

**VISUAL PHOTONICS EPITAXY CO., LTD.**  
**FINANCIAL STATEMENTS AND INDEPENDENT**  
**AUDITORS' REPORT**  
**DECEMBER 31, 2024 AND 2023**

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

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of VISUAL PHOTONICS EPITAXY CO., LTD.

### ***Opinion***

We have audited the accompanying balance sheets of Visual Photonics Epitaxy Co., Ltd. as at December 31, 2024 and 2023, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Visual Photonics Epitaxy Co., Ltd. as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparations of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

### ***Basis for opinion***

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Key audit matters***

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the 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, we do not provide a separate opinion on these matters.

Key audit matters for Visual Photonics Epitaxy Co., Ltd.'s financial statements of the current period are stated as follows:

#### **Appropriateness of cut-off of warehouse operating revenue**

##### Description

For accounting policy of revenue recognition, please refer to Note 4(22).

The types of sale are separated into direct delivery from factory and warehouse operating revenue. The warehouse operating revenue involves shipping the goods to the warehouse in the USA or others first, then customers pick-up the goods. When the control of goods is transferred, revenue is recognized. Visual Photonics Epitaxy Co., Ltd.'s revenue is recognized in accordance with statements provided by sales customers or online shipping system information.

Due to the multi-location of the warehouses and the different frequency of each custodian providing their statements, the revenue recognition procedure is complex and involves reconciliation of mutual payments. Visual Photonics Epitaxy Co., Ltd.'s daily transaction quantity is voluminous and the transaction amount around the balance sheet date is significant to the financial statements, therefore, we determined that the appropriateness of cut-off of warehouse operating revenue as one of the key audit matters for this fiscal year.

#### How our audit addressed the matter

Our key audit procedures performed in respect to the above matter included:

1. Obtained an understanding and tested the timing of sales revenue recognition procedures between Visual Photonics Epitaxy Co., Ltd. and the customers to verify the effectiveness of the internal control for warehouse operating revenue recognition.
2. Performed cut-off test on the transactions of warehouse operating revenue around the period of balance sheet date, including verifying the supporting documents of warehouse custodian, the movement of accounted inventory, and related records of cost of goods sold generated to evaluate the timing appropriateness of warehouse operating revenue recognition.
3. Performed confirmation or physical inventory count observation to confirm the inventory quantities and agreed the results to accounting records. In addition, inspected the reason for the difference between the confirmation replies or physical inventory count observation and accounting records and tested the reconciling items made by management in order to confirm whether the significant differences have been adjusted.

#### **Valuation of inventory**

##### Description

For description of accounting policy on inventory valuation, please refer to Note 4(10). For accounting estimates and assumption uncertainty in relation to inventory valuation, please refer to Note 5(2). For description of allowance for inventory valuation losses, please refer to Note 6(4).

As of December 31, 2024, Visual Photonics Epitaxy Co., Ltd.'s inventories and allowance for inventory valuation losses amounted to NT \$619,724 thousand and NT \$61,136 thousand, respectively.

Visual Photonics Epitaxy Co., Ltd.'s inventories are mainly optoelectronics semiconductor Epi wafer products. Since the industry involves rapidly changing technology and are affected by the communications industry, there is higher risk of incurring inventory valuation losses. Visual Photonics Epitaxy Co., Ltd.'s inventories are measured at the lower of cost and net realisable value, if the price change does not have the expected net realizable value, it may affect the net realizable value estimation result of the inventory evaluation.

Visual Photonics Epitaxy Co., Ltd.'s determination of net realisable value for obsolete or slow-moving inventories involves subjective judgement resulting in a high degree of estimation uncertainty. Considering the inventories and the allowance for inventory valuation losses are material to its financial statements, we determined that the estimates of the allowance for inventory valuation losses as one of the key audit matters for this fiscal year.

#### How our audit addressed the matter

Our key audit procedures performed in respect to the above matter included:

1. Assessed the reasonableness and the consistency of provision policies on allowance for inventory valuation losses and procedures based on our understanding of Visual Photonics Epitaxy Co., Ltd.'s operation and industry, including the classification of inventory for determining net realizable value.
2. Obtained an understanding of the Visual Photonics Epitaxy Co., Ltd.'s warehousing control procedures. Reviewed annual physical inventory count plan and participated in the annual inventory count event in order to assess the classification of obsolete inventory and effectiveness of obsolete inventory internal control.
3. Selected samples to check the inventory clearance and historical data of inventory discount in order to evaluate the reasonableness of allowance of inventory valuation losses.

4. Tested the appropriateness of the estimated basis that Visual Photonics Epitaxy Co., Ltd. adopted to evaluate net realizable value, selected a sample of individual inventory data like inventory selling and accuracy of purchase price, and recalculated and evaluated the reasonableness of allowance for inventory valuation losses which were determined by management.

***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 Preparations of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, 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.

### ***Auditor's 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 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 generally accepted auditing standards in 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 generally accepted auditing standards in the Republic of China, we exercise professional judgement 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 auditor's 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 auditor's 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.

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 of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Lin, Se-Kai

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Lai, Chung-Hsi

For and on behalf of PricewaterhouseCoopers, Taiwan

February 27, 2025

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

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

VISUAL PHOTONICS EPITAXY CO., LTD.  
BALANCE SHEETS  
DECEMBER 31, 2024 AND 2023  
(Expressed in thousands of New Taiwan dollars)

Assets			December 31, 2024		December 31, 2023	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 1,175,832	26	\$ 825,831	18
1170	Accounts receivable, net	6(3)	380,045	8	622,328	14
1200	Other receivables		619	-	557	-
130X	Inventories	6(4)	618,588	14	504,580	11
1410	Prepayments		108,422	2	92,126	2
11XX	Current Assets		2,283,506	50	2,045,422	45
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(2)	7,685	-	11,860	-
1600	Property, plant and equipment	6(5) and 8	2,261,730	50	2,490,113	55
1755	Right-of-use assets	6(6)	10,534	-	12,797	-
1780	Intangible assets		8,134	-	7,387	-
1840	Deferred income tax assets		7,639	-	7,627	-
1915	Prepayments for business facilities	6(5)	3,387	-	2,131	-
1920	Guarantee deposits paid		67	-	67	-
1975	Net defined benefit asset, non-current	6(10)	245	-	296	-
15XX	Non-current assets		2,299,421	50	2,532,278	55
1XXX	Total assets		\$ 4,582,927	100	\$ 4,577,700	100

(Continued)

VISUAL PHOTONICS EPITAXY CO., LTD.  
BALANCE SHEETS  
DECEMBER 31, 2024 AND 2023  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2024		December 31, 2023					
			Notes	AMOUNT	%	AMOUNT	%			
Current liabilities										
2100	Short-term borrowings	6(7)	\$	-	-	\$	100,000	2		
2130	Current contract liabilities	6(14)		9,279	-		19,671	-		
2170	Accounts payable			336,877	8		397,188	9		
2200	Other payables	6(8)		284,367	6		233,311	5		
2230	Current income tax liabilities			105,574	2		39,034	1		
2280	Current lease liabilities			3,816	-		3,755	-		
2399	Other current liabilities, others			6,787	-		6,221	-		
21XX	Current Liabilities			746,700	16		799,180	17		
Non-current liabilities										
2540	Long-term borrowings	6(9) and 8		500,000	11		700,000	16		
2570	Deferred income tax liabilities			49	-		59	-		
2580	Non-current lease liabilities			6,836	-		9,120	-		
25XX	Non-current liabilities			506,885	11		709,179	16		
2XXX	Total Liabilities			1,253,585	27		1,508,359	33		
Equity attributable to owners of parent										
	Share capital	6(11)								
3110	Ordinary shares			1,849,059	41		1,849,059	41		
	Capital surplus	6(12)								
3200	Capital surplus			16,736	-		16,736	-		
	Retained earnings	6(13)								
3310	Legal reserve			740,374	16		695,356	15		
3320	Special reserve			38,140	1		-	-		
3350	Unappropriated retained earnings			727,348	16		546,330	12		
	Other equity interest									
3400	Other equity interest		(	42,315)	(	1)	(	38,140)	(	1)
3XXX	Total equity			3,329,342	73		3,069,341	67		
Significant commitments and contingent liabilities							9			
Significant events after the balance sheet date							11			
3X2X	Total liabilities and equity		\$	4,582,927	100	\$	4,577,700	100		

