

VIZIONFOCUS INC.

2023 Annual Report

Date of publication: April 10, 2024

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any between the English and Chinese versions, the Chinese version shall prevail.

One. Names, titles, contact numbers and emails of the Company's spokesperson and acting spokesperson:

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Name of CPAs: Yu-Hsiang Liu, Chao-Chun Wang

Accounting firm: Deloitte Taiwan

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Five. Names of the trading venues for overseas listed securities and methods for accessing information on these securities: None.

Six. Company website: <https://www.vizionfocus.com>

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One. Report to Shareholders

Good morning/afternoon, dear Shareholders! Since its establishment in 2012, VIZIONFOCUS has always been committed to the research and development, manufacturing and sale of soft disposable contact lenses, and has successfully expanded to Japan, China, the United States, Taiwan, and other regions. We have even taken the lead in the Chinese market to establish production, sales and service bases to cater to the contact lens market with the greatest potential in Asia. In addition, we are deeply rooted in the Japanese market. Through an active market strategy and high-quality products, we have achieved good market share.

After nearly 12 years of development in the industry, VIZIONFOCUS was approved for listing on the Taiwan Stock Exchange in December 2023 and listed on March 18, 2024. Thank you all for your trust and support. To address the complex business environment, we have divided our future business strategy into five key parts to ensure the company's continued development:

- **Market and Trend Insights:** As a latecomer in the industry, we keep a close watch on market trends, learn from benchmarks, and challenge the existing market frameworks, aiming to gain a competitive edge and become a market leader. This enables us to swiftly adjust our strategies, launch new products that meet market and customer needs, and ensure continued competitive advantage in the industry. At the same time, we are actively expanding our market to explore new business opportunities and markets.
- **Innovation from Zero to One:** We continuously conduct R&D to innovate new products from the ground up, including refining material platforms and designing new functional contact lenses. This ensures we maintain unique differentiation in the market to attract more customers.
- **Expansion from One to Infinity:** We continuously optimize process automation and intelligent AI manufacturing to improve product quality and reduce production costs. Even with rapid expansion in production scale and increasing product portfolio complexity, we can still achieve excellent factory management efficiency.
- **Organizational Development and Sustainable ESG Management:** We firmly believe that human talent is the most critical resource for a company. We are committed to respecting environmental, social, and governance (ESG) principles in our operations to ensure sustainable development. In the process of organizational development, we not only strive to complete organizational succession planning and recruit top industry talent, but also continue to invest in talent development, building a highly efficient and innovative team. We emphasize our commitment to the environment, society, and corporate governance to ensure our company continues to create value for shareholders, employees, and society in the long run.

- **Solid infrastructure and resource management:** We manage our resources prudently and ensure that there are sufficient funds to support our development plans. This includes continuous investment in (1) technology R&D, (2) equipment optimization, (3) production efficiency improvement, (4) talent cultivation and retention, and (5) effective use of funds to ensure the stable development of the Company's infrastructure.

VIZIONFOCUS continues to launch new products to stimulate market demand, and at the same time uses its bases in China to supply and serve customers nearby. These actions have enabled the Company to achieve economies of scale. In addition, VIZIONFOCUS provides (1) excellent product quality, (2) stable production capacity, (3) fast supply, (4) competitive prices, and (5) professional services to customers, which together contributed to the Company's record-high revenue and profit in 2023. The Company's 2023 consolidated operating revenue was NTD2.57 billion, showing a YoY growth of 40%; the consolidated operating profit was NTD832 million, with a YoY growth of 127%; and the consolidated net profit after tax was NTD656 million, growing by 107% YoY. The Company's business performance in 2023 and the business plan for 2024 are reported as follows:

I. Consolidated Business Results in 2023:

(I) Business plan implementation outcomes:

(Consolidated)

Unit: NTD Thousand

Item	2023		2022		Difference	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Operating revenue	2,572,202	100%	1,834,321	100%	737,881	40%
Gross operating profit	1,025,339	40%	697,428	38%	327,911	47%
Gross operating margin	40%	-	38%	-	2%	-
Operating profit	832,016	32%	366,086	20%	465,930	127%
Net income before tax	834,502	32%	381,571	21%	452,931	119%
Net profit after tax	655,730	25%	316,650	17%	339,080	107%

The Company's consolidated revenue reached a record high in 2023, mainly due to the growth of the ODM business in China and Japan. The improvement of capacity utilization rate and production efficiency was also reflected in the gross profit margin and current net profit.

(II) Budget implementation: The Company did not publish a financial forecast in 2023.

(III) Analysis of financial structure, solvency and profitability:

(Consolidated)

Item	2023	2022	Difference
Financial structure			
Debt to asset ratio	53%	37%	16%
Long-term fund to property, plant and equipment ratio	150%	205%	(55%)
Net worth per share (NTD)	34.07	31.50	2.57
Solvency			
Current ratio	184%	287%	(103%)
Quick ratio	150%	244%	(94%)
Profitability			
Return on assets	17%	11%	6%
Return on equity	32%	17%	15%
Net profit margin	25%	17%	8%
Earnings per share (NTD)	10.77	6.02	4.75

(IV) Research and development status:

VIZIONFOCUS has been deeply involved in the field of soft contact lenses for many years, and our core technologies lie in optical design, materials, processes, and technological development for equipment automation and intelligentization. We continue to develop differentiated, functional products by making preemptive efforts to obtain product licenses in various countries. We expect to introduce new products to differentiate ourselves from competitors in price competition. In 2024, VIZIONFOCUS expects to launch cosmetic lenses suitable for toric in the Japanese market, release hydrogel lenses containing B12, menthol, and other moisturizing materials in the Chinese market, and introduce the second generation of our blue light blocking lenses in the Taiwanese market. These new products are expected to drive up our revenue in 2024. In 2025, the Company will launch silicone hydrogel lenses in China, Japan, and the United States successively to maintain and grow the Company's operational momentum.

The Company has continued to invest R&D resources in new product development and technology improvement. Our development of toric lenses, multifocal lenses, and myopia control lenses has reached a maturity stage where the products have a cost advantage. These products will become new drivers for future operational growth.

II. Overview of the 2024 Business Plan:

(I) Business policy:

Since our establishment, we have adhered to the vision of becoming an international

contact lens company and providing customers with complete contact lens solutions.

1. Vision: To become an international contact lens company.
2. Business philosophy: Excellent management, professional design, and advanced manufacturing to provide services for international customers.
3. Quality policy: Compliance with laws and regulations, systematic management, and full participation.

(II) Important production and sales policies:

1. Manufacturing: The Company manufactures various types of soft disposable contact lenses as an ODM, and continues to improve automated intelligent production processes and automated testing technology. We gradually reduce the degree of contact between operators and lenses during production in order to improve production efficiency and product quality.
2. Sales: By providing high-quality ODM products, jointly developing new products with brand customers, collaboratively designing lens patterns, and creating topical packaging concepts, we can deepen the added value of the Company to customers and seek a win-win situation with them.

III. Future Outlook:

Looking forward to 2024, the growth momentum of the contact lens market differs by regions. In mature markets such as Japan and the United States, the Company will promote growth through the introduction of new functional products. In contrast, the tightening of China's economic conditions has made consumers more concerned about the cost performance ratio of products, and accelerated the rise of China's local brands to replace imported brands. The Company gives full play to the advantage of near supply and actively collaborates with local Chinese brands to launch products that are more in line with local needs, achieving a win-win situation and enabling the Company to occupy a favorable position in this wave of local brand development.

IV. Impacts from the external competitive environment, regulatory environment and overall business environment:

The global contact lens market was valued at USD9.77 billion in fiscal year 2023, and is expected to reach USD13.57 billion by fiscal year 2029, with a compound annual growth rate of 5.62%. Factors driving demand growth in the coming years include the increasing aging population, heightened consumer awareness of contact lens usage, expanded applications of contact lenses, emphasis on aesthetic appearance, and the popularity of colored cosmetic lenses driven by the fashion industry.¹

The top four international brands hold over 90% market share of the contact lens market,

¹ Contact Lenses Market - Global Outlook & Forecast 2024-2029, Oct 2023, Arizton Advisory & Intelligence

indicative of an oligopolistic market. However, in the Asian market with a high proportion of colored cosmetic lenses, the low penetration rate among users in the Chinese market, coupled with low brand loyalty towards international top four brands and Japanese products, has led to the rapid rise of domestic Chinese brands. Given that only a few domestic manufacturers in China possess the capability to produce quality contact lenses, most brand operators rely on Taiwanese manufacturers for OEM, providing these manufacturers with significant growth potential.

The Company is mainly engaged in ODM activities, and both our products and quality management system comply with the requirements of domestic and international regulations. The Company has also successively obtained or assisted customers in obtaining the certifications required for the local sale of products. Despite intensified external competition, the Company continues to expand market share with new product development capabilities and the provision of high-quality products and services. In addition, to seize market opportunities, we set up a subsidiary in Danyang, China, to provide local brand customers with high-quality local ODM services. This can not only meet the needs of customers and end consumers, but also save customers in Mainland China cross-strait logistics costs and shorten pick-up time, attracting customers to place orders. The diversified products and ODM capabilities provided by the Company and subsidiaries can meet the needs of customers in terms of brand differentiation and marketing planning, facilitating growth with customers.

With the advantages of real-time localized supply with factories on both sides of the strait and the unremitting efforts of employees, VIZIONFOCUS's revenue and profit in 2023 reached a record high. We expect that the Company's revenue and profit will continue to grow in 2024. After listing, we must still bear in mind that starting a business is difficult, and maintaining a business is also not easy. We will manage our business with the utmost diligence and a cautious attitude. Once again, we would like to thank our shareholders for their long-term support and trust in the Company. All employees of the Company will continue to work hard to create reasonable returns for the shareholders.

Best wishes to all shareholders

Good health, all the best, and stay safe with your family!

VIZIONFOCUS INC.

Chairman: Hsiu-Chuan Huang

President: An Shih

Two. Company Profile

I. Date of establishment

May 10, 2012.

II. Company history

Fiscal Year	Major Events
2012	<ul style="list-style-type: none"> ➤ The Company was approved for incorporation on May 10. ➤ The company conducted a cash capital increase, with the paid-in capital increasing to NTD186,280 thousand after the capital increase. ➤ The first ultra-precision machining tool and the first production line were installed at Zhunan Plant I. ➤ The company obtained ISO 13485 certification for its quality system. ➤ Our company obtained the “Manufacturing Pharmaceutical Merchant License.” ➤ Our company obtained the “Retail Pharmaceutical Merchant License.” ➤ Introduction of the Company’s ERP system.
2013	<ul style="list-style-type: none"> ➤ The Company made a cash capital increase with the paid-in capital amounting to NTD285,280 thousand. ➤ Our products obtained the “EU CE” product certification for 38% water content hydrogel cosmetic and clear contact lenses, as well as soft silicone hydrogel cosmetic and clear contact lenses. ➤ The Company’s Zhunan Plant I obtained the “Outstanding Manufacturing Practice Certificate for Medical Devices” (GMP certificate) from the Ministry of Health and Welfare. ➤ We have acquired the “Ministry of Health and Welfare Medical Device Permit” for 38% water content hydrogel cosmetic and clear contact lenses, and soft silicone hydrogel anti-UV clear contact lenses. ➤ The Company obtained the “Foreign Manufacturer of Medical Devices Certificate” from the Ministry of Health and Welfare, Japan. ➤ The subsidiaries, Green Wealth Investments Limited and Clear Precise Investments Limited, were established.
2014	<ul style="list-style-type: none"> ➤ Our company’s 38% water content soft hydrogel colored contact lenses using sandwich technology were first shipped to Japan.
2015	<ul style="list-style-type: none"> ➤ After offsetting losses with a capital reduction of NTD154,623 thousand, our company further carried out a cash capital increase of NTD143,000 thousand, bringing the paid-in capital to NTD273,657 thousand. ➤ The second production line of the Company’s Zhunan Plant I was installed.

Fiscal Year	Major Events
	<ul style="list-style-type: none"> ➤ Our company obtained the ‘Ministry of Health and Welfare Medical Device License’ for 38% water content soft hydrogel anti-UV cosmetic and clear contact lenses, as well as soft lenses for far-sightedness, astigmatism, and multifocal clear contact lenses. ➤ Our company obtained the ‘Medical Device Registration Certificate of the People’s Republic of China’ for our soft hydrogel transparent contact lenses with a 38% water content. ➤ Introduction of the Company’s production management system (MES).
2016	<ul style="list-style-type: none"> ➤ The company’s 38% water content soft hydrogel UV-blocking colored contact lenses commenced initial mass shipments to Japan. ➤ Our company obtained a patent in the Republic of China for a ‘Manufacturing Method for a Silicone Hydrogel Used in Ophthalmic Objects’. ➤ Introduction of the Company’s Automated Schedule System (APS). ➤ Introduction of the Company’s Human Resource Integration System (HRMS). ➤ Our company initially invested in our Mainland China subsidiary, “Danyang Vizionfocus Inc.” (referred to as Jiangsu Vizionfocus), which, after an increase in capital, has a registered capital amount of 8,000 thousand RMB. ➤ Our subsidiary in Mainland China, Jiangsu Vizionfocus, completed the construction and installation of the first production line at the Zhongrun factory area and started applying for production licenses and product certifications.
2017	<ul style="list-style-type: none"> ➤ The Company made a cash capital increase, and the paid-in capital was NTD366,177 thousand after the capital increase. ➤ The third production line of Zhunan Plant I was installed and put into mass production. ➤ Our company obtained the ‘Ministry of Health and Welfare Medical Device License’ for 55% water content soft hydrogel anti-UV cosmetic and clear contact lenses. ➤ The company’s 55% water content soft hydrogel anti-UV transparent contact lenses were first shipped to Japan. ➤ The Company obtained the US patent and the Chinese patent for the “silicone-containing water gel contact lens and the production method of silicon-containing water gel.” ➤ The company obtained a patent in the Republic of China for “Colored Contact Lenses and Manufacturing Method” (sandwich colored lenses).

