the book amount of the cash surrender value of life insurance.

Information on the changes in the cash surrender value of life insurance is as follows:

	<u>2023</u>	<u>2022</u>
Beginning of the year balance	\$ 271,264	\$ 248,224
Life insurance payments for the current year	-	7,469
Increase in cash surrender value of life insurance	4,885	15,571
Decrease in cash surrender value of life insurance	( 276,149 )	-
End of year balance	<u>\$ -</u>	<u>\$ 271,264</u>

# 17. Other assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current</u>		
Prepayments	\$ 5,976	\$ 6,842
Other	768	2,310
	<u>\$ 6,744</u>	<u>\$ 9,152</u>
<u>Non current</u>		
Refundable deposit	\$ 3,527	\$ 1,394
Net defined benefit asset (Note 21)	24,073	16,753
Other	11,825	1,348
	<u>\$ 39,425</u>	<u>\$ 19,495</u>

# 18. Borrowings

## (I) Short-term borrowings

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Mortgage borrowings (Note 31)	\$ 57,000	\$ 59,298
Credit borrowings	40,000	-
	<u>\$ 97,000</u>	<u>\$ 59,298</u>
<u>Annual interest rate (%)</u>		
Mortgage borrowings	2.07	2.05
Credit borrowings	2.03	-



(II) Long-term borrowings

	December 31, 2023	December 31, 2022
Mortgage borrowings (Note 31)	\$ 68,559	\$ 106,902
Credit borrowings	61,958	98,157
	130,517	205,059
Less: portion due within 1 year	( 73,470 )	( 74,541 )
Portion due after 1 year	<u>\$ 57,047</u>	<u>\$ 130,518</u>
<u>Annual interest rate (%)</u>		
Mortgage borrowings	1.55-2.18	1.39-2.05
Credit borrowings	1.37	1.24

19. Other payables

	December 31, 2023	December 31, 2022
Salaries and bonuses payable	\$ 63,353	\$ 61,729
Other	59,170	76,097
	<u>\$ 122,523</u>	<u>\$ 137,826</u>

20. Corporate bonds payable

	December 31, 2023	December 31, 2022
Second guaranteed convertible corporate bonds in Taiwan	\$ 350,000	\$ 350,000
Less:		
discount on corporate bonds payable	( 1,948 )	( 5,077 )
	348,052	344,923
Less: portion due within 1 year	( 348,052 )	-
	<u>\$ -</u>	<u>\$ 344,923</u>

The Company issued 3,500 units of guaranteed convertible corporate bonds with a face interest rate of 0% in August 2021, totaling NT\$ 350,000 thousand, and the issue amount is 115.17% of the face interest rate, and the total amount raised is NT\$ 403,105 thousand, and the issue period is 3 years until August 2024.

Each unit of corporate bonds is entitled to be converted into common stocks of the Company at NT\$ 33 per share. (The original conversion price was NT\$ 35, adjustments due to cash capital increase and distribution of cash dividends.) If there is an increase in the number of common stocks issued by the Company, the distribution of cash dividends on common stocks, the issuance (or private placement) of various marketable securities with conversion rights or stock options on

common stocks at a conversion or stock options price lower than the current price per share, or the reduction of common stocks due to capital reduction other than the cancellation of treasury stock after the issuance of the bonds, the conversion price will be adjusted in accordance with Article 11 of the Regulations Governing the Issuance and Conversion of the Company's Second Domestic Secured Convertible Bonds. The conversion period is from November 14, 2021 to August 13, 2024. If the convertible corporate bonds are not converted at that time, the Company will repay them in cash within 10 business days from the day following the maturity of the convertible corporate bonds.

From the day following the expiration of three months from the date of issue (November 14, 2021) to the date 40 days before the expiration of the issue period (July 4, 2024), if the closing price of the Company's common stocks at the business premises of a securities firm exceeds the then conversion price by more than 30% (inclusive) for 30 consecutive business days, or if the outstanding balance of the Company's bonds is less than 10% of the original total issued amount, the Company may recover in cash the entire amount of the converted corporate bonds outstanding in accordance with the face value of the bonds.

This convertible corporate bond includes liabilities and equity components, and the equity component is expressed as capital reserve-share options under equity. The effective interest rate originally recognized for the liability component is 0.90%, and the option derivative is measured at fair value through profit or loss.

Issuance price (deducting transaction cost of NT\$ 5,006 thousand)	\$ 398,099
Equity component (net of transaction costs allocated to equity of NT\$ 727 thousand)	( 57,908 )
Option derivative	<u>455</u>
Components of liabilities on the issue date (less transaction costs allocated to liabilities of NT\$ 4,279 thousand)	340,646
Interest calculated at effective interest rate	<u>4,277</u>
Components of liabilities on December 31, 2022	344,923
Interest calculated at effective interest rate	<u>3,129</u>
Components of liabilities on December 31, 2023	<u><u>\$ 348,052</u></u>

As of December 31, 2023 and 2022, the Company provided bank time deposits of NT\$ 74,039 thousand and NT\$ 74,513 thousand respectively as guarantees for issuing corporate bonds, as shown in Note 31.

## 21. **Post-retirement benefits plan**

### (I) Determination of the withdrawal plan

The pension system of the "Labor Pension Ordinance" applicable to the Company is a defined retirement plan managed by the government, and the pension is paid to the personal account of the Labor Insurance Bureau according to 6% of the employee's monthly salary.

### (II) Determination of the benefits plan

The Company's pension system under the "Labor Standards Law" of the Taiwan is a government-administered defined benefit retirement plan. The payment of employee

pension is based on the length of service and the average salary for the six months prior to the approved retirement date. The Company allocates 2.01% of the total monthly salaries of the employees to the Labor Retirement Reserve Board for deposit in the special account of the Bank of Taiwan in the name of the Board.

Before the end of the year, if the balance in the special account is estimated to be insufficient to pay the workers who are estimated to meet the retirement conditions in the following year, the difference will be allocated in one lump sum before the end of March of the following year. The special account was entrusted to the Labor Fund Administration Bureau of the Ministry of Labor for management, and the Company has no right to affect the investment management strategy. The Company has also stipulated the retirement method for appointed managers since January 2006, which is also a defined benefit retirement plan. The retirement fund for appointed managers has been provided and the special account of the fund is kept at Mega International Commercial Bank.

The amount of defined benefit plan included in individual balance sheet is listed as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Determination of the present value of benefit obligations	\$ 70,075	\$ 69,966
Fair value of plan assets	( 94,148 )	( 86,719 )
Net defined benefit liabilities (assets)	<b>( \$ 24,073 )</b>	<b>( \$ 16,753 )</b>

Changes in the net defined benefit liabilities (assets) are as follows:

	<b>Determination of the present value of benefit obligations</b>	<b>Fair value of plan assets</b>	<b>Net defined benefit liabilities (assets)</b>
January 1, 2022	\$ 75,893	( \$ 75,473 )	\$ 420
Service cost			
Current service cost	219	-	219
Interest expense (revenue)	474	( 494 )	( 20 )
Recognized in profit or loss	693	( 494 )	199
Remeasurements			
Return on planned assets (except the amount included in net interest)	-	( 5,109 )	( 5,109 )
Actuarial loss (profit)			
-Changes in financial assumptions	( 6,369 )	-	( 6,369 )
-Empirical adjustment	1,051	-	1,051
Recognized in other comprehensive income	( 5,318 )	( 5,109 )	( 10,427 )
Employer's appropriation	-	( 6,945 )	( 6,945 )
Benefits payment	( 1,302 )	1,302	-
<b>December 31, 2022</b>	<b>69,966</b>	<b>( 86,719 )</b>	<b>( 16,753 )</b>

Service cost

	<b>Determination of the present value of benefit obligations</b>	<b>Fair value of plan assets</b>	<b>Net defined benefit liabilities (assets)</b>
Current service cost	362	-	362
Interest expense (revenue)	953	( 1,233 )	( 280 )
Recognized in profit or loss	<u>1,315</u>	<u>( 1,233 )</u>	<u>82</u>
Remeasurements			
Return on planned assets (except the amount included in net interest)	-	( 515 )	( 515 )
Actuarial loss (profit)			
-Changes in financial assumptions	972	-	972
-Empirical adjustment	( 809 )	-	( 809 )
Recognized in other comprehensive income	<u>163</u>	<u>( 515 )</u>	<u>( 352 )</u>
Employer's appropriation	-	( 7,050 )	( 7,050 )
Benefits payment	( 1,369 )	1,369	-
<b>December 31, 2023</b>	<b><u>\$ 70,075</u></b>	<b><u>( \$ 94,148 )</u></b>	<b><u>( \$ 24,073 )</u></b>

The amount recognized in profit or loss of the defined benefit plan is summarized as follows by function:

	<b>2023</b>	<b>2022</b>
Cost of operation	\$ 69	\$ 160
Selling and marketing expenses	1	3
General and administrative expenses	6	18
Research and development expenses	6	18
	<b><u>\$ 82</u></b>	<b><u>\$ 199</u></b>

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

1. Investment risk: The Labor Fund Administration Bureau of the Ministry of Labor invests the labor retirement fund in domestic (foreign) equity securities, debt securities, bank deposits, etc. respectively through its own operation and entrusted operation. However, the distribution amount of the planned assets of the Company is the income calculated at a rate not lower than the 2-year fixed deposit rate of local banks.
2. Interest rate risk: the decrease in interest rate of government bonds will increase the present value of defined benefit obligations, but the return on debt investment of planned assets will also increase, which will partially offset the impact on net defined benefit liabilities.
3. Salary risk: the calculation of determining the present value of benefit obligations refers to the future salary of plan members. Therefore, the increase in the salary of plan members will increase the present value of defined benefit obligations.

The present value of the Company's defined benefit obligations is actuarially determined by qualified actuaries, and the major assumptions on the measurement date are as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Discount rate (%)	1.25	1.375
Expected salary increase rate (%)	2.50	2.50

If there are reasonable and possible changes in major actuarial assumptions, the amount that will increase (decrease) the present value of defined benefit obligations while all other assumptions remain unchanged is as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Discount rate		
Increase by 0.25%	( <b>\$ 1,924</b> )	( <b>\$ 1,945</b> )
Reduce by 0.25%	<b>\$ 2,006</b>	<b>\$ 2,031</b>
Expected salary increase rate		
Increase by 0.25%	<b>\$ 1,949</b>	<b>\$ 1,975</b>
Reduce by 0.25%	( <b>\$ 1,879</b> )	( <b>\$ 1,901</b> )

Because actuarial assumptions may be related to each other, it is unlikely that only a single assumption will change, so the above sensitivity analysis may not reflect the actual changes in determining the present value of benefit obligations.

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Expected amount to be withdrawn within one year	<b>\$ 7,272</b>	<b>\$ 7,282</b>
Determined average benefit obligation maturity	11.5 years	11.9 years

## 22. **Equity**

### (I) Ordinary shares

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Rated number of shares (thousand shares)	<b>250,000</b>	<b>250,000</b>
Authorized capital stock	<b>\$ 2,500,000</b>	<b>\$ 2,500,000</b>
Number of issued and paid-up shares (thousand shares)	<b>174,329</b>	<b>174,229</b>
Issued capital stock	<b>\$ 1,743,288</b>	<b>\$ 1,742,286</b>

(II) Capital surplus

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
<u>Used to cover losses, to issue cash or to replenish capital stock (Note)</u>		
Stock issuance premium	\$ 331,182	\$ 383,451
Corporate bond conversion premium	481,731	481,731
Compensation for interest payable on conversion of corporate bonds	9,569	9,569
Expired stock option	7,857	7,857
<u>Used to cover losses</u>		
Gain on disposal of assets	42	42
Other	165	165
<u>Not for any purpose</u>		
Employee stock options	17,919	14,970
Stock option	57,908	57,908
	<b><u>\$ 906,373</u></b>	<b><u>\$ 955,693</u></b>

Note: Such capital reserve may be used to cover losses or, in the absence of a loss, to issue cash or to replenish capital stock, provided that the capitalization is limited to a certain percentage of the paid-in capital each year.

(III) Retained earnings and dividend policy

According to the surplus distribution policy stipulated in the Articles of Association of the Company, if there is a surplus in the annual final accounts, tax shall be paid according to law and another 10% shall be raised as the legal reserve after the accumulated losses are covered. However, when the legal reserve reaches the paid-in capital of the Company, it may not be raised any more, and the rest shall be raised or reversed as stipulated by law; If there is any remaining balance and it is consistent with the accumulated undistributed earnings, the Board of Directors shall prepare a surplus distribution bill and submit it to the shareholders' ordinary meeting for resolution on the distribution of shareholders' dividends and bonuses. If the Company distributes all or part of dividends and bonuses or legal reserve and capital surplus in cash, it shall authorize the Board of Directors to attend the meeting with the consent of more than two-thirds of the directors and more than half of the directors present, and report to the shareholders' meeting.

In addition, according to the Company's Articles of Association, the dividend policy shall be in accordance with the current and future development plans, the investment environment, capital requirements and domestic and foreign competition, and shall take into account factors such as shareholders' interests. The shareholders' dividend shall not be less than 40% of the distributable surplus of the current year. When distributing the shareholders' dividend, the dividend may be in cash or in stock, and the cash dividend shall not be less than 10% of the total dividend.

The legal reserve shall be set aside until the remaining amount reaches the total paid-in capital stock of the company. The legal reserve can be used to cover losses. When the company has no losses, the portion of the legal reserve exceeding 25% of the total paid-in capital stock can be allocated to share capital and distributed in cash.

When the Company sets aside the special reserve for the net deduction of other equity accumulated in the previous period, it only sets aside the undistributed surplus in the previous period.

The Company held a general meeting of shareholders in June 2022, and passed a resolution on the appropriation of profit and loss for 2021. After turning back the special reserve of NT\$ 4,069 thousand, the legal reserve of NT\$ 32,561 thousand was used to cover the losses. In addition, in March 2022, the Board of Directors passed a resolution to allocate cash of NT\$ 87,114 thousand from capital surplus, and each share was allocated to NT\$ 0.5.

The Company held a regular meeting of shareholders in June 2023, and passed the resolution to distribute the surplus for 2022 as follows:

	<b>2022</b>
Legal reserve	\$ 7,329
Reversal of special reserve	( 20,363 )
Cash dividends	69,691
Cash dividend per share (NTD)	0.4

In addition, in March 2023, the Board of Directors passed a resolution to allocate cash of NT\$ 52,269 thousand from capital surplus, and each share was allocated to NT\$ 0.3.

On March 2024, the Board of Directors of the Company proposed the surplus distribution plan for 2023, the legal reserve of NT\$ 32,878 thousand was used to cover the losses. In addition, the Board of Directors passed a resolution to allocate cash of NT\$ 87,164 thousand from capital surplus, and each share was allocated to NT\$ 0.5.

The surplus distribution plan for 2023 has yet to be resolved at the general meeting of shareholders scheduled for June 2024.

(IV) Special reserve

When adopting IFRSs for the first time, the amount of accumulated conversion adjustment of accounts transferred to reserved surplus was NT\$ 205,745 thousand, and the special reserve of the same amount has been set aside. The special reserve of NT\$ 36,851 thousand was reversed due to the liquidation of some foreign operating institutions and the elimination of the original reasons.

**23. Operating revenue**

	<u>2023</u>	<u>2022</u>
Customer contract revenue		
Revenue from merchandise sales	\$ 1,736,366	\$ 1,942,733
Processing revenue	1,111	2,904
Service receipts	<u>74</u>	<u>1,685</u>
	<u><b>\$ 1,737,551</b></u>	<u><b>\$ 1,947,322</b></u>

**Contract balance**

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Notes receivable	\$ 516	\$ -	\$ 122
Accounts receivable - net amount of unrelated parties	<u>387,516</u>	<u>540,243</u>	<u>447,842</u>
	<u><b>\$ 388,032</b></u>	<u><b>\$ 540,243</b></u>	<u><b>\$ 447,964</b></u>
Contract liabilities - current			
Sale of goods	<u><b>\$ 9,779</b></u>	<u><b>\$ 3,274</b></u>	<u><b>\$ 5</b></u>

**24. Net profit (loss) for the current year**

(I) Other gains and losses

	<u>2023</u>	<u>2022</u>
Profit (loss) from disposal of property, plant and equipment	\$ -	(\$ 1,544)
Net foreign currency exchange profit (loss)	( 2,864 )	( 1,786 )
Profits (losses) of financial assets and liabilities measured at fair value through profit or loss	( 4,355 )	41,570
Other	<u>21,085</u>	<u>13,118</u>
	<u><b>\$ 13,866</b></u>	<u><b>\$ 51,358</b></u>

(II) Financial cost

	<u>2023</u>	<u>2022</u>
Borrowings interest	\$ 4,371	\$ 3,227
Convertible corporate bond interest	3,129	3,100
Interest on lease liabilities	<u>929</u>	<u>942</u>
	<u><b>\$ 8,429</b></u>	<u><b>\$ 7,269</b></u>



(III) Employee benefit expenses, depreciation and amortization expenses

Nature	Operating Costs	Operating Expenses	Total
<b><u>2023</u></b>			
Employee benefit expenses			
Short-term employee benefits	\$ 344,537	\$ 72,961	\$ 417,498
Labor and health insurance expenses	44,174	7,965	52,139
Post-retirement benefits			
Determination of the appropriation plan	14,349	3,768	18,117
Determination of benefit plans	69	13	82
Directors' emoluments	-	876	876
Share-based payment			
Equity settlement	-	1,213	1,213
Other employee benefits	23,909	4,452	28,361
Depreciation expense	201,389	32,403	233,792
Amortization expense	131	426	557
Nature			
<b><u>2022</u></b>			
Employee benefit expenses			
Short-term employee benefits	\$ 367,901	\$ 77,335	\$ 445,236
Labor and health insurance expenses	45,607	7,553	53,160
Post-retirement benefits			
Determination of the appropriation plan	15,274	3,710	18,984
Determination of benefit plans	160	39	199
Directors' emoluments	-	1,934	1,934
Share-based payment			
Equity settlement	-	1,499	1,499
Other employee benefits	25,069	4,931	30,000
Depreciation expense	209,710	39,137	248,847
Amortization expense	-	388	388

The number of employees of the Company in 2023 and 2022 was 873 and 878 respectively, of which the number of directors who are not part-time staff in 2023 and 2022 were 4 and 2 respectively.

The Company's average employee benefit expenses in 2023 and 2022 were NT\$ 594 thousand and NT\$ 627 thousand, respectively, and the average employee salary and compensation expenses were NT\$ 479 thousand and NT\$ 508 thousand respectively. Its average employee salary expense adjustment change was 6%.

The remuneration of the supervisors of the Company in 2023 and 2022 is NT\$ 0 and NT\$ 108 thousand respectively.

#### Salary and remuneration policy

1. Employee salary: employee salary mainly includes basic salary (including principal salary, food allowance), job promotion salary, individual annual salary and annual pension, etc. Salary verification is conducted with reference to the salary market of peers, job category, academic experience, professional knowledge and technology, and professional seniority experience.
2. Manager: the remuneration policy for managers is implemented after the recommendations made by the Remuneration Committee are approved by the Board of Directors based on factors such as the Company's operating strategy, profitability, performance and job contribution, and with reference to the salary market level.
3. Remuneration of directors and supervisors: the remuneration of directors and supervisors of the Company shall be paid at the usual level. If the company has a surplus, it shall be set aside in accordance with the provisions of the Articles of Association and submitted to the shareholders' meeting after being reviewed by the Remuneration Committee and approved by the Board of Directors.

#### (IV) Remuneration of employees and directors and supervisors

According to the Articles of Association, the Company shall allocate employee remuneration and directors' remuneration at a rate of not less than 10% and not more than 2.5% respectively according to the pre-tax profit of the current year before deducting the remuneration of employees and directors. 2023 was a year of pre-tax loss, so the remuneration of employees and directors and supervisors was not estimated. The estimated employee remuneration and directors' remuneration for 2022 were resolved by the Board of Directors in March 2023 as follows:

	<u>2022</u>
<u>Estimated proportion</u>	
Employee remuneration	10%
Director's remuneration	2.5%
<u>Cash</u>	
Employee remuneration	\$ 4,761
Director's remuneration	1,190

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the financial statements in 2022.

FY2021 was a year of pre-tax loss, and the Company did not distribute the remuneration of employees and directors and supervisors.

For information on employee compensation and directors' compensation decided by the Board of Directors of the Company, please refer to the "Open Information Observatory" of Taiwan Stock Exchange Corporation (TSEC).

## 25. Income tax

### (I) Income tax recognized in profit or loss

The main components of income tax benefits are as follows:

	<u>2023</u>	<u>2022</u>
Current tax		
Adjustments for prior years	\$ -	(\$ 202)
Deferred taxes		
Generated during the year	19,607	( 23,085)
Income tax expense (profits) recognized in profit or loss	<u>\$ 19,607</u>	<u>(\$ 23,287)</u>

The adjustment of accounting income and income tax benefits is as follows:

	<u>2023</u>	<u>2022</u>
Income tax expense (profit) at legal tax rate on pre-tax net profit (loss)	(\$ 6,036)	\$ 8,331
Tax-deductible expenses and losses	2,066	( 30,981)
Tax-free income	( 343)	( 2,751)
Repatriation of foreign dividends	22,920	-
Deduction of unrecognized losses	1,000	2,316
Adjustments for prior years' tax	-	( 202)
Income tax expense (profits) recognized in profit or loss	<u>\$ 19,607</u>	<u>(\$ 23,287)</u>

### (II) Changes in deferred tax assets and liabilities

<u>2023</u>	<u>Beginning of the year balance</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehens ive income</u>	<u>End of year balance</u>
<b><u>Deferred tax assets</u></b>				
Temporary difference				
Depreciation and sluggish loss of inventory	\$ 4,382	(\$ 945)	\$ -	\$ 3,437
Unrealized gross profit	40	( 39)	-	1
Exchange balance of foreign operating institutions	35,685	-	5,029	40,714
Unrealized exchange loss	2,504	2,633	-	5,137
Other	3,664	( 419)	-	3,245
	46,275	1,230	5,029	52,534
Loss deduction	214,329	( 20,659)	-	193,670
	<u>\$ 260,604</u>	<u>(\$ 19,429)</u>	<u>\$ 5,029</u>	<u>\$ 246,204</u>
<b><u>Deferred tax liabilities</u></b>				
Temporary difference				
Determination of the benefit retirement plan	\$ 3,350	\$ 1,394	\$ 71	\$ 4,815
Benefits of financial assets and liabilities measured at fair value through profit or loss	1,216	( 1,216)	-	-
	<u>\$ 4,566</u>	<u>\$ 178</u>	<u>\$ 71</u>	<u>\$ 4,815</u>

2022	Beginning of the year balance	Recognized in profit or loss	Recognized in other comprehens ive income	End of year balance
<b><u>Deferred tax assets</u></b>				
Temporary difference				
Determination of the benefit retirement plan	\$ 84	(\$ 84)	\$ -	\$ -
Depreciation and sluggish loss of inventory	5,424	( 1,042)	-	4,382
Unrealized gross profit	58	( 18)	-	40
Exchange balance of foreign operating institutions	49,420	-	( 13,735)	35,685
Loss of financial liabilities measured at fair value through profit or loss	545	( 545)	-	-
Unrealized exchange loss	-	2,504	-	2,504
Other	4,312	( 648)	-	3,664
	59,843	167	( 13,735)	46,275
Loss deduction	192,178	22,151	-	214,329
	<b><u>\$ 252,021</u></b>	<b><u>\$ 22,318</u></b>	<b><u>(\$ 13,735)</u></b>	<b><u>\$ 260,604</u></b>
<b><u>Deferred tax liabilities</u></b>				
Temporary difference				
Unrealized exchange benefits	\$ 3,157	(\$ 3,157)	\$ -	\$ -
Determination of the benefit retirement plan	-	1,265	2,085	3,350
Benefits of financial assets and liabilities measured at fair value through profit or loss	-	1,216	-	1,216
Other	91	( 91)	-	-
	<b><u>\$ 3,248</u></b>	<b><u>(\$ 767)</u></b>	<b><u>\$ 2,085</u></b>	<b><u>\$ 4,566</u></b>

(III) Information about unused loss deduction

As of December 31, 2023, the information about loss deduction is as follows:

Balance not yet deducted	Last deduction year
\$ 54,394	2025
149,870	2026
155,223	2027
116,101	2028
58,420	2029
37	2030
319,147	2031
115,156	2032
<b><u>\$ 968,348</u></b>	

(IV) Summary amount of temporary differences related to investment and unrecognized deferred tax liabilities

As of December 31, 2023 and 2022, taxable temporary differences related to investment subsidiaries and not recognized as deferred tax liabilities were NT\$ 222,428 thousand and NT\$ 440,550 thousand respectively.

(V) Income tax verification

The Company's income tax declaration cases for profit-making enterprises before FY2021 have been approved by the tax collection authorities.

**26. Earnings (loss) per share**

Earnings (loss) and weighted average number of common stocks used to calculate earnings (loss) per share are as follows:

	<u>2023</u>	<u>2022</u>
Net profit (loss) for the purposes of basic and diluted earnings (loss) per share	(\$ <u>49,788</u> )	\$ <u>64,944</u>
<u>Shares (thousand shares)</u>		
Weighted average number of common stocks used to calculate basic and diluted earnings (loss) per share	174,257	174,210
Effect of potential common stock with dilution:		
Employee remuneration	-	195
Employee stock options	<u>-</u>	<u>42</u>
Weighted average number of common stocks used to calculate diluted earnings (loss) per share	<u>174,257</u>	<u>174,447</u>

If the Company has to choose to pay employees' remuneration in shares or cash, it is assumed that employees' remuneration will be paid in shares when calculating diluted earnings per share, and it will be included in the weighted average number of outstanding shares when the potential common stock has dilution effect to calculate diluted earnings per share. When calculating diluted earnings per share before deciding the number of shares to be paid to employees in the next year, the dilutive effect of these potential common stocks also continues to be considered.