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

VISUAL PHOTONICS EPITAXY CO., LTD.  
STATEMENTS OF COMPREHENSIVE INCOME  
YEARS ENDED DECEMBER 31, 2024 AND 2023

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

			Year ended December 31			
			2024		2023	
Items	Notes		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(14)		\$ 3,241,217	100	\$ 2,694,104	100
5000 Operating costs	6(4)(17)(18)		( 1,962,253)	( 61)	( 1,585,190)	( 59)
5900 Net operating margin			<u>1,278,964</u>	<u>39</u>	<u>1,108,914</u>	<u>41</u>
Operating expenses	6(17)(18)					
6100 Selling expenses			( 12,702)	-	( 10,921)	-
6200 General and administrative expenses			( 156,355)	( 5)	( 128,435)	( 5)
6300 Research and development expenses			( 388,693)	( 12)	( 427,489)	( 16)
6450 Expected credit loss	12(2)		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
6000 Total operating expenses			( 557,750)	( 17)	( 566,845)	( 21)
6900 Operating profit			<u>721,214</u>	<u>22</u>	<u>542,069</u>	<u>20</u>
Non-operating income and expenses						
7100 Interest income			24,958	1	15,576	1
7010 Other income			9,934	-	975	-
7020 Other gains and losses	6(15)		72,915	2	( 3,758)	-
7050 Finance costs	6(16)		( 11,347)	-	( 13,140)	( 1)
7000 Total non-operating income and expenses			<u>96,460</u>	<u>3</u>	<u>( 347)</u>	<u>-</u>
7900 Profit before income tax			817,674	25	541,722	20
7950 Income tax expense	6(19)		( 146,619)	( 4)	( 91,490)	( 3)
8200 Profit for the year			<u>\$ 671,055</u>	<u>21</u>	<u>\$ 450,232</u>	<u>17</u>
8311 (Losses) gains on remeasurements of defined benefit plans	6(10)		( \$ 108)	-	( \$ 71)	-
8316 Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income			( 4,175)	-	( 38,140)	( 2)
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(19)		<u>22</u>	<u>-</u>	<u>14</u>	<u>-</u>
8300 Total other comprehensive loss for the year			( \$ 4,261)	-	( \$ 38,197)	( 2)
8500 Total comprehensive income for the year			<u>\$ 666,794</u>	<u>21</u>	<u>\$ 412,035</u>	<u>15</u>
9750 Total basic earnings per share	6(20)		\$ 3.63		\$ 2.43	
9850 Total diluted earnings per share	6(20)		\$ 3.62		\$ 2.43	

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

VISUAL PHOTONICS EPITAXY CO., LTD.  
STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2024 AND 2023  
(Expressed in thousands of New Taiwan dollars)

		Capital Reserves		Retained Earnings			Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	
Notes	Share capital - common stock	Additional paid-in capital	Treasury stock transactions	Legal reserve	Special reserve	Unappropriated retained earnings		Total equity
<u>2023</u>								
Balance at January 1, 2023	\$ 1,849,059	\$ 10,229	\$ 6,507	\$ 640,926	\$ -	\$ 575,869	\$ -	\$ 3,082,590
Profit for the year	-	-	-	-	-	450,232	-	450,232
Other comprehensive loss	-	-	-	-	-	( 57 )	( 38,140 )	( 38,197 )
Total comprehensive income	-	-	-	-	-	450,175	( 38,140 )	412,035
Appropriation and distribution of retained earnings	6(13)							
Legal reserve	-	-	-	54,430	-	( 54,430 )	-	-
Cash dividends	-	-	-	-	-	( 425,284 )	-	( 425,284 )
Balance at December 31, 2023	<u>\$ 1,849,059</u>	<u>\$ 10,229</u>	<u>\$ 6,507</u>	<u>\$ 695,356</u>	<u>\$ -</u>	<u>\$ 546,330</u>	<u>( \$ 38,140 )</u>	<u>\$ 3,069,341</u>
<u>2024</u>								
Balance at January 1, 2024	\$ 1,849,059	\$ 10,229	\$ 6,507	\$ 695,356	\$ -	\$ 546,330	( \$ 38,140 )	\$ 3,069,341
Profit for the year	-	-	-	-	-	671,055	-	671,055
Other comprehensive loss	-	-	-	-	-	( 86 )	( 4,175 )	( 4,261 )
Total comprehensive income	-	-	-	-	-	670,969	( 4,175 )	666,794
Appropriation and distribution of retained earnings	6(13)							
Legal reserve	-	-	-	45,018	-	( 45,018 )	-	-
Special reserve	-	-	-	-	38,140	( 38,140 )	-	-
Cash dividends	-	-	-	-	-	( 406,793 )	-	( 406,793 )
Balance at December 31, 2024	<u>\$ 1,849,059</u>	<u>\$ 10,229</u>	<u>\$ 6,507</u>	<u>\$ 740,374</u>	<u>\$ 38,140</u>	<u>\$ 727,348</u>	<u>( \$ 42,315 )</u>	<u>\$ 3,329,342</u>

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

VISUAL PHOTONICS EPITAXY CO., LTD.  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2024 AND 2023  
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2024	2023
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 817,674	\$ 541,722
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense (including right-of-use assets)	6(5)(6)(17)	285,987	282,386
Amortization expense	6(17)	2,214	1,652
Interest expense	6(16)	11,347	13,140
Interest income	(	24,958 )	( 15,576 )
Unrealized foreign exchange (profit) loss	(	21,585 )	( 9,452 )
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		-	2,641
Accounts receivable		242,283	( 333,789 )
Other receivables	(	62 )	( 406 )
Inventories	(	114,008 )	( 17,973 )
Prepayments	(	16,296 )	( 3,796 )
Other non-current liabilities	(	57 )	( 59 )
Changes in operating liabilities			
Current contract liabilities	(	10,392 )	( 3,025 )
Accounts payable	(	60,311 )	( 221,214 )
Other payables		39,882	( 44,429 )
Other current liabilities, others		566	495
Cash inflow generated from operations		1,152,284	654,461
Interest received		24,958	15,576
Interest paid	(	11,347 )	( 13,140 )
Income taxes paid	(	80,079 )	( 84,734 )
Net cash flows from operating activities		1,085,816	572,163
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Acquisition of property, plant and equipment	6(21)	( 40,369 )	( 71,120 )
Acquisition of intangible assets	(	2,961 )	( 2,901 )
Decrease (Increase) in prepayments for business facilities	(	3,387 )	( 2,789 )
Net cash flows used in investing activities	(	46,717 )	( 71,232 )
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Decrease in short-term borrowings	6(22)	( 100,000 )	( 100,000 )
Proceeds from long-term debt	6(22)	1,900,000	2,590,000
Repayments of long-term debt	6(22)	( 2,100,000 )	( 2,480,000 )
Payments of lease liabilities	6(22)	( 3,890 )	( 3,313 )
Cash dividends paid	6(13)	( 406,793 )	( 425,284 )
Net cash flows used in financing activities	(	710,683 )	( 418,597 )
Effect of exchange rate changes on cash and cash equivalents		21,585	( 9,452 )
Net increase in cash and cash equivalents		350,001	72,882
Cash and cash equivalents at beginning of year	6(1)	825,831	752,949
Cash and cash equivalents at end of year	6(1)	\$ 1,175,832	\$ 825,831

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

VISUAL PHOTONICS EPITAXY CO., LTD.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023  
(Expressed in thousands of New Taiwan dollars)

1. History and Organization

Visual Photonics Epitaxy Co., Ltd. (the “Company”) was incorporated in November 1996. The Company is primarily engaged in research & development, manufacture and sales of optoelectronic semi-conductors epitaxy, optoelectronic components products and etc. On January 24, 2002, the Company’s common stock was officially listed on the Taiwan Stock Exchange Corporation.