Fiscal Year	Major Events
	<ul style="list-style-type: none"> ➤ Our subsidiary in Mainland China, Jiangsu Vizionfocus Inc., conducted a cash capital increase of RMB 8,500 thousand, bringing the registered capital to RMB 16,500 thousand.
2018	<ul style="list-style-type: none"> ➤ The fourth production line of Zhunan Plant I was installed and put into mass production. ➤ Our Zhunan Plant I introduced an automated optical inspection system (AOI) into the manufacturing process. ➤ The company’s 55% water content soft hydrogel anti-UV colored contact lenses were first shipped to Japan. ➤ Our company obtained the “People’s Republic of China Medical Device Registration Certificate” for 38% water content soft hydrogel cosmetic monthly disposable contact lenses. ➤ Our company obtained an “FDA” product license in the United States for soft hydrogel contact lenses with 55% water content and UV protection, including options for myopia, hyperopia, astigmatism, multifocal, and toric multifocal lenses. ➤ The company obtained a Taiwan patent for “Silicone Hydrogel Contact Lenses and Silicone Hydrogel Manufacturing Method.” ➤ Our subsidiary in Mainland China, Jiangsu Vizionfocus Inc., conducted a cash capital increase of RMB 31,200 thousand, bringing the registered capital to RMB 47,700 thousand.
2019	<ul style="list-style-type: none"> ➤ The company conducted a cash capital increase, with the paid-in capital increasing to NTD487,387 thousand after the capital increase. ➤ Our Zhunan Plant I completed the installation and has commenced mass production on the fifth and sixth production lines. ➤ Our company also acquired the ‘European Union CE’ product certification for soft hydrogel anti-UV colored and transparent contact lenses with a 55% water content. ➤ Our company obtained the “People’s Republic of China Medical Device Registration Certificate” (daily disposable soft hydrogel colored contact lenses with 38% water content). ➤ We obtained the “US FDA” product license for 55% water content silicone hydrogel sports contact lenses, which include options for myopia, hyperopia, astigmatism, and multifocal functions. ➤ The company obtained a Chinese patent for “A Manufacturing Method for Silicone Hydrogel Used in Ophthalmic Objects.” ➤ The Company was approved by the Ministry of Economic Affairs for the “Action Plan for Welcoming Taiwanese Investors Returning to

Fiscal Year	Major Events
	<p>Taiwan.”</p> <ul style="list-style-type: none"> ➤ The subsidiary in Mainland China “Danyang Vizionfocus Inc.” was renamed “Jiangsu Vizionfocus Inc.” ➤ Our subsidiary in Mainland China, Jiangsu Vizionfocus, obtained production permission and the ‘People’s Republic of China Medical Device Registration Certificate’ for 38% water content soft hydrogel cosmetic contact lenses and started taking and shipping orders. ➤ Our subsidiary in Mainland China, Jiangsu Vizionfocus Inc., conducted a cash capital increase of RMB 52,500 thousand, bringing the registered capital to RMB 100,200 thousand.
2020	<ul style="list-style-type: none"> ➤ Construction of the Company’s Zhunan Plant No. 2 was completed. ➤ Installation of the first and second production lines at our Zhunan Plant II. ➤ The company obtained the “Medical Device Permit” from the Ministry of Health and Welfare for 55% water content soft hydrogel UV-blocking blue light blocking colored and clear contact lenses, as well as 57% water content soft silicone hydrogel UV-blocking clear contact lenses (including myopia, astigmatism, and multifocal functions). ➤ Our company’s soft hydrogel contact lenses with a 55% water content, anti-UV and blue light blocking features, both colored and clear, were shipped to Japan for the first time. ➤ Our company’s Zhunan second plant obtained the ‘Good Manufacturing Practice Certificate’ (GMP Certificate) from the Ministry of Health and Welfare. ➤ Our ‘Functional Contact Lenses and Dyeing Methods for Functional Contact Lenses’ (sports lenses) obtained a patent in the Republic of China. ➤ Jiangsu Vizionfocus Inc., a subsidiary in Mainland China, obtained the “People’s Republic of China Medical Device Registration Certificate” for 55% water content soft hydrogel anti-UV cosmetic contact lenses and began accepting and shipping orders. ➤ Our subsidiary in Mainland China, Jiangsu Vizionfocus, completed the construction of the new Heyang factory and the installation of the second production line, and began applying for production permits for the Heyang factory. ➤ The third production line installation at Jiangsu Vizionfocus Inc.’s Heyang Factory One was completed, and following the relocation of

Fiscal Year	Major Events
	the first production line from the Zhongrun Factory to Heyang Factory One, production at the Zhongrun Factory ceased.
2021	<ul style="list-style-type: none"> ➤ Installation of the third and fourth production lines at our Zhunan Plant II. ➤ Our company obtained the “People’s Republic of China Medical Device Registration Certificate” (55% water content soft hydrogel anti-UV cosmetic contact lenses). ➤ The company obtained a patent in China for “Colored Contact Lenses and Manufacturing Method” (sandwich colored lenses). ➤ Our company obtained the ‘Medical Device License’ from the Ministry of Health and Welfare (Legacy sport-tinted contact lens license). ➤ Our company’s 55% water content soft hydrogel UV-protective functional sports-type contact lenses were first shipped to the United States. ➤ On August 6, 2021, the company was approved for public offering by the Taiwan Stock Exchange. ➤ Our company conducted a cash capital increase of NTD2,000 thousand, resulting in a total paid-in capital of NTD520,077 thousand after the increase. ➤ On October 25, 2021, our company’s over-the-counter stock was approved for registration by the Taipei Exchange, Taiwan. ➤ The Mainland China subsidiary, Jiangsu Vizionfocus Inc., obtained the “People’s Republic of China Medical Device Registration Certificate” for 55% water content soft hydrogel anti-UV clear contact lenses and has begun accepting and shipping orders. ➤ Installation of the fourth to sixth production lines was completed at the Jiangsu Vizionfocus Heyang Plant I in Mainland China.
2022	<ul style="list-style-type: none"> ➤ The company obtained a patent for “A Manufacturing Method for Contact Lenses” (silicone hydrogel) in the Republic of China. ➤ The Company obtained the “People’s Republic of China Medical Device Registration Certificate” for 55% water content soft hydrogel anti-UV clear contact lenses and began accepting and shipping orders. ➤ Our subsidiary in Mainland China, Jiangsu Vizionfocus Inc., conducted a cash capital increase of RMB 60,000 thousand, bringing the registered capital to RMB 160,200 thousand. ➤ Installation of the seventh and eighth production lines completed at the Jiangsu Vizionfocus Heyang Plant I in Mainland China. ➤ Installation completed for the fifth production line at our Zhunan Plant

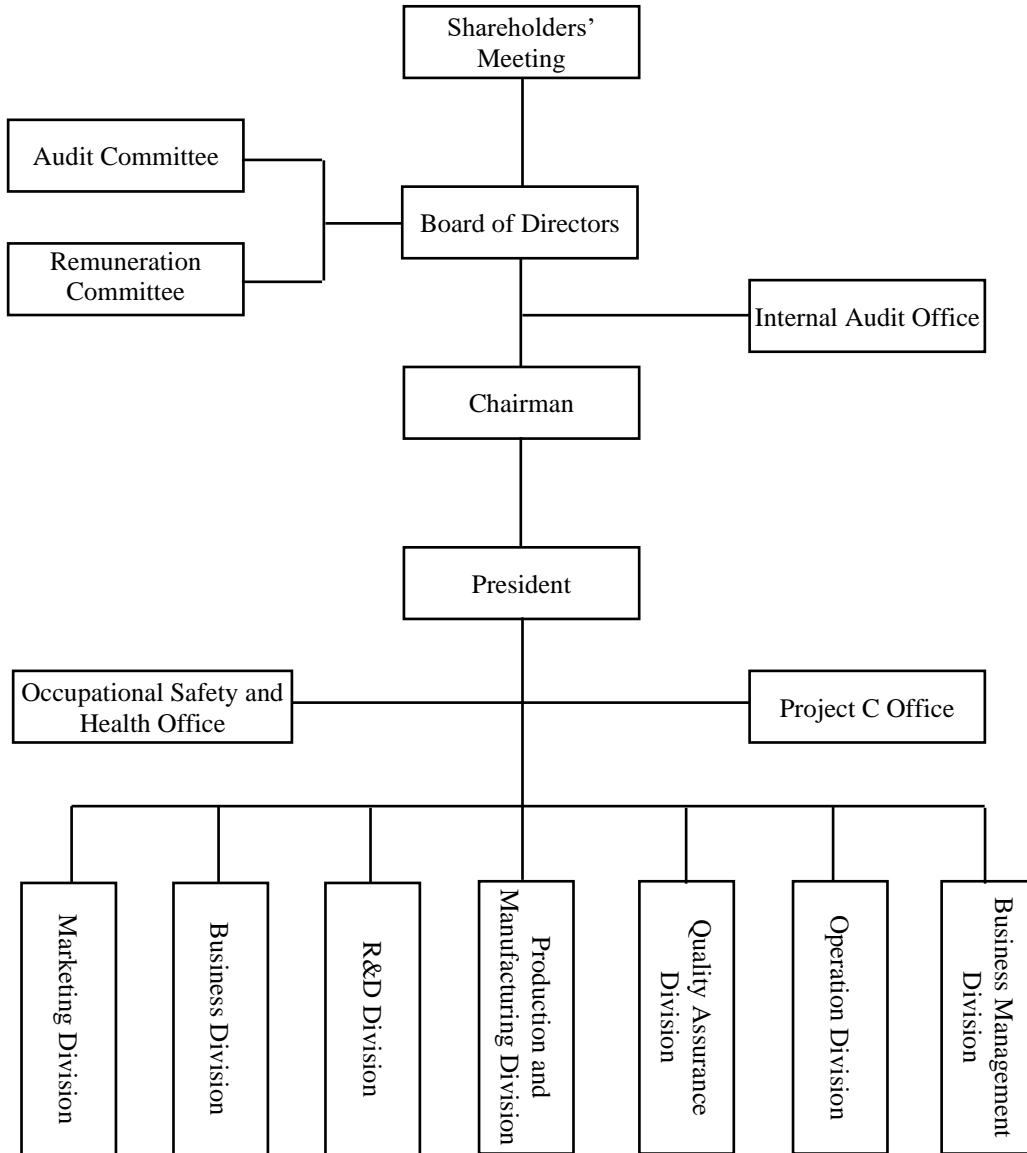
Fiscal Year	Major Events
	<p>II (silicone hydrogel-related mass production equipment).</p> <ul style="list-style-type: none"> ➤ The Company obtained the “People’s Republic of China Medical Device Registration Certificate” for 55% water content soft hydrogel blue-light blocking clear contact lenses and has begun accepting and shipping orders. ➤ Our company obtained the “Ministry of Health and Welfare Medical Device License” (60% water content Sea Melody silicone hydrogel daily disposable contact lenses). ➤ The Company obtained the R.O.C. patent for “Blue Light Blocking Contact Lenses, Their Compositions, and Preparation Methods.” ➤ The company secured a Taiwan patent for “Blue Light Blocking Contact Lenses and Their Manufacturing Materials and Methods.”
2023	<ul style="list-style-type: none"> ➤ Our company’s silicone hydrogel lens products have received market authorization from customers, and shipments have commenced in Taiwan. ➤ The subsidiary in Mainland China, Jiangsu Vizionfocus Inc., obtained the “People’s Republic of China Medical Device Registration Certificate” for soft hydrogel contact lenses with 55% water content, which are blue light blocking and available in both colored and clear versions, and has commenced fulfilling orders. ➤ Our Zhunan Plant II completed the installation of the sixth and seventh production lines (each line has the capacity to produce 3.5 million pieces). ➤ Our company’s in-house production equipment for contact lens packaging cups has been installed and has begun mass production. ➤ Our ‘Functional Contact Lenses and Dyeing Methods for Functional Contact Lenses’ (sports lenses) obtained a patent in China. ➤ In response to operational needs and long-term development and planning, the Board of Directors resolved to approve the purchase of land. The land is located at Datong Section, Zhunan Township, Miaoli County. ➤ Our ‘Dyeing Methods for Functional Contact Lenses’ (sports lenses) obtained a patent in the Republic of China. ➤ Installation of the ninth and tenth production lines completed at the subsidiary Jiangsu Vizionfocus in Mainland China. ➤ Our company obtained additional certification for astigmatism and multifocal options for the infocus 55 1day UVM in Japan. ➤ Our company obtained the “Ministry of Health and Welfare Medical

Fiscal Year	Major Events
	<p>Device License” for Elicon daily disposable blue light blocking contact lenses (second generation).</p> <ul style="list-style-type: none"> ➤ The company obtained a Japanese patent for “A Manufacturing Method for Contact Lenses” (silicone hydrogel manufacturing process invention).
2024	<ul style="list-style-type: none"> ➤ Common shares were listed on the Taiwan Stock Exchange on March 18, 2024. ➤ Our company’s ‘Manufacturing Method for Contact Lenses’ (an invention for modifying the surface material of silicone hydrogel) obtained a patent in the Republic of China. ➤ The Company obtained a Japanese patent for “Contact Lenses and Silicone Hydrogel Contact Lenses” (invention of silicone hydrogel materials). ➤ Installation of the eighth production line at our Zhunan Plant II completed. ➤ Our company’s high water content astigmatism colored hydrogel products were first shipped to Japan.

Three. Corporate Governance Report

I. Organizational system

(I) Organizational structure



(II) Main Businesses of Key Departments

Department Name	Scope of responsibilities
President	<ol style="list-style-type: none"> 1. Formulate the company's business strategy, set business goals, supervise and evaluate the implementation and achievement of the business goals of each department. 2. Formulate the functions and authorities of each department, establish and promote projects, appoint department heads, and coordinate the promotion of sales and projects.
Internal Audit Office	<ol style="list-style-type: none"> 1. Audits and evaluates the accuracy, reliability, efficiency, and effectiveness of the company's operational records and internal management controls, providing recommendations for improvement to ensure operational safety, mitigate risks and deficiencies, and maintain effective internal control implementation. 2. Evaluation of internal management systems, planning, and implementation of internal audits.
Occupational Safety and Health Office	<ol style="list-style-type: none"> 1. Planning, promotion and supervision of occupational safety and health management. 2. Planning and supervision of safety and health education and training and occupational disaster prevention.
Project C Office	Support the operation of subsidiaries and the promotion of projects.
Business Division	<ol style="list-style-type: none"> 1. Development of new markets and customers, and collection of customer information. 2. Planning and execution of sales targets, product order sales, order and shipment scheduling tracking, customer service, collection follow-ups, and overdue account handling.
Marketing Division	<ol style="list-style-type: none"> 1. Conducting domestic and foreign market surveys, business information analysis, market expansion plans, and the planning of product launch schedules. 2. Formulation and promotion of product projects, integration and coordination of launch schedules, and assistance to overseas customers in product licensing related operations.
R&D Division	<ol style="list-style-type: none"> 1. Planning the product map, and implementing and developing new materials, new products, and new process technologies. 2. Allocation of polymer materials, design and prototyping of colored contact lens patterns, visual design of aluminum foil and color boxes, and improvements in trial production quality and yield rates. 3. Application for product licenses in various countries and research of laws and regulations, planning patent maps, drafting and application for related patents.
Production and Manufacturing Division	<ol style="list-style-type: none"> 1. Planning and execution of product mass production, management of production operators, improvement of product yield rate, improvement of customer complaints. 2. Process integration, production technology and improvement of product yield. 3. Maintenance and improvement of production equipment, planning of new production lines, control and enhancement of factory environment, and planning and execution of factory operations and related engineering.
Quality Assurance Division	<ol style="list-style-type: none"> 1. Inspection, process and finished product quality control of raw materials, semi-finished products and finished products, and control, analysis and review of defective products. 2. Maintaining the quality system, planning and implementing quality audit plans, reviewing and tracking internal and external audit deficiencies, analyzing customer complaints, tracking improvements, and responding to customers. 3. Calibration and management of measuring instruments.
Operation Division	<ol style="list-style-type: none"> 1. Drafting material procurement and supplier planning, executing purchases or outsourcing, and tracking the scheduling of raw materials delivery. 2. Planned intelligent information mapping, maintenance and establishment of company information software, hardware, and systems, as well as intelligent system development. 3. Planning and execution of production schedules, receipt and delivery of raw materials and finished products, and inventory management.
Business Management Division	<ol style="list-style-type: none"> 1. Fundraising, planning and execution of utilization, short and long-term bank financing, management of disbursements, credit control, handling of cash transactions, and evaluation of external investments. 2. Budgeting, accounting, taxation, costing and other related accounting services, business analysis and management. 3. The company ensures compliance with legal requirements during shareholder meetings, board meetings, audit committee meetings, and remuneration committee meetings, and stays updated with the latest legal developments to assist the company and its directors in adhering to the law. 4. Administrative affairs, human resources planning and recruitment, retention execution, employee welfare planning and execution, advancing employee care, and formulation of personnel-related rules and systems. 5. Drafting, reviewing and management of legal contracts, and management of various important files. 6. Matters relating to investor relations.