Because the convertible corporate bonds in circulation in 2022 were converted, it was not included in the calculation of diluted earnings per share because of its anti-dilution effect. In addition, the Company's net loss after tax for 2023 was not included in the calculation of diluted loss per share as it is the diluted loss per share that would have an anti-dilutive effect if the conversion calculation had been made for employee stock options and outstanding convertible corporate bonds.

**27. Share-based payment agreement**

In January 2020, the Company released 2,219 thousand employee stock options, and each unit can subscribe 1 common stock for employees who meet specific conditions of the Company. The duration of share option is 6 years, and the certificate holder may exercise a certain proportion of the share option granted to it from the date of issuance for 2 years. After the issuance of the share option, in case of any change in the common stocks of the Company, the exercise price of the share options shall be adjusted according to the prescribed formula.

Related information on employee stock option is as follows:

	<b>2023</b>		<b>2022</b>	
		<b>Weighted average exercise price (NT\$)</b>		<b>Weighted average exercise price (NT\$)</b>
<u>Employee stock options</u>	<u>Unit</u>		<u>Unit</u>	
Circulated outside at the beginning of the year	1,459,850	\$ 28.5	1,690,750	\$ 28.5
Executed in the current year	( 100,150 )	27.3	( 81,700 )	28.1
Lost in the current year	( <u>47,550</u> )		( <u>149,200</u> )	
Circulated at the end of the year	<u><b>1,312,150</b></u>		<u><b>1,459,850</b></u>	
Exercisable at year-end	<u><b>1,312,150</b></u>		<u><b>1,459,850</b></u>	
Weighted average fair value of share option granted in the current year (NT\$)	<u><b>\$ -</b></u>		<u><b>\$ -</b></u>	

The Company used the Black-Scholes evaluation model to identify its equity rights to its employees in January 2020. The input values used in the evaluation model are as follows:

	<b>January 2020</b>
Share price at the date of grant (NT\$/share)	\$ 28.5
Exercise price (NT\$/share)	28.5
Expected fluctuation rate	44.31%
Expected duration	4 years
Expected dividend rate	0.00%
Risk-free interest rate	0.55%

The expected fluctuation rate refers to the expected duration, and the annualized standard deviation of the historical daily return rate during the current period is adopted as the fluctuation rate of expected price.

## **28. Capital risk management**

The Company engages in capital management to ensure maximum shareholder remuneration by optimizing the balance between debt and equity before proceeding with operations. The holistic strategy of the Company has not changed during the reporting period.

The capital structure of the Company is composed of net debt and equity (i.e. common capital stock, capital reserve, reserved surplus and other equity items).

The Company has no other external capital regulations.

## 29. Financial instruments

### (I) Fair value information - financial instruments not measured at fair value

The management of the Company believes that the book amount of financial assets and financial liabilities not measured at fair value approaches its fair value or its fair value cannot be reliably measured.

### (II) Fair value information - financial instruments measured at fair value on a recurring basis

#### 1. Fair value hierarchy

<b>December 31, 2023</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets measured at fair value through profit or loss</u>				
Mixed financial assets	<u>\$ -</u>	<u>\$ 30,355</u>	<u>\$ -</u>	<u>\$ 30,355</u>
<u>Financial assets measured at fair value through other comprehensive income</u>				
Investments in equity instruments				
- Domestic TWSE/TPEX listed stocks	\$ 43,326	\$ -	\$ -	\$ 43,326
Investments in debt instruments				
- Foreign corporate bonds	<u>-</u>	<u>28,158</u>	<u>-</u>	<u>28,158</u>
	<u>\$ 43,326</u>	<u>\$ 28,158</u>	<u>\$ -</u>	<u>\$ 71,484</u>
<b>December 31, 2022</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets measured at fair value through profit or loss</u>				
Derivative instrument	<u>\$ -</u>	<u>\$ 6,077</u>	<u>\$ -</u>	<u>\$ 6,077</u>
<u>Financial assets measured at fair value through other comprehensive income</u>				
Investments in equity instruments				
- Domestic TWSE/TPEX listed stocks	\$ 44,282	\$ -	\$ -	\$ 44,282
Investments in debt instruments				
- Foreign corporate bonds	<u>-</u>	<u>27,208</u>	<u>-</u>	<u>27,208</u>
	<u>\$ 44,282</u>	<u>\$ 27,208</u>	<u>\$ -</u>	<u>\$ 71,490</u>

There were no transfers between Level 1 and Level 2 fair value measurements in 2023 and 2022.

#### 2. Adjustment of financial instruments measured at Level 3 fair value

<b>Financial assets measured at fair value through profit or loss</b>	<b>Derivative instrument</b>
<b><u>2022</u></b>	
Beginning of the year balance	\$ 910
Recognized in profit or loss	( 910)
End of year balance	<u>\$ -</u>

3. Evaluation techniques and input values for Level 2 fair value measurement

The estimates and assumptions used by the Company in the evaluation method are consistent with the information used by market participants as estimates and assumptions in the pricing of financial merchandise. The fair values of swap contracts 、 structured deposits and foreign corporate bond investments are calculated and assessed separately for individual contracts based on the quotation information provided by the transaction objects.

4. Evaluation techniques and input values for Level 3 fair value measurement

The fair value of the redemption right of corporate bonds payable in the financial assets measured at fair value through profit and loss is estimated by the convertible bond evaluation model of binary tree. The major unobservable input value is the volatility of stock price. When the volatility of stock price increases, the fair value will increase. The adopted stock price volatility on December 30th, FY2011 were 35%, respectively.

(III) Types of financial instruments

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
<u>Financial assets</u>		
Measured at fair value through profit or loss		
Mandatory measurement at fair value through profit or loss	\$ 30,355	\$ 6,077
Financial assets measured at amortized cost (Note 1)	1,052,099	826,014
Financial assets measured at fair value through other comprehensive income		
Investments in equity instruments	43,326	44,282
Investments in debt instruments	28,158	27,208
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	1,126,334	1,607,084

Note 1: The balance includes cash and cash equivalents, bills receivable, accounts receivable, other receivables, refundable deposits, and other financial assets measured at amortized cost.

Note 2: The balance includes financial liabilities, such as short-term bank borrowings, bills payable, accounts payable, other payables, company bonds payable, and long-term bank borrowings (including those due within one year), measured at amortized cost.

(IV) Purpose and policy of financial risk management

The Company's main financial instruments include equity and bond instrument investment, accounts receivable, accounts payable, borrowings and lease liabilities. The financial management department of the Company provides services for all



business units, coordinates the operations in domestic and international financial markets, and supervises and manages the financial risks related to the operation of the Company by analyzing the internal risk reporting of risk exposures according to the degree and breadth of risks. Such risks include market risks (including exchange rate risks and interest rate risks), credit risks and liquidity risks.

1. Market risk

The main financial risks assumed by the Company due to its operation activities are foreign exchange rate fluctuation risk and interest rate fluctuation risk.

The Company's exposure to market risks of financial instruments and its management and measurement of such risk exposures have not changed.

(1) Exchange rate risk

The Company engages in foreign currency denominated sales and purchase transactions, which expose the Company to exchange rate fluctuation risks. About 80%-90% of the sales amount of the Company is not calculated in functional currency, while about 40%-50% of the cost amount is not calculated in functional currency.

The book amounts of monetary assets and monetary liabilities that are not denominated in a functional currency at the balance sheet date and the book amounts of derivative instruments that are exposed to exchange rate risk are disclosed in Note 33.

The Company is primarily impacted by fluctuations in USD and Japanese Yen exchange rates.

The sensitivity analysis of our company only includes foreign currency monetary items that are currently in circulation, and the amount of net profit (loss) before tax that will be affected by a 1% exchange rate change in year-end conversion. 1% represents the sensitive ratio used by the Company to report exchange rate risks to the main management level, and also represents the management level's assessment of the reasonable and possible change range of foreign exchange rate.

Type of currency	Influence of exchange rate changes on profit and loss	
	2023	2022
USD	\$ 4,184	\$ 1,894
Japanese Yen	362	128

(2) Interest rate risk

The Company's interest rate risk mainly comes from borrowings with floating interest rates, thus generating the risk exposures of interest rate.

The book amount of our company's financial liabilities subject to interest rate risk exposure on the balance sheet date is as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Interest rate risk with fair value Financial liabilities	\$ 377,616	\$ 400,500
Interest rate risk with cash flow Financial liabilities	227,517	264,357

Regarding the sensitivity analysis of interest rate risk, when the interest rate changes by 0.25%, the Company's net profit (loss) before tax in 2023 and 2022 will change by NT\$ 569 thousand and NT\$ 661 thousand respectively.

2. Credit risk

Credit risk refers to the risk that the counterparty defaults on its contractual obligations and causes financial losses to the Company. As of the balance sheet date, the maximum credit risk exposure of the Company that may cause financial losses due to the non performance of obligations by the counterparty is mainly from the book amount of financial assets recognized in the individual balance sheet.

The Company's credit risk is mainly concentrated on the Company's largest customers. As of December 31, 2023 and 2022, the ratios of total accounts receivable to total non-related parties from the largest customers were 57% and 62%, respectively.

3. Liquidity risk

The Company has managed and maintained sufficient cash to support operations and reduce the impact of cash flow fluctuations. Our company supervises the use of bank financing limits and ensures compliance with borrowing contract terms.

Bank borrowings are an important source of liquidity for the Company. As of December 31, 2023 and 2022, the Company's unused bank financing limit was NT\$ 301,042 thousand and NT\$ 202,546 thousand, respectively.

The maturity analysis of the remaining contract of non-derivative financial liabilities is prepared based on the undiscounted cash flow of financial liabilities according to the earliest possible repayment date of the Company.

<b>Non-derivative financial liabilities</b>	<b>Less than 1 year</b>	<b>1 - 3 years</b>	<b>More than 3 years</b>
<b><u>December 31, 2023</u></b>			
Non interest-bearing liabilities	\$ 550,593	\$ -	\$ -
Lease liabilities	3,922	6,710	52,833
Floating interest rate instruments	170,470	53,483	3,564
Fixed interest rate instruments	350,000	-	-
	<b><u>\$ 1,074,985</u></b>	<b><u>\$ 60,193</u></b>	<b><u>\$ 56,397</u></b>

<b>Non-derivative financial liabilities</b>	<b>Less than 1 year</b>	<b>1 - 3 years</b>	<b>More than 3 years</b>
<b><u>December 31, 2022</u></b>			
Non interest-bearing liabilities	\$ 997,804	\$ -	\$ -
Lease liabilities	6,945	7,661	55,851
Floating interest rate instruments	133,839	119,824	10,694
Fixed interest rate instruments	-	350,000	-
	<b><u>\$ 1,138,588</u></b>	<b><u>\$ 477,485</u></b>	<b><u>\$ 66,545</u></b>

Further information on the maturity analysis of the lease liabilities mentioned above is as follows:

	<b>Less than 1 year</b>	<b>1 - 5 years</b>	<b>5 - 10 years</b>	<b>10 - 15 years</b>	<b>15 - 20 years</b>	<b>More than 20 years</b>
<b>December 31, 2023</b>	<b><u>\$ 3,922</u></b>	<b><u>\$ 10,659</u></b>	<b><u>\$ 9,341</u></b>	<b><u>\$ 9,341</u></b>	<b><u>\$ 9,341</u></b>	<b><u>\$ 20,861</u></b>
<b>December 31, 2022</b>	<b><u>\$ 6,945</u></b>	<b><u>\$ 12,760</u></b>	<b><u>\$ 9,341</u></b>	<b><u>\$ 9,341</u></b>	<b><u>\$ 9,341</u></b>	<b><u>\$ 22,729</u></b>

The amount of floating interest rate instruments for the above non-derivative financial liabilities will be changed due to the difference between the floating interest rate and the estimated interest rate on the balance sheet date.

### 30. **Related party transactions**

Except as disclosed in other notes, the transactions between the Company and related parties are as follows:

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

<b>Name of related parties</b>	<b>Relationship with the Company</b>
Kinko HK Company	Subsidiary company
Jinwei Company	Subsidiary company
Hu Shang Company	Subsidiary company
Foshan HuaGuo Optical Co., Ltd. (Foshan HuaGuo Company)	Subsidiary company
Unique Company	Other related parties

#### (II) Operating revenue

<b>Category/name of related parties</b>	<b>2023</b>	<b>2022</b>
Subsidiary company		
Hu Shang Company	\$ 155,934	\$ 274,830
Other	553	2,266
	<b><u>\$ 156,487</u></b>	<b><u>\$ 277,096</u></b>

The Company's sales price and collection period for related parties are not significantly different from those of general customers.

(III) Procurement

<b>Category/name of related parties</b>	<b>2023</b>	<b>2022</b>
Subsidiary company		
Foshan HuaGuo Company	\$ 186,509	\$ 315,471
Other related parties		
Other	278	1,358
	<u><b>\$ 186,787</b></u>	<u><b>\$ 316,829</b></u>

The Company's purchase price and payment period for related parties are not significantly different from those of general manufacturers.

(IV) Manufacturing expenses - processing charges

<b>Category/name of related parties</b>	<b>2023</b>	<b>2022</b>
Subsidiary company		
Foshan HuaGuo Company	<u><b>\$ 1,036</b></u>	<u><b>\$ 3,075</b></u>

(V) Non operating revenue - other revenue

<b>Category/name of related parties</b>	<b>2023</b>	<b>2022</b>
Other related parties		
Other	<u><b>\$ 650</b></u>	<u><b>\$ 371</b></u>

(VI) Other receivables

<b>Category/name of related parties</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Subsidiary company		
Kinko HK Company	<u><b>\$ 1,553</b></u>	<u><b>\$ -</b></u>

(VII) Accounts payable

<b>Category/name of related parties</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Subsidiary company		
Foshan HuaGuo Company	\$ 87,414	\$ 399,823
Jinwei Company	282,472	340,136
Other related parties		
Other	58	133
	<u><b>\$ 369,944</b></u>	<u><b>\$ 740,092</b></u>

The outstanding balance of accounts payable circulating outside has not been guaranteed.

(VIII) Other current liabilities

<b>Category/name of related parties</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Subsidiary company		
Hu Shang Company	\$ 27,783	\$ 49,033
Kinko HK Company	-	9,578
	<u><u>\$ 27,783</u></u>	<u><u>\$ 58,611</u></u>

(IX) Endorsement guarantee: please refer to Schedule II for details.

(X) Remuneration of key management

	<b>2023</b>	<b>2022</b>
Short-term employee benefits	<u><u>\$ 18,179</u></u>	<u><u>\$ 16,305</u></u>

The remuneration of directors and other key management personnel is determined by the Remuneration Committee based on individual performance and market trends.

**31. Assets of pledged mortgage**

The following assets have been provided as collateral for bank borrowings, company debt payable, and exchange swap transactions for the purpose of fulfillment:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Property, plant and equipment	\$ 205,754	\$ 237,027
Financial assets measured at amortized cost (bank term deposits)	74,039	83,726
	<u><u>\$ 279,793</u></u>	<u><u>\$ 320,753</u></u>

**32. Significant contingent liabilities and unrecognized contractual commitments**

The significant commitments and contingencies of the Company as of the balance sheet date, in addition to those already disclosed elsewhere, are as follows:

Unrecognized contractual commitments

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Purchase of property, plant and equipment	<u><u>\$ 4,468</u></u>	<u><u>\$ 10,135</u></u>

### 33. Information on foreign currency assets and liabilities with significant influence

The following information is summarized and expressed in foreign currencies other than the functional currency of the Company. The disclosed exchange rate refers to the exchange rate at which these foreign currencies are converted into functional currencies. The foreign currency assets and liabilities with significant influence are listed below:

Foreign currency assets	December 31, 2023			December 31, 2022		
	Foreign currency	Exchan ge rate	NTD	Foreign currency	Exchan ge rate	NTD
<u>Monetary item</u>						
USD	\$ 29,834	30.705	\$ 916,063	\$ 34,727	30.71	\$ 1,066,480
Japanese Yen	172,409	0.2172	37,447	170,345	0.2324	39,588
<u>non-monetary item</u>						
USD	12,334	30.705	378,712	14,367	30.71	441,223
HKD	310,604	3.929	1,229,024	441,865	3.938	1,740,064
<u>Foreign currency liabilities</u>						
<u>Monetary item</u>						
USD	16,207	30.705	497,623	28,561	30.71	877,103
Japanese Yen	5,847	0.2172	1,270	225,553	0.2324	52,419

The realized and unrealized foreign currency exchange gains and losses of the Company for 2023 and 2022 were NT\$ 2,864 thousand and NT\$ 1,786 thousand, respectively. Due to the wide variety of foreign currency transactions, it is impossible to disclose the significant foreign currency exchange gains and losses.

### 34. Disclosure of notes

#### (I) Information related to major transactions:

1. Lending funds to others: Schedule I.
2. Endorsement guarantee for others: Schedule II.
3. Negotiable securities held at the end of the year (excluding investment in subsidiaries, related enterprises and interests in joint ventures): Schedule III.
4. The cumulative amount of buying in or selling out the same negotiable securities reaches NT\$ 300 million or 20% or more of the paid in capital: None.
5. The amount of real estate obtained reaches NT\$ 300 million or 20% or more of the paid in capital: None.
6. The amount of disposal of real estate reaches NT\$ 300 million or 20% or more of the paid in capital: None.
7. The amount of goods purchased and sold with related parties is NT\$ 100 million or more than 20% of the paid-in capital: Schedule IV.
8. Receivables from related parties amount to NT\$ 100 million or more than 20% of the paid-in capital: Schedule V.
9. Engaging in derivative instrument trading: Note VII.

#### (II) Information related to reinvestment in businesses: Schedule VI.

(III) Mainland investment information:

1. The name of the invested company in mainland China, its main business items, paid in capital, investment method, repatriation of funds, shareholding ratio, current year's profit and loss, recognized investment profit and loss, year-end investment book amount, repatriated investment profit and loss, and investment limit in mainland China: Schedule VII.
2. The following major transactions, prices, payment terms and unrealized profits and losses occurred directly or indirectly with invested companies in mainland China through the third region:
  - (1) Purchase amount and percentage and year-end balance and percentage of related payables: see Note XXX and Schedule IV.
  - (2) Sales amount and percentage and year-end balance and percentage of related receivables: see Note XXX and Schedule IV.
  - (3) Property transaction amount and the amount of profit and loss incurred: None.
  - (4) Balance at the end of the year on which the instrument is endorsed as security or provided as collateral and its purpose: Schedule II.
  - (5) Maximum balance, balance at the end of the year, interest-rate corridor and total interest in the current year of financial integration: Schedule I.
  - (6) Other transactions that have a significant impact on the current year's profit and loss or financial situation, such as the provision or receipt of labor services: see Note 30.

(IV) Information on major shareholders: Name, shareholding amount, and proportion of shareholders with an equity proportion of 5% or more: None.

**Kinko Optical Co., Ltd.**  
**Lending funds to others**  
**January 1 to December 31, 2023**

Schedule I

Unit: Thousands of NTD and foreign currency

No.	Companies lending funds	Loan recipient (Note III)	Current accounts	Related party or not	Maximum balance in the current year	End of year balance	Actual amount of expenditure	Interest- rate corridor (%)	Fund loan and nature	Business transaction amount	Reasons for the necessity of short-term accommodation of funds	Amount of provision for losses	Collateral		Loan and limit for individual object funds (Note I)	Fund loan and total limit (Note I)
													Name	Value		
1	HuaGuo Company	The Company	Other receivables	Yes	\$ 225,867	\$ 86,704	\$ -	-	(Note II)	\$ -	(Note II)	\$ -	—	\$ -	\$ 2,438,752 (CNY 562,545)	\$ 2,438,752 (CNY 562,545)
2	Kinko HK Company	The Company	Other receivables	Yes	12,432	11,787	-	-	(Note II)	-	(Note II)	-	—	-	2,440,724 (HKD 621,208)	2,440,724 (HKD 621,208)
3	Jinwei Company	The Company	Other receivables	Yes	363,160	343,896	282,472 (USD 9,200)	-	(Note II)	-	(Note II)	-	—	-	564,946 (USD 18,399)	564,946 (USD 18,399)

Note I: The limit and total amount of funds lent by subsidiaries to individual objects are 200% of the net value of the subsidiaries.

Note II: It refers to the transfer of accounts receivable from related parties beyond the normal credit granting deadline for a certain period to other accounts receivable. According to the "Guidelines for the Handling of Fund Loans and Endorsements and Guarantees by Public Companies" and its Q&A set, the Company has submitted a resolution to the Board of Directors to determine whether the economic behavior belongs to the nature of fund loans.

Note III: The related amounts have been offset in the consolidated financial statements.



**Kinko Optical Co., Ltd.**  
**Endorsement guarantee for others**  
**January 1 to December 31, 2023**

Schedule II

Unit: Thousands of NTD and foreign currency

No.	Endorsement guarantor's company name	Endorsed guarantee object		Endorsement guarantee limit for a single enterprise (Note)	Maximum endorsement guarantee balance of the current year	Endorsement guarantee balance at the end of the year	Actual amount of expenditure	Endorsement guarantee amount guaranteed by property	Ratio of accumulated endorsement guarantee amount to the net value in the latest financial statements	Maximum limit of endorsement guarantee (Note)	Endorsement and guarantee from parent company to subsidiary company	Endorsement and guarantee from subsidiary company to parent company	Endorsement and guarantee for mainland China
		Company name	Relationship										
0	The Company	Foshan HuaGuo Company	Subsidiary company	\$ 608,482	\$ 184,230 (USD 6,000)	\$ -	\$ -	\$ -	-	\$ 1,521,206	Y	—	Y

Note: The endorsement guarantee limit for individual objects is 20% of net worth, with a maximum limit of 50% of net worth.

**Kinko Optical Co., Ltd.**  
**Status of negotiable securities held at the end of the year**  
**December 31, 2023**

Schedule III

Unit: NTD Thousands

Shareholding companies	Types and names of marketable securities	Relationship with the issuer of marketable securities	Billed items	Year-end			
				Number of shares (shares)/units	Book amount	Shareholding ratio (%)	Fair values
The Company	<u>TWSE/TPEX listed company stocks</u> Mega Bank	None	Financial assets measured at fair value through other comprehensive income - current	16,808	\$ 667	-	\$ 667
	<u>TPEX listed company stocks</u> Unique Company	The Company is the corporate director of the Company	Financial assets measured at fair value through other comprehensive income - current	1,130,036	42,659	3	42,659
	<u>Corporate bonds</u> Bonds of Taiwan Semiconductor Manufacturing Company Limited	None	Financial assets measured at fair value through other comprehensive income - current	10,000	28,158	-	28,158

Note: Please refer to Schedules VI and VII for information on investment subsidiaries.

**Kinko Optical Co., Ltd.**

**Purchases (sales) with related parties amounting to at least NT\$ 100 million or 20% of the paid-in capital**

**January 1 to December 31, 2023**

Schedule IV

Unit: NTD Thousands

Companies with purchases (sales)	Name of trading partners (Note)	Relationship	Transaction situation				The situation and reasons for the difference between transaction conditions and general transactions		Notes and accounts receivable (payable)	
			Purchases (sales)	Amount	Ratio to total purchases (sales) (%)	Credit period	Unit price	Credit period	Balance	Ratio to total notes and accounts receivable (payable) (%)
The Company	Hu Shang Company Foshan HuaGuo Company	Subsidiary company	Sales revenue	(\$ 155,934)	( 18 )	90 days	\$ -	—	\$ -	-
		Subsidiary company	Procurement	186,509	22	180 days	-	—	( 87,414 )	( 18 )
Hu Shang Company	The Company	Parent company	Procurement	155,934	100	90 days	-	—	-	-
Foshan HuaGuo Company	The Company	Parent company	Sales revenue	( 186,509 )	( 16 )	180 days	-	—	87,414	23

Note: The related amounts have been offset in the consolidated financial statements.

**Kinko Optical Co., Ltd.**

**Accounts receivable from related parties amounting to at least NT\$ 100 million or 20% of the paid-in capital**

**December 31, 2023**

Schedule V

Unit: NTD Thousands

Companies with accounts receivable (Note)	Name of trading partners	Relationship	Balance of accounts receivable from related parties	Turnover rate (times)	Overdue accounts receivable from related parties		Subsequent recoveries of accounts receivable from related parties	Amount of provision for losses
					Amount	Processing method		
Jinwei Company	The Company	Parent company	\$ 282,472	-	\$ -	—	\$ -	\$ -

Note: The related amounts have been offset in the consolidated financial statements. For related offsetting transactions, please refer to Schedule 5 of the Consolidated Financial Report. °

**Kinko Optical Co., Ltd.**  
**Information about the Investment Company, location, etc.**  
**January 1 to December 31, 2023**

Schedule VI

Unit: NTD Thousands

Name of the invested company (Note I)	Name of the investee company	Location	Main business items	Original investment amount		Year-end holdings			(Loss) profit of investee company for the current year	Investment (loss) profit recognized for the current year	Remarks
				End of the current year	End of last year	Number of shares (shares)	Ratio %	Book amount			
The Company	Kinko HK Company	Hong Kong	Import and export of optical lenses	\$ 508,691	\$ 940,924	59,007,648	100	\$ 1,229,024	\$ 9,187	\$ 9,187	Subsidiary company
	Jinwei Company	Samoa	Import and export of optical lenses	3,469	3,469	100,000	100	282,473	3,749	3,749	Subsidiary company
	Hu Shang Company	Samoa	Import and export of optical lenses	3,469	3,469	100,000	100	96,239	( 4,848 )	( 4,848 )	Subsidiary company

Note I: The related amounts have been offset in the consolidated financial statements.