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

These financial statements were authorized for issuance by the Board of Directors on February 27, 2025.

3. Application of New Standards, Amendments and Interpretations

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

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

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

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2025 are as follows:.

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 21, 'Lack of exchangeability'	January 1, 2025

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9 and IFRS 7, 'Amendments to the classification and measurement of financial instruments'	January 1, 2026
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
IFRS 18, 'Presentation and disclosure in financial statements'	January 1, 2027
IFRS 19, 'Subsidiaries without public accountability: disclosures'	January 1, 2027
Annual Improvements to IFRS Accounting Standards—Volume 11	January 1, 2026

Except for the evaluations mentioned below, the Company has assessed that the above criteria and interpretations do not have a significant impact on the Company's financial position and financial performance:

IFRS 18 "Presentation and disclosure in financial statements"

IFRS 18 "Presentation and disclosure in financial statements" replaces IAS 1, updates the structure of the statement of comprehensive income, introduces disclosures for management performance measures, and enhances the principles of aggregation and disaggregation applied in the primary financial statements and notes.

4. Summary of Material Accounting Policies

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



(1) Compliance statement

The financial statements of the Company have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC® Interpretations, and SIC® Interpretations that came into effect as endorsed and effected by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
  - (a) Financial assets at fair value through other comprehensive income.
  - (b) Defined benefit assets or liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

(3) Foreign currency translation

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

Foreign currency transactions and balances

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

- D. All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
  - (b) Assets held mainly for trading purposes;
  - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
  - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be settled within the normal operating cycle;
  - (b) Liabilities arising mainly from trading activities;
  - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
  - (d) It does not have the right at the end of the reporting period to defer settlement of the liability at least twelve months after the reporting period.

(5) Cash equivalents

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

(6) Financial assets at fair value through other comprehensive income

- A. Refers to an irrevocable choice made at the time of original recognition to present changes in the fair value of equity instrument investments not held for trading in other comprehensive profit and loss.
- B. The Company adopts transaction date accounting for financial assets measured at fair value through other comprehensive profit and loss in accordance with transaction conventions.
- C. The Company measures the fair value plus transaction costs at the time of initial recognition, and subsequently recognizes changes in the fair value of equity instruments that are measured by fair value in other comprehensive profit or loss. Accumulated gains or losses may not be subsequently reclassified to profit or loss and transferred to retained earnings. When the right to receive dividends is established, it is probable that the economic benefits associated with the dividends will flow in, and the amount of the dividends can be measured reliably, the Company recognizes dividend income in profit or loss.

(7) Accounts and notes receivable

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

(8) Impairment of financial assets

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

(9) Derecognition of financial assets

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

(10) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.

(11) Property, plant and equipment

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

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

Buildings and structures	50 ~ 60 years
Machinery and equipment	3 ~ 15 years
Office equipment	4 years
Other equipment	3 ~ 15 years

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

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:

- (a) Fixed payments, less any lease incentives receivable;
- (b) Variable lease payments that depend on an index or a rate;
- (c) Amounts expected to be payable by the lessee under residual value guarantees;
- (d) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- (e) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability;
- (b) Any lease payments made at or before the commencement date;
- (c) Any initial direct costs incurred by the lessee; and

- (d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

- D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize the difference between remeasured lease liability in profit or loss.

#### (13) Intangible assets

Intangible assets, mainly patent and computer software, are recognised at cost and amortised on a straight-line basis over their estimated useful lives of 1 ~ 7 years.

#### (14) Impairment of non-financial assets

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

#### (15) Borrowings

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

#### (16) Notes and accounts payable

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

#### (17) Derecognition of financial liabilities

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

(18) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Company recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(19) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

(20) Share capital

- A. Ordinary shares are classified as equity.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their carrying amount and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(21) Dividends

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

(22) Revenue recognition

Sales of goods

- A. The Company manufactures and sells optoelectronic semi-conductors epitaxy, component and etc. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.
- B. Sales revenue is recognised based on the price specified in the contract, net of the business tax, sales return and discounts. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. No element of financing is deemed present as the sales are made with a credit term of 30 to 90 days after control of goods are transferred, which is consistent with market practice.
- C. A receivable is recognised when the control of goods are transferred as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(23) Operating segments

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

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

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

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

None.



(2) Critical accounting estimates and assumptions

Evaluation of inventories

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

As of December 31, 2024, the carrying amount of inventories was \$618,588.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Cash on hand and revolving funds	\$ 323	\$ 323
Checking accounts and demand deposits	758,867	551,983
Time deposits	416,642	273,525
	<u>\$ 1,175,832</u>	<u>\$ 825,831</u>

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

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

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

<u>Items</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Non-current items:		
Equity instruments		
Unlisted stocks	<u>\$ 7,685</u>	<u>\$ 11,860</u>

A. The Company has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$7,685 and \$11,860 as of December 31, 2024 and 2023, respectively.

B. For the years ended December 31, 2024 and 2023, the Company recognized financial assets at fair value through other comprehensive income, the amount of comprehensive profit and loss were \$4,175 and \$38,140, respectively.

C. As of December 31, 2024 and 2023, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Company was \$7,685 and \$11,860, respectively.

D. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2), respectively.

(3) Notes and accounts receivable

Items	December 31, 2024	December 31, 2023
Accounts receivable	\$ 380,625	\$ 622,908
Less: Allowance for uncollectible accounts	( 580)	( 580)
	<u>\$ 380,045</u>	<u>\$ 622,328</u>

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

Accounts receivable	December 31, 2024	December 31, 2023
Not past due	\$ 357,096	\$ 441,595
Up to 60 days	23,416	167,609
61 to 90 days	-	13,704
91 to 180 days	113	-
181 days	-	-
	<u>\$ 380,625</u>	<u>\$ 622,908</u>

The above ageing analysis was based on past due date.

B. The Company does not hold any collateral as security.

C. As of December 31, 2024 and, 2023, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2023, the balance of receivables from contracts with customers amounted to \$291,180.

D. As of December 31, 2024 and 2023, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's accounts receivable was \$380,625 and \$622,908, respectively.

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

(4) Inventories

December 31, 2024			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 362,244	(\$ 5,928)	\$ 356,316
Work in progress	52,803	( 430)	52,373
Finished goods	264,677	( 54,778)	209,899
Total	<u>\$ 679,724</u>	<u>(\$ 61,136)</u>	<u>\$ 618,588</u>

  

December 31, 2023			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 304,344	(\$ 5,928)	\$ 298,416
Work in progress	54,743	( 430)	54,313
Finished goods	202,629	( 50,778)	151,851
Total	<u>\$ 561,716</u>	<u>(\$ 57,136)</u>	<u>\$ 504,580</u>

The cost of inventories recognised as expense for the period:

For the years ended December 31,			
	2024		2023
Cost of goods sold	\$ 1,962,437	\$	1,585,289
Revenue from scraps	( 184)	(	99)
	<u>\$ 1,962,253</u>	<u>\$</u>	<u>1,585,190</u>

(5) Property, plant and equipment

2024							
	Land	Buildings and structures	Machinery and equipment	Office equipment	Other equipment	Construction in progress and equipment under acceptance	Total
At January 1							
Cost	\$ 141,004	\$ 1,376,529	\$ 4,574,693	\$ 24,148	\$ 269,845	\$ -	\$ 6,386,219
Accumulated depreciation	-	( 880,868)	( 2,785,893)	( 21,886)	( 207,459)	-	( 3,896,106)
	<u>\$ 141,004</u>	<u>\$ 495,661</u>	<u>\$ 1,788,800</u>	<u>\$ 2,262</u>	<u>\$ 62,386</u>	<u>\$ -</u>	<u>\$ 2,490,113</u>
Opening net book amount	\$ 141,004	\$ 495,661	\$ 1,788,800	\$ 2,262	\$ 62,386	\$ -	\$ 2,490,113
Additions	-	21,823	13,827	-	3,026	12,866	51,542
Reclassifications	-	-	-	-	163	1,968	2,131
Depreciation charge	-	( 67,005)	( 200,255)	( 609)	( 14,187)	-	( 282,056)
Closing net book amount	<u>\$ 141,004</u>	<u>\$ 450,479</u>	<u>\$ 1,602,372</u>	<u>\$ 1,653</u>	<u>\$ 51,388</u>	<u>\$ 14,834</u>	<u>\$ 2,261,730</u>
At December 31							
Cost	\$ 141,004	\$ 1,398,352	\$ 4,563,874	\$ 24,148	\$ 271,963	\$ 14,834	\$ 6,414,175
Accumulated depreciation	-	( 947,873)	( 2,961,502)	( 22,495)	( 220,575)	-	( 4,152,445)
	<u>\$ 141,004</u>	<u>\$ 450,479</u>	<u>\$ 1,602,372</u>	<u>\$ 1,653</u>	<u>\$ 51,388</u>	<u>\$ 14,834</u>	<u>\$ 2,261,730</u>