II. Directors, President, Vice Presidents, Assistant Vice Presidents, and Heads of Departments and Branches

(I) Profiles of Directors

1. Directors' name, education background, shareholding and nature

March 31, 2024; Unit: Shares; %

Title	Nationality or place of registration	Name	Gender Age	Date of Election (Inauguration)	Term of office	Date of initial election	Shares Held at the Time of Election		Current shareholding		Shares currently held by spouse and minor children		Shares held in another person's name		Major Academic/Professional Qualifications	Positions held in the Company and other companies	Other managers, directors, or supervisors who are spouses or relatives within 2nd degree kinship			Notes
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Chairman	Republic of China	Hsiu-Chuan Huang	Male (71-80 years old)	April 28, 2021	3 years	May 10, 2012	2,940,643	5.88%	2,840,643	4.94%	0	0%	0	0%	Department of Electrical Engineering, Tatung Institute of Technology Vice President, Non-Computer Business Group, Hewlett Packard Enterprise Vice President, Hon Hai Precision Industry Co., Ltd. Vice Chairman, Innolux Corporation Director, Chang Wah Technology Co., Ltd.	Director, Chang Wah Electromaterials Inc.	None	None	None	None
Director	Republic of China	Chang Wah Electromaterials Inc.	-	April 28, 2021	3 years	December 10, 2012	8,205,970	16.41%	8,105,970	14.09%	0	0%	0	0%	Not applicable	(Note 1)	None	None	None	None
	Republic of China	Representative: Sheng-Tao Wu (Note 3)	Male (51-60 years old)				0	0%	0	0%	0	0%	0	0%	0	0%	Department of Chemical Engineering, National Taiwan University of Science and Technology Sales Manager, Wah Lee Industrial Corporation Assistant Vice President, Chang Wah Electromaterials Inc. Vice President, Chang Wah Technology Co., Ltd.	President, Taipei Branch, Chang Wah Electromaterials Inc. Director, Chang Wah Energy Technology Co., Ltd.	None	None
Director	Republic of China	An Shih	Male (41-50 years old)	April 28, 2021	3 years	May 10, 2012	1,047,026	2.09%	1,245,026	2.16%	0	0%	0	0%	PhD of Electrical Engineering, National Taiwan University Assistant Manager, Product Development Department, Tong Bao Technology Co., Ltd. Director of R&D Division, Innolux Corporation	(Note 2)	None	None	None	None

Title	Nationality or place of registration	Name	Gender Age	Date of Election (Inauguration)	Term of office	Date of initial election	Shares Held at the Time of Election		Current shareholding		Shares currently held by spouse and minor children		Shares held in another person's name		Major Academic/Professional Qualifications	Positions held in the Company and other companies	Other managers, directors, or supervisors who are spouses or relatives within 2nd degree kinship			Notes
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Director	Republic of China	Li-Ching Kuo	Female (41-50 years old)	June 16, 2022	3 years	June 16, 2022	0	0%	0	0%	0	0%	0	0%	College of Law, National Taipei University Prosecutor of Shilin District Prosecutors Office Prosecutor, Taipei District Prosecutors Office Judge, Taipei District Court	Attorney-in-Charge of He-Pu Law Offices	None	None	None	None
Independent Director	Republic of China	Cheng-Hung Chen	Male (71-80 years old)	Sept. 15, 2021	3 years	Sept. 15, 2021	0	0%	0	0%	0	0%	0	0%	In-service Master of Business Administration, School of Management, National Sun Yat-Sen University Southern Region Lead CPA, Deloitte Taiwan; and Lead CPA, Deloitte Taiwan Director, Chang Wah Technology Co., Ltd. Independent Director, Sino Horizon Holdings Limited	Supervisor, China Prosperity Development Corporation Supervisor, China Steel Management Consulting Corporation	None	None	None	None
Independent Director	Republic of China	Yuan-Ching Wen	Male (61-70 years old)	Sept. 15, 2021	3 years	Sept. 15, 2021	0	0%	0	0%	0	0%	0	0%	Electrical Engineering Department, China Industrial Vocational Technical School. Vice President, Production Management Planning Division of iPEBG Product Group, Hon Hai Group Vice President, Staff Assistant Office, Hon Hai Group	Independent Director, YUNG YU PLASTICS CO., LTD.	None	None	None	None
Independent Director	Republic of China	Chien-Yu Chen	Female (41-50 years old)	Sept. 15, 2021	3 years	Sept. 15, 2021	0	0%	0	0%	0	0%	0	0%	PhD of Computer Science & Information Engineering, National Taiwan University Assistant Professor, Graduate School of Biotechnology and Bioinformatics, Yuan Ze University	Professor, Department of Biomechanics, National Taiwan University Director, Taiwan Society of Evolution and Computational Biology	None	None	None	None

Note 1: Quan Qiao Li Co., Ltd. is the second largest shareholder of the Company, holding 4,674,390 shares (8.91% of shareholding). The shareholder of Chun Qiao Li Co., Ltd. is the spouse of Chairman Hsiu-Chuan Huang, along with his adult children, and his spouse holds 33.34% of the shares of Quan Qiao Li Co., Ltd.

Note 2: The President of the company; Director, Chang Wah Technology CO., LTD.; Chairman, Green Wealth Investments Limited; Chairman, Clear Precise Investments Limited; Chairman, Clear Precise Investments Limited

Note 3: On August 1, 2023, Chang Wah Electromaterials Inc. changed its representative from Mr. Chia-Neng Huang to Mr. Sheng-Tao Wu.

Note 4: The record date for the 2024 Annual General Meeting of Shareholders of our company is March 31, 2024. The shares listed in the table are based on the shareholder register as of March 31, 2024.

2. Major shareholders of corporate shareholders

Major shareholders of corporate shareholders

March 31, 2024

Name of corporate shareholder	Major shareholders of corporate shareholders
Chang Wah Electromaterials Inc.	Wah Lee Industrial Corporation (28.70%); Hsin Hsin Investment Co., Ltd. (8.29%); YENYO Technology Co., Ltd. (6.28%); Chang Wah Technology Co., Ltd. (5.11%); Fubon Life Insurance Co., Ltd. (4.67%); Bei Si Jie Investment Co., Ltd. (3.15%); Citibank Custodian for Singapore Government Fund Account (2.61%); JMC Electronics Co., Ltd. (2.09%); JPMorgan Starlight Vanguard Total International Stock Index Fund in the custody of JPMorgan Chase Bank (0.85%); JPMorgan Chase Bank in custody for Vanguard Group Emerging Markets Fund (0.83%)
Song Ling Investment Co., Ltd.	Ying-Shi Huang (66%), Hui-Ling Fu (26%), Yu-Hao Huang (4%), Po-Jung Huang (4%)

Note 1: The record date for the suspension of transfer of shares for the Company's 2024 AGM was March 31, 2024.

2. For Principal Corporate Shareholders, Their Major Shareholders

March 31, 2024

Name of institution	Major shareholders of corporate entities
Wah Lee Industrial Corporation	Kangtai Investment Co., Ltd. 7.98%; Fushi Investment Co., Ltd. (6.38%); Dewei Investment Co., Ltd. (5.08%), Dingbao Corporation (3.32%), Jing Zuan Investment Co., Ltd. (2.80%), Wah Hong Industrial Corporation (2.52%); Dian Jiang Jia Investment Co., Ltd. (2.31%); Chang Rui-Chin (2.30%); Chinatrust Commercial Bank invested by Wah Lee Industrial Corporation Employee Stock Ownership Association Trust Account (2.30%); Norges Bank Investment Account in Custody of Citibank Taiwan (1.37%)
Hsin Hsin Investment Co., Ltd.	Chia-Neng Huang (99.095%), Si-Ying Huang (0.3%), Pei-Wen Huang (0.3%), Fan-Ji Huang (0.3%), Jun-Jie Huang (0.005%)
Fubon Life Insurance Co., Ltd.	Fubon Financial Holding Co., Ltd. (100%)
YENYO Technology Co., Ltd.	Chia-Neng Huang (98.50%), Hsin-Lan Huang (0.86%), Fang-Lu Liao (0.64%)
Singapore Government Fund Account in Custody of Citibank	Non-corporate organization, not applicable
Chang Wah Technology Co., Ltd.	Chang Wah Electromaterials Inc., (47.59%); Fubon Life Insurance Co., Ltd., (4.96%); YENYO Technology Co., Ltd., 3.76%; Bei Si Jie Investment Co., Ltd., (3.72%); Hsiu-Chuan Huang, (2.98%); Hsing Cheng Investment Co., Ltd., (1.67%); Sung-Chi Tai, (1.45%); Quan Qiao Li Co., Ltd., (1.35%); Hsin Hsin Investment Co., Ltd., (1.29%); JMC Electronics Co., Ltd. (1.24%)
Bei Si Jie Investment Co., Ltd.	Shu-Hui Chang (82.58%); Si-Ying Huang (6.19%); Pei-Wen Huang (6.19%); Yu-Hui Huang (5.05%)
JMC Electronics Co., Ltd.	Chang Wah Electromaterials Inc. (42.81%); ChipMOS Technologies Inc (10.00%); Chia-Neng Huang (2.96%); ASUS Computer Corp. (1.00%); Sheng-Che Li (0.94%); Tien-Tsai Hung (0.60%); Wan-Hsia Li (0.59%); Mei-Hsueh Huang (0.50%); Mei-Lien Li (0.43%); Wen-Lung Hsieh (0.36%)
Chase Custodianship for Vanguard Group Emerging Markets Fund Investment Account	Non-corporate organization, not applicable
JP Morgan Chase Bank Hosting Vanguard Total International Stock Index Fund Investment Account	Non-corporate organization, not applicable

3. Disclosure of professional qualifications of directors and independence of independent directors:

Condition Name	Professional qualifications and experience	Circumstances of independence	Number of other publicly traded companies where serving as an independent director
Hsiu-Chuan Huang	<p>Graduated from Tatung University with a degree in Electrical Engineering, currently serving as the Chairman of our company. Previously held positions as Vice President and Vice Chairman in multinational corporations including HP Group Taiwan, Foxconn Group, and Innolux Corporation, participating in various corporate growth planning activities.</p> <p>Mr. Hsiu-Chuan Huang has been involved in the electronics industry for nearly 40 years. With professional leadership, marketing, operation management and strategic planning skills, he has led the Company to become an industry leader and a sustainable operation. Not subject to any of the circumstances listed in Article 30 of the Company Law.</p>	Not applicable	None
Chang Wah Electromaterials Inc. Representative: Sheng-Tao Wu	<p>Graduated from the Department of Chemical Engineering, National Taiwan Industrial Technology College. He served as Sales Manager of Wah Lee Industrial Corporation, Assistant Vice President of Chang Wah Technology Co., Ltd., and Vice President of Chang Wah Technology Co., Ltd., etc., and has more than 30 years of experience in the management and strategy of the semiconductor industry.</p> <p>Mr. Sheng-Tao Wu currently serves as the General Manager of the Taipei branch at Chang Wah Technology Corporation and holds director positions in companies within the related electronics technology industry, contributing his expertise in corporate governance. Therefore, he possesses expertise in marketing, industry knowledge, leadership, decision-making, and operational management experience. Not subject to any of the circumstances listed in Article 30 of the Company Law.</p>	Not applicable	None

Condition Name	Professional qualifications and experience	Circumstances of independence	Number of other publicly traded companies where serving as an independent director
An Shih	<p>Earned a Ph.D. in Electrical Engineering from National Taiwan University and previously served as the Director of R&D at Innolux Corporation. Since the establishment of our company in May 2012, the position of President has been held to date.</p> <p>Mr. An Shih specializes in the operations and strategic management of the contact lens industry. As a manager on the Board of Directors, he communicates and interacts with all directors on relevant operational and management strategies and provides relevant operational and management advice. He possesses commercial, marketing, and industrial technology capabilities. Not subject to any of the circumstances listed in Article 30 of the Company Law.</p>	Not applicable	None
Li-Ching Kuo	<p>Graduated from the Department of Juridical Science of National Taipei University, he was a prosecutor of Shilin District Prosecutors Office, a prosecutor of Taipei District Prosecutors Office, and a judge of Taipei District Court. Currently, he is the attorney-in-charge of He-Pu Law Offices.</p> <p>Ms. Kuo Li-Ching has over 20 years of experience in the legal field, possessing extensive legal expertise, leadership capabilities, decision-making skills, and industry knowledge. Her provision of legal advice in operations management can enhance the quality of corporate governance by the Board of Directors. She does not fall under any of the circumstances specified in Article 30 of the Company Act.</p>	Not applicable	None
Cheng-Hung Chen (Independent Director)	<p>Graduated with a Bachelor's degree in Accounting from National Taiwan University and a Master's in Executive Management from the National Sun Yat-sen University School of Management. Convener of the Company's Audit Committee and member of the Remuneration Committee. Worked as Southern Region Lead CPA, Deloitte Taiwan He has previously served as an independent director of Sino Horizon Holding Limited and a director of Chang Wah Technology Co., Ltd.. Currently, he is a supervisor of China Prosperity Development Corporation and a supervisor of China Steel Management Consulting Corporation.</p> <p>Mr. Cheng-Hung Chen specializes in corporate</p>	<p>In accordance with the provisions of the Company's Articles of Incorporation and the "Corporate Governance Best Practice Principles," the directors are elected through a nomination system. During the nomination and selection process for board members, the Company has obtained written statements, work experience records, current employment certifications, and statements of familial relationships from each director to verify their independence from the Company,</p>	None

Condition Name	Professional qualifications and experience	Circumstances of independence	Number of other publicly traded companies where serving as an independent director
	<p>finance and accounting, and has substantial understanding of economic trends. With consulting and planning experience in related industries, he can enhance the quality of corporate governance, financial management, and internal controls, while actively contributing to the Audit Committee's functions. Not subject to any of the circumstances listed in Article 30 of the Company Law.</p>	<p>their spouses, and relatives within the third degree of kinship. Additionally, it has been verified that the following three independent directors meet the qualification requirements stipulated by the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies issued by the Financial Supervisory Commission and Article 14-2 of the Securities and Exchange Act for the two years prior to their appointment and during their tenure. Furthermore, the independent directors have been granted full participation in decision-making and the right to express opinions in accordance with Article 14-3 of the Securities and Exchange Act, enabling them to independently execute their duties.</p>	
Chien-Yu Chen (Independent Director)	<p>Earned a Ph.D. in Computer Science and Information Engineering from National Taiwan University, specializing in Information Technology and Artificial Intelligence. Member of the Company's Audit Committee and Remuneration Committee. Previously served as an Assistant Professor at Yuan Ze University in the Institute of Biotechnology and Bioengineering, and also held the position of Gene AI Scientist at the Taiwan Artificial Intelligence Development Foundation. Currently a Professor in the Department of Bio-Industrial Mechatronics Engineering at National Taiwan University, and serving as a board member of the Taiwan Society for Evolutionary and Computational Biology.</p> <p>Ms. Chien-Yu Chen specializes in the information and technology industries and provides industrial analysis integration and risk management advice. Therefore, in exercising the powers of an independent director and Audit Committee member, she can leverage her expertise in technology industry management to enhance the quality of corporate governance by the Board of Directors and the supervisory function of the Audit Committee. Not subject to any of the circumstances listed in Article 30 of the Company Law.</p>		None
Yuan-Ching Wen (Independent Director)	<p>Graduated from China Institute of Technology in Electrical Engineering, currently serving as the convenor of the Compensation Committee and a member of the Audit Committee of our company. Previously employed by Foxconn Group for nearly 40 years, served as the Deputy General Manager of iPEBG Product Group and later as the Vice President in the President's Office among other senior management roles. Within the Hon Hai Group, experienced in production manufacturing, quality management, and human resources administration.</p> <p>Mr. Wen Yuan-Ching has been dedicated to the</p>		1

Condition Name	Professional qualifications and experience	Circumstances of independence	Number of other publicly traded companies where serving as an independent director
	management and strategic management of the ICT components industry for over 35 years. With extensive experience in corporate governance, industry knowledge, and operational management, he is able to provide diverse insights into management and strategy, enhancing the diversity of thinking in our operational strategies and thereby improving the oversight and management quality of our Board of Directors and Audit Committee. Not subject to any of the circumstances listed in Article 30 of the Company Law.		