Note II: Please refer to Schedules VII for information on Mainland investee companies.

**Kinko Optical Co., Ltd.**  
**Mainland investment information**  
**January 1 to December 31, 2023**

Schedule VII

Unit: Thousands of NTD and USD

Name of the Mainland investee company (Note IV)	Main business items	Paid-in capital	Investment method	Accumulated investment amount remitted from Taiwan at the beginning of the year	Investment amount remitted or recovered during the year		Accumulated investment amount remitted from Taiwan at the end of the year	(Loss) profit of investee company for the current year	Shareholding ratio of the Company's direct or indirect investments	Investment (loss) profit recognized for the current year (Note I)	Book amount of investments at year-end	Investment income remitted for the year ended
					Remitted	Recovered						
Foshan HuaGuo Company (Note II)	Manufacturing and trading of optical lenses	\$500,847 (USD 15,000)	It establishes companies through third- party investments and reinvests in mainland companies	\$ 767,112 (USD 22,765)	\$ -	\$ 423,203 (USD 13,404)	\$ 343,909 (USD 9,361)	\$ 10,886	100%	\$ 10,886	\$ 1,219,376	\$ 475,811 (USD 15,540)

Accumulated investment amount remitted from Taiwan to mainland China at the end of this year	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs	Investment limit to Mainland China according to the Investment Commission of the Ministry of Economic Affairs (Note III)
\$ 343,909	\$ 517,575 (USD 15,438)	\$ 1,825,447

Note I: It is calculated by multiplying the financial statements reviewed by the certified accountant of the parent company in Taiwan by the shareholding ratio of the invested company.

Note II: It is a direct reinvestment of the Company through Kinko HK Company.

Note III: The limit is set according to the examination and approval principle for investment or technical cooperation in Mainland China.

Note IV: The related amounts have been offset in the consolidated financial statements.

## §Contents of Detailed Statement of Important Accounting Items§

<u>ITEM</u>	<u>NO./INDEX</u>
Detailed statement of assets, liabilities, and equity items	
Detailed statement of cash and cash equivalents	Detailed statement I
Detailed statement of financial assets measured at fair value through profit or loss	Note 7
Detailed statement of financial assets measured at fair value through other comprehensive income - current	Schedule III
Detailed statement of financial assets measured at amortized cost - current	Note 9
Detailed statement of accounts receivable - net amount of non-related parties	Detailed statement II
Detailed statement of inventory	Detailed statement III
Detailed statement of other current assets	Note 17
Detailed statement of investment changes using the equity method	Detailed statement IV
Detailed statement of changes in property, plant and equipment	Note 13
Detailed statement of accumulated depreciation changes in property, plant and equipment	Note 13
Detailed statement of changes in right-of-use assets	Detailed statement V
Detailed statement of accumulated depreciation changes in right-of-use assets	Detailed statement V
Detailed statement of deferred tax assets	Note 25
Detailed statement of short-term borrowings	Detailed statement VI
Detailed statement of accounts payable - non-related parties	Detailed statement VII
Detailed statement of other accounts payable	Note 19
Detailed statement of other current liabilities	Detailed statement VIII
Detailed statement of corporate bonds payable	Detailed statement IX
Detailed statement of long-term loans	Detailed statement X
Detailed statement of lease liabilities	Detailed statement XI
Detailed statement of deferred tax liabilities	Note 25
Detailed statement of profit and loss items	
Detailed statement of operating income	Detailed statement XII
Detailed statement of operating costs	Detailed statement XIII
Detailed statement of operating expenses	Detailed statement XIV
Summary of employee benefits and depreciation expenses incurred this year by functional category	Note 24

**Kinko Optical Co., Ltd.**  
**Detailed statement of cash**  
**December 31, 2023**

Detailed statement I

Unit: Thousands of NTD and foreign  
currency

Item	Foreign currency	Exchange rate	Amount in NTD
Cash on hand			<u>\$ 185</u>
Bank deposit			
Cheque deposit			12,664
Demand deposit			30,243
Foreign currency demand deposit			
USD	2,939	30.705	90,234
Japanese Yen	135,806	0.2172	29,498
HKD	5	3.929	<u>20</u>
			<u>162,659</u>
Cash equivalents (investments with original maturity of less than 3 months)			
Time deposit			
USD	4,366	30.705	134,069
CNY	1,158	4.327	<u>5,012</u>
			<b><u>\$ 301,925</u></b>

**Kinko Optical Co., Ltd.**

**Detailed statement of accounts receivable - net amount of non-related parties**

**December 31, 2023**

Detailed statement II

Unit: NTD Thousands

Customer name	Amount
Non-related parties	
Company A	\$ 220,273
Company B	53,822
Company C	49,138
Other (Note)	<u>64,312</u>
	387,545
Less: allowance for losses	<u>29</u>
	<b><u>\$ 387,516</u></b>

Note: The balance of each account does not exceed 5% of the balance of this account.



**Kinko Optical Co., Ltd.**  
**Detailed statement of inventory**  
**December 31, 2023**

Detailed statement III

Unit: NTD Thousands

Item	Cost	Net realizable value
Raw material	\$ 30,235	\$ 24,714
Work in progress	64,233	95,941
Finished product	110,186	91,606
Inventory in transit	<u>2,029</u>	<u>2,029</u>
	206,683	<u><b>\$ 214,290</b></u>
Less: Allowance for inventory depreciation and doubtful losses	( <u>17,183</u> )	
	<u><b>\$ 189,500</b></u>	

**Kinko Optical Co., Ltd.**  
**Detailed statement of investment changes using the equity method**  
**January 1 to December 31, 2023**

Detailed statement IV

Unit: NTD Thousands

Name of the investee company	Beginning of the year balance		Increase		Decrease		Investment profits (losses)	Exchange differences on translation of financial statements of foreign operating institutions	Realized profits	End of year balance			Market value or net equity (Note)
	Shares (thousand shares)	Amount	Shares (thousand shares)	Amount	Shares (thousand shares)	Amount				Shares (thousand shares)	Percentage of %	Amount	
Non-TWSE/TPEX listed company stocks													
Kinko Company	164,628	\$1,748,534	-	\$ -	105,621	\$502,294	\$ 9,187	( \$ 26,596)	\$193	59,007	100	\$1,229,024	\$1,220,362
Jinwei Company	100	340,244	-	-	-	62,920	3,749	1,400	-	100	100	282,473	282,473
Hu Shang Company	100	<u>101,033</u>	-	<u>-</u>	-	<u>-</u>	( <u>4,848</u> )	<u>54</u>	<u>-</u>	100	100	<u>96,239</u>	<u>96,239</u>
		<b><u>\$2,189,811</u></b>		<b><u>\$ -</u></b>		<b><u>\$565,214</u></b>	<b><u>\$ 8,088</u></b>	<b><u>( \$ 25,142)</u></b>	<b><u>\$193</u></b>			<b><u>\$1,607,736</u></b>	<b><u>\$1,599,074</u></b>

Note: The calculation of net equity is based on the investee company's financial statements audited by CPAs and the Company's shareholding ratio.

**Kinko Optical Co., Ltd.**

**Detailed statement of changes in right-of-use assets**

**January 1 to December 31, 2023**

Detailed statement V

Unit: NTD Thousands

Item	Beginning of the year balance	Increase in the current year	Decrease in the current year	End of year balance
<b>Cost</b>				
Land	\$ 55,708	\$ -	(\$ 27,100)	\$ 28,608
Building	10,110	3,576	( 4,875)	8,811
Office equipment	685	-	-	685
Transportation equipment	<u>1,773</u>	<u>-</u>	<u>-</u>	<u>1,773</u>
	<u>68,276</u>	<u><b>\$ 3,576</b></u>	<u><b>(\$ 31,975)</b></u>	<u>39,877</u>
<b>Accumulated depreciation</b>				
Land	10,300	\$ 742	(\$ 3,630)	7,412
Building	4,825	4,905	( 6,092)	3,638
Office equipment	255	137	( 72)	320
Transportation equipment	<u>178</u>	<u>591</u>	<u>( 19)</u>	<u>750</u>
	<u>15,558</u>	<u><b>\$ 6,375</b></u>	<u><b>(\$ 9,813)</b></u>	<u>12,120</u>
	<u><b>\$ 52,718</b></u>			<u><b>\$ 27,757</b></u>

**Kinko Optical Co., Ltd.**  
**Detailed statement of short-term borrowings**  
**December 31, 2023**

Detailed statement VI

Unit: NTD Thousands

<u>Loan type and bank</u>	<u>Loan maturity date</u>	<u>Interest-rate corridor (%)</u>	<u>Loan balance</u>	<u>Mortgage or guarantee</u>
Mortgage borrowings				
Pouchen Branch of Mega International Commercial Bank	2024.4.26	2.07	\$ 57,000	Plant and land
Credit borrowings				
Taipei Fubon Commercial Bank	2024.3.19	2.03	<u>40,000</u>	
			<u><b>\$ 97,000</b></u>	

**Kinko Optical Co., Ltd.**  
**Detailed statement of accounts payable - non-related parties**  
**December 31, 2023**

Detailed statement VII

Unit: NTD Thousands

Manufacturer name	Amount
Non-related parties	
Company A	\$ 58,714
Company B	17,800
Company C	6,473
Company D	5,812
Other (Note)	22,685
	<u><u><b>\$ 111,484</b></u></u>

Note: The balance of each account does not exceed 5% of the balance of this account.

**Kinko Optical Co., Ltd.**  
**Detailed statement of other current liabilities**  
**December 31, 2023**

Detailed statement VIII

Unit: NTD Thousands

Item	Amount
Advance receipts	\$ 38,054
Other	<u>20</u>
	<u><b>\$ 38,074</b></u>

**Kinko Optical Co., Ltd.**  
**Detailed statement of corporate bonds payable**  
**January 1 to December 31, 2023**

Detailed statement IX

Unit: NTD Thousands

Category	Trustee institution	Period	Repayment of principal and interest method	Annual interest rate (%)	Total issuance amount	Amount repaid or unexecuted conversion	Balance			Guarantee situation
							Due within 1 year	Due after 1 year	Total	
Domestic Second Guaranteed Convertible Bonds	Bank SinoPac	2021.8.13-2024.8.13	(Note)	-	\$ -	\$ -	\$ 350,000	\$ -	\$ 350,000	Bank guarantee
Less: discount on corporate bonds payable					-	-	( 1,948)	-	( 1,948)	
					<u>\$ -</u>	<u>\$ -</u>	<u>\$ 348,052</u>	<u>\$ -</u>	<u>\$ 348,052</u>	

Note: According to Article 5 of the "Regulations Governing the Issuance and Conversion of Domestic Second Guaranteed Convertible Bonds", the coupon rate of this convertible corporate bond is 0%, so there is no need to set the interest payment date and method. Except for the bondholders convert the bonds into the Company's ordinary stock in accordance with Article 10 of the "Regulations Governing the Issuance and Conversion of Domestic Second Guaranteed Convertible Bonds", or call them back early in accordance with Article 17, or exercise the right to sell them back in accordance with Article 18, or the Company buys the cancelled bonds back from the securities dealer's office, the Company will repay the bonds in cash at face value within 10 business days from the day after the maturity of the bonds. The conversion price on December 31, 2023 is NT\$ 33.

**Kinko Optical Co., Ltd.**  
**Detailed statement of long-term bank loans**  
**December 31, 2023**

Detailed statement X

Unit: NTD Thousands

Creditor	Loan period	Repayment method	Annual interest rate (%)	Due within 1 year	Due after 1 year	Total	Mortgage or guarantee
Mortgage borrowings Pouchen Branch of Mega International Commercial Bank	2017.7.19-2024.7.19	Since October 2017, there will be one installment per quarter, with an average amortization of 28 installments	2.18	\$ 2,142	\$ -	\$ 2,142	Land and plant
	2017.7.19-2024.7.19	Since October 2017, there will be one installment per quarter, with an average amortization of 28 installments	2.18	1,071	-	1,071	Land and plant
	2020.7.20-2027.6.15	Since July 2022, there will be one installment per month, with 60 installments to repay the principal. The first installment will repay the principal of NT\$ 401 thousand, and the second installment will repay the principal of NT\$ 369 thousand	1.55	12,960	6,480	19,440	Land and plant
	2020.9.21-2027.6.15	Since July 2022, there will be one installment per month, with an average amortization of 60 installments	1.55	2,832	1,416	4,248	Land and plant
	2020.10.20-2027.6.15	Since July 2022, there will be one installment per month, with 60 installments to repay the principal. The first installment will repay the principal of NT\$ 114 thousand, and the second installment will repay the principal of NT\$ 100 thousand	1.55	4,428	11,070	15,498	Land and plant
	2020.11.20-2027.6.15	Since July 2022, there will be one installment per month, with 60 installments to repay the principal. The first installment will repay the principal of NT\$ 85 thousand, and the second installment will repay the principal of NT\$ 75 thousand	1.55	3,120	1,560	4,680	Land and plant
	2020.6.29-2025.6.15	Since July 2020, there will be one installment per month, with 60 installments to repay the principal. The first installment will repay the principal of NT\$ 1,366 thousand, and the second installment will repay the principal of NT\$ 1,080 thousand	1.55	602	1,504	2,106	Machine
	2020.7.16-2025.6.15	Since August 2020, there will be one installment per month, with 59 installments to repay the principal. The first installment will repay the principal of NT\$ 282 thousand, and the second installment will repay the principal of NT\$ 236 thousand	1.55	1,200	3,000	4,200	Machine
	2020.7.23-2025.6.15	Since August 2020, there will be one installment per month, with 59 installments to repay the principal. The first installment will repay the principal of NT\$ 299 thousand, and the second installment will repay the principal of NT\$ 260 thousand	1.55	900	2,250	3,150	Machine
	2020.12.21-2025.6.15	Since January 2021, there will be one installment per month, with 54 installments to repay the principal. The first installment will repay the principal of NT\$ 399 thousand, and the second installment will repay the principal of NT\$ 368 thousand	1.55	4,416	2,208	6,624	Machine



Creditor	Loan period	Repayment method	Annual interest rate (%)	Due within 1 year	Due after 1 year	Total	Mortgage or guarantee
	2020.12.31-2025.6.15	Since January 2021, there will be one installment per month, with 54 installments to repay the principal. The first installment will repay the principal of NT\$ 67 thousand, and the second installment will repay the principal of NT\$ 67 thousand	1.55	804	402	1,206	Machine
	2022.1.20-2025.6.15	Since February 2021, there will be one installment per month, with 53 installments to repay the principal. The first installment will repay the principal of NT\$ 165 thousand, and the second installment will repay the principal of NT\$ 136 thousand	1.55	1,632	816	2,448	Machine
	2021.1.20-2025.6.15	Since February 2021, there will be one installment per month, with 53 installments to repay the principal. The first installment will repay the principal of NT\$ 62 thousand, and the second installment will repay the principal of NT\$ 51 thousand	1.55	612	306	918	Machine
	2021.2.20-2025.6.15	Since March 2021, there will be one installment per month, with 52 installments to repay the principal. The first installment will repay the principal of NT\$ 66 thousand, and the second installment will repay the principal of NT\$ 46 thousand	1.55	<u>552</u>	<u>276</u>	<u>828</u>	Machine
				<u>37,271</u>	<u>31,288</u>	<u>68,559</u>	
Credit borrowings							
Taipei Fubon Commercial Bank	2020.8.20-2025.8.20	Repayment after 2 years in 36 equal installments	1.37	16,667	11,111	27,778	
	2020.9.18-2025.9.18	Repayment after 2 years in 36 equal installments	1.37	12,267	9,200	21,467	
	2020.9.29-2025.9.18	Repayment after 2 years in 36 equal installments	1.37	2,645	1,983	4,628	
	2020.10.29-2025.9.18	Repayment after 2 years in 36 equal installments	1.37	<u>4,620</u>	<u>3,465</u>	<u>8,085</u>	
				<u>36,199</u>	<u>25,759</u>	<u>61,958</u>	
				<u>\$ 73,470</u>	<u>\$ 57,047</u>	<u>\$ 130,517</u>	

**Kinko Optical Co., Ltd.**  
**Detailed statement of lease liabilities**  
**December 31, 2023**

Detailed statement XI

Unit: NTD Thousands

Item	Lease period	Discount rate (%)	Amount
Land	2019.1.1-2033.12.18	1.73	\$ 22,925
Building	2021.7.1-2027.5.31	1.73	5,232
Office equipment	2021.9.1-2026.8.31	1.73	373
Transportation equipment	2022.9.1-2025.10.19	1.73	<u>1,034</u>
			29,564
Less: portion due within 1 year			( <u>4,151</u> )
			<b><u>\$ 25,413</u></b>

**Kinko Optical Co., Ltd.**  
**Detailed statement of operating income**  
**January 1 to December 31, 2023**

Detailed statement XII

Unit: NTD Thousands

Item	Quantity (Thousand PCS)	Amount
Production and sales revenue		
Optical lenses	10,082	\$ 506,259
Optical lens	46,387	1,224,579
Other		<u>14,473</u>
		1,745,311
Processing revenue		1,111
Service revenue		<u>74</u>
		1,746,496
Less: Sales returns		( 6,046)
Discount on sales		( <u>2,899</u> )
		<u><u>\$ 1,737,551</u></u>

**Kinko Optical Co., Ltd.**  
**Detailed statement of operating costs**  
**December 31, 2023**

Detailed statement XIII

Units: In thousands of NTD, unless  
otherwise stated

Name	Amount
Raw materials at the beginning of the year	\$ 58,146
Incoming materials for the current year	697,320
Other	( 55,818 )
Raw materials at the end of the year	( 30,235 )
Direct raw material costs	669,413
Direct labor	378,054
Manufacturing expenses	401,473
Manufacturing costs	1,448,940
In-products at the beginning of the year	86,802
In-products at the end of the year	( 64,233 )
Other	( 18,800 )
Cost of finished products	1,452,709
Finished products at the beginning of the year	60,195
Finished products at the end of the year	( 110,186 )
Other	( 40,572 )
Production and sales costs	1,362,146
Inventory of merchandise at the beginning of the year	9,266
Merchandise procurement for the current year	145,448
Inventory of merchandise at the end of the year	2,029
Other	71,132
Cost of operation	<u><u>\$ 1,590,021</u></u>

**Kinko Optical Co., Ltd.**  
**Detailed statement of operating expenses**  
**January 1 to December 31, 2023**

Detailed statement XIV

Unit: NTD Thousands

Item	Marketing expenses	Management expenses	Research and development expenses
Salary	\$ 5,834	\$ 40,637	\$ 32,360
Depreciation	3	18,033	14,367
Insurance premium	917	5,493	3,404
Other	<u>21,661</u>	<u>45,619</u>	<u>19,155</u>
	<b><u>\$ 28,415</u></b>	<b><u>\$ 109,782</u></b>	<b><u>\$ 69,286</u></b>

## VI. Consolidated Financial Reports

### **Statement of Consolidated Financial Statements of Related Enterprises**

The entities that are required to be included in the combined financial statements of Kinko Optical Co., Ltd. as of and for the year ended December 31, 2023 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Kinko Optical Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Hereby declare

Company name: Kinko Optical Co., Ltd.

Responsible person: Ching-Chi, Chen

Date: March 13, 2024

## **Independent Auditors' Report**

To the Board of Directors of Kinko Optical Co., Ltd.:

### **Opinion**

We have audited the consolidated financial statements of Kinko Optical Co., Ltd. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, the consolidated statement of comprehensive income, changes in equity and 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 of 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 with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audit in accordance with the Regulations Governing Auditing and Certification 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 Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Group's consolidated financial statements for the year ended December 31, 2023 is as follows:

## Revenue Recognition

The main source of revenue of Group is the revenue from the export of optical lenses and lenses, which are sold in various markets, including Mainland China and Southeast Asia. Some of these important customers have experienced significant growth in operating revenue, which has a significant impact on the financial statements, and the recognition of the revenue from the export of optical lenses and lenses is considered as the key audit item. For the accounting policies related to revenue recognition, please refer to Note IV to the Consolidated Financial Statements.

The principal audit procedures that the Accountant has performed in respect of the above key audit items are as follows:

1. Understand and evaluate the design and implementation of internal controls related to audit and risk in the sales and collection cycle, and perform tests on their effectiveness.
2. Sampling from the self-selling goods details, reviewing the sales order and export declaration and other related documents, and checking whether the recipient is the same as the shipper.

## **Other Matters**

The Company has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2023 and 2022, on which we have issued an unqualified opinion.

## **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 with the IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, 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.

The engagement partners on the audits resulting in this independent auditors' report are Done-Yuin Tseng and Ting-Chien Su.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 13, 2024

Notice to Readers

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

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

**Kinko Optical Co., Ltd. And Subsidiaries**  
**Consolidated Balance Sheets**  
**December 31, 2023 and 2022**  
**(Expressed in Thousands of New Taiwan Dollars)**

Code	Assets	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
	<b>Current assets</b>				
1100	Cash and cash equivalents (Notes 4 and 6)	\$ 475,222	12	\$ 447,491	10
1110	Financial assets measured at fair value through profit and loss - current (Notes 4 and 7)	-	-	6,077	-
1120	Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	71,484	2	71,490	2
1136	Financial assets measured at amortized cost - current (Notes 4, 9 and 31)	460,336	11	85,988	2
1150	Notes receivable (Notes 4 and 23)	57,943	1	66,426	1
1170	Accounts receivable, net (Note 4, 10 and 23)	628,639	15	933,496	20
1200	Other receivables (Note 4)	18,680	-	34,400	1
1220	Current tax assets (Notes 4 and 25)	1,306	-	665	-
1310	Inventories (Notes 4 and 11)	533,445	13	663,800	15
1470	Other current assets (Note 17)	<u>27,694</u>	<u>1</u>	<u>11,219</u>	<u>-</u>
11XX	Total current assets	<u>2,274,749</u>	<u>55</u>	<u>2,321,052</u>	<u>51</u>
	<b>Non-current assets</b>				
1510	Financial assets measured at fair value through profit and loss - non-current (Notes 4 and 7)	30,355	1	-	-
1535	Financial assets measured at amortized cost - non-current (Notes 4, 9 and 31)	-	-	74,513	1
1600	Property, plant and equipment (Notes 4, 13 and 31)	1,351,486	33	1,515,078	33
1755	Right-of-use assets (Notes 4 and 14)	48,229	1	74,281	1
1760	Investment Property (Notes 4 and 15)	28,001	1	-	-
1840	Deferred tax assets (Notes 4 and 25)	296,137	7	260,604	6
1915	Prepayments for equipment	26,736	1	29,490	1
1981	Cash surrender value of life insurance (Note 16)	-	-	271,264	6
1990	Other non-current assets (Note 4, 17and 21)	<u>53,245</u>	<u>1</u>	<u>32,462</u>	<u>1</u>
15XX	Total non-current assets	<u>1,834,189</u>	<u>45</u>	<u>2,257,692</u>	<u>49</u>
1XXX	<b>Total assets</b>	<u><b>\$ 4,108,938</b></u>	<u><b>100</b></u>	<u><b>\$ 4,578,744</b></u>	<u><b>100</b></u>
	<b>Liabilities and equity</b>				
	<b>Current liabilities</b>				
2102	Short-term borrowings (Notes 18 and 31)	\$ 97,000	3	\$ 59,298	1
2150	Notes payable	9,995	-	5,954	-
2170	Accounts payable - unrelated parties	245,614	6	410,079	9
2180	Accounts payable - related parties (Note 30)	596	-	4,147	-
2219	Other payables (Note 19)	170,063	4	248,415	6
2280	Lease liabilities - current (Notes 4 and 14)	4,151	-	5,439	-
2322	Long-term borrowings and bonds payable-current portion (Notes 18,20and 31)	421,522	10	74,541	2
2399	Other current liabilities(Note 23)	<u>29,604</u>	<u>1</u>	<u>7,183</u>	<u>-</u>
21XX	Total current liabilities	<u>978,545</u>	<u>24</u>	<u>815,056</u>	<u>18</u>
	<b>Non-current liabilities</b>				
2530	Bonds payable (Notes 4, 20 and 31)	-	-	344,923	7
2541	Long-term borrowings (Notes 18 and 31)	57,047	1	130,518	3
2570	Deferred tax liabilities (Notes 4 and 25)	4,815	-	4,566	-
2580	Lease liabilities - non-current (Notes 4 and 14)	25,413	1	50,138	1
2645	Guarantee deposit received	<u>706</u>	<u>-</u>	<u>3,475</u>	<u>-</u>
25XX	Total non-current liabilities	<u>87,981</u>	<u>2</u>	<u>533,620</u>	<u>11</u>
2XXX	<b>Total liabilities</b>	<u>1,066,526</u>	<u>26</u>	<u>1,348,676</u>	<u>29</u>
	<b>Equity attributable to owners of the Company</b>				
3110	Ordinary shares	1,743,288	43	1,742,286	38
3200	Capital surplus	906,373	22	955,693	21
	Retained earnings				
3310	Legal reserve	414,317	10	406,988	9
3320	Special reserve	168,894	4	189,257	4
3350	Undistributed earnings (loss to be covered)	( 32,878 )	( 1 )	73,286	2
3400	Other equity	<u>( 157,582 )</u>	<u>( 4 )</u>	<u>( 137,442 )</u>	<u>( 3 )</u>
3XXX	<b>Total equity</b>	<u>3,042,412</u>	<u>74</u>	<u>3,230,068</u>	<u>71</u>
	<b>Liabilities and total equity</b>	<u><b>\$ 4,108,938</b></u>	<u><b>100</b></u>	<u><b>\$ 4,578,744</b></u>	<u><b>100</b></u>