2023							
	Land	Buildings and structures	Machinery and equipment	Office equipment	Other equipment	Construction in progress and equipment under acceptance	Total
At January 1							
Cost	\$ 141,004	\$ 1,367,155	\$ 4,319,210	\$ 24,068	\$ 268,090	\$ 209,726	\$ 6,329,253
Accumulated depreciation	-	( 813,136)	( 2,590,329)	( 21,372)	( 192,418)	-	( 3,617,255)
	<u>\$ 141,004</u>	<u>\$ 554,019</u>	<u>\$ 1,728,881</u>	<u>\$ 2,696</u>	<u>\$ 75,672</u>	<u>\$ 209,726</u>	<u>\$ 2,711,998</u>
Opening net book amount	\$ 141,004	\$ 554,019	\$ 1,728,881	\$ 2,696	\$ 75,672	\$ 209,726	\$ 2,711,998
Additions	-	9,241	45,746	250	1,755	-	56,992
Reclassifications	-	133	209,737	-	-	( 209,726)	144
Depreciation charge	-	( 67,732)	( 195,564)	( 684)	( 15,041)	-	( 279,021)
Closing net book amount	<u>\$ 141,004</u>	<u>\$ 495,661</u>	<u>\$ 1,788,800</u>	<u>\$ 2,262</u>	<u>\$ 62,386</u>	<u>\$ -</u>	<u>\$ 2,490,113</u>
At December 31							
Cost	\$ 141,004	\$ 1,376,529	\$ 4,574,693	\$ 24,148	\$ 269,845	\$ -	\$ 6,386,219
Accumulated depreciation	-	( 880,868)	( 2,785,893)	( 21,886)	( 207,459)	-	( 3,896,106)
	<u>\$ 141,004</u>	<u>\$ 495,661</u>	<u>\$ 1,788,800</u>	<u>\$ 2,262</u>	<u>\$ 62,386</u>	<u>\$ -</u>	<u>\$ 2,490,113</u>

- A. The significant components of buildings include main plants and its accessory equipment, which are depreciated 50~60 years and 5~15 years, respectively.
- B. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.
- C. For the requirement of production and operation, the Company has successively entered into equipment purchase contracts. As of December 31, 2024 and 2023, the amounts of partial payment for undelivered equipment were \$3,387 and \$2,131 (shown as ‘prepayments for business facilities’), respectively.

(6) Leasing arrangements — lessee

- A. The Company leases various assets including business vehicles. Rental contracts are typically made for periods of 1 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. Short-term leases with a lease term of 12 months or less comprise business vehicles and printers. On December 31, 2024 and 2023, payments of lease commitments for short-term leases amounted to \$50 and \$318, respectively.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2024	December 31, 2023
	Carrying amount	Carrying amount
Transportation equipment (Business vehicles)	<u>\$ 10,534</u>	<u>\$ 12,797</u>

	For years ended December 31,	
	2024	2023
	Depreciation charge	Depreciation charge
Transportation equipment (Business vehicles)	\$ 3,931	\$ 3,365

D. For the years ended December 31, 2024 and 2023, the additions to right-of-use assets were \$1,668 and \$6,222, respectively.

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

	For years ended December 31,	
	2024	2023
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 161	\$ 141
Expense on short-term lease contracts	50	318

F. For the years ended December 31, 2024 and 2023, the Company's total cash outflow for leases were \$4,101 and \$3,772, respectively.

(7) Short-term borrowings

Type of borrowings	December 31, 2024	December 31, 2023
Bank unsecured borrowings	\$ -	\$ 100,000
Interest rate range	0%	1.45%

The Company did not provide any collateral for the abovementioned borrowings.

(8) Other payables

	December 31, 2024	December 31, 2023
Wages, salaries and bonus payable	\$ 247,866	\$ 209,453
Payable on equipment	16,359	5,186
Others	20,142	18,672
	<u>\$ 284,367</u>	<u>\$ 233,311</u>

(9) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2024
Long-term bank borrowings				
Secured borrowings	Borrowing period is from August 10, 2022 to August 10, 2027 ; interest is repayable monthly.	1.79%	Property, plant and equipment	\$ 500,000
Less: Current portion				-
				<u>\$ 500,000</u>

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2023
Long-term bank borrowings				
Secured borrowings	Borrowing period is from August 10, 2022 to August 10, 2027 ; interest is repayable monthly.	1.68%	Property, plant and equipment	\$ 700,000
Less: Current portion				-
				<u>\$ 700,000</u>

(10) Pensions

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

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

	December 31, 2024	December 31, 2023
Present value of defined benefit obligations	(\$ 1,108)	(\$ 874)
Fair value of plan assets	<u>1,353</u>	<u>1,170</u>
Net defined benefit liability	<u>\$ 245</u>	<u>\$ 296</u>

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

	2024		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	(\$ 874)	\$ 1,170	\$ 296
Current service cost	( 17)	-	( 17)
Interest (expense) income	( 13)	18	5
	( 904)	1,188	284
Remeasurements:			
Change in financial assumptions	75	96	171
Experience adjustments	( 279)	-	( 279)
	( 204)	96	( 108)
Pension fund contribution	-	69	69
At December 31	(\$ 1,108)	\$ 1,353	\$ 245
	2023		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	(\$ 777)	\$ 1,085	\$ 308
Current service cost	( 12)	-	( 12)
Interest (expense) income	( 12)	16	4
	( 801)	1,101	300
Remeasurements:			
Change in financial assumptions	-	2	2
Experience adjustments	( 73)	-	( 73)
	( 73)	2	( 71)
Pension fund contribution	-	67	67
At December 31	(\$ 874)	\$ 1,170	\$ 296

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2024 and 2023 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	For the years ended December 31,	
	2024	2023
Discount rate	1.80%	1.50%
Future salary increases	2.75%	2.75%

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2024				
Effect on present value of defined benefit obligation	(\$ <u>58</u> )	\$ <u>62</u>	\$ <u>58</u>	(\$ <u>55</u> )
December 31, 2023				
Effect on present value of defined benefit obligation	(\$ <u>48</u> )	\$ <u>51</u>	\$ <u>48</u>	(\$ <u>46</u> )

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



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

(f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2025 amount to \$60.

(g) As of December 31, 2024, the weighted average duration of the retirement plan is 22 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	-
1-2 year(s)		-
2-5 years		-
Over 5 years		1,647
	\$	<u>1,647</u>

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

(b) The pension costs under defined contribution pension plans of the Company for years ended December 31, 2024 and 2023, were \$10,563 and \$10, 451, respectively.

#### (11) Share capital

As of December 31, 2024, the Company’s authorised capital was \$2,600,000, consisting of 260,000 thousand shares of ordinary stock (including 15,000 thousand shares reserved for employee stock options), and the paid-in capital was \$1,849,059 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected. The number of the Company’s outstanding ordinary shares was both 184,906 thousand as of December 31, 2023 and January 1, 2023.