4. Board diversity and independence:

The company adopts a candidate nomination system for the nomination and selection of its Board members. In addition to evaluating each candidate’s academic and professional qualifications, the company also considers opinions from various stakeholders and adheres to the “Directors Election Regulations” and “Corporate Governance Best Practice Principles” to ensure diversity and independence of Board members. The company’s ‘Corporate Governance Practices’ specify that the composition of the Board of Directors should consider diversity, and directors who also serve as company managers should not exceed one-third of the board seats. This includes formulating appropriate diversity policies based on the company’s operations, operational models, and developmental needs, encompassing, but not limited to, gender, age, nationality, and cultural background. The board as a whole should possess the knowledge, skills, and competencies necessary for performing their duties. To achieve the ideal goals of corporate governance, the Board of Directors as a whole should possess the following capability: A. Operational judgment ability. B. Accounting and financial analysis ability. C. Business management ability. D. Crisis management ability. E. Industry knowledge. F. International market views. G. Leadership. H. Decision-making ability, etc.

(1) The Board of Directors' policy on member diversity and its implementation are as follows:

Core Diversification Name of Director	Basic composition								Industry experience and professional ability								
	Nationality	Gender	Holds employee status	Age				Length of tenure of independent directors		Operational judgment	Financial Accounting	Business Management	Crisis management	Industry knowledge	International market views	Leadership ability	Decision-making ability
				41-50 years old	51-60 years old	61-70 years old	71-80 years old	Within three terms	More than 3 terms								
Hsiu-Chuan Huang	Republic of China	Male					✓			✓		✓	✓	✓	✓	✓	✓
Chang Wah Electromaterials Inc. Representative: Sheng-Tao Wu	Republic of China	Male		✓						✓		✓	✓	✓	✓	✓	✓
An Shih	Republic of China	Male	✓	✓						✓		✓	✓	✓	✓	✓	✓
Li-Ching Kuo	Republic of China	Female		✓								✓	✓	✓			✓
Cheng-Hung Chen	Republic of China	Male					✓	✓			✓		✓	✓	✓	✓	✓
Chien-Yu Chen	Republic of China	Female		✓				✓				✓	✓	✓			✓
Yuan-Ching Wen	Republic of China	Male				✓		✓		✓		✓	✓	✓	✓	✓	✓

(2) Independence of the Board of Directors:

The company's Board of Directors consists of seven directors, including three independent directors. The number of independent directors accounts for 43% of the total number of directors, exceeding one-third. Upon review, the qualifications of all three independent directors comply with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies. All directors are confirmed to not have a spouse or a relative within the second degree of kinship, complying with the conditions stipulated in Paragraphs 3 and 4 of Article 26-3 of the Securities and Exchange Act.

The board of directors of our company emphasizes independent operation and transparency. Both directors and independent directors are independent entities, exercising their authority independently. The three independent directors also comply with relevant laws and regulations, complementing the Audit Committee's authority to review the control of existing or potential risks faced by the company. This allows them to effectively supervise the implementation of effective internal controls, the appointment (dismissal) and independence of certified public accountants, and the appropriate preparation of financial statements. Furthermore, in accordance with the company's "Directors Election Regulations," the selection of directors and independent directors adopts a cumulative voting system and a nomination system to encourage shareholder participation. Shareholders holding a certain number of shares are entitled to propose candidate lists. The review of candidate qualifications and verification of compliance with the circumstances listed in Article 30 of the Company Act are conducted and announced in accordance with relevant regulations, safeguarding shareholder rights and preventing the monopolization or excessive abuse of nomination rights while maintaining independence.

(3) Management objectives of the Board of Directors and their implementation:

The current board of directors of our company is composed of seven directors. The specific management goals and achievements of the diversified policy of the board composition are as follows:

Management Goals	Status of Implementation
The number of independent directors exceeds one third of the total number of directors.	Achieved
It is advisable that the number of directors who also serve as the Company's managerial officers shall not exceed one-third of the total number of directors	Achieved
Independent directors have served fewer than three terms	Achieved
Adequate and diversified professional knowledge and skills	Achieved
Female directors constitute more than one seat.	Achieved

(II) Information on the President, Vice Presidents, Assistant Vice Presidents, and the heads of various departments and branches

March 31, 2024; Unit: Shares; %

Title	Name	Gender	Nationality	Date of inauguration	Number of shares held		Shares held by spouse and minor children		Shares held in another person's name		Major Academic/Professional Qualifications	Positions held in other companies	Managers who are a spouse or a relative within the second degree of kinship			Notes
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
President	An Shih	Male	Republic of China	June 8, 2012	1,245,026	2.16%	0	0%	0	0%	PhD of Electrical Engineering, National Taiwan University Assistant Manager, Product Development Department, Tong Bao Technology Co., Ltd. Director of R&D Division, Innolux Corporation	Directors of the Company Chairman, Green Wealth Investments Limited Chairman, Clear Precise Investments Limited Chairman, Jiangsu Vizionfocus Inc. Director, Chang Wah Technology Co., Ltd.	None	None	None	None
Vice President	Jui-Feng Shang	Male	Republic of China	March 30, 2022	42,000	0.07%	4,000	0.01%	0	0%	Bachelor, Yuanpei University of Medical Technology President, Skyline Optical Corp. Ltd. President of TAIPEI CLB VISION LIMITED and Chairman of Japan Branch President, Seinoh Optical Co., Ltd.	Director and President of Jiangsu Vizionfocus Inc.	None	None	None	None
Assistant Vice President of Business Management Division (Accounting Officer/Corporate Governance Officer)	Hsing-Chuan Li	Female	Republic of China	June 1, 2013	331,626	0.58%	356,000	0.62%	0	0%	Master of Management Science from National Chiao Tung University. Chief of Audit Dept. of Accton Technology Corp. Manager of Central Management Division, Innolux Corp.	None	None	None	None	None
Assistant Vice President of Project C	Yang-Pin Fan	Male	Republic of China	January 4, 2016	65,000	0.11%	0	0%	0	0%	Bachelor of Mechanical Engineering (Power Dynamics) from Minghsin University of Science and Technology. Assistant Vice President of Manufacturing Division, I-See Vision Technology Inc.	Assistant Vice President of Operation Division, Jiangsu Vizionfocus Inc.	None	None	None	None
Assistant Vice President of Project C	Chia-Hua Chang	Male	Republic of China	August 7, 2023	260,000	0.45%	107,045	0.19%	0	0%	Master of Aerospace Engineering from National Cheng Kung University. Head of Optical Design at Hon Hai Precision Industry Co., Ltd.'s Hon Super Precision Business Group. Manager of backlight modules, TV business group, Innolux Corp.	Vice President, Manufacturing Operation Center, Jiangsu Vizionfocus Inc.	None	None	None	None

Title	Name	Gender	Nationality	Date of inauguration	Number of shares held		Shares held by spouse and minor children		Shares held in another person's name		Major Academic/Professional Qualifications	Positions held in other companies	Managers who are a spouse or a relative within the second degree of kinship			Notes
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Chief Information Security Officer	Hsien-Chi Su	Male	Republic of China	March 20, 2023	0	0%	2,000	0%	0	0%	Master's from the Institute of Technology Management at National Chiao Tung University. Chief of Manufacturing Dept., Taiwan Semiconductor Manufacturing Co., Ltd. Project Manager, Product Management Department, Innolux Corporation	None	None	None	None	None
Audit officer	Wei-Cheng Yin (Note 1)	Male	Republic of China	May 5, 2022	5,000	0%	0	0%	0	0%	Bachelor, Department of Business Administration, Tunghai University Senior Audit Specialist of Lite-On Technology Corp. Suzhou Plant Audit Section Chief, Pegatron Corporation Project Manager, Audit Office, Innolux Corporation	None	None	None	None	None

Note: The record date for the suspension of transfer of shares for the Company's 2024 AGM was March 31, 2024.

Note 1: Mr. Wei-Cheng Yin resigned from his managerial position on March 11, 2023.

Remuneration brackets table

2023

Breakdown of remuneration to directors of the Company	Name of Director			
	Sum of the first four remunerations (A+B+C+D)		Sum of the first seven remunerations (A+B+C+D+E+F+G)	
	The Company	All companies included in the financial report (H)	The Company	All companies included in the financial report (I)
Less than NTD1,000 thousand	Ordinary Director: Representative of Chang Wah Electromaterials Inc.: Sheng-Tao Wu (Note 2), and Li-Ching Kuo Independent Director: Cheng-Hung Chen, Yuan-Ching Wen, Chien-Yu Chen	Ordinary Director: Representative of Chang Wah Electromaterials Inc.: Sheng-Tao Wu (Note 2), and Li-Ching Kuo Independent Director: Cheng-Hung Chen, Yuan-Ching Wen, Chien-Yu Chen	Ordinary Director: Representative of Chang Wah Electromaterials Inc.: Sheng-Tao Wu (Note 2), and Li-Ching Kuo Independent Director: Cheng-Hung Chen, Yuan-Ching Wen, Chien-Yu Chen	Ordinary Director: Representative of Chang Wah Electromaterials Inc.: Sheng-Tao Wu (Note 2), and Li-Ching Kuo Independent Director: Cheng-Hung Chen, Yuan-Ching Wen, Chien-Yu Chen
NTD1,000,000 (inclusive) - NTD2,000,000 (exclusive)	Ordinary Director: An Shih	Ordinary Director: An Shih	-	-
NTD2,000,000 (inclusive) - NTD3,500,000 (exclusive)	Ordinary Director: Hsiu-Chuan Huang	Ordinary Director: Hsiu-Chuan Huang	Ordinary Director: Hsiu-Chuan Huang	Ordinary Director: Hsiu-Chuan Huang
NTD3,500,000 (inclusive) - NTD5,000,000 (exclusive)	-	-	-	-
NTD5,000,000 (inclusive) - NTD10,000,000 (exclusive)	-	-	-	-
NTD10,000,000 (inclusive) - NTD15,000,000 (exclusive)	-	-	Ordinary Director: An Shih	Ordinary Director: An Shih
NTD15,000,000 (inclusive) - NTD30,000,000 (exclusive)	-	-	-	-
NTD30,000,000 (inclusive) - NTD50,000,000 (exclusive)	-	-	-	-
NTD50,000,000 (inclusive) - NTD100,000,000 (exclusive)	-	-	-	-
Over NTD100,000 thousand	-	-	-	-
Total	7 persons	7 persons	7 persons	7 persons

*The remuneration disclosed in this table differs from the income concept under the Income Tax Law; therefore, this table is intended for information disclosure purposes only, not for taxation.

Note 1: Net profit after tax refers to the net profit after tax of the parent company only or individual financial report of the most recent year. The company's company only financial statements reported net income after tax of NTD562,282 thousand in 2023.

Note 2: On August 1, 2023, Chang Wah Electromaterials Inc. changed its representative from Mr. Chia-Neng Huang to Mr. Sheng-Tao Wu.

Note 3: The Board of Directors has approved the distribution of 2023 directors' remuneration of NTD8,547 thousand on March 13, 2024.

(II) Remuneration to President and Vice Presidents

December 31, 2023; Unit: NTD Thousand; %

Title	Name	Salary (A)		Severance pay and pension (B)		Bonuses and allowances (C)		Employees' remuneration (D)				The sum of A, B, C, and D as a percentage of net income after tax (%)		Receipt of remuneration from investment enterprises other than subsidiaries or from the parent company
		The Company	All companies included in the financial report	The Company	All companies included in the financial report	The Company	All companies included in the financial report	The Company		All companies included in the financial report		The Company	All companies included in the financial report	
								Cash amount	Stock amount	Cash amount	Stock amount			
President	An Shih	6,942	7,588	216	216	3,791	3,791	10,064	0	10,064	0	21,013 3.74%	21,659 3.30%	None
Vice President	Jui-Feng Shang													

*The remuneration disclosed in this table differs from the income concept under the Income Tax Law; therefore, this table is intended for information disclosure purposes only, not for taxation.

(III) Remuneration for the top five highest-paid managers: Not applicable.

(IV) Names of managers responsible for distributing employee remuneration and the distribution circumstances.

December 31, 2023; Unit: NTD Thousand; %

Job title (Note 1)		Name (Note 1)	Stock amount	Cash amount	Total	Total as a percentage of net income after tax
Manager	President	An Shih	None	17,310	17,310	3.08%
	Vice President	Jui-Feng Shang				
	Assistant Vice President of Business Management and Head of Finance and Accounting.	Hsing-Chuan Li				
	Assistant Vice President of Project C	Yang-Pin Fan				
	Assistant Vice President of Project C	Chia-Hua Chang				
	Chief Information Security Officer	Hsien-Chi Su				
	Internal Audit Manager	Wei-Cheng Yin				

Note 1: Individual names and positions should be disclosed, but the profit distribution situation can be disclosed in an aggregated manner.

Note 2: Mr. Wei-Cheng Yin resigned from his managerial position on March 11, 2023.

Note 3: This refers to the amount of employee compensation (including shares and cash) for managers approved by the Board of Directors in the most recent year. If it is not possible to estimate, the proposed distribution amount for this year should be calculated based on the actual distribution ratio from the previous year. After-tax net profit refers to the after-tax net profit for the most recent year. For companies that have adopted IFRS, it refers to the after-tax net profit in the parent company only or separate financial statements for the most recent year.

(V) Provide a comparative analysis explaining the total compensation paid by the company and all companies included in the consolidated reports to the company's directors, president, and vice presidents in the most recent two years as a percentage of individual or separate financial statement net income after tax. Explain the policies, standards, composition, procedures for determining remuneration, and the correlation between remuneration and operating performance and future risks:

1. Analysis of the total remuneration paid to the directors, general manager, and deputy general managers of our company over the last two fiscal years as a proportion of net profit after taxes:

Unit: NTD Thousand; %

Analytical Items	2022				2023			
	The Company		All companies included in the financial report		The Company		All companies included in the financial report	
	Total remuneration	Proportion of net profit after tax	Total remuneration	Proportion of net profit after tax	Total remuneration	Proportion of net profit after tax	Total remuneration	Proportion of net profit after tax
Recipients of remuneration payments								
Director	5,155	1.65%	5,155	1.63%	8,612	1.53%	8,870	1.34%
Independent Director	1,476	0.47%	1,476	0.47%	1,981	0.35%	1,981	0.30%
President and Vice Presidents	11,574	3.70%	11,937	3.77%	21,013	3.74%	21,659	3.30%

Explanation of the difference:

- The remuneration to directors, presidents, and vice presidents is comprehensively considered based on the profitability of the company, the performance of managers, the degree of participation in the company's operations, and the value of their contributions, in order to provide relatively reasonable remuneration.
- While the remuneration received by directors, presidents, and vice presidents has increased compared to the previous year, our company's profits also increased in 2023. As a result, the total remuneration as a percentage of after-tax net income has decreased compared to the previous year.

2. Policies, standards, and combinations of remuneration payments, procedures for setting remuneration, and the relationship with operational performance.

(1) Remuneration to directors:

According to the company's articles of incorporation, if the company is profitable, a maximum of 1.5% of profits may be allocated as director remuneration by resolution of the Board. Additionally, Article 16 of the Articles of Incorporation stipulates that the compensation for the company's directors shall be determined by the Board of Directors in accordance with their level of participation in the company's operations, the value of their contributions, and with reference to industry standards, through the "Directors' and Managers' Remuneration Management Guidelines."

(2) Remuneration to President and Vice Presidents:

The compensation standards for the company's President and Vice Presidents are determined based on the company's personnel performance evaluation regulations, taking into account the company's overall operating performance, individual performance achievement, and contribution to the company's operations. The compensation is reviewed by the Remuneration Committee and approved by the Board of Directors to ensure reasonableness.

(3) Remuneration to employees:

Our company's remuneration policy is positively correlated with individual responsibilities, contributions to the company, performance, and operational outcomes. The overall remuneration package primarily includes salary, bonuses, employee remuneration, and benefits. Regarding remuneration standards, salaries are determined based on the market rates and company policies for the positions held by employees. Bonuses and employee remuneration are linked to the achievement of employee and departmental goals, as well as the company's operating performance, as the basis for distribution. The design of benefits is premised on compliance with legal regulations while considering employee needs to design shared employee benefit measures.