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

**Kinko Optical Co., Ltd. And Subsidiaries**  
**Consolidated Statements of Comprehensive Income**  
**For the years ended December 31, 2023 and 2022**  
(Expressed in Thousands of New Taiwan Dollars, Except Earnings (loss) Per Share)

Code		2023		2022	
		Amount	%	Amount	%
4000	<b>Operating revenues</b> (Notes 4, 23 and 30)	\$ 2,696,985	100	\$ 3,581,478	100
5000	<b>Operating costs</b> (Notes 11, 21, 24 and 30)	2,502,446	93	3,266,974	91
5900	<b>Operating gross profit</b>	194,539	7	314,504	9
	<b>Operating expenses</b> (Notes 21 and 24)				
6100	Selling and marketing expenses	41,238	1	53,649	2
6200	General and administrative expenses	207,809	8	228,486	6
6300	Research and development expenses	91,257	3	133,228	4
6450	Expected credit losses (gains)	( 3,908 )	-	5,784	-
6000	Total operating expenses	336,396	12	421,147	12
6900	<b>Operating loss</b>	( 141,857 )	( 5 )	( 106,643 )	( 3 )
	<b>Non-operating income and expenses</b>				
7010	Other income (Notes 30)	14,456	-	33,492	1
7020	Other gains and losses (Notes 4 and 24)	37,420	1	118,914	3
7050	Finance costs (Notes 4 and 24)	( 8,429 )	-	( 7,269 )	-
7100	Interest income (Note 4)	19,796	1	2,930	-
7000	Total non-operating revenues and expenses	63,243	2	148,067	4
7900	<b>Profit (loss) before income tax</b>	( 78,614 )	( 3 )	41,424	1
7950	Income tax profits (Notes 4 and 24)	28,826	1	23,520	1
8200	<b>Profit (loss) for the period</b>	( 49,788 )	( 2 )	64,944	2

(Next page)

(Previous page)

Code		2023		2022	
		Amount	%	Amount	%
	<b>Other comprehensive income</b>				
	(Note 4)				
8310	<b>Items not reclassified to profit or loss:</b>				
8311	Remeasurement of defined benefit plans	\$ 281	-	\$ 8,342	-
8316	Unrealized evaluation (losses) gains on investments in equity instruments measured at fair value through other comprehensive income	( 968 )	-	( 85 )	-
8360	<b>Items that may be reclassified subsequently to profit or loss:</b>				
8361	Exchange differences on translation of financial statements of foreign operating institutions	( 20,113 )	1	54,935	1
8367	Unrealized evaluation (losses) gains on investments in debt instruments measured at fair value through other comprehensive incomes	941	-	( 3,035 )	-
8300	<b>Other comprehensive income for the period (net of tax)</b>	( 19,859 )	1	60,157	1
8500	<b>Total comprehensive income (loss) for the period</b>	( \$ 69,647 )	3	\$ 125,101	3
	<b>Earnings (loss) per share</b>				
	(NT Dollars) (Note 26)				
9750	Basic	( \$ 0.29 )		\$ 0.37	
9850	Diluted	( \$ 0.29 )		\$ 0.37	

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

**Kinko Optical Co., Ltd. And Subsidiaries**  
**Consolidated Statements of Changes in Equity**  
**For the years ended December 31, 2023 and 2022**  
**(Expressed in Thousands of New Taiwan Dollars)**

		Equity attributable to owners of the Company						Other equity (Note 4)	
		Ordinary shares (Note 22)	Capital surplus (Notes 4, 22 and 27)	Retained earnings (Note 22)			Exchange differences on translation of financial statements of foreign operating institutions	Unrealized evaluation profit (loss) on financial assets measured at fair value through other comprehensive income	Total equity
Code				Legal reserve	Special reserve	Undistributed earnings (loss to be covered) (Note 22)			
A1	<b>Balance on January 1, 2022</b>	\$ 1,741,469	\$ 1,039,811	\$ 439,549	\$ 193,326	( \$ 36,630 )	( \$ 197,679 )	\$ 8,422	\$ 3,188,268
	Appropriation and distribution of retained earnings for 2021								
B3	Reversal of special reserve	-	-	-	( 4,069 )	4,069	-	-	-
B13	Legal reserve to cover the deficit	-	-	( 32,561 )	-	32,561	-	-	-
C15	Cash dividends allotted from capital surplus	-	( 87,114 )	-	-	-	-	-	( 87,114 )
C17	Other capital surplus movements	-	18	-	-	-	-	-	18
N1	Share-based payment transactions	-	1,499	-	-	-	-	-	1,499
N1	Employee exercise of stock options	<u>817</u>	<u>1,479</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,296</u>
D1	Net profit for the period	-	-	-	-	64,944	-	-	64,944
D3	Other comprehensive income for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,342</u>	<u>54,935</u>	<u>( 3,120 )</u>	<u>60,157</u>
D5	Total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,286</u>	<u>54,935</u>	<u>( 3,120 )</u>	<u>125,101</u>
Z1	<b>Balance on December 31, 2022</b>	<b>1,742,286</b>	<b>955,693</b>	<b>406,988</b>	<b>189,257</b>	<b>73,286</b>	<b>( 142,744 )</b>	<b>5,302</b>	<b>3,230,068</b>
	Appropriation and distribution of retained earnings for 2022								
B1	Legal reserve	-	-	7,329	-	( 7,329 )	-	-	-
B3	Special reserve	-	-	-	( 20,363 )	20,363	-	-	-
B5	Cash dividends of common stock	-	-	-	-	( 69,691 )	-	-	( 69,691 )
C15	Cash dividends allotted from capital surplus	-	( 52,269 )	-	-	-	-	-	( 52,269 )
N1	Share-based payment transactions	-	1,213	-	-	-	-	-	1,213
N1	Employee exercise of stock options	<u>1,002</u>	<u>1,736</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,738</u>
D1	Net profit for the period	-	-	-	-	( 49,788 )	-	-	( 49,788 )
D3	Other comprehensive income for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>281</u>	<u>( 20,113 )</u>	<u>( 27 )</u>	<u>( 19,859 )</u>
D5	Total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 49,507 )</u>	<u>( 20,113 )</u>	<u>( 27 )</u>	<u>( 69,647 )</u>
Z1	<b>Balance on December 31, 2023</b>	<b><u>\$ 1,743,288</u></b>	<b><u>\$ 906,373</u></b>	<b><u>\$ 414,317</u></b>	<b><u>\$ 168,894</u></b>	<b><u>( \$ 32,878 )</u></b>	<b><u>( \$ 162,857 )</u></b>	<b><u>\$ 5,275</u></b>	<b><u>\$ 3,042,412</u></b>
The accompanying notes are an integral part of these financial statements.									

**Kinko Optical Co., Ltd. And Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**For the years ended December 31, 2023 and 2022**  
**(Expressed in Thousands of New Taiwan Dollars)**

Code		2023	2022
	<b>Cash flows from operating activities</b>		
A10000	<b>Net profit (loss) before income tax</b>	(\$ 78,614)	\$ 41,424
	Adjustments to reconcile profit (loss):		
A20100	Depreciation expense	293,710	325,925
A20200	Amortization expense	557	388
A20300	Expected credit losses (reversal of gains)	( 3,908)	5,784
A20400	Net loss (profit) on financial assets and liabilities at fair value through profit or loss	4,355	( 41,570)
A20900	Finance costs	8,429	7,269
A21200	Interest income	( 19,796)	( 2,930)
A21300	Dividend income	( 1,716)	( 588)
A21900	Share-based compensation cost	1,213	1,499
A22500	Disposal of interests in of property, plant and equipment	( 3,796)	( 20,818)
A23800	Loss on decline in value of inventories and doubtful accounts	6,455	21,586
A24100	Unrealized foreign currency exchange losses (profits)	17,080	39,341
A30000	Net changes in operating assets and liabilities		
A31115	Mandatory financial assets at fair value through profit or loss	3,112	33,676
A31130	Notes receivable	7,526	( 66,164)
A31150	Accounts receivable	301,151	186,095
A31180	Other receivables	12,930	( 20,258)
A31990	Net defined benefit assets and liabilities	( 6,968)	( 6,746)
A31200	Inventory	118,412	118,678
A31240	Other current assets	( 24,035)	( 1,983)
A32130	Notes payable	4,041	( 2,384)
A32150	Accounts payable	( 169,690)	( 149,075)
A32180	Other payables	( 87,262)	21,678
A32230	Other current liabilities	22,637	4,911
A33000	Cash inflows (outflows) from operations	405,823	495,738
A33100	Interest received	19,796	2,930
A33300	Interest paid	( 5,300)	( 4,169)
A33500	Income tax refunds	380	274
AAAA	<b>Net cash inflows (outflows) from operating activities</b>	<u>420,699</u>	<u>494,773</u>

(Next page)



(Previous page)

Code		2023	2022
	<b>Cash flows from investing activities</b>		
B00010	Acquisition of financial assets measured at fair value through other comprehensive income	(\$ 12)	(\$ 27,871)
B00100	Acquisition of financial assets measured at fair value through profit and loss	( 32,030)	-
B00040	Acquisition of financial assets measured at amortized cost	( 460,133)	( 198,155)
B00050	Disposal of financial asset price measured at amortized cost	159,948	304,810
B02700	Acquisition of property, plant and equipment	( 117,744)	( 81,474)
B02800	Disposal of property, plant and equipment	10,750	29,424
B03700	Increase in refundable deposits	( 3,780)	( 1,620)
B03800	Decrease in refundable deposits	703	1,605
B04500	Acquisition of intangible assets	-	( 926)
B07100	Increase in prepayments for equipment	( 46,469)	( 99,432)
B07600	Dividends received	1,716	588
B09900	Payment of life insurance premiums	-	( 7,469)
B09900	Decrease in cash surrender value of life insurance	<u>276,149</u>	<u>-</u>
BBBB	<b>Net cash inflows (outflows) from investing activities</b>	<u>( 210,902)</u>	<u>( 80,520)</u>
	<b>Cash flows from financing activities</b>		
C00100	Increase in short-term borrowings	97,000	99,297
C00200	Decrease in short-term borrowings	( 59,298)	( 54,297)
C01700	Repayment of long-term borrowings	( 74,542)	( 47,525)
C03000	Guarantee deposit received increases	172	2,705
C03100	Guarantee deposit received decreases	( 2,256)	( 5,100)
C04020	Lease principal repayment	( 7,427)	( 6,163)
C04500	Payment of cash dividends	( 121,960)	( 87,114)
C04800	Employee exercise of stock options	2,738	2,296
C09900	Exercise of right of disgorgement	<u>-</u>	<u>18</u>
CCCC	<b>Net cash inflows (outflows) from financing activities</b>	<u>( 165,573)</u>	<u>( 95,883)</u>
DDDD	<b>Effect of exchange rate movement on cash and cash equivalents</b>	<u>( 16,493)</u>	<u>( 73,955)</u>
EEEE	<b>Net increase (decrease) in cash and cash equivalents</b>	27,731	244,415
E00100	<b>Cash and cash equivalents at beginning of period</b>	<u>447,491</u>	<u>203,076</u>
E00200	<b>Cash and cash equivalents at end of period</b>	<u><b>\$ 475,222</b></u>	<u><b>\$ 447,491</b></u>

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

**Kinko Optical Co., Ltd. And Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**January 1 to December 31, 2023 and 2022**  
(In thousands of NTD and foreign currency, unless otherwise stated)

**1. Company history**

Kinko Optical Co., Ltd. (hereinafter referred to as "the Company") was established in June 1980, with the main business items being domestic and foreign sales of various camera filters, camera lenses and special camera production designs, domestic and foreign manufacturers' product quotations, distribution business and import and export trade business.

In December 2002, the Company's shares were approved by the Securities and Futures Commission of the Ministry of Finance (now the Securities and Futures Bureau of the Financial Supervisory Commission (Taiwan)) to be listed and traded on the GreTai Securities Market, and in November 2004, the Company was approved by the Financial Supervisory Commission to be listed and traded on the Taiwan Stock Exchange Corporation (TSEC).

The consolidated financial statements are expressed in NTD, the functional currency of the Company.

**2. Approval date and procedures of the financial statements**

This consolidated financial report was approved by the Board of Directors on March 13, 2024.

**3. Application of new, amended and revised standards and interpretations**

- (1) First-time application of International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs), International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretation Committee (SIC) (hereinafter referred to as "IFRSs") endorsed and published by the Financial Supervisory Commission (hereinafter referred to as "FSC") are effective.

The application of the amended IFRSs approved and issued into effect by the FSC will not cause a material change in the accounting policies of the Company and the individuals controlled by the Company (the "Group").

- (2) The IFRSs endorsed by the FSC for application starting from 2024

<b><u>Newly issued / amended / revised standards and interpretations</u></b>	<b><u>Effective date Announced by IASB</u></b>
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
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 (Note 3)

Note 1: Unless otherwise specified, the above newly issued / amended / revised standards and interpretations shall take effect during the annual reporting period starting from each such date.

Note 2: The seller and lessee shall retroactively apply the amendments to IFRS 16 for sale and leaseback transactions signed after the first application of IFRS 16.

Note 3: Exemption from certain disclosure requirements when this amendment is applied for the first time.

As of the date of adoption and issuance of this consolidated financial report, the amendments

to other standards and interpretations evaluated by the Group will not have a material impact on the financial position and financial performance.

- (3) IFRSs issued by the International Accounting Standards Board (IASB) but not yet recognized and effective by the FSC

<b>Newly issued / amended / revised standards and interpretations</b>	<b>Effective date Announced by IASB (Note 1)</b>
Amendments to IFRS 10 and IAS 28: “Asset sales or investments between investors and their affiliated enterprises or joint ventures”	Uncertain
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS.17	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(Note 2)

Note 1: Unless otherwise specified, the above newly issued / amended / revised standards and interpretations shall take effect during the annual reporting period starting from each such date.

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

As of the date of adoption and issuance of this consolidated financial report, the Group continues to evaluate the effects of amendments to other standards and interpretations on the financial position and financial performance, and the relevant effects will be disclosed upon completion of the evaluation.

#### **4. Summary of significant accounting policies**

##### **a. Statement of compliance**

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

##### **b. Basis of preparation**

Except for financial instruments measured at fair value and net recognized benefit assets and liabilities recognized at the present value of defined benefit obligations less the fair value of planned assets, the consolidated financial report is prepared on the historical cost basis.

The fair value measurement is divided into the level 1 to the level 3 according to the observability and importance of the related input values:

1. The level 1 input value: refers to the quoted price (unadjusted) of the same assets or liabilities that can be obtained on the measurement date in the active market.
2. The level 2 input value: refers to the observable input value of assets or liabilities directly (i.e. price) or indirectly (i.e. derived from price), in addition to the quoted price in Level 1.
3. The level 3 input value: refers to the unobservable input value of assets or liabilities.

c. Classification of current and non-current assets and liabilities

Current assets include:

1. Assets held primarily for trading purposes;
2. Assets expected to be realized within 12 months after the balance sheet date; and
3. Cash and cash equivalents (excluding those restricted from being used to exchange or settle liabilities for more than 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held primarily for trading purposes;
2. Liabilities due for settlement within 12 months after the balance sheet date (even if long-term refinancing or rescheduling of payment agreements have been completed between the balance sheet date and the issuance of financial reports, they are still current liabilities), and
3. Liabilities whose repayment terms cannot be unconditionally deferred until at least 12 months after the balance sheet date.

Those who are not-current assets or current liabilities mentioned above are classified as non-current assets or non-current liabilities.

d. Consolidated basis

This consolidated financial report contains the financial reports of the Company and individuals controlled by the Company (subsidiary company). The consolidated income statement has included the operating profit and loss of the acquired or disposed subsidiary for the current year from the acquisition date or up to the disposal date. The financial reports of the subsidiary have been adjusted to align its accounting policies with those merged companies. At the time of the preparation of the consolidated financial statements, transactions, account balances, income and expenses between individuals have been eliminated in full. The total consolidated profit and loss of the subsidiary are attributable to the owners and non-controlling interests of the Company, even if the non-controlling interests thus become the balance of losses.

When the Group loses control of the subsidiary, disposal profit or loss are the balance of the following two: (1) The fair value of the consideration received and the remaining investment in the former subsidiary at the fair value on the date of loss of control, and (2) the assets (including goodwill) and liabilities and non-controlling interests of the former subsidiary at the book amount on the date of loss of control. The accounting treatment of all amounts recognized by the Group in other comprehensive income relating to the subsidiary shall be on the same basis as that required by the Group to directly dispose of the relevant assets or liabilities.

For details of subsidiaries, shareholding ratio and Operating items, please refer to Note 12 and Schedule VII and VIII.

e. Foreign currencies

When preparing financial reports for each individual, transactions in currencies other than individual functional currency (foreign currencies) are recorded in the functional currency based on the exchange rate on the transaction date.

Foreign currency monetary items are translated at the closing rate at each balance sheet date. Exchange differences arising from the settlement of monetary items or the translation of monetary items are recognized in profit or loss in the year in which they occur.

The foreign currency non-monetary items measured at fair value are translated at the exchange rate on the date when the fair value is determined, and the resulting exchange differences are included in the profits and losses of the current year. However, if changes in fair value are recognized in other comprehensive income, the resulting exchange differences are included in other comprehensive income.

Foreign currency non-monetary items carried at historical cost are translated at the exchange rate at the date of the transaction and are not retranslated.

When preparing consolidated financial reports, the assets and liabilities of foreign operating institutions (including subsidiaries that operate in countries or use a currency different from that of the Company) are translated into New Taiwan dollars using the exchange rate at each balance sheet date. Income and expense items are converted at the average exchange rate of the current year, and the resulting exchange difference is recognized in other comprehensive income and is attributable to the owners and non-controlling interests of the Company respectively.

If the Group disposes all interests in the foreign operating institution, or disposes part of interests in subsidiaries of the foreign operating institution but loses control, all accumulated exchange differences attributable to the owners of the Company and related to the foreign operating institution will be reclassified to profit and loss.

f. Inventories

Inventories include raw materials, work in progress, finished products, and merchandise. Inventory is measured based on the lower of cost and net realizable value, and when comparing cost and net realizable value, it is based on individual items, except for similar types of inventory. Net realized value refers to the balance of the estimated selling price under normal circumstances, minus the estimated cost of investment until completion and the estimated cost of completing the sale. The calculation of inventory cost adopts the weighted average method.

g. Property, plant and equipment

Property, plant and equipment are recognized at cost and subsequently measured at cost less accumulated depreciation.

Property, plant and equipment under construction are recognized at cost. The cost includes professional service fees and borrowing costs that meet capitalization conditions. When these assets are completed and in their expected state of use, they are classified into appropriate categories of property, plant, and equipment, and depreciation begins to be recognized.

Except for self owned land that is not depreciated, other property, plant and equipment are depreciated separately for each significant part on a straight-line basis over their useful life. The emerging company reviews the durable years, salvage value and depreciation method at

least at the end of each year and defers the impact of changes in the applicable accounting estimates.

When property, plant and equipment are derecognized, the difference between the net disposal price and the book amount of the assets is recognized in profit or loss.

h. Investment property

Investment property is held for the purpose of earning rent or capital appreciation or both. Investment property also includes land held for which the future use has not yet been determined.

Self-owned investment property is initially measured at cost (including transaction cost). Investment property acquired through a lease is initially measured at cost (including the initially measured amount of the lease liability, the original direct cost of the lease payment paid before the lease commencement date and the estimated cost of restoring the underlying asset, less any lease incentives received). Investment property is subsequently measured at fair value, and changes in fair value are recognized in profit or loss in the period in which they occur.

i. Goodwill

The goodwill acquired by the enterprise merger shall be regarded as the cost according to the amount of goodwill recognized on the acquisition date, and shall be measured as the amount of the cost less the accumulated impairment loss.

For the purposes of the impairment test, goodwill is distributed to cash generating units or groups of cash generating units (“cash generating units”) that the Group expects to benefit from the consolidated effect.

The cash generating unit subject to amortized goodwill is tested for impairment annually (and when there are indications that the unit may have been impaired) by comparing the book amount of the unit containing goodwill with its recoverable amount. If the goodwill apportions to the cash generating unit is the result of a business combination in the current year, the unit shall undergo an impairment test before the end of the current year. If the recoverable amount of the cash generating unit receiving the amortized goodwill is less than its book amount, the impairment loss shall first reduce the book amount of the cash generating unit receiving the amortized goodwill, and then reduce the book amount of each asset in proportion to the book amount of the other assets in the unit. Any impairment loss is directly recognized as a loss for the current year. Goodwill impairment loss should not be reversed in subsequent periods.

When disposing an operation within the amortized goodwill cash generating units, the amount of goodwill relating to the disposed operation is included in the book amount of the operation to determine the profit or loss on disposal.

j. Impairment of property, plant and equipment, and right-of-use assets

At each asset balance sheet date, the Group evaluates whether it has any indication that property, plant, equipment, right-of-use assets may have been impaired. If any signs of impairment exist, estimate the recoverable amount of the asset. If it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset is attached. Shared assets are allocated to the smallest group of cash generating units on a reasonable and consistent basis.

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

When the impairment loss is subsequently reversed, the book amount of the asset or cash generating unit is increased to the revised recoverable amount, provided that the increased book amount does not exceed the book amount determined by the asset or cash generating unit if the impairment loss was not recognized in the previous year (minus depreciation). The reversal of impairment losses is recognized in profit or loss.

k. Financial instruments

Financial assets and financial liabilities are recognized on the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument.

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

1. Financial assets

The customary transactions of financial assets are recognized and derecognized in accounting on the trading day.

(1) Measurement type

The types of financial assets held by the Group are financial assets measured at amortized cost and debt instrument investments and equity instrument investments measured at fair value through other comprehensive income.

A. Financial assets measured at amortized cost

The Group's investment in financial assets is classified as financial assets measured at amortized cost if both of the following conditions are met:

- (a) Held under a certain business model with the purpose of holding financial assets to receive contractual cash flow; and
- (b) The contract terms generate cash flow for a specific date, which is entirely the interest on the payment of principal and outstanding principal amount.

Financial assets measured at amortized cost (including cash and equivalent cash, notes receivable measured at amortized cost, accounts receivable, other receivables, deposits, and other financial assets) are initially recognized and measured at the total book amount determined using the effective interest method minus the amortized cost of any impairment losses. Any foreign currency exchange profits or losses are recognized in profit or loss.

Except for the following two situations, interest revenue is calculated by multiplying the effective interest rate by the total book amount of financial

assets:

- (a) Interest revenue on credit impaired financial assets acquired or created is calculated by multiplying the effective interest rate after credit adjustment by the amortized cost of the financial asset.
- (b) Financial assets that are not subject to credit impairment upon purchase or creation, but subsequently become subject to credit impairment, shall have interest revenue calculated by multiplying the effective interest rate by the amortized cost of the financial asset from the reporting period following the credit impairment.

Credit impaired financial assets mean that the issuer or debtor has experienced major financial difficulties, defaults, the debtor is likely to file for bankruptcy or other financial restructuring, or the active market of financial assets disappears due to financial difficulties.

Cash equivalents include time deposits that are highly liquid, can be converted into fixed cash at any time and have little risk of value change within 3 months from the date of acquisition, and are used to meet short-term cash commitments.

B. Debt instrument investment measured at fair value through other comprehensive income

The Group's investment debt instruments are classified as financial assets measured at fair value through other comprehensive income if they meet both of the following conditions:

- a. Held under a certain business model, the purpose of which is to receive contractual cash flows and sell financial assets; and
- b. The contract terms generate cash flow for a specific date, which is entirely the interest on the payment of principal and outstanding principal amount.

The debt instrument investment measured at fair value through other comprehensive income is measured at fair value. The interest revenue, foreign currency exchange profits and losses, impairment losses or reversal benefits calculated by effective interest method in the changes in book amount are recognized in profits and losses, and the other changes are recognized in other comprehensive income, which are reclassified into profits and losses at the time of investment disposal.

C. Equity instrument investment measured at fair value through other comprehensive income

At the time of original recognition, the Group may make an irrevocable choice to measure the contingent consideration equity instrument investment not held for trading and not recognized by the acquirer of a business combination at fair value through other comprehensive income.

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

Dividends on equity instrument investments measured at fair value through



other comprehensive income are recognized in profit or loss when the Group's right to receive payment is established, unless such dividends clearly represent the recovery of part of the investment cost.

(2) Impairment of financial assets

On each balance sheet date, the Group assesses the impairment losses of financial assets (including accounts receivable) measured at amortized cost and debt instrument investments measured at fair value through other comprehensive income based on expected credit losses.

Accounts receivable are recognized as allowance losses based on expected credit losses during their existence period. Other financial assets are first assessed to see whether the credit risk has increased significantly since the original recognition. If it has not increased significantly, the allowance loss is recognized as the expected credit loss of 12 months. If it has increased significantly, the allowance loss is recognized as the expected credit loss during the duration.

Expected credit loss is a weighted average credit loss weighted by the risk of default. The 12 month expected credit loss represents the expected credit loss generated by a financial instrument's possible default events within 12 months after the reporting date, while the expected credit loss during the term represents the expected credit loss generated by all possible default events of the financial instrument during the expected term.