#### (12) Capital surplus

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

(13) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve unless existing legal reserve exceeds or is equal to issued share capital. Special reserve is set aside or reversed in accordance with related laws or regulations.
- B. The Company's dividend policy is summarised below: as the Company operates in a growth stage and future expansion plans are expected in the future years, the earnings dividend policy considers fostering of competitiveness, capital needs in future years and expansion of share capital. For stable growth of earnings per share, dividends are adjusted based on performance, and cash dividends shall account for at least 10% of the total dividends distributed. The Board of Directors shall propose for dividend distribution based on capital structure and budget, and the proposals shall be resolved in shareholders' meetings.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- E. The distribution of 2023 and 2022 earnings had been resolved at the stockholders' meeting on May 30, 2024 and June 7, 2023, respectively, as follows:

	2023		2022	
	Amount	Dividends per share (in dollar)	Amount	Dividends per share (in dollar)
Legal reserve	\$ 45,018		\$ 54,430	
Special reserve	38,140		-	
Cash dividends	406,793	\$ 2.20	425,284	\$ 2.30

Information about the distribution of retained earnings of the Company as proposed by the Board of Directors and resolved at the meeting of shareholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

- F. On February 27, 2025, the Board of Directors proposed and approved the appropriation of 2024 retained earnings in cash with \$3.2 per share, total dividend was \$591,699. As of February 27, 2025, abovementioned appropriation of 2024 retained earnings has not been resolved by the shareholders in the meeting.

(14) Operating revenue

A. Disaggregation of revenue from contracts with customers

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

<u>For the year ended</u> <u>December 31, 2024</u>	<u>Taiwan</u>	<u>US</u>	<u>China</u>	<u>All other</u> <u>segments</u>	<u>Total</u>
Revenue from external customer contracts	<u>\$ 974,492</u>	<u>\$ 1,347,886</u>	<u>\$ 684,546</u>	<u>\$ 234,293</u>	<u>\$ 3,241,217</u>
<u>For the year ended</u> <u>December 31, 2023</u>	<u>Taiwan</u>	<u>US</u>	<u>China</u>	<u>All other</u> <u>segments</u>	<u>Total</u>
Revenue from external customer contracts	<u>\$ 1,060,688</u>	<u>\$ 1,055,727</u>	<u>\$ -</u>	<u>\$ 577,689</u>	<u>\$ 2,694,104</u>

B. Contract assets and liabilities

The Company has recognised the following revenue-related contract liabilities:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>	<u>January 1, 2023</u>
Advance sales receipts	<u>\$ 9,279</u>	<u>\$ 19,671</u>	<u>\$ 22,696</u>
Revenue recognised that was included in the contract liability balance at the beginning of the period:			

	<u>For years ended December 31,</u>	
	<u>2024</u>	<u>2023</u>
Advance sales receipts	<u>\$ 16,186</u>	<u>\$ 17,974</u>

(15) Other gains and losses

	<u>For years ended December 31,</u>	
	<u>2024</u>	<u>2023</u>
Net foreign exchange gains (losses)	<u>\$ 73,161</u>	<u>(\$ 3,501)</u>
Other losses	<u>(246)</u>	<u>(257)</u>
	<u>\$ 72,915</u>	<u>(\$ 3,758)</u>

(16) Finance costs

	<u>For years ended December 31,</u>	
	<u>2024</u>	<u>2023</u>
Interest expense	<u>\$ 11,186</u>	<u>\$ 12,999</u>
Other financial expense	<u>161</u>	<u>141</u>
	<u>\$ 11,347</u>	<u>\$ 13,140</u>

(17) Expenses by nature

	For years ended December 31,			
	2024		2023	
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Operating costs</u>	<u>Operating expenses</u>
Change in inventory of finished goods and work in progress	(\$ 60,107)	\$ -	\$ 26,200	\$ -
Raw materials and supplies used	1,423,786	-	947,024	-
Employee benefit expense	253,816	187,065	218,287	143,265
Depreciation charges on property, plant and equipment	132,474	149,582	93,541	185,480
Depreciation charges on right-of-use assets	-	3,931	-	3,365
Amortisation charges on intangible assets	55	2,159	36	1,616
Other expenses	212,229	215,013	300,102	233,119
Operating costs and expenses	<u>\$ 1,962,253</u>	<u>\$ 557,750</u>	<u>\$ 1,585,190</u>	<u>\$ 566,845</u>

(18) Employee benefit expense

	For years ended December 31,			
	2024		2023	
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Operating costs</u>	<u>Operating expenses</u>
Wages and salaries	\$ 214,584	\$ 136,487	\$ 180,518	\$ 104,458
Directors' remuneration	-	33,272	-	23,372
Labour and health insurance fees	17,292	7,773	17,308	7,718
Pension costs	7,416	3,159	7,437	3,022
Other personnel expenses	14,524	6,374	13,024	4,695
	<u>\$ 253,816</u>	<u>\$ 187,065</u>	<u>\$ 218,287</u>	<u>\$ 143,265</u>

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall be at least 5 ~ 15% for employees' compensation and shall not be higher than 3% for directors' remuneration.

B. For the years ended December 31, 2024 and 2023, employees' compensation was accrued at \$93,985 and \$48,695, respectively; directors' remuneration was accrued at \$28,196 and \$18,261, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation were estimated and accrued based on 10% and 8%; the directors' remuneration were estimated and accrued based on 3%, respectively of distributable profit of current year for the years ended December 31, 2024 and 2023.

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

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

(19) Income tax

A. Income tax expense

(a) Components of income tax expense:

	For years ended December 31,	
	2024	2023
Current tax:		
Current tax on profits for the period	\$ 161,234	\$ 107,669
Tax on undistributed surplus	-	1,164
Prior year income tax overestimation	( 14,615)	( 18,151)
Total current tax	<u>146,619</u>	<u>90,682</u>
Deferred tax:		
Origination and reversal of temporary differences	-	808
Income tax expense	<u>\$ 146,619</u>	<u>\$ 91,490</u>

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

	For the years ended December 31,	
	2024	2023
Remeasurement of defined benefit obligations	(\$ 22)	(\$ 14)

B. Reconciliation between income tax expense and accounting profit

	For the years ended December 31,	
	2024	2023
Tax calculated based on profit before tax and statutory tax rate	\$ 163,535	\$ 108,346
Change in assessment of realisation of deferred tax assets	(4,206)	-
Expenses disallowed by tax regulation	621	793
Temporary differences not recognised as deferred tax assets	1,284	( 662)
Prior year income tax overestimation	( 14,615)	( 18,151)
Tax on undistributed surplus earnings	-	1,164
Income tax expense	<u>\$ 146,619</u>	<u>\$ 91,490</u>

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

Year ended December 31, 2024				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
—Deferred tax assets:				
Inventory at hub				
recognised as gross profit	\$ 7,675	\$ 1,881	\$ -	\$ 9,556
Others	( 48)	( 1,869)	-	( 1,917)
Subtotal	\$ 7,627	\$ 12	\$ -	\$ 7,639
—Deferred tax liabilities:				
Book-Tax difference of pension	(\$ 59)	(\$ 12)	\$ 22	(\$ 49)
	<u>\$ 7,568</u>	<u>\$ -</u>	<u>\$ 22</u>	<u>\$ 7,590</u>
Year ended December 31, 2023				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
—Deferred tax assets:				
Inventory at hub				
recognised as gross profit	\$ 8,095	(\$ 420)	\$ -	\$ 7,675
Others	329	( 377)	-	( 48)
Subtotal	\$ 8,424	(\$ 797)	\$ -	\$ 7,627
—Deferred tax liabilities:				
Book-Tax difference of pension	(\$ 62)	(\$ 11)	\$ 14	(\$ 59)
	<u>\$ 8,362</u>	<u>(\$ 808)</u>	<u>\$ 14</u>	<u>\$ 7,568</u>

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

	December 31, 2024	December 31, 2023
Deductible temporary differences	<u>\$ 72,935</u>	<u>\$ 66,512</u>

E. The Company's income tax returns through 2022 have been assessed and approved by the Tax Authority.

(20) Earnings per share

For the year ended December 31, 2024			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 671,055	184,906	\$ 3.63
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 671,055	184,906	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	612	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 671,055	185,518	\$ 3.62
For the year ended December 31, 2023			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 450,232	184,906	\$ 2.43
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 450,232	184,906	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	449	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 450,232	185,355	\$ 2.43