(4) Future risks:

The policy and procedures for paying remuneration in our company have a positive correlation with operational performance and the risks to be assumed in the future.

(VI) Our company's operational performance is appropriately reflected in employee compensation:

1. Overall remuneration policy:

To attract and retain outstanding talent and enable employees to share in the company's operational results, we provide competitive and motivating compensation through a comprehensive remuneration structure, including monthly salaries and year-end bonuses. Monthly salaries are determined based on employee experience, capabilities, and job position value. Year-end bonuses are granted according to company's operational performance and individual employee performance. Additionally, according to Article 20 of our company's Articles of Incorporation, employee compensation should be appropriated at a rate of 1-12% based on the profit status for the year. The appropriation of employee compensation by our company over the past three years is as follows:

Unit: NTD Thousand

Fiscal Year	2021	2022	2023
Item			
Distribution ratio	11%	11%	11%
Amount to be distributed	29,361	41,500	77,704

IV. Status of corporate governance

(I) Operation of the Board of Directors

In the most recent fiscal year (2023), the Board of Directors met 7 times (A), with attendance detail directors and independent directors as follows:

A total of 7 meetings (A) of the 4th Board of Directors were held. The attendance of directors i follows:

Title	Name	Actual attendance rate (B)	Number of times of attendance by proxy	Attendance rate in person (B/A) (Note 2)	Notes
Chairman	Hsiu-Chuan Huang	6	1	85.71%	
Director	Chang Wah Electromaterials Inc. (Note) Legal Representative: Chia-Neng Huang Legal Representative: Sheng-Tao Wu	7	0	100%	Note
Director	An Shih	7	0	100%	
Director	Li-Ching Kuo	6	1	85.71%	
Independent Director	Cheng-Hung Chen	7	0	100%	
Independent Director	Chien-Yu Chen	6	1	85.71%	
Independent Director	Yuan-Ching Wen	7	0	100%	

Note: On August 1, 2023, the original representative Chia-Neng Huang of Chang Wah Electromaterials replaced by Sheng-Tao Wu.

Other information to be disclosed:

I. If the board of directors encounters any of the following situations, please specify the date of the board meeting, the term, the content of the agenda, all independent directors' opinions, and how the company has addressed these opinions:

(I) Conditions described in Article 14-3 of the Securities and Exchange Act:

Except for cases where conflicts of interest necessitate abstention, all decisions have been unanimously approved without objections by all independent directors, with related resolutions as follows:

Date of Board Meeting	Period	Content of the motion	Opinions of independent directors	Handling of opinions
March 20, 2023	14th meeting of the 4th term	(1) The Company's Distribution of Remuneration to Employees and Directors in 2022.	None	Not applicable
		(2) Fiscal Year 2022 Business Report and Financial Statements of the Company	None	Not applicable
		(3) Discussion on the Company's 2022 Earnings Distribution.	None	Not applicable
		(4) Determination of whether the eligible accounts receivable and other receivables constitute a nature of financial lending	None	Not applicable
		(5) Proposal to approve the Fiscal Year 2022 Internal Control System Statement.	None	Not applicable
		(6) Proposal to amend certain provisions of the Company's "Articles of Incorporation"	None	Not applicable
		(7) Proposed amendment to certain clauses of the company's "Endorsement and Guarantee Operation Management Procedures"	None	Not applicable

		(8) Proposed amendment to certain clauses of the company's "Shareholders' Meeting Regulations"	None	Not applicable
		(9) Proposal to amend various procedures	None	Not applicable
		(10) Discussion on the renewal of credit limits with financial institutions	None	Not applicable
		(11) Application to the regulatory authority for stock listing (OTC)	None	Not applicable
		(12) Proposal for approval to conduct a cash capital increase for issuing new shares for pre-market (exchange) public underwriting, with all original shareholders waiving their subscription rights	None	Not applicable
		(13) The company plans to sign an "Over-Allotment Agreement" with the lead underwriter prior to its initial (market) listing and to coordinate a voluntary custody arrangement with certain shareholders	None	Not applicable
		(14) Proposal to approve the accounting fees for Southern Region Lead CPA, Deloitte Taiwan for fiscal year 2023	None	Not applicable
		(15) Proposal to set the time, location, and agenda for the Fiscal Year 2023 Annual General Meeting of Shareholders	None	Not applicable
		(16) Proposal to discuss the appointment of the company's Corporate Governance Officer	None	Not applicable
		(17) Proposal to discuss the appointment of the company's Chief Information Security Officer	None	Not applicable
		(18) Approval of the company's management salary adjustment case (President/Assistant Vice President/Accounting Director/Chief Information Security Officer)	None	Not applicable
May 4, 2023	15th meeting of the 4th term	(1) The Company's 2023 Q1 financial statements	None	Not applicable
		(2) Determination of whether the eligible accounts receivable and other receivables constitute a nature of financial lending	None	Not applicable
		(3) The company's plans to acquire real estate	None	Not applicable
		(4) Discussion on applying for additional credit limits from financial institutions	None	Not applicable
		(5) Proposal to apply for an increase in the derivative financial product trading limit with E.SUN Commercial Bank	None	Not applicable
June 14, 2023	16th meeting of the 4th term	(1) Discussion on applying for additional credit limits from financial institutions	None	Not applicable
		(2) The company plans to make an indirect investment in Jiangsu Vizionfocus Inc. (hereinafter referred to as Jiangsu Vizionfocus).	None	Not applicable
August 7, 2023	17th meeting of the 4th term	(1) The Company's consolidated financial statements for Q2, 2023	None	Not applicable
		(2) Determination of whether the eligible accounts receivable and other receivables constitute a nature of financial lending	None	Not applicable
		(3) Discussion on the renewal of credit limits with financial institutions	None	Not applicable
		(4) Discussion on the renewal of the derivative financial product trading limit with CTBC.	None	Not applicable
		(5) Proposal to provide endorsements and guarantees for a subsidiary of the company	None	Not applicable
		(6) Proposed discussion on adding credit terms to the medium-to-long-term loan contract with E.SUN Bank and issuing a support letter for the subsidiary.	None	Not applicable
		(7) Amendment proposal of the internal control system	None	Not applicable
		(8) Establishing the reference date and related matters for the conversion of employee stock options into new shares for this fiscal year.	None	Not applicable
		(9) Proposal to approve the personnel promotion of Division Chief Chia-Hua Chang	None	Not applicable
		(10) Proposal to amend the Company's "Regulations Governing Remuneration to Directors and Managers"	None	Not applicable
		(11) Fiscal Year 2022 manager and employee remuneration payout case of the company.	None	Not applicable
		(12) Fiscal Year 2022 director remuneration payout case of the company.	None	Not applicable

Sept. 25, 2023	18th meeting of the 4th term	(1) Discussion on amending the expansion plan and capital expenditure budget for Fiscal Year 2023.	None	Not applicable
		(2) The Company's financial forecast for the fourth quarter of 2023 and the first quarter of 2024	None	Not applicable
		(3) In preparation for our company's listing application, a 'Statement on Internal Control System' covering the period from July 1, 2022, to June 30, 2023, is proposed.	None	Not applicable
		(4) Proposal to revise internal controls and various procedures.	None	Not applicable
November 6, 2023	19th meeting of the 4th term	(1) The Company's consolidated financial statements for Q3, 2023	None	Not applicable
		(2) Determination of whether the eligible accounts receivable and other receivables constitute a nature of financial lending	None	Not applicable
		(3) Evaluation of the independence and suitability of the company's certifying accountant.	None	Not applicable
		(4) To accommodate operational needs, our company plans to add a colored lens production line (V1+), with an estimated total capital expenditure of NTD69.01 million.	None	Not applicable
December 13, 2023	20th meeting of the 4th term	(1) Discussion on the company's Fiscal Year 2024 operational plan and budget.	None	Not applicable
		(2) Discussion of the 2024 audit plan	None	Not applicable
		(3) Amendment proposal of the internal control system	None	Not applicable
		(4) Discussion on the renewal of credit limits with financial institutions	None	Not applicable
		(5) Proposal to provide endorsements and guarantees for a subsidiary of the company	None	Not applicable
		(6) Proposal to conduct a cash capital increase by issuing new shares for the company's initial public offering.	None	Not applicable
		(7) Manager participation in the cash capital increase and share subscription allocation	None	Not applicable
		(8) Discussion of the company managers' fiscal year 2023 year-end bonus case	None	Not applicable
January 25, 2024	21th meeting of the 4th term	(1) Discussion on the proposed construction of a factory at "Section 668-5, Datong" by the company.	None	Not applicable
		(2) Proposal to revise the company's 'Decision-Making Authority'	None	Not applicable
		(3) Proposal to amend certain provisions of the Company's "Articles of Incorporation"	None	Not applicable
		(4) Election of Seven Directors (Including Four Independent Directors) for the 5th Term.	None	Not applicable
		(5) Proposal to set the time, location, and agenda for the Fiscal Year 2024 Annual General Meeting of Shareholders	None	Not applicable
March 13, 2024	22th meeting of the 4th term	(1) The Company's Distribution of Remuneration to Employees and Directors in 2023.	None	Not applicable
		(2) Fiscal Year 2023 Business Report and Financial Statements of the company.	None	Not applicable
		(3) Discussion on the Company's 2023 Earnings Distribution.	None	Not applicable
		(4) Determination of whether the eligible accounts receivable and other receivables constitute a nature of financial lending	None	Not applicable
		(5) Proposal to approve the Fiscal Year 2023 Internal Control System Statement.	None	Not applicable
		(6) Proposal to revise the company's 'Decision-Making Authority'	None	Not applicable
		(7) Discussion on the renewal of credit limits with financial institutions	None	Not applicable
		(8) Proposal to discuss the supervision of senior personnel involved in derivative transactions.	None	Not applicable
		(9) Nomination and review of the list of director candidates (including independent directors).	None	Not applicable
		(10) Lifting of Non-compete Restrictions on Company's Directors (Including Juristic Persons and Their Representatives)	None	Not applicable
		(11) Addition to the agenda for the fiscal year 2024 Annual General Meeting of Shareholders	None	Not applicable
		(12) Approved the salary adjustment for the Company's managers (President/Associate Vice President/CFO/Chief Information Security Officer)	None	Not applicable

- (II) Aside from the aforementioned items, there are no Board resolutions opposed by independent directors or with recorded or written statements of reservation:
- II. Regarding the execution of conflict of interest avoidance by directors, the names of the directors, content of the agenda, reasons for avoidance, and participation in the voting should be stated: none.
- (I) On March 20, 2023, the Board of Directors discussed and approved the resolution of the Compensation Committee regarding adjustments to the compensation of the company's managers. As Director An Shih is a manager of the company, he recused himself from the discussion and voting due to a conflict of interest. The remaining attending directors unanimously approved the resolution.
- (II) On August 7, 2023, the company's Board of Directors discussed and approved the resolution of the Remuneration Committee regarding the distribution of employee remuneration for the company's managers in 2022. As Director An Shih is a manager of the company, he recused himself from the discussion and voting due to a conflict of interest. The remaining attending directors unanimously approved the resolution.
- (III) On August 7, 2023, the Board of Directors discussed and passed the Compensation Committee's decision regarding the directors' remuneration for the year 2022. Mr. Hsiu-Chuan Huang, the Chairman, Mr. Sheng-Tao Wu, representing Chang Wah Electromaterials as the corporate chairman, Ms. Li-Ching Kuo, a director, and Mr. An Shih, a director and manager, abstained from the discussion and vote on this resolution due to personal interests. The resolution was unanimously approved by the other attending directors.
- (IV) On December 13, 2023, the Board of Directors deliberated on a resolution passed by the Remuneration Committee concerning the participation of management in a cash capital increase and stock subscription. Director An Shih, being a manager of the company, was personally interested in the proposal and recused himself from the discussion and voting on the matter, which was unanimously approved by the other directors present.
- (V) On December 13, 2023, the Board of Directors discussed a resolution from the Remuneration Committee regarding the 2023 year-end bonus for management. Director An Shih, as a manager of the company, had a personal interest in the resolution and based on conflict of interest, did not participate in the discussion or voting. The proposal was passed unanimously by the other directors in attendance.
- (VI) During the same meeting on March 13, 2024, the Board of Directors reviewed and approved the Audit Committee's recommendations concerning the nomination and evaluation of prospective board members, including independent Directors. Interested parties, including Directors Hsiu-Chuan Huang, Sheng-Tao Wu of Chang Wah Electromaterials Inc., An Shih, Chen Cheng-Hung, and Chien-Yu Chen, abstained from participating in the discussions and the vote. The proposal was unanimously approved by the other Directors in attendance.
- (VII) On March 13, 2024, the Board of Directors discussed the resolution of the Audit Committee to lift the non-compete restrictions for the directors of the company (including legal persons and their representatives). Directors Hsiu-Chuan Huang, the representative from Chang Wah Electromaterials Inc., Sheng-Tao Wu, An Shih, Cheng-Hung Chen, and Chien-Yu Chen, who were parties with a vested interest, individually excused themselves from the discussion and voting before the individual voting commenced. The resolution was unanimously approved by the remaining directors present.
- (VIII) On March 13, 2024, the Board of Directors discussed a resolution from the Remuneration Committee regarding the salary adjustment for management. Director An Shih, being a manager of the company, had a personal interest in the proposal and, based on conflict of interest, did not participate in the discussion or voting. The resolution was unanimously approved by the other directors present.
- III. TWSE/TPEX listed companies shall disclose the evaluation cycle and period, evaluation scope, method and evaluation content of the self-evaluation (or peer evaluation) of the Board of

Directors, and provide information on the implementation of the evaluation of the Board of Directors: Not applicable.

IV. Evaluation of the goals and execution of strengthening the Board of Directors' functions in the current and recent fiscal years (e.g., establishing an Audit Committee, enhancing information transparency):

(I) Strengthen the functions of the Board of Directors

Our company has established 'Board Meeting Guidelines' according to the 'Regulations on Board Meetings of Public Companies,' and conducts board functions in accordance with these regulations. To strengthen corporate governance, directors also attend relevant continuing education programs to enhance their corporate governance knowledge and capabilities.

(II) Enhance information transparency

The company's financial information, major resolutions, attendance of directors at Board meetings, directors' participation in continuing education courses, and other information have been disclosed on the Market Observation Post System as required. The company's business and product information is also publicly disclosed on the company's website, allowing investors to access the information in a timely manner.

(III) Establishment of Audit Committee

To strengthen the corporate governance system and enhance the professional functions of the Board of Directors, the company has formed an Audit Committee comprising all independent directors to assume the responsibilities previously held by supervisors, and has established the "Audit Committee Organizational Rules" in accordance with the "Regulations Governing the Exercise of Powers by Audit Committees of Public Companies."

(IV) Purchase of director and manager liability insurance

The company has purchased directors and officers liability insurance and reported it to the Board of Directors on August 7, 2023.

(II) Information on operations of the Audit Committee

Operations of the Audit Committee

1. The company's Audit Committee is composed of three independent directors and is responsible for supervising the appropriate expression of the company's financial statements, the appointment (dismissal) and independence of certified public accountants and their performance, the effective implementation of internal controls, compliance with relevant laws and regulations, and the control of existing or potential risks faced by the company. Its main functions and powers are listed as follows:

- (1) Establishment or amendment of the internal control system in accordance with Article 14-1 of the Securities and Exchange Act.
- (2) Evaluation of the effectiveness of the internal control system.
- (3) In accordance with Article 36-1 of the Securities and Exchange Act, procedures have been established or revised for significant financial transactions such as the acquisition or disposal of assets, engaging in derivative transactions, loans to others, and providing endorsements or guarantees for others.
- (4) Matters involving the interests of directors.
- (5) Significant asset or derivative transactions.
- (6) Material lending, endorsement, or guarantee.
- (7) Offering, issuance or private placement of equity-type securities.
- (8) Appointment, dismissal or remuneration of CPAs.
- (9) Appointment and dismissal of financial, accounting or internal auditing officers.
- (10) Annual financial reports signed or stamped by the chairman, manager, and chief accountant, and the second quarter financial report which must be audited and certified by an accountant.
- (11) Other important matters regulated by the Company or the competent authority.