For the purpose of internal credit risk management, without considering the collateral held, the Group determines that the following situations represent the default of financial assets:

- A. Internal or external information indicates that the debtor has been unable to pay off its debts.
- B. If the overdue period exceeds the average credit period, unless there is reasonable and verifiable information indicating that the delayed default benchmark is more appropriate.

The impairment loss of all financial assets is reduced by the allowance account, but the allowance loss of debt instrument investment measured at fair value through other comprehensive income is recognized in other comprehensive income, and does not reduce its book amount.

(3) Derecognition of financial assets

The Group derecognizes financial assets only when the contractual rights to the cash flows from the financial assets have lapsed or when the financial assets have been transferred and substantially all the risks and rewards of ownership of the assets have been transferred to other enterprises.

When financial assets measured at amortized cost are derecognized as a whole, the difference between their book amount and the consideration received is recognized in profit or loss. When the debt instrument investment measured at fair value through other consolidated profits or losses is derecognized as a whole, the difference between its book amount and the sum of the consideration received plus any accumulated profits or losses recognized in other comprehensive income is recognized in profit or loss. When the equity instrument investment measured at

fair value through other comprehensive income is derecognized as a whole, the accumulated profits and losses are directly transferred to the reserved surplus and are not reclassified as profits and losses.

## 2. Financial liabilities

### (1) Subsequent measurement

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

Financial liabilities measured at fair value through profit or loss are held for trading.

The financial liabilities held for trading are measured at fair value, and the profits or losses arising from the remeasurement are recognized in profit or loss.

Please refer to Note 29 for the method of determining the fair value.

### (2) Derecognition of financial liabilities

When a financial liability is derecognized, the difference between the book amount and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

## 3. Convertible corporate bonds

The composite financial instruments (convertible corporate bonds) issued by the Group are classified as financial liabilities and equity instruments based on the essence of the contract agreement and the definition of financial liabilities and equity instruments.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument and is measured at amortized cost using the effective interest method until the date of execution of the conversion or maturity. The components of liabilities that are embedded in non-equity derivatives are measured at fair value.

The conversion right classified as equity is equal to the remaining amount of the fair value of the compound instrument as a whole less the fair value of the separately determined liability component, which is recognized in equity net of the income tax effect and is not subsequently measured. When the conversion right is exercised, the related liability component and the amount in equity will be transferred to equity and capital reserve - issue premium. If the conversion rights of convertible corporate bonds are not exercised on the maturity date, the amount recognized in equity will be transferred to capital reserve - issue premium.

Transaction costs related to the issuance of convertible corporate bonds are allocated to the liability (included in the book amount of the liability) and equity components (included in equity) of the instrument in proportion to the derivatives apportioned price.

## 4. Derivative financial instruments

The derivatives entered into by the Group are swap contracts to manage the Group's exchange rate risk.

Derivatives are initially recognized at fair value upon entering into derivative contracts and subsequently remeasured at fair value at the balance sheet date, with profits or losses arising from subsequent measurements recognized directly in profit or loss.

When the fair value of the derivative is positive, it is classified as a financial asset; when the fair value is negative, it is classified as a financial liability.

l. Revenue recognition

After the Group identifies performance obligations in customer contracts, the transaction price is apportioned to each performance obligation and revenue is recognized when each performance obligation is satisfied.

Contracts in which the interval between the transfer of merchandise or services and the receipt of consideration is less than one year, the transaction price is not adjusted for significant financial components of the contract.

Revenue from merchandise sales, mainly from the sale of optical lenses and lenses, is recognized as revenue and accounts receivable when the customer obtains control over the committed assets.

In the process of material removal, the control over the ownership of processed products has not been transferred, so the revenue is not recognized in the process of material removal.

m. Lease

The Group assesses whether the contract is (or contains) leases at the contract inception date.

The Group is the lessee

Right-of-use assets and lease liabilities are recognized at the beginning of the lease, except for leases of low-value underlying assets using recognized exemptions and short-term leases, where lease payments are recognized as expenses on a straight-line basis over the lease term.

Right-of-use assets are measured initially at cost (consisting of the original measurement amount of the lease liability, lease payments made before the commencement date of the lease less lease incentives received, original direct cost and estimated cost of restoration of the subject asset) and subsequently at cost less accumulated depreciation and accumulated impairment losses, and the remeasurement of the lease liability is adjusted. Right-of-use assets are presented separately in the consolidated balance sheet.

Right-of-use assets are depreciated on a straight-line basis from the beginning of the lease term to the earlier of the end of the useful life or the end of the lease term.

Lease liabilities are measured initially at the present value of lease payments (including fixed benefits). If the implied interest rate of the lease is readily determinable, the lease payments are discounted using that interest rate. If that interest rate is not readily determinable, then the tenant's incremental borrowing interest rate is used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, and interest expense is amortized over the lease term. If a change in the lease term results in a change in future lease payments, the Group remeasures the lease liability and adjusts the right-of-use asset accordingly. However, if the book amount of the right-of-use asset is reduced to zero, the remaining remeasurement amount is recognized in profit or loss. Leasing liabilities are presented separately in the consolidated balance sheet.

n. Government Grants

Government grants should be recognized only when it can be reasonably satisfied that the Group will comply with the conditions attached to the government grants and can receive this grants.

Government grants related to revenue are recognized as the reduction of related costs or other revenue on a systematic basis in the period in which the related costs for which they are intended to be reimbursed are recognized as expenses by the Group.

If the government grants is used to compensate incurred expenses or losses, or is for the purpose of giving immediate financial support to the Group and has no future related costs, it is recognized in profit and loss during the period in which it is available.

o. Employee benefit

1. Short-term employee benefit

Short-term employee benefit are measured at the non-discounted amount expected to be paid.

2. Post-retirement benefits

The defined contribution pension plan is an expense that recognizes the amount of pension benefits to be contributed during the employees' service period.

The defined benefit cost (including service cost, net interest and remeasurement) of the defined benefit pension plan is actuarially determined using the projected unit benefit method. Service cost (including current service cost) and net interest on net defined benefit liabilities (assets) are recognized as employee benefit expense as incurred. Remeasurements (including actuarial profits and losses and return on plan assets, net of interest) are recognized in other comprehensive income and included in reserved surplus as incurred and are not reclassified to profit or loss in subsequent periods.

The net defined benefit liability (asset) represents the deficit (remaining) of the defined benefit pension plan contribution. The net defined benefit asset may not exceed the present value of refunds of contributions from the plan or reductions in future contributions.

p. Share-based payment agreement

Employee stock options granted to employees are recognized as expense on a straight-line basis over the vesting period based on the fair value of the equity instruments at the date of grant and the best estimate of the number of options expected to be vested, with a simultaneous adjustment to capital reserve - employee stock options. If the acquisition is made immediately on the date of grant, the full cost is recognized on the date of grant.

The Group revises the estimated number of employee stock options expected to be vested at each balance sheet date. If the original estimate is revised, the effect is recognized in profit or loss so that the accrued expenses reflect the revised estimate, with a corresponding adjustment to capital reserve - employee stock options.

q. Income tax

Income tax expense is the sum of current year income tax and deferred income tax.

1. Current tax

The Group determines the current income (loss) in accordance with the regulations

enacted by the income tax reporting jurisdictions and calculates the income tax payable (recoverable) accordingly.

Income tax on undistributed surplus calculated in accordance with the ROC Income Tax Act is recognized in the year when the shareholders meet to resolve the issue.

Adjustments to income tax payable in prior years are included in the current year's income tax.

2. Deferred tax.

Deferred tax is calculated on temporary differences arising between the book amounts of assets and liabilities and the tax basis of taxable income.

Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the temporary differences and loss carryforwards can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group can control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets are recognized for deductible temporary differences associated with such investments only to the extent that it is probable that sufficient taxable income will be available to allow the temporary differences to be realized and to the extent that a reversal is expected in the foreseeable future.

The book amount of deferred income tax assets shall be reviewed on each balance sheet date, and the book amount shall be reduced for those who are no longer likely to have enough taxable income to recover all or part of their assets. Deferred tax assets that were not recognized as such are reviewed at each balance sheet date and the book amount is increased to the extent that it is probable that future taxable income will be available to recover all or part of the asset.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset is realized, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences of the manner in which the Group expects to recover or settle the book amounts of its assets and liabilities at the balance sheet date.

3. Current and deferred tax for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity respectively.

5. **Major sources of uncertainty in significant accounting judgments, estimates, and assumptions**

The Group adopts accounting policies that require management to make judgments, estimates and assumptions that are based on historical experience and other related factors when the information is not readily available from other sources. Actual results may differ from estimates.

The Group considers the recent development of the possible impact on the economic environment as part of its consideration of cash flow projections, growth rates, discount rates, profitability and other related significant accounting estimates, and management will continue to review the estimates and underlying assumptions. If the revision of an estimate affects only the current year, it is recognized in the year of revision; if the revision of an accounting estimate affects both the current and future periods, it is recognized in the year of revision and the future period.

6. **Cash and cash equivalents**

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Cash on hand	\$ 255	\$ 159
Bank checks and demand deposits	335,886	428,761
Cash equivalents (investments with original maturity of less than 3 months)		
Time deposit	139,081	18,571
	<b><u>\$ 475,222</u></b>	<b><u>\$ 447,491</u></b>

7. **Financial instrument measured at fair value through profit and loss**

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
<b><u>Financial assets - current</u></b>		
Mandatory measurement at fair value through profit or loss		
Derivative (not designated as hedge)		
- Swap contract	<b><u>\$ -</u></b>	<b><u>\$ 6,077</u></b>
<b><u>Financial assets – non current</u></b>		
Mandatory measurement at fair value through profit or loss		
Mixed financial assets		
- structured deposits	<b><u>\$ 30,355</u></b>	<b><u>\$ -</u></b>

Swap contracts not subject to hedge accounting and not yet due at the balance sheet date are as follows:

<u>Currency category</u>	<u>Expiration period</u>	<u>Contract amount</u>
<b><u>December 31, 2022</u></b>		
USD to NTD	2023.1-2023.3	USD12,150/NTD365,583

The Group engages in swap transactions primarily for the purpose of hedging the risk of foreign currency assets and liabilities arising from fluctuations in exchange rates.

8. **Financial assets at fair value through other comprehensive income - current**

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
<u>Investments in equity instruments</u>		
Common stocks of domestic TWSE/TPEX listed company		
Unique Opto-Electronics Co., Ltd. (Unique Company)	\$ 42,659	\$ 43,789
Mega Financial Holding Co., Ltd. (Mega Company)	667	493
<u>Investments in debt instruments</u>		
Foreign corporate bonds	28,158	27,208
	<b><u>\$ 71,484</u></b>	<b><u>\$ 71,490</u></b>

(I) Investments in equity instruments

The Group invests in equity instruments for medium and long-term strategic purposes and expects to profit from long-term investments. The Group's management believes that it would be inconsistent with the aforementioned long-term investment plan to include short-term fair value fluctuations of these investments in profit or loss, and has therefore elected to designate these investments as measured at fair value through other consolidated income.

(II) Investments in debt instruments

In March 2022, the Group purchased foreign unsecured subordinated corporate bonds with a face value of US\$ 1,000 thousand and a face interest rate of 1.75% and an effective interest rate of 2.05%.

The Group's investment of the unsecured subordinated corporate bonds are debt instruments with a credit rating of investment grade or higher and are evaluated as low credit risk for impairment purposes.

The debt instruments do not have significant increase in credit risk that would result in the change in interest rates or terms since original recognition, and not significant recurring changes affecting the ability to meet obligations are expected, and therefore no credit losses are expected. The Group continuously tracks external rating information to monitor changes in credit risk and periodically reviews other information such as bond yield curves and material information about the debtor, to assess whether there is a significant increase in expected credit losses over the life of the investment since original recognition.

**9. Financial assets measured at amortized cost**

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
<u>Current</u>		
Domestic investment		
Time deposits with original maturity of more than 3 months	<b><u>\$ 460,336</u></b>	<b><u>\$ 85,988</u></b>
<u>Non-current</u>		

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Domestic investment		
Time deposits with original maturity of more than 3 months	<u>\$ -</u>	<u>\$ 74,513</u>
<u>Annual interest rate (%)</u>		
Bank time deposit	0.001-5.5	0.001-4

For information on pledges of financial assets measured at amortized cost, please refer to Note 31.

**10. Net accounts receivable**

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
At amortized cost		
Gross carrying amount	\$ 633,805	\$ 942,646
Less: allowance for losses	( 5,166 )	( 9,150 )
	<u>\$ 628,639</u>	<u>\$ 933,496</u>

The average credit period for merchandise sales ranges by the Group from 60 to 145 days, and no interest is charged on accounts receivable. The Group's policy is to transact only with counterparties rated at or above the investment grade level, and to obtain adequate guarantees where necessary to mitigate the risk of financial loss arising from default. Credit rating information is used by the Group to rate major customers using other publicly available financial information and historical transaction records. The Group continuously monitors credit risk and the credit ratings of counterparties and spreads the total transaction amount among different customers with qualified credit ratings.

To reduce credit risk, the Group has taken appropriate actions with respect to credit facility determination, credit approval and other control procedures to ensure the collection of overdue accounts receivable. In addition, the Group periodically reviews the recoverable amounts of receivables to ensure that appropriate impairment losses have been recorded for uncollectible receivables. Accordingly, the Company's management stratum believes that the Group's credit risk has been significantly reduced.

The Group recognizes allowance losses for accounts receivable based on expected credit losses during the period of existence. Expected credit losses for the duration are calculated using an allowance preparation matrix, which takes into account the customer's past violation record and current financial condition. Since the Group's credit loss history shows that there is no significant difference in the loss patterns of different customer groups, therefore, without further differentiation of customer groups, the preparation matrix only sets the expected credit loss rate based on the days of violation on accounts receivable.

If there is evidence that the counterparty is in serious financial difficulty and the Group cannot reasonably expect to recover the amount, the Group directly writes off the related accounts receivable, but continues the recourse activities and recognizes the amount recovered in profit or loss as a result of the recourse.

The Group measures the allowance loss for accounts receivable based on the preparation matrix as follows:

<u>Not past</u>	<u>1 - 60 days</u>	<u>61 - 90</u>	<u>91 - 120</u>	<u>More than</u>	<u>Total</u>
-----------------	--------------------	----------------	-----------------	------------------	--------------



	due	past due	days past due	days past due	120 days overdue	
<b>December 31, 2023</b>						
Expected credit loss rate	0%	0%-1%	0%-6%	0%-9%	22%-100%	
Gross carrying amount	\$ 603,523	\$ 14,715	\$ 1,257	\$ 10,079	\$ 4,231	\$ 633,805
Allowance for losses (expected credit losses during the continuance period)	-	( 37)	( 73)	( 907)	( 4,149)	( 5,166)
Amortized cost	<u>\$ 603,523</u>	<u>\$ 14,678</u>	<u>\$ 1,184</u>	<u>\$ 9,172</u>	<u>\$ 82</u>	<u>\$ 628,639</u>
<b>December 31, 2022</b>						
Expected credit loss rate	0%	0%-1%	0%-8%	0%-18%	27%-100%	
Gross carrying amount	\$ 733,682	\$ 199,061	\$ 4,204	\$ 460	\$ 5,239	\$ 942,646
Allowance for losses (expected credit losses during the continuance period)	-	( 3,411)	( 375)	( 130)	( 5,234)	( 9,150)
Amortized cost	<u>\$ 733,682</u>	<u>\$ 195,650</u>	<u>\$ 3,829</u>	<u>\$ 330</u>	<u>\$ 5</u>	<u>\$ 933,496</u>

The information of allowance loss on accounts receivable change is as follow:

	2023	2022
Beginning of the year balance	\$ 9,150	\$ 5,403
Net remeasurement of loss allowance	( 3,908)	5,784
Foreign currency conversion difference	( 76)	( 2,037)
End of year balance	<u>\$ 5,166</u>	<u>\$ 9,150</u>

## 11. Inventories

	December 31, 2023	December 31, 2022
Merchandise	\$ -	\$ 2,129
Finished product	208,081	199,561
Work in progress	221,575	304,012
Raw material	101,760	150,986
Inventory in transit	2,029	7,112
	<u>\$ 533,445</u>	<u>\$ 663,800</u>

The operating costs related to stocks respectively were NT\$ 2,502,446 thousand and NT\$ 3,266,974 thousand in 2023 and 2022.

Operating cost includes losses of NT\$ 6,455 thousand and NT\$ 21,586 thousand from inventory decline and stagnation respectively.

## 12. Subsidiary

The subjects of preparation of the consolidated financial report are as follows:

Name of the invested company	Subsidiary name	Shareholding %	
		December 31, 2023	December 31, 2022
The Company	Kinko Optical (HK) Limited (Kinko HK Company)	100	100
	Jinwei Optical Industry Co., Ltd. (Jinwei Company)	100	100
	Hu Shang Optical Industry Co., Ltd. (Hu Shang Company)	100	100
	Foshan HuaGuo Optical Co.,Ltd. (Foshan HuaGuo Company)	100	100

For the country information of the principal place of business and company registration, please refer to Schedules VII and VIII.

The board of directors of Foshan HuaGuo Company resolved to return capital in the amount of US\$ 13,404 thousand in April 2023.

The board of directors of Foshan Kinko HK Company resolved to return capital in the amount of HK\$ 105,621 thousand in July 2023.

### 13. Property, plant and equipment

2023	Beginning of the year balance	Increase	Decrease	Reclassification	Net exchange difference	End of year balance
<u>Cost</u>						
Land	\$ 53,558	\$ -	\$ -	(\$ 17,862)	\$ -	\$ 35,696
Buildings	857,766	7,365	-	( 8,348)	( 4,223)	852,560
Machinery equipment	3,376,125	25,385	426,364	41,178	( 25,842)	2,990,482
Mold equipment	303,718	31,040	287,965	-	-	46,793
Transportation equipment	3,054	-	502	1,341	( 46)	3,847
Wealth production equipment	166,223	1,784	12,341	18	( 2,140)	153,544
Other equipment	423,330	46,737	18,543	3,411	( 3,712)	451,223
Unfinished work	-	13,680	-	( 12,020)	-	1,660
	<u>5,183,774</u>	<u>\$ 125,991</u>	<u>\$ 745,715</u>	<u>\$ 7,718</u>	<u>(\$ 35,963)</u>	<u>4,535,805</u>
<u>Accumulated depreciation</u>						
Buildings	286,383	\$ 33,226	\$ -	(\$ 2,224)	(\$ 1,620)	315,765
Machinery equipment	2,579,077	199,331	420,585	-	( 22,813)	2,335,010
Mold equipment	285,640	16,832	287,965	-	-	14,507
Transportation equipment	562	352	79	-	( 7)	828
Wealth production equipment	141,809	9,085	11,617	-	( 1,983)	137,294
Other equipment	375,225	27,642	18,515	-	( 3,437)	380,915
	<u>3,668,696</u>	<u>\$ 286,468</u>	<u>\$ 738,761</u>	<u>(\$ 2,224)</u>	<u>(\$ 29,860)</u>	<u>3,184,319</u>
	<u>\$ 1,515,078</u>					<u>\$ 1,351,486</u>
2022	Beginning of the year balance	Increase	Decrease	Reclassification	Net exchange difference	End of year balance
<u>Cost</u>						
Land	\$ 53,558	\$ -	\$ -	\$ -	\$ -	\$ 53,558
Buildings	853,561	2,602	8,814	6,410	4,007	857,766
Machinery equipment	3,199,662	27,781	113,294	124,634	137,342	3,376,125
Mold equipment	290,068	14,800	1,150	-	-	303,718
Transportation equipment	1,200	1,194	279	948	( 9)	3,054
Wealth production equipment	164,341	4,617	4,773	-	2,038	166,223
Other equipment	410,968	26,857	18,585	1,219	2,871	423,330
Unfinished work	71	-	-	( 71)	-	-
	<u>4,973,429</u>	<u>\$ 77,851</u>	<u>\$ 146,895</u>	<u>\$ 133,140</u>	<u>(\$ 146,249)</u>	<u>5,183,774</u>
<u>Accumulated depreciation</u>						
Buildings	255,978	\$ 33,382	\$ 4,327	\$ -	\$ 1,350	286,383
Machinery equipment	2,342,042	212,867	110,388	-	134,556	2,579,077
Mold equipment	251,838	34,112	310	-	-	285,640
Transportation equipment	473	279	192	-	2	562
Wealth production equipment	134,133	10,655	4,773	-	1,794	141,809
Other equipment	362,945	27,871	18,299	-	2,708	375,225
	<u>3,347,409</u>	<u>\$ 319,166</u>	<u>\$ 138,289</u>	<u>\$ -</u>	<u>(\$ 140,410)</u>	<u>3,668,696</u>
	<u>\$ 1,626,020</u>					<u>\$ 1,515,078</u>

Depreciation expense is provided on a straight-line basis over the following useful lives:

Housing and construction	
Plant main building	3 - 50 years
Other	1 - 22 years
Machinery equipment	1 - 15 years
Mold equipment	1 - 2 years
Transportation equipment	5 - 10 years
Wealth production equipment	1 - 10 years
Other equipment	1 - 12 years

For the amount of property, plant and equipment as guarantee for borrowings, please refer to Note 31.

#### 14. Lease agreement

##### (I) Right-of-use assets

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Carrying amount of right-of-use assets		
Land	\$ 41,668	\$ 66,971
Building	5,173	5,285
Office equipment	365	430
Transportation equipment	1,023	1,595
	<b><u>\$ 48,229</u></b>	<b><u>\$ 74,281</u></b>

	<b>2023</b>	<b>2022</b>
Addition of right-of-use assets	<b><u>\$ 3,576</u></b>	<b><u>\$ 6,117</u></b>
Depreciation expense of right-of-use assets		
Land	\$ 1,482	\$ 2,925
Building	4,905	3,338
Office equipment	137	118
Transportation equipment	591	378
	<b><u>\$ 7,115</u></b>	<b><u>\$ 6,759</u></b>

##### (II) Lease liabilities

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Book amount of lease liabilities		
Current	<b><u>\$ 4,151</u></b>	<b><u>\$ 5,439</u></b>
Non current	<b><u>\$ 25,413</u></b>	<b><u>\$ 50,138</u></b>

The discount rate range for lease liabilities is as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Land	1.73%	1.73%
Building	1.73%	1.73%
Office equipment	1.73%	1.73%

Transportation equipment	1.73%	1.73%
--------------------------	-------	-------

(III) Important tenant activities and terms

The Group leases certain land and buildings for use as plants and offices for a period of 1 to 10 years. At the end of the lease period, the Group has no preferential rights to acquire the leased land and buildings, which is leased.

Foshan HuaGuo Company acquired the land use right for 50 years in the industrial part of Chengxi, Foshan City, Guangdong Province, and China. During the term of land use, it shall enjoy the right to use the land, the right to income, the right to dispose of the transfer and lease of the land, and shall be responsible for all kinds of taxes and fees due for the use of the land. The land is used for production plants, office buildings and employee dormitories.

(IV) Other leasing information

	<u>2023</u>	<u>2022</u>
Short-term lease payments	<u>\$ 168</u>	<u>\$ 1,632</u>
Total cash outflow from leases	<u>\$ 8,524</u>	<u>\$ 8,737</u>

The Group has elected not to recognize the related right-of-use assets and lease liabilities for such leases by applying the applicable recognition exemption to buildings that qualify as short-term leases.

15. **Investment property**

<u>Cost</u>	<u>Completed investment property</u>
Balance on January 1, 2023	\$ -
Reclassification from Property, plant and equipment	30,352
Balance on December 31, 2023	<u>\$ 30,352</u>
 <b><u>Depreciation and impairment loss</u></b>	
Balance on January 1, 2023	\$ -
Reclassification from Property, plant and equipment	2,224
Depreciation for the year	127
Balance on December 31, 2023	<u>\$ 2,351</u>
<b><u>Carrying amounts</u></b>	
Balance on December 31, 2023	<u>\$ 28,001</u>

The lease term of the investment property is 2023 - 2025. When the lessee exercises the right to renew the lease, it is agreed that the rent will be adjusted according to the market price. The lessee does not have the preferential right to acquire the investment property at the end of the lease term.

The total amount of lease payments that will be received in the future for leasing out investment properties under operating leases is as follows:

	<u>December 31, 2023</u>
The first year	\$ 1,032
The second year	516
	<u>\$ 1,548</u>

The fair value of investment property is not valuated by an independent valuator. The fair value of the investment property is only measured by the management of the Group based on the Level 3 input value using the valuation model commonly used by market participants. The valuation is based on market evidence of transaction prices of similar real estate and the fair values of the valuation are as follows:

	<b>December 31, 2023</b>
Fair value	<u><u><b>\$ 39,095</b></u></u>

#### **16. Cash surrender value of life insurance**

The cash surrender value of life insurance is the portion of the premiums paid for life insurance policies with the Company as the beneficiary, if the premiums paid are part of the cash surrender value, they are recorded as the reduction of the current year's insurance premiums and the book amount of the cash surrender value of life insurance is increased. When the guarantee period expires or is terminated, the full amount received will be reduced by the book amount of the cash surrender value of life insurance.