(21) Supplemental cash flow information

A. Investing activities with partial cash payments

	For the years ended December 31,	
	2024	2023
Purchase of property, plant and equipment	\$ 51,542	\$ 56,992
Add: Opening balance of payable on equipment	5,186	19,314
Less: Ending balance of payable on equipment	( 16,359)	( 5,186)
Cash paid during the period	<u>\$ 40,369</u>	<u>\$ 71,120</u>

B. Investing activities with no cash flow effects

	For the years ended December 31,	
	2024	2023
Prepayments for business facilities transferred to property, plant and equipment	<u>\$ 2,131</u>	<u>\$ 144</u>

(22) Changes in liabilities from financing activities

	2024				Liabilities from financing activities-gross
	Short-term borrowings	Long-term borrowings	Lease liabilities	Dividend payable	
At January 1	\$ 100,000	\$ 700,000	\$ 12,874	\$ -	\$ 812,874
Changes in cash flow from financing activities	( 100,000)	( 200,000)	( 3,890)	( 406,793)	( 710,683)
Changes in other non-cash items	-	-	1,668	406,793	408,461
At December 31	<u>\$ -</u>	<u>\$ 500,000</u>	<u>\$ 10,652</u>	<u>\$ -</u>	<u>\$ 510,652</u>

  

	2023				Liabilities from financing activities-gross
	Short-term borrowings	Long-term borrowings	Lease liabilities	Dividend payable	
At January 1	\$ 200,000	\$ 590,000	\$ 9,965	\$ -	\$ 799,965
Changes in cash flow from financing activities	( 100,000)	110,000	( 3,313)	( 425,284)	( 418,597)
Changes in other non-cash items	-	-	6,222	425,284	431,506
At December 31	<u>\$ 100,000</u>	<u>\$ 700,000</u>	<u>\$ 12,874</u>	<u>\$ -</u>	<u>\$ 812,874</u>

7. Related Party Transactions

(1) Names of related parties and relationship

None.



(2) Significant related party transactions

None.

(3) Key management compensation

	For the years ended December 31,	
	2024	2023
Short-term employee benefits	\$ 103,828	\$ 66,453
Post-employment benefits	605	617
Total	<u>\$ 104,433</u>	<u>\$ 67,070</u>

8. Pledged Assets

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

Pledged asset	Book value		Purpose
	December 31, 2024	December 31, 2023	
Property, plant and equipment	<u>\$ 854,124</u>	<u>\$ 900,780</u>	For guarantee of borrowings facilities

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

(1) Contingencies

None.

(2) Commitments

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

	December 31, 2024	December 31, 2023
Property, plant and equipment	<u>\$ 154,269</u>	<u>\$ 13,057</u>

B. Guarantee for customs duties

The Company's guarantee for customs duties is as follows:

	December 31, 2024	December 31, 2023
	<u>\$ 10,000</u>	<u>\$ 10,000</u>

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

On February 27, 2025, the Board of Directors proposed the appropriation of 2024 earnings. For details of the appropriation, please refer to Note 6(13).

## 12. Others

### (1) Capital management

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

The gearing ratios at December 31, 2024 and 2023 were as follows:

	December 31, 2024	December 31, 2023
Total liabilities	\$ 500,000	\$ 1,508,359
Total equity	\$ 3,329,342	\$ 3,069,341
Gearing ratio	15%	33%

### (2) Financial instruments

#### A. Financial instruments by category

	December 31, 2024	December 31, 2023
<u>Financial assets</u>		
Financial assets at fair value through other comprehensive income		
Optional designation for qualifying investments in equity instruments	\$ 7,685	\$ 11,860
Financial assets at amortised cost		
Cash and cash equivalents	\$ 1,175,832	\$ 825,831
Accounts receivable	380,045	622,328
Other receivables	619	557
Guarantee deposits paid	67	67
	\$ 1,556,563	\$ 1,448,783

	December 31, 2024	December 31, 2023
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ -	\$ 100,000
Accounts payable	336,877	397,188
Other accounts payable	284,367	233,311
Long-term borrowings (including current portion)	500,000	700,000
	<u>\$ 1,121,244</u>	<u>\$ 1,430,499</u>
Lease liability	<u>\$ 10,652</u>	<u>\$ 12,875</u>

B. Financial risk management policies

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Company's businesses involve some non-functional currency operations (the Company's functional currency is NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2024		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 24,193	32.79	\$ 793,288
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 7,515	32.79	\$ 246,417

December 31, 2023			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 33,289	30.71	\$ 1,022,139
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 9,891	30.71	\$ 303,703

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

December 31, 2024			
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 7,933	\$ -
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 2,464	\$ -

December 31, 2023			
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 10,221	\$ -
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 3,037	\$ -

iii. Total exchange gain (loss), including realized and unrealised arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2024 and 2023, amounted to \$73,161 and (\$3,501), respectively.

### Price risk

- i. The Company's equity instruments exposed to price risk are financial assets held at fair value that are accounted for beyond other comprehensive losses. In order to manage the price risk of equity instrument investment, the Company diversifies its investment portfolio in accordance with the limits set by the Company.
- ii. The company mainly invests in domestic unlisted equity instruments. The price of these equity instruments will be affected by the uncertainty of the future value of the investment target. If the price of these equity instruments rises or falls by 1% and all other factors remain unchanged, other comprehensive gains and losses for the years ended December 31, 2024 and 2023 are classified as other comprehensive gains and losses through other comprehensive gains and losses. The gain or loss of the equity investment measured by the fair value of the case increases or decreases by \$77 and \$119, respectively.

### Cash flow and fair value Interest rate risk

- i. The Company's main interest rate risk arises from long-term borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. For the years ended December 31, 2024 and 2023, the Company's borrowings at variable rate were mainly denominated in New Taiwan dollars.
- ii. If the borrowing interest rate of New Taiwan dollars had increased/decreased by 1% with all other variables held constant, profit, net of tax for the years ended December 31, 2024 and 2023 would have increased/decreased by \$4,000 and \$6,400, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

### (b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. According to the historical transaction experience of the Company, the default occurs when the contract payments are past due over 180 days.

- iv. The Company adopts following assumptions under IFRS 9 to assess when the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- v. The Company classifies customers' accounts receivable in accordance with customer types. The Company applies the modified approach to estimate expected credit loss under the provision matrix basis.
- vi. The Company used the forecast ability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2024 and 2023, the provision matrix is as follows:

	Without past due	Up to 60 days	Up to 90 days	Up to 180 days	Over 181 days	Total
<u>At December 31, 2024</u>						
Expected loss rate	0.03%	0.07%	0.20%	15.00%	100.00%	
Total book value	\$ 357,096	\$ 23,416	\$ -	\$ 113	\$ -	\$ 380,625
Loss allowance	\$ 215	\$ 348	\$ -	\$ 17	\$ -	\$ 580
	Without past due	Up to 60 days	Up to 90 days	Up to 180 days	Over 181 days	Total
<u>At December 31, 2023</u>						
Expected loss rate	0.03%	0.07%	0.20%	15.00%	100.00%	
Total book value	\$ 441,595	\$ 167,609	\$ 13,704	\$ -	\$ -	\$ 622,908
Loss allowance	\$ 132	\$ 117	\$ 331	\$ -	\$ -	\$ 580

- vii. Movements in relation to the Company applying the modified approach to provide loss allowance for accounts receivable is as follows:

	2024	2023
At January 1 (At December 31)	\$ 580	\$ 580

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating units of the Company and aggregated by the Company's treasury department. The Company's treasury department monitors rolling forecast of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. The treasury department invests surplus cash in interest bearing current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.
- iii. The table below analyses the Company's non-derivate financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities

	<u>Less than 1 year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>Over 5 years</u>
December 31, 2024				
Accounts payable	\$ 336,877	\$ -	\$ -	\$ -
Other payables	284,367	-	-	-
Lease liability	3,945	3,628	3,320	-
Long-term borrowings (including current portion)	8,950	8,950	505,444	-

Non-derivative financial liabilities

	<u>Less than 1 year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>Over 5 years</u>
December 31, 2023				
Short-term borrowings	\$ 100,115	\$ -	\$ -	\$ -
Accounts payable	397,188	-	-	-
Other payables	233,311	-	-	-
Lease liability	3,908	3,374	5,948	-
Long-term borrowings (including current portion)	11,760	11,760	718,913	-

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

(3) Fair value information

- A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

- B. The carrying amounts of the financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, guarantee deposits paid, short-term borrowings, accounts payable, other payables, lease liabilities and long-term borrowings ) are approximate to their fair values.
- C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2024 and 2023 is as follows:

(a) The related information of natures of the assets and liabilities is as follows:

<u>December 31, 2024</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ <u>-</u>	\$ <u>-</u>	\$ <u>7,685</u>	\$ <u>7,685</u>
<u>December 31, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ <u>-</u>	\$ <u>-</u>	\$ <u>11,860</u>	\$ <u>11,860</u>

(b) The methods and assumptions used by the Company to measure fair value are explained as follows:

- i. When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- ii. The valuation of derivative financial instruments is based on the valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.