2. Review of Financial Statements

The Board of Directors has submitted the company's 2023 business report, consolidated financial statements, individual financial statements, and profit distribution proposal, etc. The consolidated financial statements and individual financial statements have been audited by certified public accountants Yu-Hsiang Liu and Chao-Chun Wang of Deloitte Taiwan, who have issued an audit report. The aforementioned business reports, consolidated financial statements, individual financial statements, and profit distribution proposals have been reviewed by our Audit Committee and are found to be compliant.

3. Evaluating the effectiveness of internal control

The Audit Committee assessed the effectiveness of the company's internal control system as of December 31, 2023, including understanding the degree to which operational effectiveness and efficiency objectives were achieved, the reliability, timeliness, transparency and compliance of reporting with relevant regulations and laws, as well as the design and execution of relevant internal control systems. The internal control system was deemed effective.

4. In the most recent fiscal year (2023), the Audit Committee met 7 times (A), with the attendance of independent directors as follows:

Title	Name	Number of attendances in person (B)	Number of times of attendance by proxy	Actual attendance rate (%) (B/A)	Notes
Independent Director (Convener)	Cheng-Hung Chen	7	0	100%	None
Independent Director (Committee member)	Chien-Yu Chen	6	1	85.71%	None
Independent Director (Committee member)	Yuan-Ching Wen	7	0	100%	None

Other information to be disclosed:

I. If any of the following circumstances occur in the operation of the Audit Committee, the date, period, agenda content, dissenting or qualified opinions of independent directors, significant recommendations, resolutions of the Audit Committee, and the company's handling of the Audit Committee's opinions should be stated:

- (I) Conditions described in Article 14-5 of the Securities and Exchange Act:
Except for cases of conflict of interest where recusal is necessary, all matters have been discussed and unanimously approved by all members of the Audit Committee, as detailed below:

Date of Audit Committee Meeting	Period	Content of the motion	Dissenting opinions, qualified opinions, or major recommendations of independent directors	Resolution of the Audit Committee	Handling of opinions
March 20, 2023	10th meeting of the 1st term	(1) Fiscal Year 2022 Business Report and Financial Statements of the Company	None	Unanimously approved as per the agenda	Not applicable
		(2) The Company's 2022 earnings appropriation	None	Unanimously approved as per the agenda	Not applicable

		(3) Determination of whether the eligible accounts receivable and other receivables constitute a nature of financial lending	None	Unanimously approved as per the agenda	Not applicable
		(4) Proposal to approve the Fiscal Year 2022 Internal Control System Statement.	None	Unanimously approved as per the agenda	Not applicable
		(5) Proposal to amend some provisions of the Company's "Endorsement and Guarantee Operation Management Procedures"	None	Unanimously approved as per the agenda	Not applicable
		(6) Application to the regulatory authority for stock listing (OTC)	None	Unanimously approved as per the agenda	Not applicable
		(7) Proposal for approval to conduct a cash capital increase for issuing new shares for pre-market (exchange) public underwriting, with all original shareholders waiving their subscription rights	None	Unanimously approved as per the agenda	Not applicable
		(8) The company plans to sign an "Over-Allotment Agreement" with the lead underwriter prior to its initial (market) listing and to coordinate a voluntary custody arrangement with certain shareholders	None	Unanimously approved as per the agenda	Not applicable
		(9) Proposal to approve the accounting fees for Southern Region Lead CPA, Deloitte Taiwan for fiscal year 2023	None	Unanimously approved as per the agenda	Not applicable
May 4, 2023	11th meeting of the 1st term	(1) The Company's 2023 Q1 financial statements	None	Unanimously approved as per the agenda	Not applicable
		(2) Determination of whether the eligible accounts receivable and other receivables constitute a nature of financial lending	None	Unanimously approved as per the agenda	Not applicable
		(3) The company's plans to acquire real estate	None	Unanimously approved as per the agenda	Not applicable
		(4) Proposal to apply for an increase in the derivative financial product trading limit with E.SUN Commercial Bank	None	Unanimously approved as per the agenda	Not applicable
June 14, 2023	12th meeting of the 1st term	(1) The company plans to make an indirect investment in Jiangsu Vizionfocus Inc. (hereinafter referred to as Jiangsu Vizionfocus).	None	Unanimously approved as per the agenda	Not applicable
August 7, 2023	13th meeting of the 1st term	(1) The Company's consolidated financial statements for Q2, 2023	None	Unanimously approved as per the agenda	Not applicable
		(2) Determination of whether the eligible accounts receivable and other receivables constitute a nature of financial lending	None	Unanimously approved as per the agenda	Not applicable
		(3) Discussion on the renewal of credit limits with financial institutions	None	Unanimously approved as per the agenda	Not applicable
		(4) Discussion on the renewal of the derivative financial product trading limit with CTBC.	None	Unanimously approved as per the agenda	Not applicable
		(5) Proposal to provide endorsements and guarantees for a subsidiary of the company	None	Unanimously approved as per the agenda	Not applicable
		(6) Proposed discussion on adding credit terms to the medium-to-long-term loan contract with E.SUN Bank and issuing a support letter for the subsidiary.	None	Unanimously approved as per the agenda	Not applicable

		(7) Amendment proposal of the internal control system	None	Unanimously approved as per the agenda	Not applicable
		(8) Establishing the reference date and related matters for the conversion of employee stock options into new shares for this fiscal year.	None	Unanimously approved as per the agenda	Not applicable
		(9) Proposal to approve the personnel promotion of Division Chief Chia-Hua Chang	None	Unanimously approved as per the agenda	Not applicable
		(10) Proposal to amend the Company's "Regulations Governing Remuneration to Directors and Managers"	None	Unanimously approved as per the agenda	Not applicable
		(11) Fiscal Year 2022 manager and employee remuneration payout case of the company.	None	Unanimously approved as per the agenda	Not applicable
		(12) Fiscal Year 2022 director remuneration payout case of the company.	None	Unanimously approved as per the agenda	Not applicable
Sept. 25, 2023	14th meeting of the 1st term	(1) Discussion on amending the expansion plan and capital expenditure budget for Fiscal Year 2023.	None	Unanimously approved as per the agenda	Not applicable
		(2) The Company's financial forecast for the fourth quarter of 2023 and the first quarter of 2024	None	Unanimously approved as per the agenda	Not applicable
		(3) In preparation for our company's listing application, a 'Statement on Internal Control System' covering the period from July 1, 2022, to June 30, 2023, is proposed.	None	Unanimously approved as per the agenda	Not applicable
		(4) Proposal to revise internal controls and various procedures.	None	Unanimously approved as per the agenda	Not applicable
November 6, 2023	15th meeting of the 1st term	(1) The Company's consolidated financial statements for Q3, 2023	None	Unanimously approved as per the agenda	Not applicable
		(2) Determination of whether the eligible accounts receivable and other receivables constitute a nature of financial lending	None	Unanimously approved as per the agenda	Not applicable
		(3) Evaluation of the independence and suitability of the company's certifying accountant.	None	Unanimously approved as per the agenda	Not applicable
		(4) To accommodate operational needs, our company plans to add a colored lens production line (V1+), with an estimated total capital expenditure of NTD69.01 million.	None	Unanimously approved as per the agenda	Not applicable
December 13, 2023	16th meeting of the 1st term	(1) Discussion on the company's Fiscal Year 2024 operational plan and budget.	None	Unanimously approved as per the agenda	Not applicable
		(2) Discussion of the 2024 audit plan	None	Unanimously approved as per the agenda	Not applicable
		(3) Amendment proposal of the internal control system	None	Unanimously approved as per the agenda	Not applicable
		(4) Discussion on the renewal of credit limits with financial institutions	None	Unanimously approved as per the agenda	Not applicable
		(5) Proposal to provide endorsements and guarantees for a subsidiary of the company	None	Unanimously approved as per the agenda	Not applicable

		(6) Proposal to conduct a cash capital increase by issuing new shares for the company's initial public offering.	None	Unanimously approved as per the agenda	Not applicable
January 25, 2024	17th meeting of the 1st term	(1) Discussion on the proposed construction of a factory at "Section 668-5, Datong" by the company.	None	Unanimously approved as per the agenda	Not applicable
		(2) Proposal to revise the company's 'Decision-Making Authority'	None	Unanimously approved as per the agenda	Not applicable
March 13, 2024	18th meeting of the 1st term	(1) Fiscal Year 2023 Business Report and Financial Statements of the company.	None	Unanimously approved as per the agenda	Not applicable
		(2) Discussion on the Company's 2023 Earnings Distribution.	None	Unanimously approved as per the agenda	Not applicable
		(3) Determination of whether the eligible accounts receivable and other receivables constitute a nature of financial lending	None	Unanimously approved as per the agenda	Not applicable
		(4) Proposal to approve the Fiscal Year 2023 Internal Control System Statement.	None	Unanimously approved as per the agenda	Not applicable
		(5) Proposal to revise the company's 'Decision-Making Authority'	None	Unanimously approved as per the agenda	Not applicable
		(6) Proposal to discuss the supervision of senior personnel involved in derivative transactions.	None	Unanimously approved as per the agenda	Not applicable
		(7) Nomination and review of the list of director candidates (including independent directors).	None	Unanimously approved as per the agenda	Not applicable
		(8) Lifting of Non-compete Restrictions on Company's Directors (Including Juristic Persons and Their Representatives)	None	Unanimously approved as per the agenda	Not applicable

(II) Aside from the aforementioned items, resolutions passed with more than two-thirds of the directors' agreement without the Audit Committee's approval: none

II. Regarding the execution of conflict of interest avoidance by independent directors, the names of the independent directors, content of the agenda, reasons for avoidance, and participation in the voting should be stated: none.

III. Communication between independent directors, internal auditing officer, and CPAs (including major issues, methods, and results of communication on the Company's financial and business status).

(I) Communication between independent directors and internal auditing officers:

Date	Communication focus	Process execution result
March 20, 2023	Report on the implementation of the audit plan from October to December 2022.	Report to the Board of Directors
May 4, 2023	Report on the implementation of the audit plan from January to March 2023.	Report to the Board of Directors
August 7, 2023	Report on the implementation of the audit plan from April to June 2023.	Report to the Board of Directors
November 6, 2023	Report on the implementation of the audit plan from July to September 2023.	Report to the Board of Directors
March 13, 2024	Report on the implementation of the audit plan from October to December 2023.	Report to the Board of Directors

(II) Communication between independent directors and external auditors:

Significant investment and financing transactions, or prior to the issuance of financial reports, independent directors and accountants will first communicate about the contents.

Date	Communication focus
March 20, 2023	<ol style="list-style-type: none"> 1. Arrange for the accountant to provide a briefing and explanation to the company's governance unit. In 2022, the certified public accountants briefed and explained the audited financial statements to the corporate governance unit after the audit. 2. Suggestions by independent directors: No opinion
December 13, 2023	<ol style="list-style-type: none"> 1. Arrange for the accountant to provide a briefing and explanation to the company's governance unit. The key audit matters in the 2023 Auditor's Report are briefed and described separately. 2. Review the appointment, independence and suitability of the CPAs. 3. Suggestions by independent directors: No opinion
March 13, 2024	<ol style="list-style-type: none"> 1. Arrange for the accountant to provide a briefing and explanation to the company's governance unit. In 2023, the certified public accountants briefed and explained the audited financial statements to the corporate governance unit after the audit. 2. Suggestions by independent directors: No opinion

(III) Company governance operations, differences from the governance standards for listed companies, and the reasons for these differences

Evaluation item	Operating status		Differences from the corporate governance practices of listed companies and the reasons for these differences:	
	Yes	No		Executive summary
I. Has the company established and disclosed its Corporate Governance Best Practice Principles in accordance with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies?	✓		Our company has established a ‘Corporate Governance Code of Conduct’ which is disclosed on our website and the Public Information Observation Station, with operations showing no significant deviations.	None
II. Shareholding structure and shareholders’ rights				
(I) Has the company established internal procedures for handling shareholder suggestions, doubts, disputes, and litigation, and do they implement these procedures?	✓		(I) Our company has established a spokesperson and deputy spokesperson system to handle external communications. A dedicated section for stakeholders is available on our company’s website, effectively addressing shareholder suggestions, queries, and disputes to ensure the protection of shareholder rights. In addition, a professional share registration service agency is retained to handle related rights issues.	(I) None
(II) Does the Company have a list of the Company’s major shareholders and the ultimate controllers of such major shareholders?	✓		(II) The company tracks insider (directors, managers, and shareholders holding 10% or more) shareholding changes based on their monthly reporting. A professional stock affairs agency is commissioned to handle stock affairs in accordance with regulations and maintain the list of major shareholders with actual control over the company and their ultimate controllers.	(II) None
(III) Has the Company established and implemented risk control and firewall mechanisms with its affiliates?	✓		(III) The relevant operating procedures have been formulated in the internal control system according to laws and regulations. The Company has established the “Regulations Governing Transactions with Affiliated Parties, Specific Companies and Group Enterprises,” the implementation of which is regularly monitored by auditors.	(III) None
(IV) Has the company established internal regulations to prohibit insiders from	✓		(IV) Our company has established ‘Internal Significant Information Handling Procedures,’ prohibiting insiders from	(IV) None

Evaluation item	Operating status			Differences from the corporate governance practices of listed companies and the reasons for these differences:
	Yes	No	Executive summary	
trading securities based on non-public market information?			trading securities based on undisclosed market information.	
<p>III. Composition and duties of the Board of Directors</p> <p>(I) Has the board of directors established a diversity policy, set specific management goals, and implemented them accordingly?</p> <p>(II) Apart from legally establishing a Remuneration Committee and an Audit Committee, has the company voluntarily established other types of functional committees?</p> <p>(III) Has the company established a performance evaluation mechanism</p>	<p>✓</p> <p></p> <p>✓</p> <p>✓</p>		<p>(I) The Company's Corporate Governance Best Practice Principles stipulate policies to enhance the functionality of the Board of Directors. The composition of the Board members should consider diverse standards such as gender, age, nationality, culture, professional background (e.g., law, accounting, industry, finance, marketing, or technology), professional skills, and industry experience. The Company's Board of Directors consists of seven directors, including three independent directors with diverse professional backgrounds and expertise in areas such as operational judgment, management, crisis management, industry knowledge, international market perspectives, leadership, decision-making, accounting and financial analysis, and legal expertise. This composition enables the effective implementation of the Company's operations and future development strategies, aligning with the diversity policy. To strengthen the diversity goals of the Board of Directors, among the seven directors, two are female, meeting the gender equality composition goals of the Board.</p> <p>(II) Our company adheres to regulatory requirements by establishing a Remuneration Committee and an Audit Committee, and by setting operational standards. In the future, functional committees will be established as needed in accordance with regulatory requirements to support company operations.</p> <p>(III) Our company was still an emerging stock company in 2023</p>	<p>(I) None</p> <p>(II) None</p> <p>(III) None</p>