Information on the changes in the cash surrender value of life insurance is as follows:

	<b>2023</b>	<b>2022</b>
Beginning of the year balance	\$ 271,264	\$ 248,224
Life insurance payments for the current year	=	7,469
Increase in cash surrender value of life insurance f	4,885	15,571
Decrease in cash surrender value of life insurance	( 276,149 )	-
End of year balance	<u><u><b>\$ -</b></u></u>	<u><u><b>\$ 271,264</b></u></u>

#### **17. Other assets**

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
<u>Current</u>		
Prepayments	\$ 26,201	\$ 7,957
Other	<u>1,493</u>	<u>3,262</u>
	<u><u><b>\$ 27,694</b></u></u>	<u><u><b>\$ 11,219</b></u></u>
 <u>Non-current</u>		
Goodwill	\$ 8,669	\$ 8,669
Refundable deposit	8,678	5,692

Net defined benefit asset (Note 21)	24,073	16,753
Other	11,825	1,348
	<u><u>\$ 53,245</u></u>	<u><u>\$ 32,462</u></u>

## 18. Borrowings

### (I) Short-term borrowings

	December 31, 2023	December 31, 2022
Mortgage borrowings (Note 31)	\$ 57,000	\$ 59,298
Credit borrowings	40,000	-
	<u><u>\$ 97,000</u></u>	<u><u>\$ 59,298</u></u>

#### Annual interest rate (%)

Mortgage borrowings	2.07	2.05
Credit borrowings	2.03	-

### (II) Long-term borrowings

	December 31, 2023	December 31, 2022
Mortgage borrowings (Note 31)	\$ 68,559	\$ 106,902
Credit borrowings	61,958	98,157
	130,517	205,059
Less: portion due within 1 year	( 73,470 )	( 74,541 )
Portion due after 1 year	<u><u>\$ 57,047</u></u>	<u><u>\$ 130,518</u></u>

#### Annual interest rate (%)

Mortgage borrowings	1.55-2.18	1.39-2.05
Credit borrowings	1.37	1.24

## 19. Other payable

	December 31, 2023	December 31, 2023
Salaries and bonuses payable	\$ 88,194	\$ 138,352
Other	81,869	110,063
	<u><u>\$ 170,063</u></u>	<u><u>\$ 248,415</u></u>

## 20. Corporate bonds payable

	December 31, 2023	December 31, 2022
Second guaranteed convertible corporate bonds in Taiwan	\$ 350,000	\$ 350,000

Less: discount on corporate bonds payable	( <u>1,948</u> )	( <u>5,077</u> )
	348,052	344,923
Less: portion due within 1 year	( <u>348,052</u> )	-
	<u>\$ -</u>	<u>\$ 344,923</u>

The Company issued 3,500 units of guaranteed convertible corporate bonds with a face interest rate of 0% in August 2021, totaling NT\$ 350,000 thousand, and the issue amount is 115.17% of the face interest rate, and the total amount raised is NT\$ 403,105 thousand, and the issue period is 3 years until August 2024.

Each unit of corporate bonds is entitled to be converted into common stocks of the Company at NT\$ 33 per share. (The original conversion price was NT\$ 35, adjustments due to cash capital increase and distribution of cash dividends.) If there is an increase in the number of common stocks issued by the Company, the distribution of cash dividends on common stocks, the issuance (or private placement) of various marketable securities with conversion rights or stock options on common stocks at a conversion or stock options price lower than the current price per share, or the reduction of common stocks due to capital reduction other than the cancellation of treasury stock after the issuance of the bonds, the conversion price will be adjusted in accordance with Article 11 of the Regulations Governing the Issuance and Conversion of the Company's Second Domestic Secured Convertible Bonds. The conversion period is from November 14, 2021 to August 13, 2024. If the convertible corporate bonds are not converted at that time, the Company will repay them in cash within 10 business days from the day following the maturity of the convertible corporate bonds.

From the day following the expiration of three months from the date of issue (November 14, 2021) to the date 40 days before the expiration of the issue period (July 4, 2024), if the closing price of the Company's common stocks at the business premises of a securities firm exceeds the then conversion price by more than 30% (inclusive) for 30 consecutive business days, or if the outstanding balance of the Company's bonds is less than 10% of the original total issued amount, the Company may recover in cash the entire amount of the converted corporate bonds outstanding in accordance with the face value of the bonds.

This convertible corporate bond includes liabilities and equity components, and the equity component is expressed as capital reserve-share options under equity. The effective interest rate originally recognized for the liability component is 0.90%, and the option derivative is measured at fair value through profit or loss.

Issuance price (deducting transaction cost of NT\$ 5,006 thousand)	\$ 398,099
Equity component (net of transaction costs allocated to equity of NT\$ 727 thousand)	( 57,908 )
Option derivative	<u>455</u>
Components of liabilities on the issue date (less transaction costs allocated to liabilities of NT\$ 4,279 thousand)	340,646
Interest calculated at effective interest rate	<u>4,277</u>
Components of liabilities on December 31, 2022	344,923
Interest calculated at effective interest rate	<u>3,129</u>
Components of liabilities on December 31, 2023	<u>\$ 348,052</u>

As of December 31, 2023 and 2022, the Company provided bank time deposits of NT\$ 74,039 thousand and NT\$ 74,513 thousand respectively as guarantees for issuing corporate bonds, as shown in Note 31.

## 21. Post-retirement benefits plan

### (I) Determination of the withdrawal plan

The pension system of the "Labor Pension Ordinance" applicable to the Company is a defined retirement plan managed by the government, and the pension is paid to the personal account of the Labor Insurance Bureau according to 6% of the employee's monthly salary.

Foshan HuaGuo Company participates in a social insurance plan managed and coordinated by a local government agency in China, which is a defined contribution system. The insurance premium shall be drawn according to the local standard salary and arranged by the relevant department of the local government, and the pension of the retired employees shall be paid by the government department as a whole.

Kinko HK Company, Jinwei Company and Hu Shang Company have no employees, so there is no retirement method and system.

### (II) Determination of the benefits plan

The pension system of the Company, in accordance with the Labor Standards Law, is a defined welfare retirement plan managed by the government. The payment of employee pension is based on the length of service and the average salary for the six months prior to the approved retirement date. The Company allocates 2.01% of the total monthly salaries of the employees to the Labor Retirement Reserve Board for deposit in the special account of the Bank of Taiwan in the name of the Board.

Before the end of the year, if the balance in the special account is estimated to be insufficient to pay the workers who are estimated to meet the retirement conditions in the following year, the difference will be allocated in one lump sum before the end of March of the following year. The special account was entrusted to the Labor Fund Administration Bureau of the Ministry of Labor for management, and the Company has no right to affect the investment management strategy. The Company has also stipulated the retirement method for appointed managers since January 2006, which is also a defined benefit retirement plan. The retirement fund for appointed managers has been provided and the special account of the fund is kept at Mega International Commercial Bank.

The amount of the defined benefit plan included in the consolidated balance sheet is listed as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Determination of the present value of benefit obligations	\$ 70,075	\$ 69,966
Fair value of plan assets	( 94,148 )	( 86,719 )
Net defined benefit liabilities (assets)	<b>( \$ 24,073 )</b>	<b>( \$ 16,753 )</b>

Changes in the net defined benefit liabilities (assets) are as follows:

	<b>Determination of the present value of benefit obligations</b>	<b>Fair value of plan assets</b>	<b>Net defined benefit liabilities (assets)</b>
January 1, 2022	\$ 75,893	( \$ 75,473 )	\$ 420
Service cost			
Current service cost	219	-	219
Interest expense (revenue)	474	( 494 )	( 20 )



	Determination of the present value of benefit obligations	Fair value of plan assets	Net defined benefit liabilities (assets)
Recognized in profit or loss	<u>693</u>	<u>( 494 )</u>	<u>199</u>
Remeasurements			
Return on planned assets (except the amount included in net interest)	-	( 5,109 )	( 5,109 )
Actuarial loss (profit)			
-Changes in financial assumptions	( 6,369 )	-	( 6,369 )
-Empirical adjustment	<u>1,051</u>	<u>-</u>	<u>1,051</u>
Recognized in other comprehensive income	<u>( 5,318 )</u>	<u>( 5,109 )</u>	<u>( 10,427 )</u>
Employer's appropriation	<u>-</u>	<u>( 6,945 )</u>	<u>( 6,945 )</u>
Benefits payment	<u>( 1,302 )</u>	<u>1,302</u>	<u>-</u>
<b>December 31, 2022</b>	<b><u>69,966</u></b>	<b><u>( 86,719 )</u></b>	<b><u>( 16,753 )</u></b>
Service cost			
Current service cost	362	-	362
Interest expense (revenue)	<u>953</u>	<u>( 1,233 )</u>	<u>( 280 )</u>
Recognized in profit or loss	<u>1,315</u>	<u>( 1,233 )</u>	<u>82</u>
Remeasurements			
Return on planned assets (except the amount included in net interest)	-	( 515 )	( 515 )
Actuarial loss (profit)			
-Changes in financial assumptions	972	-	972
-Empirical adjustment	<u>( 809 )</u>	<u>-</u>	<u>( 809 )</u>
Recognized in other comprehensive income	<u>163</u>	<u>( 515 )</u>	<u>( 352 )</u>
Employer's appropriation	<u>-</u>	<u>( 7,050 )</u>	<u>( 7,050 )</u>
Benefits payment	<u>( 1,369 )</u>	<u>1,369</u>	<u>-</u>
<b>December 31, 2023</b>	<b><u>\$ 70,075</u></b>	<b><u>( \$ 94,148 )</u></b>	<b><u>( \$ 24,073 )</u></b>

The amount recognized in profit or loss of the defined benefit plan is summarized as follows by function:

	2023	2022
Cost of operation	\$ 69	\$ 160
Selling and marketing expenses	1	3
General and administrative expenses	6	18
Research and development expenses	<u>6</u>	<u>18</u>
	<b><u>\$ 82</u></b>	<b><u>\$ 199</u></b>

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

1. Investment risk: The Labor Fund Administration Bureau of the Ministry of Labor invests the labor retirement fund in domestic (foreign) equity securities, debt securities, bank deposits, etc. respectively through its own operation and entrusted operation. However, the distribution amount of the planned assets of the Company is the income calculated at a rate not lower than the 2-year fixed deposit rate of local banks.
2. Interest rate risk: the decrease in interest rate of government bonds will increase the present value of defined benefit obligations, but the return on debt investment of planned assets will also increase, which will partially offset the impact on net defined benefit liabilities.
3. Salary risk: the calculation of determining the present value of benefit obligations refers

to the future salary of plan members. Therefore, the increase in the salary of plan members will increase the present value of defined benefit obligations.

The present value of the Company's defined benefit obligations is actuarially determined by qualified actuaries, and the major assumptions on the measurement date are as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Discount rate (%)	1.25	1.375
Expected salary increase rate (%)	2.50	2.50

If there are reasonable and possible changes in major actuarial assumptions, the amount that will increase (decrease) the present value of defined benefit obligations while all other assumptions remain unchanged is as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Discount rate		
Increase by 0.25%	( \$ <u>1,924</u> )	( \$ <u>1,945</u> )
Reduce by 0.25%	<u>\$ 2,006</u>	<u>\$ 2,031</u>
Expected salary increase rate		
Increase by 0.25%	<u>\$ 1,949</u>	<u>\$ 1,975</u>
Reduce by 0.25%	( \$ <u>1,879</u> )	( \$ <u>1,901</u> )

Because actuarial assumptions may be related to each other, it is unlikely that only a single assumption will change, so the above sensitivity analysis may not reflect the actual changes in determining the present value of benefit obligations.

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Expected amount to be withdrawn within one year	<u>\$ 7,272</u>	<u>\$ 7,282</u>
Determined average benefit obligation maturity	11.5 years	11.9 years

## 22. **Equity**

### (I) Ordinary shares

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Rated number of shares (thousand shares)	<u>250,000</u>	<u>250,000</u>
Authorized capital stock	<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>
Number of issued and paid-up shares (thousand shares)	<u>174,329</u>	<u>174,229</u>
Issued capital stock	<u>\$ 1,743,288</u>	<u>\$ 1,742,286</u>

(II) Capital surplus

	December 31, 2023	December 31, 2022
<b><u>Used to cover losses, to issue cash or to replenish capital stock</u></b> (Note)		
Stock issuance premium	\$ 331,182	\$ 383,451
Corporate bond conversion premium	481,731	481,731
Compensation for interest payable on conversion of corporate bonds	9,569	9,569
Expired stock option	7,857	7,857
<b><u>Used to cover losses</u></b>		
Gain on disposal of assets	42	42
Other	165	165
<b><u>Not for any purpose</u></b>		
Employee stock options	17,919	14,970
Stock option	57,908	57,908
	<b><u>\$ 906,373</u></b>	<b><u>\$ 955,693</u></b>

Note: Such capital reserve may be used to cover losses or, in the absence of a loss, to issue cash or to replenish capital stock, provided that the capitalization is limited to a certain percentage of the paid-in capital each year.

(III) Retained earnings and dividend policy

According to the surplus distribution policy stipulated in the Articles of Association of the Company, if there is a surplus in the annual final accounts, tax shall be paid according to law and another 10% shall be raised as the legal reserve after the accumulated losses are covered. However, when the legal reserve reaches the paid-in capital of the Company, it may not be raised any more, and the rest shall be raised or reversed as stipulated by law; If there is any remaining balance and it is consistent with the accumulated undistributed earnings, the Board of Directors shall prepare a surplus distribution bill and submit it to the shareholders' ordinary meeting for resolution on the distribution of shareholders' dividends and bonuses. If the Company distributes all or part of dividends and bonuses or legal reserve and capital surplus in cash, it shall authorize the Board of Directors to attend the meeting with the consent of more than two-thirds of the directors and more than half of the directors present, and report to the shareholders' meeting.

In addition, according to the Company's Articles of Association, the dividend policy shall be in accordance with the current and future development plans, the investment environment, capital requirements and domestic and foreign competition, and shall take into account factors such as shareholders' interests. The shareholders' dividend shall not be less than 40% of the distributable surplus of the current year. When distributing the shareholders' dividend, the dividend may be in cash or in stock, and the cash dividend shall not be less than 10% of the total dividend.

The legal reserve shall be set aside until the remaining amount reaches the total paid-in capital stock of the company. The legal reserve can be used to cover losses. When the company has no losses, the portion of the legal reserve exceeding 25% of the total paid-in capital stock can be allocated to share capital and distributed in cash.

When the Company sets aside the special reserve for the net deduction of other equity accumulated in the previous period, it only sets aside the undistributed surplus in the previous period.

The Company held a general meeting of shareholders in June 2022, and passed a resolution on the appropriation of profit and loss for 2021. After turning back the special reserve of NT\$ 4,069 thousand, the legal reserve of NT\$ 32,561 thousand was used to cover the losses. In addition, in March 2022, the Board of Directors passed a resolution to allocate cash of NT\$ 87,114 thousand from capital surplus, and each share was allocated to NT\$ 0.5.

The Company held a regular meeting of shareholders in Jun 2023, and passed the resolution to distribute the surplus for 2022 as follows:

	<b>2022</b>
Legal reserve	\$ 7,329
Reversal of special reserve	( 20,363 )
Cash dividends	69,691
Cash dividend per share (NTD)	0.4

In addition, in March 2023, the Board of Directors passed a resolution to allocate cash of NT\$ 52,269 thousand from capital surplus, and each share was allocated to NT\$ 0.3.

On March 2024, the Board of Directors of the Company proposed the surplus distribution plan for 2023, the legal reserve of NT\$ 32,878 thousand was used to cover the losses. In addition, the Board of Directors passed a resolution to allocate cash of NT\$ 87,164 thousand from capital surplus, and each share was allocated to NT\$ 0.5.

The surplus distribution plan for 2023 has yet to be resolved at the general meeting of shareholders scheduled for June 2024.

(IV) Special reserve

When adopting IFRSs for the first time, the amount of accumulated conversion adjustment of accounts transferred to reserved surplus was NT\$ 205,745 thousand, and the special reserve of the same amount has been set aside. The special reserve of NT\$ 36,851 thousand was reversed due to the liquidation of some foreign operating institutions and the elimination of the original reasons.

**23. Operating revenue**

	<b>2023</b>	<b>2022</b>	
Customer contract revenue			
Revenue from merchandise sales	\$ 2,695,874	\$ 3,578,574	
Processing revenue	<u>1,111</u>	<u>2,904</u>	
	<b><u>\$ 2,696,985</u></b>	<b><u>\$ 3,581,478</u></b>	
<u>Contract balance</u>			
	<b>December 31, 2023</b>	<b>December 31, 2022</b>	<b>January 1, 2021</b>
Notes receivable	\$ 57,943	\$ 66,426	\$ 632
Net accounts receivable	<u>628,639</u>	<u>933,496</u>	<u>1,023,324</u>
	<b><u>\$ 686,582</u></b>	<b><u>\$ 999,922</u></b>	<b><u>\$ 1,023,956</u></b>
Contract liabilities - current			
Sale of goods	<b><u>\$ 29,092</u></b>	<b><u>\$ 6,614</u></b>	<b><u>\$ 1,937</u></b>

See Note 35 for revenue breakdown information.

**24. Net profit (loss) for the current year**

(I)	Other gains and losses	<b>2023</b>	<b>2022</b>
	Disposal of interests in property, plant and equipment	\$ 3,796	\$ 20,818
	Net foreign currency exchange profit (loss)	19,901	54,859
	Profits (losses) of financial assets and liabilities measured at fair value through profit or loss	( 4,355 )	41,570
	Other	18,078	1,667
		<u><b>\$ 37,420</b></u>	<u><b>\$ 118,914</b></u>

(II)	Financial cost	<b>2023</b>	<b>2022</b>
	Borrowings interest	\$ 4,371	\$ 3,227
	Convertible corporate bond interest	3,129	3,100
	Interest on lease liabilities	929	942
		<u><b>\$ 8,429</b></u>	<u><b>\$ 7,269</b></u>

(III) Employee benefit expenses, depreciation and amortization expenses

Nature	Operating Costs	Operating Expenses	Total
<b><u>2023</u></b>			
Employee benefit expenses			
Short-term employee benefits	\$ 568,043	\$ 131,985	\$ 700,028
Post-retirement benefits			
Determination of the appropriation plan	41,017	9,021	50,038
Determination of benefit plans	69	13	82
Share-based payment			
Equity settlement	-	1,213	1,213
Other employee benefits	94,872	17,316	112,188
Depreciation expense	244,285	49,425	293,710
Amortization expense	131	426	557
<b><u>2022</u></b>			
Employee benefit expenses			
Short-term employee benefits	\$ 731,840	\$ 131,258	\$ 863,098
Post-retirement benefits			
Determination of the appropriation plan	46,792	8,105	54,897
Determination of benefit plans	160	39	199
Share-based payment			
Equity settlement	-	1,499	1,499
Other employee benefits	106,551	16,555	123,106
Depreciation expense	269,070	56,855	325,925
Amortization expense	-	388	388

(IV) Remuneration of employees and directors and supervisors

According to the Articles of Association, the Company shall allocate employee remuneration and directors' remuneration at a rate of not less than 10% and not more than 2.5% respectively according to the pre-tax profit of the current year before deducting the remuneration of employees and directors.

As a pre-tax loss in 2023, the remuneration of employees and directors and is not estimated.

The remuneration of employees and directors in 2022 is decided by the Board of Directors as follows in March 2023:

	<u>2022</u>
<u>Estimated proportion</u>	
Employee remuneration	10%
Director's remuneration	2.5%
	<u>2022</u>
<u>Cash</u>	
Employee remuneration	\$ 4,761
Director's remuneration	1,190

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the financial statements in 2022.

FY2021 was a year of pre-tax loss, and the Company did not distribute the remuneration of employees and directors and supervisors.

For information on employee, directors and supervisors' compensation decided by the Board of Directors of the Company, please refer to the "Open Information Observatory" of the Taiwan Stock Exchange Corporation (TSEC).

**25. Income tax**

(I) Income tax recognized in profit or loss

The main components of income tax benefits are as follows:

	<u>2023</u>	<u>2022</u>
Current tax		
Adjustments for prior years	\$ 2,522	(\$ 435)
Deferred income taxes		
Generated during the year	( <u>31,348</u> )	( <u>23,085</u> )
Income tax profits recognized in profit or loss	( <u><u>\$ 28,826</u></u> )	( <u><u>\$ 23,520</u></u> )

The adjustment of accounting income and income tax benefits is as follows:

	<u>2023</u>	<u>2022</u>
Income tax expense (profit) at legal tax rate on pre-tax net profit (loss)	(\$ 5,551)	\$ 8,284
Profits and losses not recognized on tax	2,212	( 31,510)
Tax-free income	( 343)	( 2,751)
Repatriation of foreign dividends	22,920	-
Unrecognized temporary differences and loss deduction	( 50,586)	5,573
Adjustments for prior year	<u>2,522</u>	( <u>435</u> )
Income tax profits recognized in profit or loss	<u>(\$ 28,826)</u>	<u>(\$ 23,520)</u>

The tax rate for an individual whose Group is subject to the ROC Income Tax Act is 20%; The tax rate applicable to subsidiaries in China is 25%; In addition, according to the administrative measures for the identification of high-tech enterprises, if the application is approved as the high-tech enterprises in need of key support by the state, the preferential tax rate of 15% is levied on the enterprise income tax. Foshan HuaGuo Company has obtained the qualification of high-tech enterprises, and can enjoy the preferential tax rate of 15%. Taxes in other jurisdictions shall be calculated on the basis of the tax rates applicable in the respective jurisdictions.

(II) Changes in Deferred tax assets and liabilities

<u>2023</u>	<u>Beginning of the year balance</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehens ive income</u>	<u>Net exchange difference</u>	<u>End of year balance</u>
<b><u>Deferred tax assets</u></b>					
Temporary difference					
Depreciation and sluggish loss of inventory	\$ 4,382	(\$ 945)	\$ -	\$ -	\$ 3,437
Unrealized gross profit	40	( 39)	-	-	1
Exchange balance of foreign operating institutions	35,685	-	5,029	-	40,714
Unrealized exchange loss	2,504	2,633	-	-	5,137
Other	<u>3,664</u>	( <u>419</u> )	<u>-</u>	<u>-</u>	<u>3,245</u>
	46,275	1,230	5,029	-	52,534
Loss deduction	<u>214,329</u>	<u>30,296</u>	<u>-</u>	( <u>1,022</u> )	<u>243,603</u>
	<u>\$ 260,604</u>	<u>\$ 31,526</u>	<u>\$ 5,029</u>	( <u>\$ 1,022</u> )	<u>\$ 296,137</u>
<b><u>Deferred tax liabilities</u></b>					
Temporary difference					
Determination of the benefit retirement plan	\$ 3,350	\$ 1,394	\$ 71	\$ -	\$ 4,815
Benefits of financial assets and liabilities measured at fair value through profit or loss	<u>1,216</u>	( <u>1,216</u> )	<u>-</u>	<u>-</u>	<u>-</u>
Other	<u>\$ 4,566</u>	<u>\$ 178</u>	<u>\$ 71</u>	<u>\$ -</u>	<u>\$ 4,815</u>

2022	Beginning of the year balance	Recognized in profit or loss	Recognized in other comprehens ive income	Net exchange difference	End of year balance
<b><u>Deferred tax assets</u></b>					
Temporary difference					
Determination of the benefit retirement plan	\$ 84	(\$ 84)	\$ -	\$ -	\$ -
Depreciation and sluggish loss of inventory	5,424	( 1,042)	-	-	4,382
Unrealized gross profit	58	( 18)	-	-	40
Exchange balance of foreign operating institutions	49,420	-	( 13,735)	-	35,685
Loss of financial liabilities measured at fair value through profit or loss	545	( 545)	-	-	-
Unrealized exchange loss	-	2,504	-	-	2,504
Other	<u>4,312</u>	<u>( 648)</u>	<u>-</u>	<u>-</u>	<u>3,664</u>
	59,843	167	( 13,735)	-	46,275
Loss deduction	<u>192,178</u>	<u>22,151</u>	<u>-</u>	<u>-</u>	<u>214,329</u>
	<b><u>\$ 252,021</u></b>	<b><u>\$ 22,318</u></b>	<b><u>(\$ 13,735)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 260,604</u></b>
<b><u>Deferred tax liabilities</u></b>					
Temporary difference					
Unrealized exchange benefits	\$ 3,157	(\$ 3,157)	\$ -	\$ -	\$ -
Determination of the benefit retirement plan	-	1,265	2,085	-	3,350
Benefits of financial assets and liabilities measured at fair value through profit or loss	-	1,216	-	-	1,216
Other	<u>91</u>	<u>( 91)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b><u>\$ 3,248</u></b>	<b><u>(\$ 767)</u></b>	<b><u>\$ 2,085</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 4,566</u></b>

(III) Relevant information on allowance for unused losses

As of December 31, 2023, the information about loss deduction is as follows:

Balance not yet deducted	Last deduction year
\$ 143,822	2024
184,690	2025
215,456	2026
155,223	2027
117,769	2028
58,420	2029
37	2030
319,147	2031
<u>115,156</u>	<u>2032</u>
<b><u>\$ 1,309,720</u></b>	

(IV) Summary amount of temporary differences related to investment and unrecognized deferred tax liabilities

As of December 31, 2023 and 2022, taxable temporary differences related to investment subsidiaries and not recognized as Deferred tax liabilities were NT\$ 222,428 thousand and NT\$440,550 thousand respectively.

(V) Income tax verification

The Company's income tax declaration cases for profit-making enterprises before FY2021 have been approved by the tax collection authorities.



**26. Earnings (loss) per share**

Earnings (loss) and weighted average number of common stocks used to calculate earnings (loss) per share are as follows:

	<u>2023</u>	<u>2022</u>
Net profit (loss) for the purposes of basic and diluted earnings (loss) per share	( <u>\$ 49,788</u> )	<u>\$ 64,944</u>
	<u>2023</u>	<u>2022</u>
<u>Shares (thousand shares)</u>		
Weighted average number of common stocks used to calculate basic and diluted earnings (loss) per share	174,257	174,210
Effect of potential common stock with dilution:		
Employee remuneration	-	195
Employee stock options	<u>-</u>	<u>42</u>
Weighted average number of common stocks used to calculate diluted earnings (loss) per share	<u>174,257</u>	<u>174,447</u>

If the Group has to choose to pay employees' remuneration in shares or cash, it is assumed that employees' remuneration will be paid in shares when calculating diluted earnings per share, and it will be included in the weighted average number of outstanding shares when the potential common stock has dilution effect to calculate diluted earnings per share. When calculating diluted earnings per share before deciding the number of shares to be paid to employees in the next year, the dilutive effect of these potential common stocks also continues to be considered.