- D. For the years ended December 31, 2024 and 2023, there was no transfer between Level 1 and Level 2.
- E. For the years ended December 31, 2024 and 2023, there was no transfer in and out from level 3.
- F. Treasury segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.



G. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2024	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 7,685	Market comparable companies	Value multiplier and stock price volatility changes	15%	The higher the value multiplier, the higher the fair value; the higher the stock price volatility, the lower the fair value.

	Fair value at December 31, 2023	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 11,860	Market comparable companies	Value multiplier and stock price volatility changes	14%	The higher the value multiplier, the higher the fair value; the higher the stock price volatility, the lower the fair value.

H. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

		December 31, 2024					
		Recognised in profit or loss			Recognised in other comprehensive income		
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change	
Financial assets							
Equity instrument	15%	±1%	\$ -	\$ -	\$ 58	(\$ 58)	

		December 31, 2023					
		Recognised in profit or loss			Recognised in other comprehensive income		
		Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets							
Equity instrument		14%	±1%	\$ -	\$ -	\$ 38	(\$ 38)

### 13. Supplementary Disclosures

#### (1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 1.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of the Company's paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of the Company's paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of the Company's paid-in capital or more: None.
- H. Receivables from related parties reaching \$100 million or 20% of the Company's paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: None.

#### (2) Information on investees

None.

#### (3) Information on investments in Mainland China

None.

#### (4) Major shareholders information

Please refer to table 2.

#### 14. Segment Information

##### (1) General information

The Company operates business only in a single industry. The Board of Directors who allocates resources and assesses performance of the Company as a whole, has identified that the Company has only one reportable operating segment.

##### (2) Information about segment profit or loss, assets and liabilities

The Company's segment information, including segment income or loss, assets and liabilities, is consistent with that in the financial statements.

##### (3) Reconciliation for segment income (loss)

The Company operates business only in a single industry. The Chief Operating Decision-Maker, who allocates resources and assesses performance of the Company as a whole, has identified that the Company has only one reportable operating segment, therefore, no reconciliation was needed.

##### (4) Information on products and services

The Company is primarily engaged in manufacturing and sales of optoelectronic semi-conductors epitaxy and optoelectronic components products. Currently, the Company has no other significant products or services provided.

##### (5) Geographical information

Geographical information for the years ended December 31, 2024 and 2023 is as follows:

	<u>Year ended December 31, 2024</u>		<u>Year ended December 31, 2023</u>	
	<u>Revenue</u>	<u>Non-current assets</u>	<u>Revenue</u>	<u>Non-current assets</u>
Taiwan	\$ 974,492	\$ 2,283,785	\$ 1,060,688	\$ 2,512,428
US	1,347,886	-	1,055,727	-
China	684,546	-	422,337	-
Others	234,293	-	155,352	-
	<u>\$ 3,241,217</u>	<u>\$ 2,283,785</u>	<u>\$ 2,694,104</u>	<u>\$ 2,512,428</u>

##### (6) Major customer information

Major customer information of the Company for the years ended December 31, 2024 and 2023 is as follows:

<u>Year ended December 31, 2024</u>			<u>Year ended December 31, 2023</u>		
<u>Customer</u>	<u>Net Sales</u>	<u>%</u>	<u>Customer</u>	<u>Net Sales</u>	<u>%</u>
Customer C	\$ 807,330	25	Customer C	\$ 648,200	24
Customer B	546,670	17	Customer A	620,743	23
Customer E	333,145	10	Customer B	320,346	12
Customer A	302,066	9	Customer D	182,231	7

Visual Photonics Epitaxy Co., Ltd.

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2024

Table 1

Expressed in thousands of NTD  
(Except as otherwise indicated)

			As of December 31, 2024				
Securities held by	Marketable securities	General ledger account	Number of shares	Book value	Ownership (%)	Fair value	Footnote
The Company	Taisic Materials Corp.	Financial assets at fair value through other comprehensive income	500,000	7,685 thousand	1.00	7,685 thousand	Unpledged

Company Name  
Major shareholders information  
December 31, 2024

Table 2

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
2022 1st Labor pension fund fully fiduciary discretionary investment Nomura account	15,383,839	8.31%

VISUAL PHOTONICS EPITAXY CO., LTD.  
DETAILS OF CASH AND CASH EQUIVALENTS  
DECEMBER 31, 2024

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

Details table 1

Item	Summary	Amount
Cash on hand and revolving funds		\$ 323
Demand deposits and checking accounts		
TWD deposits		323,526
Foreign currency deposits	USD 13,256 thousand dollars	434,588
	JPY 3 thousand dollars	1
	HKD 178 thousand dollars	752
Time deposits		
TWD deposits		231,800
Foreign currency deposits	USD 5,638 thousand dollars	184,842
		<u>\$ 1,175,832</u>

VISUAL PHOTONICS EPITAXY CO., LTD.  
DETAILS OF ACCOUNTS RECEIVABLE  
DECEMBER 31, 2024

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

Details table 2

Customer	Amount	Note
Third parties:		
L-007	\$ 82,385	
O-022	58,474	
L-021	44,220	
O-238	31,814	
O-214 & O-114	30,360	
Others	133,372	Each item does not exceed 5% of account balance
	<u>380,625</u>	
Less: allowance for bad debts	( 580)	
	<u>\$ 380,045</u>	

VISUAL PHOTONICS EPITAXY CO., LTD.

DETAILS OF INVENTORIES

DECEMBER 31, 2024

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

Details table 3

<u>Item</u>	<u>Cost</u>	<u>Market Value</u>	<u>Note</u>
Raw materials	\$ 362,244	\$ 375,440	Replacement cost as net realizable value
Work in process	52,803	55,193	Net realizable value as market price
Finished goods	<u>264,677</u>	<u>396,316</u>	Net realizable value as market price
	679,724	<u>\$ 826,949</u>	
Less: Provision for decline in market value	( <u>61,136</u> )		
	<u>\$ 618,588</u>		



VISUAL PHOTONICS EPITAXY CO., LTD.  
DETAILS OF PROPERTY, PLANT AND EQUIPMENT  
FOR THE YEAR ENDED DECEMBER 31, 2024

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

Details table 4

Item	Opening net book amount as at January 1, 2024			Closing net book amount as at December 31, 2024		Collateral
		Addition	Deductions	Transfer		
Cost						
Land	\$ 141,004	\$ -	\$ -	\$ -	\$ 141,004	Partial guarantee for long-term loans
Bulidings and structures	1,376,529	21,823	-	-	1,398,352	Partial guarantee for long-term loans
Machinery and equipment	4,574,693	13,827	( 24,646)	-	4,563,874	Partial guarantee for long-term loans
Office equipment	24,148	-	-	-	24,148	None
Other	269,845	3,026	( 1,071)	163	271,963	None
Unfinished construction and equipment under accetpance	-	12,866	-	1,968	14,834	None
	<u>6,386,219</u>	<u>\$ 51,542</u>	<u>(\$ 25,717)</u>	<u>\$ 2,131</u>	<u>6,414,175</u>	
Accumulated depreciation						
Bulidings and structures	(\$ 880,868)	(\$ 67,005)	\$ -	\$ -	(\$ 947,873)	
Machinery and equipment	( 2,785,893)	( 200,255)	24,646	-	( 2,961,502)	
Office equipment	( 21,886)	( 609)	-	-	( 22,495)	
Other	( 207,459)	( 14,187)	1,071	-	( 220,575)	
	<u>( 3,896,106)</u>	<u>(\$ 282,056)</u>	<u>\$ 25,717</u>	<u>\$ -</u>	<u>( 4,152,445)</u>	
	<u>\$ 2,490,113</u>				<u>\$ 2,261,730</u>	