Evaluation item	Operating status			Differences from the corporate governance practices of listed companies and the reasons for these differences:								
	Yes	No	Executive summary									
<p>for the Board of Directors and conducted regular annual evaluations? Are the evaluation results reported to the Board of Directors and used as a reference for individual director compensation and re-nomination?</p> <p>(IV) Does the Company regularly assess the independence of the CPAs?</p>	✓		<p>(IV) The company's appointed certified public accountants are from one of the Big Four accounting firms. Any direct or indirect interests have been avoided, and there are no instances of compromised independence. The company conducts an annual assessment of the independence of its certified public accountants.</p>	(IV) None								
<p>IV. Do listed companies ensure the appropriate appointment and number of corporate governance personnel, including a designated corporate governance officer responsible for overseeing governance-related activities? Such activities encompass providing necessary information to directors and independent directors, aiding them in compliance with legal requirements, organizing board and shareholder meetings as per legal mandates, and documenting the proceedings of these meetings accurately.</p>	✓		<p>The company has established an Operations Management Division responsible for corporate governance-related affairs. On March 20, 2023, an associate manager of the Operations Management Division was appointed as the corporate governance officer. This role oversees matters related to the Board of Directors, Audit Committee, Remuneration Committee, and shareholders' meetings, assists directors with onboarding and continuous professional development, provides necessary information for directors to perform their duties, and assists directors in complying with laws and regulations. The corporate governance officer, with over three years of experience in financial, share affairs, and meeting management, serves as the highest-ranking executive for corporate governance matters.</p> <p>Business activities in 2023:</p> <p>1. Continuing education of directors:</p> <table border="1"> <thead> <tr> <th>Date of continuing education</th> <th>Organizing Unit</th> <th>Course name</th> <th>Duration of Continued Education</th> </tr> </thead> <tbody> <tr> <td>May 4, 2023</td> <td>Taiwan Corporate Governance</td> <td>Corporate mergers and</td> <td>3</td> </tr> </tbody> </table>	Date of continuing education	Organizing Unit	Course name	Duration of Continued Education	May 4, 2023	Taiwan Corporate Governance	Corporate mergers and	3	None
Date of continuing education	Organizing Unit	Course name	Duration of Continued Education									
May 4, 2023	Taiwan Corporate Governance	Corporate mergers and	3									

Evaluation item	Operating status			Differences from the corporate governance practices of listed companies and the reasons for these differences:								
	Yes	No	Executive summary									
			<table border="1"> <tr> <td></td> <td>Association</td> <td>acquisitions and their impact on financial statements</td> <td></td> </tr> <tr> <td>Sept. 25, 2023</td> <td>Taiwan Corporate Governance Association</td> <td>Corporate Governance and Securities Laws and Regulations</td> <td>3</td> </tr> </table> <ol style="list-style-type: none"> 2. Evaluation of purchasing ‘Directors and Officers Liability Insurance’ for board members, and reporting the coverage details to the Board of Directors. 3. Communication meetings with accountants, independent directors, and chief internal auditors are convened periodically to implement the internal audit and internal control system. Meeting records are available on the company’s website (https://www.vizionfocus.com/). 4. In accordance with legal requirements for conducting Board and Committee meetings: All directors and committee members are to be notified seven days prior to the meetings and provided with sufficient materials to fully understand the agenda. Directors who have a personal or represented corporate interest in the meeting topics will be preemptively reminded to recuse themselves from the discussion and voting. The minutes of the meeting will be distributed to all directors within 20 days following the meeting. 5. Responsible for issuing significant resolutions or announcements after board and shareholder meetings on the day, ensuring the legality and accuracy of disclosed information to protect investor information parity. 6. Directors are provided with periodic updates on new laws and regulations related to business execution, corporate governance, or business management. 7. Handling of matters related to shareholders’ meetings 		Association	acquisitions and their impact on financial statements		Sept. 25, 2023	Taiwan Corporate Governance Association	Corporate Governance and Securities Laws and Regulations	3	
	Association	acquisitions and their impact on financial statements										
Sept. 25, 2023	Taiwan Corporate Governance Association	Corporate Governance and Securities Laws and Regulations	3									

Evaluation item	Operating status			Differences from the corporate governance practices of listed companies and the reasons for these differences:
	Yes	No	Executive summary	
			according to laws and regulations: Register the date of the shareholders' meeting according to laws and regulations every year, and prepare and report the meeting notice, agenda handbook and meeting minutes before the deadline.	
V. Has the company established communication channels with stakeholders (including but not limited to shareholders, employees, customers, and suppliers), set up a dedicated stakeholder section on the company website, and properly responded to stakeholders' concerns regarding key corporate social responsibility issues?	✓		Our company has established a 'Stakeholder Section' on its website to provide a communication channel for stakeholders and to respond appropriately. The company has established internal employee communication channels; employees can express their opinions via email.	None
VI. Has the Company appointed a professional shareholder service agency to handle shareholders' meeting affairs?	✓		The Company appoints KGI Securities Shareholder Affairs Department to handle the shareholders' meeting affairs.	None
VII. Information Disclosure				
(I) Has the Company set up a website to disclose financial, business and corporate governance information?	✓		(I) Our company has established a website (https://www.vizionfocus.com/) to disclose financial, business, and corporate governance information.	(I) None
(II) Has the Company adopted other means of information disclosure (e.g. setting up an English website, appointing dedicated personnel to collect and disclose information on the Company, implementing a spokesperson system, posting the process of investor conference on the Company's website, etc.)?	✓		(II) Our company has established an English website, with relevant departments responsible for collecting and disclosing information according to regulations, and implementing a spokesperson system as required. Additionally, the content of our company's corporate briefing sessions is disclosed not only on the MOPS but also on the company's website.	(II) None
(III) Does the company announce and file its annual financial report within two months after the end of the fiscal year	✓		(III) For fiscal year 2023, our company, being an emerging OTC company, only disclosed the second quarter and annual financial reports and monthly operational status within the	(III) None

Evaluation item	Operating status			Differences from the corporate governance practices of listed companies and the reasons for these differences:
	Yes	No	Executive summary	
and announce and file its quarterly financial reports and monthly operational statuses ahead of the prescribed deadlines?			required deadlines.	
VIII. Does the company have any other important information that could enhance understanding of its corporate governance operations (This includes, but is not limited to, employee rights, employee care, investor relations, supplier relations, stakeholders' rights, directors' training statuses, execution of risk management policies and risk measurement standards, implementation of customer policies, and the company's purchase of liability insurance for directors.)?	✓		<p>Other important information of the Company that is helpful to understand the implementation of corporate governance:</p> <p>(I) Employee rights and interests: Please refer to V. Business Overview and Labor-Management Relations of this annual report.</p> <p>(II) Employee care: Please refer to V. Operational Overview and Labor-Management Relations of this annual report.</p> <p>(III) Investor relations: The Company convenes shareholders' meetings in accordance with the relevant laws and regulations, and gives shareholders ample opportunities to ask questions and make proposals. In addition, the Company has a spokesperson and deputy spokesperson to handle shareholders' suggestions, questions and disputes. Our company also handles information disclosure filings as required by regulatory authorities, promptly providing information that may influence investor decisions.</p> <p>(IV) Supplier relations: Our company maintains open communication channels and good relationships with banks, employees, consumers, and suppliers alike.</p> <p>(V) Stakeholders' rights: Our company has appointed a spokesperson and a deputy spokesperson to communicate directly with stakeholders, respecting and maintaining their legitimate rights and interests.</p> <p>(VI) Director Training: All directors of our company possess professional backgrounds in the industry and practical management experience. The company also periodically provides directors with information on courses related to corporate governance and securities regulations.</p>	None

Evaluation item	Operating status			Differences from the corporate governance practices of listed companies and the reasons for these differences:
	Yes	No	Executive summary	
			<p>(VII) Implementation of risk management policies and risk measurement standards: The company adopts a preventive policy for risk management. In addition to establishing various internal regulations and systems to conduct risk management and assessments, as well as regular and ad-hoc internal audits on implementation, the company also purchases relevant insurance such as property insurance and product liability insurance to mitigate risks.</p> <p>(VIII) Implementation of customer policies: Our company adheres to the Code of Ethical Conduct, maintaining open communication channels and good relationships with customers.</p> <p>(IX) The Company's purchase of liability insurance for directors and managers: Directors and officers liability insurance has been purchased for directors and managers, and after signing a new insurance policy each year, it is reported to the Board of Directors.</p>	
<p>IX. Please explain the improvements made based on the recent annual Corporate Governance Evaluation results released by the Taiwan Stock Exchange Corporation Corporate Governance Center, and propose priority enhancement items and measures for aspects not yet improved: The company has not yet been included in the evaluated companies.</p>				

(IV) Membership and operation of the Nomination Committee: The Company does not have a Nomination Committee.

(V) Information on the operation of the Remuneration Committee

1. Information on members of the Remuneration Committee

December 31, 2023

Type of identity	Condition	Professional qualifications and experience	Circumstances of independence	Number of other publicly traded companies where serving as an independent director
Independent Director (Convener)	Yuan-Ching Wen	Please refer to page 14, '4. Disclosure of Directors' Professional Qualifications and Independence of Independent Directors' for related content.		1
Independent Director	Cheng-Hung Chen			None
Independent Director	Chien-Yu Chen			None

2. Information on the operation of the Remuneration Committee

(1) The Company's Remuneration Committee consists of three members.

(2) Term of the current committee members: From September 15, 2021, to April 27, 2024. During the most recent fiscal year (2023), the Remuneration Committee convened three times (A). The qualifications of the members and their attendance are as follows:

Title	Name	Number of attendances in person (B)	Number of times of attendance by proxy	Actual attendance rate (%) (B/A) (Note)	Notes
Convener	Yuan-Ching Wen	3	0	100	
Committee member	Cheng-Hung Chen	3	0	100	
Committee member	Chien-Yu Chen	3	0	100	

Other information to be disclosed:

- I. If the Board of Directors does not adopt or amends the recommendations of the Compensation Committee, it should state the date, period, content of the agenda, and resolution results of the Board meeting, as well as how the company has handled the Remuneration Committee's opinions (if the remuneration approved by the Board is superior to the Remuneration Committee's recommendations, the differences and reasons should be specified). None.
- II. If any member of the Remuneration Committee expressed dissenting or qualified opinions on record or in writing regarding the Committee's resolution, the Remuneration Committee's meeting date, period, agenda content, opinions of all members, and the handling of members' opinions should be stated. None.

(VI) Implementation of sustainable development initiatives and discrepancies with the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies, along with reasons:

Items to be promoted	Status of implementation			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Executive summary	
I. Has the company established a governance structure to promote sustainable development, and set up a dedicated (or part-time) unit for this purpose, managed and overseen by the senior management team and the Board of Directors?	✓		Our company is committed to establishing an effective corporate governance structure, with a robust system for selecting directors to ensure that the appointment process for all directors is fair, just, and transparent. The company currently plans to promote sustainable development through a part-time unit within the Operations Management Department, responsible for proposing and implementing corporate social responsibility policies, systems, or related management guidelines and specific action plans. On August 7, 2023, the company reported the effectiveness of these initiatives and company strategies to the Board of Directors. Besides reviewing the progress of these strategies, the Board urges the management team to make adjustments when necessary.	None.
II. Does the Company conduct risk assessments on environmental, social and corporate governance issues related to company operations in accordance with the principle of materiality, and establish relevant risk management policies or strategies?	✓		Our company integrates the risk assessment of environmental, social, and governance issues related to operations into our operational management policies, including company policies, internal operational management, and business execution. Our company has established a Sustainability Practices Code, focusing on developing a sustainable environment, maintaining social welfare, implementing corporate governance, and enhancing the disclosure of information on sustainable corporate development. Committed to achieving environmental sustainability goals, our company strives to enhance energy efficiency and use materials with a lower environmental impact. Policies will be reviewed and adjusted based on actual operational conditions in the future.	None.
III. Environmental Issues (I) Has the Company established an appropriate environmental management system based on the characteristics of its industry?	✓		Our company primarily engages in the contract manufacturing of contact lenses, with future product development focused on energy-saving and carbon reduction. The company has now established an environmental management system and has received ISO 14004:2015 certification.	None.
(II) Is the company committed to enhancing energy efficiency and using renewable materials that have a lower environmental impact?	✓		Our company is committed to source improvement. All colleagues follow regulations to turn off lights and air conditioning when not in use to effectively conserve energy, promote paperless operations to effectively reduce paper consumption and practice double-sided printing, encourage the use of reusable food containers, and implement garbage sorting and resource recycling to mitigate environmental impact.	None.
(III) Does the company assess the potential risks and opportunities presented by climate change to the business currently and in the future, and implement corresponding measures?	✓		The risks of climate change assessed by the Company are water and electricity, which are indispensable resources for production. Climate change-induced shortages in hydroelectric power supply, or increased costs, may negatively impact the company's production and operational costs. Therefore, in addition to the introduction of greenhouse gas inventory this year, the Company will establish	None.

Items to be promoted	Status of implementation			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies				
	Yes	No	Executive summary					
			policies on energy saving, carbon reduction, greenhouse gas reduction, water usage minimization, and other waste management policies, and actively promote energy-saving projects while monitoring energy consumption and efficiency metrics.					
(IV) Has the Company kept statistics on the amount of greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulated policies for greenhouse gas reduction, reduction of water consumption or management of other waste?	✓		<p>This year, the company initiated the implementation of a greenhouse gas inventory. Although the greenhouse gas emissions, water consumption, and total waste weight for the past two years have not been quantified, the company has indeed implemented the following measures for energy conservation, carbon reduction, greenhouse gas reduction, water conservation, and other waste management policies:</p> <ol style="list-style-type: none"> 1. The office is served by a central air-conditioning system, which is turned on during working hours. Lighting and computer equipment are turned off after working hours, unless it is necessary, in support of the energy-saving and carbon-reducing policy. 2. Promote paperless operations to reduce the use of paper and related consumables. 3. Encourage employees to use non-disposable eating utensils and implement garbage sorting and recycling. 4. Our company's production processes do not emit gases or wastewater, and waste management and disposal are conducted in accordance with legal standards, ensuring controlled and proper handling of produced waste. 	None.				
<p>IV. Social Issues</p> <p>(I) Has the Company established management policies and procedures in accordance with applicable laws and the International Bill of Human Rights?</p>	✓		<p>Our company adheres to the Labor Standards Act, Gender Equality in Employment Act, and other labor regulations, formulating various management methods and striving to systematize all internal operations. We also support and respect international principles such as the 'Universal Declaration of Human Rights' and the 'United Nations Global Compact,' advocating for rights like gender equality, the right to work, and non-discrimination. Employee appointments and compensation are managed in accordance with internal control systems, handling labor insurance, health insurance, group insurance, and pension contributions to protect the legal rights and interests of employees. The Company's human rights management policies and specific plans are summarized as follows:</p> <table border="1" data-bbox="763 1273 1648 1457"> <tr> <td>Human Rights Management Policy</td> <td>Specific initiatives</td> </tr> <tr> <td>Eliminate illegal discrimination and ensure equal</td> <td>Our company strictly adheres to local labor laws, including the "Labor Standards Act" and "Gender Equality in Employment Act" of the Republic of China, establishing</td> </tr> </table>	Human Rights Management Policy	Specific initiatives	Eliminate illegal discrimination and ensure equal	Our company strictly adheres to local labor laws, including the "Labor Standards Act" and "Gender Equality in Employment Act" of the Republic of China, establishing	None.
Human Rights Management Policy	Specific initiatives							
Eliminate illegal discrimination and ensure equal	Our company strictly adheres to local labor laws, including the "Labor Standards Act" and "Gender Equality in Employment Act" of the Republic of China, establishing							

Items to be promoted	Status of implementation			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Executive summary	
			<p>job opportunities appropriate management methods and procedures that are promoted and communicated internally. We provide a fair working environment, ensuring there is no unfair treatment or discrimination based on gender, race, socioeconomic status, nationality, age, marital status, family circumstances, language, religion, political affiliation, appearance, height, or disabilities. The company is committed to upholding basic human rights of employees and complying with relevant labor laws and regulations to protect employees' legal rights and interests.</p> <p>Prohibition of Forced Labor Strictly adhere to government labor laws, international norms, and company human rights policies, avoiding forced or coerced labor of any unwilling individuals.</p> <p>Prohibition of Sexual Harassment Established "Sexual Harassment Prevention, Complaint, and Disciplinary Measures" and set up channels for complaints about sexual harassment.</p> <p>Protection of Employee Privacy Confidential measures are adopted for all employee data, managed by designated personnel. When cross-departmental access to information is requested, it must be authorized according to permission levels.</p>	
(II) Does the Company establish and implement reasonable employee welfare measures (including remuneration, leave and other benefits), and appropriately reflect the operating performance or results in employee remuneration?	✓		<ol style="list-style-type: none"> Our company's remuneration policy is positively correlated with individual responsibilities, contributions to the company, performance, and operational outcomes. The overall remuneration package primarily includes salary, bonuses, employee profit-sharing, and benefits. Remuneration is determined based on the market rates for the positions held by employees and company policies: bonuses and employee profit-sharing are linked to the achievement of individual and departmental goals as well as the overall performance of the company; welfare programs are designed in compliance with legal requirements while also addressing the needs of employees, creating shared benefits accessible to all staff. According to Article 20, Paragraph 1, Item 1 of our company's Articles of Association, if the company is profitable in any given year, 1-12% of the profits should be allocated as employee remuneration, sharing the operational results with all employees. In 2023, the Company recognized NTD77,704 thousand as employee compensation. Please refer to the Company's employee welfare measures and implementation status under Page 75 "1.(1) Employee welfare measures and implementation." 	None.