Because the convertible corporate bonds in circulation in 2023 were converted, it was not included in the calculation of diluted earnings per share because of its anti-dilution effect. In addition, the Company's net loss after tax for 2022 was not included in the calculation of diluted loss per share as it is the diluted loss per share that would have an anti-dilutive effect if the conversion calculation had been made for employee stock options and outstanding convertible corporate bonds.

**27. Share-based payment agreement**

In January 2020, the Company released 2,219 thousand employee stock options, and each unit can subscribe 1 common stock for employees who meet specific conditions of the Company. The duration of share option is 6 years, and the certificate holder may exercise a certain proportion of the share option granted to it from the date of issuance for 2 years. After the issuance of the share option, in case of any change in the common stocks of the Company, the exercise price of the share options shall be adjusted according to the prescribed formula.

Related information on employee stock option is as follows:

Employee stock options	2023		2022	
	Unit	Weighted average exercise price (NT\$)	Unit	Weighted average exercise price (NT\$)
Circulated outside at the beginning of the year	1,459,850	\$ 28.5	1,690,750	\$ 28.5
Executed in the current year	( 100,150)	27.3	( 81,700)	28.1
Lost in the current year	( 47,550)		( 149,200)	
Circulated at the end of the year	<u>1,312,150</u>		<u>1,459,850</u>	
Exercisable at year-end	<u>1,312,150</u>		<u>1,459,850</u>	
Weighted average fair value of share option granted in the current year (NT\$)	\$ -		\$ -	

The Company used the Black-Scholes evaluation model to identify its equity rights to its employees in January 2020. The input values used in the evaluation model are as follows:

	January 2020
Share price at the date of grant (NT\$/share)	\$ 28.5
Exercise price (NT\$/share)	28.5
Expected fluctuation rate	44.31%
Expected duration	4 years
Expected dividend rate	0.00%
Risk-free interest rate	0.55%

The expected fluctuation rate refers to the expected duration, and the annualized standard deviation of the historical daily return rate during the current period is adopted as the fluctuation rate of expected price.

## 28. Capital risk management

The Group engages in capital management to ensure maximum shareholder remuneration by optimizing the balance between debt and equity before proceeding with operations. The holistic strategy of the Group has not changed during the reporting period.

The capital structure of the Group consists of the net debt of the Group and the equity (i.e., common stock, capital reserve, retained surplus and other equity items) attributable to the owners of the Company.

The Group has no other external capital regulations.

## 29. Financial instruments

### (I) Fair value information - financial instruments not measured at fair value

The management of the Group believes that the book amount of financial assets and financial liabilities not measured at fair value approaches its fair value or its fair value cannot be reliably measured.

- (II) Fair value information - financial instruments measured at fair value on a recurring basis
1. Fair value hierarchy

	Level 1	Level 2	Level 3	Total
<b>December 31, 2023</b>				
<u>Financial assets measured at fair value through profit or loss</u>				
Mixed financial assets	\$ -	\$ 30,355	\$ -	\$ 30,355
<u>Financial assets measured at fair value through other comprehensive income</u>				
Investments in equity instruments				
- Domestic TWSE/TPEX listed stocks	\$ 43,326	\$ -	\$ -	\$ 43,326
Investments in debt instruments				
- Foreign corporate bonds	-	28,158	-	28,158
	<u>\$ 43,326</u>	<u>\$ 28,158</u>	<u>\$ -</u>	<u>\$ 71,484</u>
<b>December 31, 2022</b>				
<u>Financial assets measured at fair value through profit or loss</u>				
Derivative instrument	\$ -	\$ 6,077	\$ -	\$ 6,077
<u>Financial assets measured at fair value through other comprehensive income</u>				
Investments in equity instruments				
- Domestic TWSE/TPEX listed stocks	\$ 44,282	\$ -	\$ -	\$ 44,282
Investments in debt instruments				
- Foreign corporate bonds	-	27,208	-	27,208
	<u>\$ 44,282</u>	<u>\$ 27,208</u>	<u>\$ -</u>	<u>\$ 71,490</u>

There were no transfers between Level 1 and Level 2 fair value measurements in 2023 and 2022.

2. Adjustment of financial instruments measured at Level 3 fair value

<b>Financial assets measured at fair value through profit or loss</b>	<b>Derivative instrument</b>
<b>2022</b>	
Beginning of the year balance	\$ 910
Recognized in profit or loss	( 910)
End of year balance	<u>\$ -</u>

3. Evaluation techniques and input values for Level 2 fair value measurement

The estimates and assumptions used by the Group in the evaluation method are consistent with the information used by market participants as estimates and assumptions in the pricing of financial merchandise. The fair values of swap contracts, structured deposits and foreign corporate bond investments are calculated and assessed separately for individual contracts based on the quotation information provided by the transaction objects.

4. Evaluation techniques and input values for Level 3 fair value measurement

The fair value of the redemption right of corporate bonds payable in the financial assets measured at fair value through profit and loss is estimated by the convertible bond evaluation model of binary tree. The major unobservable input value is the volatility of stock price. When the volatility of stock price increases, the fair value will increase. The adopted stock price volatility on December 30th, FY2011 were 35%, respectively.

(III) Types of financial instruments

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
<u>Financial assets</u>		
Measured at fair value through profit or loss		
Mandatory measurement at fair value through profit or loss	\$ 30,355	\$ 6,077
Financial assets measured at amortized cost (Note 1)	1,649,498	1,648,006
Financial assets measured at fair value through other comprehensive income		
Investment in equity instruments	43,326	44,282
Investments in debt instruments	28,158	27,208
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	914,349	1,137,047

Note 1: The balance includes cash and cash equivalents, bills receivable, accounts receivable, other receivables, refundable deposits, and other financial assets measured at amortized cost.

Note 2: Balance includes short-term bank borrowings, bills payable, account payable, other payables, corporate bonds payable, long-term bank borrowings (including within 1 year) and financial liabilities measured at amortized cost such as guarantee deposit received.

(IV) Purpose and policy of financial risk management

The Group's main financial instruments include equity and bond instrument investment, accounts receivable, accounts payable, borrowings and lease liabilities. The financial management department of the Group provides services for all business units, coordinates the operations in domestic and international financial markets, and supervises and manages the financial risks related to the operation of the Group by analyzing the internal risk reporting of risk exposures according to the degree and breadth of risks. Such risks include market risks (including exchange rate risks and interest rate risks), credit risks and liquidity risks.

1. Market risk

The main financial risks assumed by the Group due to its operational activities are foreign exchange rate fluctuation risk and interest rate fluctuation risk.

The Group's exposure to market risks of financial instruments and its management and measurement of such risk exposures have not changed.

(1) Exchange rate risk

The Company and several subsidiaries are engaged in foreign currency denominated sales and purchase transactions, which expose the Group to exchange rate fluctuation risks. Approximately 40%-45% of the Group's sales are not denominated in the functional currency of the individual trading group, and approximately 35%-40% of the cost amount is not denominated in the functional currency of the individual trading group.

For the book amounts of the Group's monetary assets and liabilities denominated

in non-functional currencies at the balance sheet date (including monetary items denominated in non-functional currencies that have been offset in the consolidated financial statements) and the book amounts of derivatives subject to exchange rate risk, please refer to Note 33.

The Group is primarily impacted by fluctuations in USD and Japanese Yen exchange rates.

The sensitivity analysis of the Group only includes foreign currency monetary items that are currently in circulation, and the amount of net profit (loss) before tax that will be affected by a 1% exchange rate change in year-end conversion. 1% represents the sensitive ratio used by the Group to report exchange rate risks to the main management level, and also represents the management level's assessment of the reasonable and possible change range of foreign exchange rate.

Type of currency	<b>Influence of exchange rate changes on profit and loss</b>	
	<b>2023</b>	<b>2022</b>
USD	\$ 7,941	\$ 8,785
Japanese Yen	459	446

(2) Interest rate risk

The Group's interest rate risk mainly comes from borrowings with fixed and floating interest rates, thus generating the risk exposures of interest rate.

The book amount of the Group's financial liabilities subject to interest rate risk exposure on the balance sheet date is as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Interest rate risk with fair value Financial liabilities	\$ 377,616	\$ 400,500
Interest rate risk with cash flow Financial liabilities	227,517	264,357

Regarding the sensitivity analysis of interest rate risk, when the interest rate changes by 0.25%, the Group's net profit (loss) before tax in 2023 and 2022 will change by NT\$ 569 thousand and NT\$ 661 thousand respectively.

2. Credit risk

Credit risk refers to the risk of financial loss of the Group resulting from the counterparty's default on contractual obligations. As of the balance sheet date, the maximum credit risk of the Group that may cause financial losses due to the failure of the counterparty to perform its obligations is mainly derived from the book amount of the financial assets recognized in the consolidated balance sheet.

The Group's credit risk is mainly concentrated in the Group's largest customers, with 35% of total accounts receivable coming from the largest customers as of December 31, 2023 and 2022, respectively.

3. Liquidity risk

The Group has managed and maintained sufficient cash to support operations and reduce the impact of cash flow fluctuations. The Group supervises the use of bank financing limits and ensures compliance with borrowing contract terms.

Bank borrowings are an important source of liquidity for the Group. As of December 31, 2023 and 2022, the Group's unused bank financing limit was NT\$ 301,042 thousand and NT\$ 202,546 thousand, respectively.

The maturity analysis of the remaining contract of non-derivative financial liabilities is prepared based on the undiscounted cash flow of financial liabilities according to the earliest possible repayment date of the Group.

<b>Non-derivative financial liabilities</b>	<b>Less than 1 year</b>	<b>1 - 3 years</b>	<b>More than 3 years</b>
<b><u>December 31, 2023</u></b>			
Non interest-bearing liabilities	\$ 338,074	\$ -	\$ -
Lease liabilities	3,922	6,710	52,833
Floating interest rate instruments	170,470	53,483	3,564
Fixed interest rate instruments	350,000	-	-
	<b><u>\$ 862,466</u></b>	<b><u>\$ 60,193</u></b>	<b><u>\$ 56,397</u></b>
<b><u>December 31, 2022</u></b>			
Non interest-bearing liabilities	\$ 524,292	\$ -	\$ -
Lease liabilities	6,945	7,661	55,851
Floating interest rate instruments	133,839	119,824	10,694
Fixed interest rate instruments	-	350,000	-
	<b><u>\$ 665,076</u></b>	<b><u>\$ 477,485</u></b>	<b><u>\$ 66,545</u></b>

Further information on the maturity analysis of the lease liabilities mentioned above is as follows:

	<b>Less than 1 year</b>	<b>1 - 5 years</b>	<b>5 - 10 years</b>	<b>10 - 15 years</b>	<b>15 - 20 years</b>	<b>More than 20 years</b>
<b>December 31, 2023</b>	<b><u>\$ 3,922</u></b>	<b><u>\$ 10,659</u></b>	<b><u>\$ 9,341</u></b>	<b><u>\$ 9,341</u></b>	<b><u>\$ 9,341</u></b>	<b><u>\$ 20,861</u></b>
<b>December 31, 2022</b>	<b><u>\$ 6,945</u></b>	<b><u>\$ 12,760</u></b>	<b><u>\$ 9,341</u></b>	<b><u>\$ 9,341</u></b>	<b><u>\$ 9,341</u></b>	<b><u>\$ 22,729</u></b>

The amount of floating interest rate instruments for the above non-derivative financial liabilities will be changed due to the difference between the floating interest rate and the estimated interest rate on the balance sheet date.

### 30. **Related party transactions**

Transactions, account balances, income and expenses between the Company and its subsidiaries (which are related parties of the Company) are fully canceled at the time of the merger and are not disclosed in this note. Except as disclosed in other notes, the transactions between the Group and other related parties are as follows:

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

<b>Name of related parties</b>	<b>Relationship with the Group</b>
Unique Company	Other related parties
Changshu Inforay Technology Co., Ltd. (Inforay Company)	Other related parties (non-related parties from the end of 2022)
Hubei Longchang Optical Co., Ltd. (Longchang Company)	Other related parties (non-related parties from the end of 2022)

(II) Operating revenue

<b>Category/name of related parties</b>	<b>2023</b>	<b>2022</b>
Other related parties		
Other	<u>\$ -</u>	<u>\$ 1,621</u>

The sales price and collection period of the Group to the related party are not significantly different from that of general customers.

(III) Procurement

<b>Category/name of related parties</b>	<b>2023</b>	<b>2022</b>
Other related parties		
Other	<u>\$ 3,803</u>	<u>\$ 29,875</u>

The sales price and collection period of the Group to the related party are not significantly different from that of general manufacturers.

(IV) Manufacturing expenses - processing charges

<b>Category/name of related parties</b>	<b>2023</b>	<b>2022</b>
Other related parties		
Longchang Company	\$ =	\$ 21,132
Inforay Company	=	2,744
	<u>\$ -</u>	<u>\$ 23,876</u>

(V) Non operating revenue - other revenue

<b>Category/name of related parties</b>	<b>2023</b>	<b>2022</b>
Other related parties		
Other	<u>\$ 650</u>	<u>\$ 1,201</u>

(VI) Account payable

<b>Category/name of related parties</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Other related parties		
Other	<u>\$ 596</u>	<u>\$ 4,147</u>

The outstanding balance of accounts payable circulating outside has not been guaranteed.

(VII) Main management compensation

	<b>2023</b>	<b>2022</b>
Short-term employee benefits	<u>\$ 18,179</u>	<u>\$ 16,305</u>

The remuneration of directors and other key management personnel is determined by the Remuneration Committee based on individual performance and market trends.

### 31. Assets of pledged mortgage

The following assets have been provided as collateral for bank borrowings, company debt payable, and exchange swap transactions for the purpose of fulfillment:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Property, plant and equipment	\$ 205,754	\$ 237,027
Financial assets measured at amortized cost (bank term deposits)	74,039	83,726
	<b><u>\$ 279,793</u></b>	<b><u>\$ 320,753</u></b>

### 32. Significant contingent liabilities and unrecognized contractual commitments

The significant commitments and contingencies of the Group as of the balance sheet date, in addition to those already disclosed elsewhere, are as follows:

#### Unrecognized contractual commitments

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Purchase of property, plant and equipment	<b><u>\$ 18,115</u></b>	<b><u>\$ 10,135</u></b>

### 33. Information on foreign currency assets and liabilities with significant influence

The following information is summarized and expressed in foreign currencies other than the functional currency of the Group. The disclosed exchange rate refers to the exchange rate at which these foreign currencies are converted into functional currencies. The foreign currency assets and liabilities with significant influence are listed below:

	<b>December 31, 2023</b>			<b>December 31, 2022</b>		
	<b>Foreign currency</b>	<b>Exchange rate</b>	<b>NTD</b>	<b>Foreign currency</b>	<b>Exchange rate</b>	<b>NTD</b>
<b>Foreign currency assets</b>						
<u>Monetary item</u>						
USD (USD : NTD)	\$ 29,834	30.705	\$ 916,063	\$ 34,727	30.71	\$1,066,480
USD (USD : CNY)	12,430	7.0827	381,663	22,913	6.9646	703,658
JPY (JPY : USD)	41,141	0.0071	8,936	160,979	0.0076	37,412
JPY (JPY : NTD)	172,409	0.2172	37,447	170,345	0.2324	39,588
JPY (JPY : CNY)	3,774	0.0502	820	85,944	0.0524	19,973
<b>Foreign currency liabilities</b>						
<u>Monetary item</u>						
USD (USD : NTD)	16,207	30.705	497,623	28,561	30.71	877,103
USD (USD : CNY)	195	7.0827	5,987	472	6.9646	14,495
JPY (JPY : NTD)	5,847	0.2172	1,270	225,553	0.2324	52,419

The Group mainly bears foreign currency exchange rate risk of the US dollar and Japanese yen. The following information is summarized and expressed in terms of the functional currency of the individual holding foreign currency. The exchange rate disclosed refers to the conversion rate of such functional currency to the expressed currency. Foreign currency exchange profit and loss (realized and unrealized) with significant impact are as follows:



Functional currency	2023		2022	
	Functional currency exchange for presentation currency	Net exchange (profit) loss	Functional currency exchange for presentation currency	Net exchange (profit) loss
NTD	1 (NTD : NTD)	(\$ 2,864)	1 (NTD : NTD)	(\$ 1,786)
CNY	4.424 (CNY : NTD)	19,767	4.435 (CNY : NTD)	61,902
HKD	3.98 (HKD : NTD)	( 114)	3.806 (HKD : NTD)	( 21)
USD	31.155 (USD : NTD)	3,112	29.805 (USD : NTD)	( 5,236)
		<u>\$ 19,901</u>		<u>\$ 54,859</u>

### 34. Disclosure of notes

- (I) Information related to major transactions:
1. Lending funds to others: Schedule I.
  2. Endorsement guarantee for others: Schedule II.
  3. Negotiable securities held at the end of the year (excluding investment in subsidiaries, related enterprises and interests in joint ventures): Schedule III.
  4. The cumulative amount of buying in or selling out the same negotiable securities reaches NT\$ 300 million or 20% or more of the paid in capital: None.
  5. The amount of real estate obtained reaches NT\$ 300 million or 20% or more of the paid in capital: None.
  6. The amount of disposal of real estate reaches NT\$ 300 million or 20% or more of the paid in capital: None.
  7. The amount of goods purchased and sold with related parties is NT\$ 100 million or more than 20% of the paid-in capital: Schedule IV.
  8. Receivables from related parties amount to NT\$ 100 million or more than 20% of the paid-in capital: Schedule V.
  9. Engaging in derivative instrument trading: Note 7.
  10. Others: Business relations, the situation of important transactions and amount between parent and subsidiary companies and between subsidiaries: Schedule VI.
- (II) Related information of reinvested business: Schedule VII.
- (III) Mainland investment information:
1. The name of the invested company in mainland China, its main business items, paid in capital, investment method, repatriation of funds, shareholding ratio, current year's profit and loss, recognized investment profit and loss, year-end investment book amount, repatriated investment profit and loss, and investment limit in mainland China: Schedule VIII.
  2. The following major transactions, prices, payment terms and unrealized profits and losses occurred directly or indirectly with invested companies in mainland China through the third region:
    - (1) Balance and percentage of the purchase amount and related payables at year-end: Schedule IV and VI.
    - (2) Balance and percentage of sales amount and related payables at year-end: Schedule IV and VI.
    - (3) Property transaction amount and the amount of profit and loss incurred: None.
    - (4) Balance at the end of the year on which the instrument is endorsed as security or provided as collateral and its purpose: Schedule II.
    - (5) Maximum balance, balance at the end of the year, interest-rate corridor and total interest in the current year of financial integration: Schedule I.
    - (6) Other transactions that have a material impact on the profit or loss or financial position of the current year, such as the provision or receipt of services: none.
- (IV) Information on major shareholders: Name, shareholding amount, and proportion of shareholders with an equity proportion of 5% or more: None.

### 35. Department information

Information provided to key operational decision makers to allocate resources and assess departmental performance focuses on each type of product or service delivered or provided. The business of the Group is focused on the manufacturing, processing and sales of camera filters and camera lenses. The departments to be reported are as follows:

1. Asia operation department-Manufacturing and sales outside Taiwan.
2. Domestic operation department-Manufacturing and sales inside Taiwan.

#### (I) Departmental revenue and operating results

The revenue and operating results of the Group are analyzed by reporting segments as follows:

	<b>Departmental revenue</b>		<b>Departmental profit and loss</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Asia	\$ 957,162	\$ 1,630,745	\$ 10,963	\$ 179,298
Taiwan	<u>1,739,823</u>	<u>1,950,733</u>	<u>51,081</u>	<u>( 51,671 )</u>
Total amount of continuing business units	<b><u>\$ 2,696,985</u></b>	<b><u>\$ 3,581,478</u></b>	62,044	127,627
Other revenue			14,456	33,492
Other profits and losses			37,420	118,914
Finance costs			( 8,429 )	( 7,269 )
Interest revenue			19,796	2,930
Head office management cost			( 203,901 )	( 234,270 )
Net profit (loss) before tax of continuing business units			<b><u>( \$ 78,614 )</u></b>	<b><u>\$ 41,424</u></b>

Departmental benefits refer to the profits earned by each department, excluding other income, other benefits and losses, financial costs, interest income, head office management costs and income tax expenses that should be apportioned. This amount of measurement is provided to key operating decision makers to allocate resources to the department and evaluate its performance.

#### (II) Departmental assets and liabilities

The Company and its subsidiaries do not provide information on reportable segment assets for the use of operating decision makers and therefore the assets measure is zero.

#### (III) Major products and service revenue

The main business of the Company and its subsidiaries is the domestic and foreign sales of various camera filters, camera lenses and special cameras, which belong to a single category of products.

#### (IV) Major customers' information

<b>Customer name</b>	<b>2023</b>		<b>2022</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Company A	\$ 695,949	26	\$ 664,736	19
Company B	385,575	14	434,848	12
Company C	(Note)		423,235	12

Note: The amount of revenue does not reach 10% of the total revenue of the Group.

**Kinko Optical Co., Ltd. And Subsidiaries**  
**Lending funds to others**  
**January 1 to December 31, 2023**

Schedule I

Unit: Thousands of NTD and foreign currency

No.	Companies lending funds	Loan recipient (Note III)	Current accounts	Related party or not	Maximum balance in the current year	End of year balance	Actual amount of expenditure	Interest- rate corridor (%)	Fund loan and nature	Business transaction amount	Reasons for the necessity of short-term accommodation of funds	Amount of provision for losses	Collateral		Loan and limit for individual object funds (Note I)	Fund loan and total limit (Note I)
													Name	Valu e		
1	HuaGuo Company	The Company	Other receivables	Yes	\$ 225,867	\$ 86,704	\$ -	-	(Note II)	\$ -	(Note II)	\$ -	—	\$ -	\$ 2,438,752 (CNY 565,545)	\$ 2,438,752 (CNY 565,545)
2	Kinko HK Company	The Company	Other receivables	Yes	12,432	11,787	-	-	(Note II)	-	(Note II)	-	—	-	2,440,724 (HKD 621,208)	2,440,724 (HKD 621,208)
3	Jinwei Company	The Company	Other receivables	Yes	363,160	343,896	282,472 (USD 9,200)	-	(Note II)	-	(Note II)	-	—	-	564,946 (USD 18,399)	564,946 (USD 18,399)

Note I: The limit and total amount of funds lent by subsidiaries to individual objects are 200% of the net value of the subsidiaries.

Note II: It refers to the transfer of accounts receivable from related parties beyond the normal credit granting deadline for a certain period to other accounts receivable. According to the "Guidelines for the Handling of Fund Loans and Endorsements and Guarantees by Public Companies" and its Q&A set, the Company has submitted a resolution to the Board of Directors to determine whether the economic behavior belongs to the nature of fund loans.

Note III: Relevant amount of the consolidated financial statement has been offset.

**Kinko Optical Co., Ltd. And Subsidiaries**  
**Endorsement guarantee for others**  
**January 1 to December 31, 2023**

Schedule II

Unit: Thousands of NTD and foreign currency

No.	Endorsemen t guarantor's company name	Endorsed guarantee object		Endorsement guarantee limit for a single enterprise (Note)	Maximum endorsement guarantee balance of the current year	Endorsement guarantee balance at the end of the year	Actual amount of expenditure	Endorsement guarantee amount guaranteed by property	Ratio of accumulated endorsement guarantee amount to the net value in the latest financial statements	Maximum limit of endorsement guarantee (Note)	Endorsement and guarantee from parent company to subsidiary company	Endorsement and guarantee from subsidiary company to parent company	Endorsement and guarantee for mainland China
		Company name	Relationship										
0	The Company	Foshan Company	HuaGuo Subsidiary company	\$ 608,482	\$ 184,230 (USD 6,000)	\$ -	\$ -	\$ -	-	\$ 1,521,206	Y	—	Y

Note: The endorsement guarantee limit for individual objects is 20% of net worth, with a maximum limit of 50% of net worth.

**Kinko Optical Co., Ltd. And Subsidiaries**  
**Status of negotiable securities held at the end of the year**  
**December 31, 2023**

Schedule III

Unit: NTD Thousands

Shareholding companies	Types and names of marketable securities	Relationship with the issuer of marketable securities	Billed items	Year-end			
				Number of shares (shares)/units	Book amount	Shareholding ratio (%)	Fair values
The Company	<u>TWSE/TPEX listed company stocks</u> Mega Company	None	Financial assets measured at fair value through other comprehensive income - current	16,808	\$ 667	-	\$ 667
	<u>TPEX listed company stocks</u> Unique Company	The Company is the corporate director of the Company	Financial assets measured at fair value through other comprehensive income - current	1,130,036	42,659	3	42,659
	<u>Corporate bonds</u> Bonds of Taiwan Semiconductor Manufacturing Company Limited	None	Financial assets measured at fair value through other comprehensive income - current	10,000	28,158	-	28,158

Note: please refer to Schedules VII and VIII for relevant information of investment subsidiaries.