VISUAL PHOTONICS EPITAXY CO., LTD.  
DETAILS OF ACCOUNTS PAYABLE  
DECEMBER 31, 2024

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

Details table 6

Suppliers	Amount	Note
PW001	\$ 130,205	
PW005	74,839	
PG004	42,907	
PW004	25,224	
Others	63,702	Each item does not exceed 5% of account balance
	<u>\$ 336,877</u>	

VISUAL PHOTONICS EPITAXY CO., LTD.

DETAILS OF LONG-TERM LOANS

DECEMBER 31, 2024

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

Details table 7

<u>Creditor</u>	<u>Description</u>	<u>Amount</u>	<u>Term of Contract</u>	<u>Rat(%)</u>	<u>Collateral</u>	<u>Footnote</u>
Bank of Taiwan	Guaranteed loan	\$ 100,000	2022.08.10~2027.08.10	1.7900%	Land, Building and Machinery	None
"	"	100,000	"	"	"	"
"	"	100,000	"	"	"	"
"	"	100,000	"	"	"	"
"	"	100,000	"	"	"	"
		<u>\$ 500,000</u>				

VISUAL PHOTONICS EPITAXY CO., LTD.  
DETAILS OF OPERATING REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2024

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

Details table 8

<u>Item</u>	<u>Quantity</u>	<u>Amount</u>	<u>Note</u>
Operating revenue			
Compound semiconductor wafer			
product and other items	375,054 (pcs)	\$ 3,262,811	
Less: Sales returns		( 3,789)	
Less: Sales discounts		( 17,805)	
		<u>\$ 3,241,217</u>	

VISUAL PHOTONICS EPITAXY CO., LTD.  
DETAILS OF OPERATING COST  
FOR THE YEAR ENDED DECEMBER 31, 2024  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Details table 9

Items	Amount	Note
Opening raw materials	\$ 304,344	
Add: Current purchases	1,600,005	
Raw materials returned during the year	3	
Less: Closing raw materials	( 362,244)	
Cost of sales of raw materials	( 11)	
Transfer expenses	( 117,835)	
Current used raw materials	1,424,262	
Direct labour	35,009	
Production overheads	577,991	
Production costs	2,037,262	
Add: Opening work in progress	54,743	
Less: Closing work in progress	( 52,803)	
Cost of finished goods	2,039,202	
Add: Opening finished goods	202,629	
Less: Closing finished goods	( 264,677)	
Transfer expenses	( 14,252)	
Current cost of manufacture and sales	1,962,902	
Add: Cost of sales of raw materials	11	
Revenue from scraps	( 184)	
Cost of goods sold	1,962,729	
Loss on decline in market value	( 476)	
Current operating costs	<u>\$ 1,962,253</u>	

VISUAL PHOTONICS EPITAXY CO., LTD.  
DETAILS OF MANUFACTURING OVERHEAD  
FOR THE YEAR ENDED DECEMBER 31, 2024

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

Details table 10

Item	Summary	Amount	Note
Wages and salaries		\$ 214,584	
Depreciation expense		132,474	
Repair and maintenance expense		70,625	
Utility fee		76,460	
Other expenses		83,848	Each item does not exceed 5% of account balance
		<u>\$ 577,991</u>	

VISUAL PHOTONICS EPITAXY CO., LTD.  
DETAILS OF SELLING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2024

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

Details table 11

Item	Summary	Amount	Note
Import/export expense		\$ 5,777	
Wages and salaries		4,702	
Other expenses		2,223	Each item does not exceed 5% of account balance
		<u>\$ 12,702</u>	

VISUAL PHOTONICS EPITAXY CO., LTD.  
DETAILS OF ADMINISTRATIVE EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2024

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

Details table 12

Item	Summary	Amount	Note
Wages and salaries		\$ 110,051	
Professional service fees		6,209	
Insurance fees		6,617	
Other expenses		33,478	Each item does not exceed 5% of account balance
		<u>\$ 156,355</u>	



VISUAL PHOTONICS EPITAXY CO., LTD.  
DETAILS OF RESEARCH AND DEVELOPMENT EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2024

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

Details table 13

Item	Summary	Amount	Note
Depreciation expense		\$ 148,664	
R&D materials		105,392	
Wage and salaries		55,005	
Repair and maintenance expense		28,541	
Consumables		19,833	
Other expenses		31,258	Each item does not exceed 5% of account balance
		<u>\$ 388,693</u>	

VISUAL PHOTONICS EPITAXY CO., LTD.  
CURRENT EMPLOYEE BENEFITS, DEPRECIATION, AND AMORTISATION EXPENSES SUMMARIZED BY FUNCTION  
FOR THE YEAR ENDED DECEMBER 31, 2024

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

Detail table 14

By nature \ By function	Year ended December 31, 2024			Year ended December 31, 2023		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee Benefit Expense						
Wages and salaries	\$ 214,584	\$ 136,487	\$ 351,071	\$ 180,518	\$ 104,458	\$ 284,976
Labour and health insurance fees	17,292	7,773	25,065	17,308	7,718	25,026
Pension expense	7,416	3,159	10,575	7,437	3,022	10,459
Directors' remuneration	-	33,272	33,272	-	23,372	23,372
Other employee benefit expense	14,524	6,374	20,898	13,024	4,695	17,719
Depreciation charges on property, plant and equipment	\$ 132,474	\$ 149,582	\$ 282,056	\$ 93,541	\$ 185,480	\$ 279,021
Amortisation	\$ 55	\$ 2,159	\$ 2,214	\$ 36	\$ 1,616	\$ 1,652
Depreciation charges on right-of-use	\$ -	\$ 3,931	\$ 3,931	\$ -	\$ 3,365	\$ 3,365

VISUAL PHOTONICS EPITAXY CO., LTD.  
CURRENT EMPLOYEE BENEFITS, DEPRECIATION, AND AMORTISATION EXPENSES SUMMARIZED BY FUNCTION (Cont.)  
FOR THE YEAR ENDED DECEMBER 31, 2024  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Detail table 14

Note:

1. As at December 31, 2024 and 2023, the Company had 307 and 308 employees, both including 9 non-employee directors, respectively.
2. A company whose stock is listed for trading on the stock exchange or over-the-counter securities exchange shall additionally disclose the following information :
  - (1) Average employee benefit expense in current year \$ 1,368.  
Average employee benefit expense in previous year \$ 1,131.
  - (2) Average employees salaries in current year \$ 1,178.  
Average employees salaries in previous year \$ 953.
  - (3) Adjustments of average employees salaries 23.61%
  - (4) The Company established an audit committee, therefore there was no remuneration paid to supervisors.
  - (5) The Company has policies, such as 'Regulation of employees' performance assessment' and 'Salary, proceeds waiting for deduction, working process of salary' as the compliance basis of reasonable salary and remuneration policy, to implement certain and effective awards and penalties. The significant salary and remuneration policies are reviewed by the salary and remuneration committee which is composed of independent directors. Employees' performance is combined with the corporate social responsibility policy through the performance assessment process which is participated in by everyone in the Company and the employees' performance assessment rating which is performed every half year. The Company's Articles of Incorporation also requires that 5%~15% of the current year's profit will be for employees' bonus and compensation and 3% will be for directors' employees' remuneration.