**Kinko Optical Co., Ltd. And Subsidiaries**  
**Purchases (sales) with related parties amounting to at least NT\$ 100 million or 20% of the paid-in capital**  
**January 1 to December 31, 2023**

Schedule IV

Unit: NTD Thousands

Companies with purchases (sales)	Name of trading partners (Note)	Relationship	Transaction situation				Circumstances and reasons for the difference between trading conditions and common transaction		Notes and accounts receivable (payable)	
			Purchases (sales)	Amount	Ratio to total purchases (sales) (%)	Credit period	Unit price	Credit period	Balance	Ratio to total notes and accounts receivable (payable) (%)
The Company	Hu Shang Company Foshan HuaGuo Company	Subsidiary company	Sales revenue	(\$ 155,934)	( 18 )	90 days	\$ -	—	\$ -	-
		Subsidiary company	Procurement	186,509	22	180 days	-	—	( 87,414 )	( 18 )
Hu Shang Company	The Company	Parent company	Procurement	155,934	100	90 days	-	—	-	-
Foshan HuaGuo Company	The Company	Parent company	Sales revenue	( 186,509)	( 16 )	180 days	-	—	87,414	23

Note: The related amounts have been offset in the consolidated financial statements.

**Kinko Optical Co., Ltd. And Subsidiaries**  
**Accounts receivable from related parties amounting to at least NT\$ 100 million or 20% of the paid-in capital**  
**December 31, 2023**

Schedule V

Unit: NTD Thousands

Companies with accounts receivable (Note)	Name of trading partners	Relationship	Balance of accounts receivable from related parties	Turnover rate (times)	Overdue accounts receivable from related parties		Subsequent recoveries of accounts receivable from related parties	Amount of provision for losses
					Amount	Processing method		
Jinwei Company	The Company	Parent company	\$ 282,472	-	\$ -	—	\$ -	\$ -

Note: the relevant amount of the consolidated financial statement has been offset and please refer to the Schedule VI of the Consolidated Financial Report for related write-off transactions

**Kinko Optical Co., Ltd. And Subsidiaries**

**Business relations, the situation of important transactions and amount between parent and subsidiary companies and between subsidiaries**

**January 1 to December 31, 2023**

Schedule VI

Unit: NTD Thousands

No.	Name of Trader (Note I)	Object of transaction	Relationship with traders (Note II)	Circumstance of transaction			
				Subject	Amount	Trading condition	Ratio to total consolidated revenue or total assets (%)
0	The Company	Jinwei Company	1	Accounts payable	\$ 282,472	90 days	7
		Hu Shang Company	1	Sales revenue	155,934	90 days	6
		Foshan HuaGuo Company	1	Procurement	186,509	180 days	2
			1	Accounts payable	87,414	180 days	7

Note I: The related amounts have been offset in the consolidated financial statements.

Note II: 1. Parent company to subsidiary company; 2. Subsidiary to subsidiary.

**Kinko Optical Co., Ltd. And Subsidiaries**

**Information about the Investee Company, location, etc.**

**January 1 to December 31, 2023**

Schedule VII

Unit: NTD Thousands

Name of the invested company (Note I)	Name of the investee company	Location	Main business items	Original investment amount		Year-end holdings			(Loss) profit of investee company for the current year	Investment (loss) profit recognized for the current year	Remarks
				End of the current year	End of last year	Number of shares (shares)	Ratio %	Book amount			
The Company	Kinko HK Company	Hong Kong	Import and export of optical lenses	\$ 508,691	\$ 940,924	59,007,648	100	\$ 1,229,024	\$ 9,187	\$ 9,187	Subsidiary company
	Jinwei Company	Samoa	Import and export of optical lenses	3,469	3,469	100,000	100	282,473	3,749	3,749	Subsidiary company
	Hu Shang Company	Samoa	Import and export of optical lenses	3,469	3,469	100,000	100	96,239	( 4,848 )	( 4,848 )	Subsidiary company

Note I: The related amounts have been offset in the consolidated financial statements.

Note II: please refer to Schedule 8 for relevant information on mainland investee companies.

**Kinko Optical Co., Ltd. And Subsidiaries**

**Mainland investment information**

**January 1 to December 31, 2023**

Schedule VIII

Unit: Thousands of NTD and USD

Name of the Mainland investee company (Note IV)	Main business items	Paid-in capital	Investment method	Accumulated investment amount remitted from Taiwan at the beginning of the year	Investment amount remitted or recovered during the year		Accumulated investment amount remitted from Taiwan at the end of the year	(Loss) profit of investee company for the current year	Shareholding ratio of the Company's direct or indirect investments	Investment (loss) profit recognized for the current year (Note I)	Book amount of investments at year-end	Investment income remitted for the year ended
					Remitted	Recovered						
Foshan HuaGuo Company (Note II)	Manufacturing and trading of optical lenses	\$ 500,847 ( USD 15,000 )	It establishes companies through third-party investments and reinvests in mainland companies	\$ 767,112 ( USD 22,765 )	\$ -	\$ 423,203 ( USD13,404 )	\$ 343,909 ( USD 9,361 )	\$ 10,886	100%	\$ 10,886	\$ 1,219,376	\$ 475,811 ( USD 15,540 )

Accumulated investment amount remitted from Taiwan to mainland China at the end of this year	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs	Investment limit to Mainland China according to the Investment Commission of the Ministry of Economic Affairs (Note III)
\$ 343,909	\$ 517,575 ( USD 15,438 )	\$ 1,825,447

Note I: It is calculated by multiplying the financial statements reviewed by the certified accountant of the parent company in Taiwan by the shareholding ratio of the invested company.

Note II: It is a direct reinvestment of the Company through Kinko HK Company.

Note III: The limit is set according to the examination and approval principle for investment or technical cooperation in Mainland China.

Note IV: Relevant amount of the consolidated financial statement has been offset.



VII. If the Company and its affiliates had financial difficulties in the most recent year and as of the printing date of the annual report, the impact on the financial position of the Company should be stated: None.

## Chapter 7. Review and analysis of financial position and financial performance and risk issues

### I. Review and Analysis of Financial Condition and Financial Performance:

Unit: NTD thousand; %

Item \ Year	Year 2023	Year 2022	Difference	
			Amount	%
Current assets	2,274,749	2,321,052	(46,303)	(1.99)
Property, factory and equipment	1,351,486	1,515,078	(163,592)	(10.80)
Intangible assets	20,494	10,017	10,477	104.59
Other assets	462,209	732,597	(270,388)	(36.91)
Total assets	4,108,938	4,578,744	(469,806)	(10.26)
Current liabilities	978,545	815,056	163,489	20.06
Long-term interest-bearing liabilities	57,047	475,441	(418,394)	(88.00)
Other liabilities	30,934	58,179	(27,245)	(46.83)
Total liabilities	1,066,526	1,348,676	(282,150)	(20.92)
Share capital	1,743,288	1,742,286	1,002	0.06
Capital fund	906,373	955,693	(49,320)	(5.16)
Retention of surplus	616,089	669,531	(53,442)	(7.98)
Other interests	(157,582)	(137,442)	(20,140)	14.65
Non-controlling interests	0	0	0	0.00
Total shareholders' equity	3,042,412	3,230,068	(187,656)	(5.81)

Explanation:

(I) Reduce in other assets: Mainly due to the reduce in life insurance cash settlement value.

(II) Changes in current liabilities, long-term interest-bearing liabilities and total liabilities: Mainly due to the repayment of long-term loans and the reclassification of company bonds due within one year.

## II. Comparative financial performance analysis table:

Analysis of changes in the percentage of increase or decrease for the last two years

Unit: NTD thousand; %

Item	Year 2023	Year 2022	Increase (decrease) in amount	Percentage of change (%)
Net operating income	2,696,985	3,581,478	(884,493)	(24.70)
Operating costs	2,502,446	3,266,974	(764,528)	(23.40)
Operating gross profit	194,539	314,504	(119,965)	(38.14)
Realized gross operating profit	194,539	314,504	(119,965)	(38.14)
Operating expenses	336,396	421,147	(84,751)	(20.12)
Other gains and losses, net	0	0	0	0.00
Net operating loss	(141,857)	(106,643)	(35,214)	33.02
Non-operating income and expenditure	63,243	148,067	(84,824)	(57.29)
Net income (loss) before income tax of continuing business units	(78,614)	41,424	(120,038)	(289.78)
Income tax benefit (expense)	28,826	23,520	5,306	22.56
Net loss of continuing business units for the period	(49,788)	64,944	(114,732)	(176.66)
Profit (loss) of the closed unit	0	0	0	0.00
Net income (loss) for the period	(49,788)	64,944	(114,732)	(176.66)

Explanation:

1. Operating revenue and costs: This is mainly due to the overall economic downturn, and customers have reduced their purchases by conservatively reducing their inventory.
2. Operating profit: Mainly due to changes in product mix and inventory adjustments
3. Operating expenses: Mainly due to effective cost-saving measures.
4. Non-operating income and gains: Mainly due to the increase in interest on financial assets (liabilities) measured at fair value through profit or loss and lower exchange gains compared to the previous period.

## III. Cash flow review and analysis

(I) Liquidity analysis for the last two years:

Unit: %

Item \ Annual	Year 2023	Year 2022	Increase (decrease) ratio
Cash flow ratio (%)	42.99	60.70	(29.18)
Cash flow fair ratio (%)	85.63	45.75	87.17
Cash reinvestment ratio (%)	4.73	5.48	(13.69)

Analysis of changes in the percentage of increase or decrease:

1. Cash flow ratio: Decreased compared to the previous period, mainly due to reduced cash inflows from operating activities and an increase in current liabilities.
2. Cash flow adequacy ratio: Increased compared to the previous period, mainly due to increased cash inflows from operating activities in recent years.

(II) Improvement plan for lack of liquidity: None.

(III) Cash flow analysis for the coming year:

Unit: NTD thousand					
Opening cash balance	Estimated annual cash inflow (outflow) from operating activities	Estimated annual cash inflow (outflow) from investing and financing activities	Estimated cash balance (shortfall)	Remedial measures for estimated cash shortage	
				Investment plan	Financial plan
475,222	278,994	(691,966)	62,250	-	-
Explanation: 1. Operating activities: Cash inflows from the expected cycle of operating activities. 2. Investing activities: Mainly for the expected replacement of machinery and equipment or additional purchases. 3. Financing activities: Cash dividends, repayment of long-term and short-term loans and bonds payable.					

IV. Impact of recent significant capital expenditures on financial operations: There is no such item.

V. Recent investment policy, main reasons for profit or loss, improvement plan and investment plan for the coming year:

Explanation Item	Amount	Policy	Main reasons for profit or loss	Improvement plan	Other future investment plans
Huaguo (Foshan)	Profit NTD10,886 thousand	International division of labor	This was mainly due to the success of product mix adjustment and the increase in the sales ratio of higher margin infrared lenses.	None	None

Note: Huaguo Corp. (Foshan) is an indirect investment through the Company's third regional subsidiary.

The Company's investment policy is based on the principle of international division of labor and localization of customer service. The Taiwan factory focuses on the production of high-end products and innovation of new products and technologies to enhance the technological level and added value of products.

## VI. Risk management and evaluation:

(I) The impact of interest rates, exchange rate changes and inflation on the Company's profit and loss in the recent years and future measures.

1. The impact of interest rates, exchange rate changes and inflation on the Company's profit and loss and future measures to address them:

Item	Year 2023
Net interest received (paid)	11,367
Net exchange gain (loss)	19,901
Net interest income and expense as a percentage of net revenue	0.42%
Net interest income and expense as a percentage of net income before income taxes	-14.46%
Net exchange income as a percentage of net revenue	0.74%
Net exchange income as a percentage of net revenue	-25.31%

### (1) Interest rate risk

The Consolidated Company's interest rate risk arises mainly from borrowings with fixed and variable interest rates, thus giving rise to interest rate risk. The carrying amounts of the Consolidated Company's financial assets and financial liabilities exposed to interest rate risk as of the balance sheet date were as follows

	December 31, 2023	December 31, 2022
Financial liabilities with fair value interest rate risk	\$ 377,616	\$ 400,500
Financial liabilities with cash flow interest rate risk	227,517	264,357

According to the sensitivity analysis of interest rate risk, if the interest rate changes by 0.25%, the Consolidated Company's pre-tax net loss will change by NT\$569 thousand and NT\$661 thousand in 2023 and 2022, respectively.

### (2) Change in remittance rate

The Company and several subsidiaries engage in foreign currency-denominated sales and import transactions, which expose the Consolidated Company to exchange rate fluctuations. Approximately 50-55% of the Consolidated Company's sales are not denominated in the functional currency of the individual transaction group, and approximately 40-45% of the cost amounts are not denominated in the functional currency of the individual transaction group.

The Consolidated Company is primarily affected by fluctuations in the U.S. dollar and Japanese yen exchange rates.

The sensitivity analysis of the Consolidated Company includes only foreign currency monetary items outstanding and converts them to the amount that would change the pre-tax net loss at the end of the year if the exchange rate were to change by 1%. 1% is the sensitivity ratio used for reporting exchange rate risk internally to key management of the Consolidated Company and represents management's assessment of the reasonably possible range of changes in foreign currency exchange rates.

Currency types	Effect of exchange rate changes on profit or loss	
	Year 2023	Year 2022
US dollars	\$ 7,941	\$ 8,785
Japanese yen	459	446

- (3) Inflation risk: Since inflation in Taiwan is well controlled, there is no need to take specific measures for the time being.
- (4) Future measures:
- A. Measures in response to changes in interest rates
- The Company regularly evaluates bank borrowing rates and closely liaises with banks to obtain more favorable borrowing rates.
- B. Measures in response to changes in exchange rates
1. The Company maintains a good relationship with our bankers to provide timely foreign exchange information and advice, so that we can keep track of the best timing for repayment and settlement, and adjust our foreign currency holdings in a timely manner.
  2. We always pay attention to the trend of the exchange rate and take into account the change of the exchange rate when quoting foreign sales to share the exchange risk with our customers.
- (5) Risk management organization table

Important risk assessment items		Risk control direct unit (Business organizer) (The first mechanism)	Risk review and control (The second mechanism)	Board of Directors and Audit Office (The third mechanism)
I.	Interest rate, exchange rate and financial risk			Board of Directors: (Decision-making and final control of risk assessment and control)  Audit Office: (Risk inspection, evaluation, supervision, improvement tracking, reporting)
II.	High-risk, high-leverage investments, lending of funds to others, derivative transactions, financial management investments	Finance Department  Finance Department	Chairperson’s Office	
III.	R&D program	R&D Technology	General Manager’s Office, Chairperson’s Office	
IV.	Policy and legal changes	Division		
V.	Technology and industry changes	General Manager’s Office, Chairperson’s Office		
VI.	Corporate image change	Office		
VII.	Investment, Reinvestment and M&A Benefits	R&D Technology Division, Sales Division Management Department Finance Department, Chairperson’s Office		
VIII.	Expansion of factory or production	Manufacturing Department, Material	General Manager’s Office and Chairperson’s Office	
IX.	Centralized import or sale of goods	Department Materials Department, Sales Division		
X.	Movements in shareholdings of directors and substantial shareholders	Chairperson’s Office	Meeting of the Chairperson of the Board	
XI.	Changes in operating rights			
XII.	Litigation and Non-litigation Matters	Responsible Unit, Legal Office	Meeting of the General Manager	
XIII.	Information technology security matters	Information Center Management		
XIV.	Other operational matters	Department, General Manager’s Office		

- (II) The policies of engaging in high-risk, highly leveraged investments, lending of funds to others, endorsement and guarantee, and derivative transactions in the most recent year, the main reasons for profit or loss, and future measures to address them:

The Company is prudent in financial management and does not engage in high-risk, highly leveraged investments. The Company's policies and internal control procedures for loaning funds to others, endorsement and guarantee, and derivative transactions are in accordance with the Company's "Procedures for Acquisition and Disposal of Assets", "Procedures for Loaning Funds to Others", "Procedures for Endorsement and Guarantee", and "Procedures for Derivative Transactions". Currently, the Company's endorsements and guarantees are given to its subsidiaries mainly for the purpose of assisting overseas subsidiaries in their necessary operating cycles or business needs, and no losses have been incurred as a result.

- (III) Future research and development plans and estimated investment in research and development:

The following table shows the new products that KINKO OPTICAL CO., LTD plans to develop today:

2024 Annual R&D Program	Program descriptions	Estimated investment in research and development	Current progress	Estimated mass production time	Key factors affecting the success of R&D
T-Lens research and design	Develop and design lenses for applications requiring fast focusing and low power consumption	10 million	Optical / institutional design in progress.	2024Q4	1. The optical function meets the product usage requirements. 2. Need to meet the needs of environmental use.
Atomic Layer Deposition Coating Technology	Develop and design glass lenses for wide-angle applications with improved concave reflectivity	6 million (about 50 million for equipment)	Coating test in progress	2024Q3	1. The optical function shall meet the products' requirements and achieve low reflectivity and good uniformity of the coating layer. 2. Need to meet the needs of environmental use.
Development of IK05 lens technology	Develop and design lenses with impact protection	3 million	Verification testing of existing products in progress	2024Q4	1. Lens material and glass strength enhancement. 2. Design of R-value shape and thickness.
Development of Anti-fog technology	Develop and design lenses with self-defogging capability	3 million	Evaluation of anti-fog effectiveness in progress	2024Q4	1. Selection of coating materials
Development of Defog technology	Develop and design lenses with defogging capability	8 million	Verification testing of defrosting and defogging in progress	2025Q2	1. Temperature resistance design for lenses 2. Selection of PI film heaters to achieve the shortest defrosting and fog dissipation time

2024 Annual R&D Program	Program descriptions	Estimated investment in research and development	Current progress	Estimated mass production time	Key factors affecting the success of R&D
Driver Monitoring System Lens	Develop and design lenses for in-vehicle management and driving condition monitoring	6 million	The optical/mechanical design is completed and the mold-trial run is in progress.	2025Q2	The design must meet the requirements of environmental use and high quality optical specifications.
Smart display lenses	Develop and design lenses for smart display applications	6 million	Optical / institutional design in progress.	2024Q4	1. The optical function meets the product usage requirements. 2. Need to meet the needs of environmental use.
Monitoring wide-angle lens	Develop the monitoring lens with large field of view angle.	3 million	The optical/mechanical design is completed and the mold-trial run is in progress.	2024Q4	It must meet the environmental requirements and meet the optical specifications for both day and night use.
Advanced driver assistance system lens for vehicles	Develop lens for ADAS driver safety prevention and assistance systems, Parking Assist (PA), Lane Departure Warning (LDW) and Blind Spot Detection (BSD).	15 million	Optical design development in progress.	2024Q4	The ADAS lens not only meets the reliability requirements of vehicle regulations, but also has high image quality and the module manufacturer's image algorithm to enhance the accuracy of system judgment.

(IV) The impact of significant domestic and foreign policy and legal changes on the Company's financial operations in recent years and the measures taken in response:

The Company has not been subject to significant domestic or foreign policy and legal changes that have affected the Company's financial and business affairs in the recent year. Therefore, it is expected that the Company will not be materially and adversely affected by significant domestic or foreign policy and legal changes in the future.

(V) The impact of technological changes and industry changes on the Company's financial operations and the corresponding measures: No significant impact.

(VI) The impact of corporate image change on corporate crisis management and response measures:

The Company has always been operating on the principle of integrity, emphasizing corporate image and risk control, complying with laws and regulations, paying attention to corporate governance, and introducing external directors and supervisors. Up to now, nothing has happened to affect the corporate image.



(VII) Expected benefits and possible risks of the merger and acquisition, and responses to them: Not applicable.

(VIII) Expected benefits and possible risks associated with the expansion of the factory and measures to address them: None.

(IX) Risks associated with the concentration of imports or sales and measures to address them:

The Company's sales and purchases are not overly concentrated and there is no risk that they will be overly influenced by a single supplier or customer.

(X) The impact, risk and response measures on the Company of a significant transfer or change in the shareholding of directors, supervisors or substantial shareholders holding more than 10% of the shares: Not applicable.

(XI) Impact of the change in operating right on the Company, risks and response measures: Not applicable.

(XII) For litigation or non-litigation events, the Company and its directors, supervisors, general manager, persons in charge of the substance, major shareholders holding more than 10% of the shares, and affiliated companies should disclose the facts of the dispute, the amount of the subject matter, the commencement date of the litigation, the main parties involved in the litigation, and the disposition of the case as of the date of printing of the annual report: None.

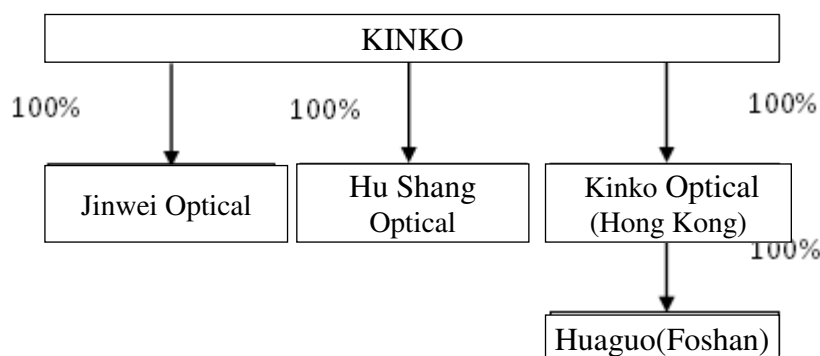
(XIII) Other important risks and responses: None.

VII. Other important matters:None.

## Chapter 8. Special Notes

### I. Information on affiliated companies:

#### (I) Organizational chart of affiliated companies (Date: 2023.3.31):



#### (II) Basic information of affiliated companies

Date of Information: March 31, 2023

Company name	Date of establishment	Address	Paid-in capital amount	Main business or production items
Kinko Optical (HK) Limited	January 1992	KOWLOON KWUN TONG CAREER AND KENSON INDUSTRIAL MANSION, 58 HUNG TO ROAD Room 68, 7th Floor	HKD59,008 thousand	Import and export of optical lenses
Jinwei Optical Industry Co., Ltd.	September 2000	OffshoreChambere,P.O. Box217.Apia,Samoa	USD100,000 (Note)	Import and export of optical lenses
Hu Shang Optical Industry Co., Ltd.	August 2001	OffshoreChambere,P.O. Box217.Apia,Samoa	USD100,000 (Note)	Import and export of optical lenses
Foshan HuaGuo Optical Co.,Ltd.	July 1992	No.3, Changhong East Road, Zhangchu Town, Foshan City, Guangdong Province	USD15,000 thousand	Manufacture, sale and purchase of optical lenses

Note: It is a 100%-owned subsidiary of the Company established in Samoa with a registered capital of US\$100 thousand.

#### (III) Shareholders' information for those presumed to be in a controlling or subordinate relationship: None.

#### (IV) The industries covered by the overall affiliates' operations: manufacturing, trading and investment.

#### (V) Information on directors, supervisors and general managers of affiliated companies

Company name	Title	Name or representative	Number of shares held	
			Shares	Shareholding ratio
Kinko Optical (HK) Limited	Director	CHEN,CHING-CHI	—	—
Jinwei Optical Industry Co., Ltd	Director	CHEN,CHING-CHI	—	—
Hu Shang Optical Industry Co., Ltd.	Director	CHEN,CHING-CHI	—	—
Foshan HuaGuo Optical Co.,Ltd.	Director	CHEN,CHING-CHI	—	—
	Director	CHEN,YI-FANG		
	Director	CHEN,CHIN-MING		
	General Manager	CHEN,CHIN-FU TSAI,MING-TSUNG		

(VI) Operating results of affiliated companies for 2023

Unit: NTD thousand

Item \ The name of the company;	Kinko Optical (HK) Limited	Jinwei Optical Industry Co., Ltd	Hu Shang Optical Industry Co., Ltd.	Foshan HuaGuo Optical Co.,Ltd.
Capital amount	508,691	3,469	3,469	500,847
Total assets	1,221,915	282,446	96,295	1,421,432
Total liabilities	1,553	(27)	56	202,056
Net value	1,220,362	282,473	96,239	1,219,376
Operating income	0	0	158,758	1,144,061
Operating income (loss)	(1,749)	0	(4,484)	(74,834)
(Loss) income for the period (after tax)	9,187	3,749	(4,848)	10,886
Earnings (loss) per share (after tax)	0.16	37.49	(48.48)	0.16

Note 1: Daily exchange rate - (1) USD=NT\$30.705 (2) HKD=NT\$3.929

Note 2: Each statement was audited by the accountant (before consolidation and elimination).

(VII) Consolidated financial statements of affiliated companies: The related information is disclosed in the consolidated financial statements of parent and subsidiary, please refer to page 164.

(VIII) Report on affiliate relationship: Not applicable.

- II. For the most recent year and as of the date of the annual report, the status of the private placement of securities should disclose the date and amount approved by the shareholders' meeting or the board of directors, the basis and reasonableness of the price, the method of selection by the specific person and the necessary reasons for the private placement, the target of the private placement, the eligibility criteria, the number of subscriptions, the relationship with the Company, the operation of the participating companies, the actual subscription (or conversion) price, the actual subscription (or conversion) price and the reference price, the impact of the private placement on shareholders' equity, the use of funds from the completion of the capital utilization plan after the payment or price is received, the progress of the plan implementation and the effectiveness of the plan: None.
- III. Holdings or dispositions of the Company's shares by subsidiaries for the most recent year and as of the date of the annual report: None.
- IV. Other necessary supplementary notes: None.
- V. For the most recent year and as of the printing date of the annual report, if there is any event that has a significant impact on shareholders' equity or the price of securities as defined in Article 36, Paragraph 2, Clause 2 of the "Guidelines Governing the Preparation of Annual Reports by Public Companies", it should be stated in each item: None.

KINKO OPTICAL CO., LTD.



Chairperson: CHEN,CHING-CHI