Items to be promoted	Status of implementation			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Executive summary	
(III) Does the company provide a safe and healthy working environment for its employees, and conduct regular safety and health education for them?	✓		<p>1. Employee work environment safety protection measures: The company ensures a pristine working environment through regular cleaning and systematic disinfection. Safety officers conduct routine checks on safety measures to bolster workplace safety. Employee access to office premises is regulated through identification badges, while visitors and external guests are required to be accompanied by an employee at all times. Furthermore, our office is safeguarded around-the-clock by security personnel and surveillance systems. Annual training sessions on workplace safety are conducted to heighten employees' awareness and enhance their ability to respond to emergencies in line with our commitment to safety. There was no employee occupational disaster in 2023.</p> <p>2. Health management measures: Smoking is prohibited within the Company, regular health checkups are conducted for employees, and physicians are invited to provide consultation services for employees from time to time.</p> <p>3. In 2023, there were 4 occupational accidents, accounting for 0.78% of all employees. Improvement measures taken by the company:</p> <ol style="list-style-type: none"> (1) Based on the causes of accidents, traffic safety education is provided to prevent similar accidents from recurring. (2) We promote that before processing machines, the machines must be stopped, and processing can only proceed after confirming the machines have stopped operating. (3) Adjustments were made to the positioning of personnel operating machines, and potential pinch point paths were isolated for protection to prevent personnel injuries. <p>4. Our company did not experience any fire incidents in 2023.</p>	None.
(IV) Has the Company established an effective career development training program for its employees?	✓		<p>The Company encourages managers at all levels and colleagues to participate in professional development and managerial training courses internally and externally. For employees whose performance does not meet expectations, in addition to intensified on-the-job training, department heads provide appropriate care and guidance. For those who perform excellently, they are offered promotion rewards based on their capabilities and willingness, and support is given in line with their career plans to facilitate further training and development.</p> <p>The Company has offered a total of 22 internal training courses in 2023 to provide employees with opportunities for self-study at any time.</p>	None.
(V) Does the company adhere to relevant regulations and international standards regarding customer health and safety, privacy, marketing, and labeling of products and services, and has it	✓		<p>Our company adheres to ISO 13485:2016, Medical Device Management Law, Medical Device Advertising Regulations and Review Principles, EN ISO 15223-1, GMP, and CE among other relevant regulations and international standards. Internally, we have established protocols such as 'Customer Satisfaction Survey Management' and 'Internal Control of Customer Complaint Procedures' to</p>	None.

Items to be promoted	Status of implementation			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Executive summary	
established policies and procedures to protect consumer or customer rights and handle complaints?			<p>safeguard customer rights.</p> <p>Our company has established a stakeholder complaint mechanism and maintains good communication channels with customers. We provide transparent and effective customer complaint procedures, which include specific steps for handling customer complaints and processes for returns and exchanges, to protect the rights of customers in using our products.</p> <p>Our company has established a customer complaint handling process and created a customer-oriented quality system to enhance customer satisfaction with our products and services. We aim to understand customer needs and expectations, which serve as the basis for product development and improvement, achieving the goal of sustainable business operations.</p>	
(VI) Does the company have a supplier management policy requiring suppliers to comply with standards on environmental protection, occupational safety and health, or labor rights, and what is the implementation status?		✓	<p>Our company has a “Supplier Evaluation and Assessment Management Mechanism.” In addition to assessing quality, price, and delivery time during procurement activities, evaluations also include environmental and supplier social responsibility criteria. In addition, the Company plans to discuss a new version of the supplier contract. However, if the supplier is found to be in violation of corporate social responsibility, integrity commitments, etc., causing significant impact on the environment, society, and corporate governance, the Company will evaluate terminating the cooperation or rescinding the contract.</p>	None.
V. Does the company refer to internationally recognized reporting standards or guidelines to compile sustainability reports and other reports disclosing non-financial information? Have said reports been certified or guaranteed by a third-party verification unit?		✓	<p>The Company is not currently within the scope of the preparation of a sustainability report as required by law. Therefore, no such report has been prepared yet. In the future, it will be prepared depending on the law and the Company’s operational needs. Although non-financial information is disclosed on our company website, annual reports, and MOPS, the company periodically updates related information on the website for public access.</p>	As described in the executive summary
VI. If the company has established its own sustainable development best practice principles in accordance with the “Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies”, please describe any discrepancies between the company’s operations and the established principles. The company has established its Sustainable Development Best Practice Principles with no significant discrepancies.				
<p>VII. Other important information that is helpful in understanding the status of implementation of sustainable development:</p> <p>(I) Environmental Aspect: Our company was certified under the ISO14001:2015 environmental management system in 2023.</p> <p>(II) Consumer rights aspect: Dedicated personnel handle customer complaints to protect consumer rights.</p> <p>(III) Human Rights, Occupational Safety and Health:</p> <p>The company is committed to upholding basic human rights of employees and complying with relevant labor laws and regulations to protect employees’ legal rights and interests. Our company strictly adheres to local labor laws, including the “Labor Standards Act” and “Gender Equality in Employment Act” of the Republic of China, establishing appropriate management methods and procedures that are promoted and communicated internally.</p> <p>Providing a Fair Work Environment: The company ensures fairness in management mechanisms such as compensation and promotion opportunities for all employees. Employees will not be subject to any discrimination, harassment, or unfair treatment based on race, nationality, gender, religious beliefs, age, political stance, etc.</p> <p>The Company has personnel in charge of labor safety and health, who are responsible for the implementation and control of labor safety and health in accordance with government laws and regulations. Through regular labor-management meetings and diverse employee communication channels, we establish communication between the management and</p>				

Items to be promoted	Status of implementation			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Executive summary	
employees to implement our responsibility to respect employees' human rights and protect employees' rights and interests.				
(IV)	Progress of the Company's ISO certification.			
	Certification	Validity period	Certification date	
	ISO13485: 2016	2021/10/16-2024/10/15	2021/08/16-2021/08/18	
	ISO14001: 2015	2024/03/14-2027/03/13	2024/11/07-2024/11/08, 2024/12/01	
	2024/02/07-2027/02/06	2024/12/06, 2024/12/12	2024/02/07-2027/02/06	
	ISO14064-1: 2018	Currently under counseling	Expect to obtain the certificate before August 31, 2024	
	ISO45001:2018	Currently under counseling	Expected to obtain the certificate before January 31, 2025	

(VII) Climate-related information of TWSE/TPEX-listed companies

1. Implementation of Climate-Related Disclosures

Item	Status of implementation
1. Describe the supervision and governance of the Board of Directors and management regarding climate-related risks and opportunities.	To address climate change, VIZIONFOCUS (a standalone company) has introduced ISO 14064-1:2018 by the end of 2023 and is expected to obtain certification in August 2024. We will regularly incorporate execution progress and schedule planning into Board of Directors reporting items in the future.
2. Describe how the identified climate risks and opportunities impact the company's business, strategy, and finances (short, medium, and long-term).	<p>Short-term situations that may arise include water outages caused by extreme weather, rising raw material costs, and the government imposing carbon and energy-related taxes, which could lead to production interruptions and increased operating costs. We need to strengthen the use of low-carbon energy sources and adopt more efficient production methods to address these challenges.</p> <p>Increased mid-term droughts causing supply chain disruptions, transition to low-carbon (carbon reduction technologies), etc. require improving resource efficiency to mitigate climate threats.</p> <p>In the long run, we may face situations such as increasing water resource stress and changes in average temperatures, leading to decreased production capacity, higher infrastructure costs, and forced changes in labor management and planning. We need to enhance our overall disaster response capabilities and introduce more diverse alternative energy sources to mitigate the impact of these risks.</p>
3. Describe the financial impacts of extreme climate events and transition actions.	Extreme climate and the transition to a low-carbon economy may require facing widespread changes in policies, regulations, technologies, and markets. VIZIONFOCUS has implemented energy-saving and carbon reduction projects to pursue the maximum reduction of energy consumption, waste, and other impacts on the climate in its operations and supply chain, as well as to improve energy efficiency in response to these transition risks. This transition will lead to increased capital investment and operating costs for the company itself.
4. Describe the process of identifying, assessing, and managing climate risks and how it is integrated into the overall risk management system.	Through greenhouse gas inventory, our company understands and manages the quantitative situation of overall emissions, identifies significant climate-related risks and opportunities, and has relevant departments conduct risk control and disclose proposed response strategies. The risk management operations are regularly reviewed and reported to the Board of Directors.
5. If scenario analysis is used to assess resilience against climate change risks, the scenarios, parameters, assumptions, analysis factors, and key financial impacts should be described.	The Company has not yet adopted climate change scenario analysis.

<p>6. If there are transition plans to address climate-related risk management, explain the plan content and the indicators/targets used to identify and manage physical and transition risks.</p>	<p>Our company adopts three main strategies: “Regulatory Compliance”, “Hardware Equipment Upgrades”, and “Greenhouse Gas Inventory” to manage various physical and transition risks. First, we regularly update various climate-related regulations to strictly comply with regulatory requirements, which serve as the basis for developing our transition plan. Second, gradually replace equipment with energy-efficient or eco-friendly certified products. Third, gradually complete the greenhouse gas inventory and plan emission reduction policies. Additionally, in terms of the supply chain, we continue to establish a list of secondary suppliers to reduce the probability of operational disruptions caused by climate change. We also utilize routine audits and promotion to strengthen the implementation of environmentally friendly measures, collectively mitigating the likelihood of extreme weather events.</p>
<p>7. If an internal carbon pricing is used as a planning tool, the basis for price determination should be explained.</p>	<p>The Company has not yet adopted internal carbon pricing.</p>
<p>8. If climate-related targets have been set, the covered activities, scope of greenhouse gas emissions, planning period, and annual progress should be disclosed. If carbon offsets or Renewable Energy Certificates (RECs) are used to achieve these targets, the source and quantity of the offsets or the number of RECs should be specified.</p>	<p>Does not yet meet the disclosure requirements of the 2023 Sustainable Development Roadmap and Information Disclosure Regulations for Listed and OTC Companies. However, our company started implementing a greenhouse gas inventory by the end of 2023 and expects to complete the inventory for overseas subsidiaries by 2026.</p>
<p>9. Greenhouse gas inventory and assurance status, as well as reduction targets, strategies and specific action plans (also filled out in 1-1 and 1-2).</p>	<p>Our company does not yet meet the disclosure requirements of the 2023 Sustainable Development Roadmap and Information Disclosure Regulations for Listed and OTC Companies.</p>

1-1 Greenhouse gas inventory and assurance status for the past two years

1-1-1 Greenhouse Gas Inventory Information

Disclose the greenhouse gas emissions (tons CO₂e), intensity (tons CO₂e/million revenue), and data coverage scope for the past two years.

Please explain the scope of information that should be disclosed according to the Sustainable Development Roadmap for Listed and OTC Companies (the relevant schedule can be referred to on the Listed and OTC Companies' Exclusive Roadmap website: <https://isds.tpex.org.tw>).

1. The parent company should start the inventory from 2026 (same calendar below).

2. Subsidiaries included in the consolidated financial statements should start the inventory from 2027. VIZIONFOCUS has established a greenhouse gas inventory mechanism in accordance with the Greenhouse Gas Protocol published by the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI) / ISO 14064-1 Greenhouse Gas Inventory Standard published by the International Organization for Standardization (ISO) (specify the applicable inventory standard). Starting from 2023, the company conducts an annual inventory of its individual greenhouse gas emissions to understand the usage and emission status of greenhouse gases and verify the effectiveness of reduction actions. (The inventory for overseas subsidiaries is expected to be completed by 2026.) Furthermore, the greenhouse gas inventory data for the past two years was consolidated based on the operational control approach, including the greenhouse gas emissions of the company and all subsidiaries covered in the consolidated financial statements, as described below:

		2022		2023	
		Emission amount (tons CO ₂ e)	Intensity (tons CO ₂ e/turnover NTD million)	Emission amount (tons CO ₂ e)	Intensity (tons CO ₂ e/turnover NTD million)
The Company	Scope 1 Direct greenhouse gas emissions	Note 1		187.2078	
	Scope 2 Indirect greenhouse gas emissions			7,123.5765	
	Scope 3 - 6 Indirect greenhouse gas emissions			3,089.4537	
	Subtotal			10,400.2380	
All subsidiaries included in the consolidated financial statements	Scope 1 Direct greenhouse gas emissions	Note 1		Note 1	
	Scope 2 Indirect greenhouse gas emissions				
	Subtotal				
Total				10,400.2380	

Note 1: Our company does not yet meet the disclosure requirements of the 2023 Sustainable Development Roadmap and Information Disclosure Regulations for Listed and OTC Companies.

Note 1: Direct emissions (Scope 1, i.e., direct emissions from emission sources owned or controlled by the company), energy indirect emissions (Scope 2, i.e., indirect greenhouse gas emissions from the input of electricity, heat, or steam), and other indirect emissions (Scope 3, i.e., emissions generated by the company's activities, not included in energy indirect

emissions, but from emission sources owned or controlled by other companies).

Note 2: The scope of direct emissions and energy indirect emissions data should be handled according to the schedule set by the regulations in Article 10, Paragraph 2 of these Regulations, while other indirect emissions information may be disclosed voluntarily.

Note 3: Greenhouse Gas Inventory Standards: The Greenhouse Gas Protocol (GHG Protocol) or the ISO 14064-1 published by the International Organization for Standardization (ISO).

Note 4: The intensity of greenhouse gas emissions can be calculated per unit of product/service or revenue, but at least the data calculated based on revenue (NT\$ million) should be described.

1-2 Greenhouse gas reduction targets, strategies and specific action plans

Describe the greenhouse gas reduction base year and data, reduction targets, strategies, specific action plans, and progress towards the reduction targets.

Greenhouse gas reduction base year and reduction target

Our company does not yet meet the disclosure requirements of the 2023 Sustainable Development Roadmap and Information Disclosure Regulations for Listed and OTC Companies.

Greenhouse gas reduction strategies and specific action plans

In response to the carbon fees to be levied under Taiwan's "Climate Change Response Act," global carbon emission regulatory mechanisms, and the requirements to increase the proportion of green electricity usage under the "Renewable Energy Development Act," as well as the internal and external pressures and risks of carbon reduction, VIZIONFOCUS will evaluate the opportunities brought about by low-carbon transformation, and continuously adjust relevant policies and plans, develop forward-looking carbon reduction technologies such as manufacturing process equipment improvements or low-carbon investments, and seek breakthroughs in carbon reduction. Additionally, we implement the ISO 14001 Environmental Management Reduction Program and integrate emission information from various plants through the Carbon Management Platform System. This allows us to stay updated on the latest regulations and information required for carbon management. We can also comprehensively monitor various greenhouse gas reduction programs, including measures to improve energy efficiency, ensuring that the reduction process is on track. With a proactive attitude, we aim to reduce the impact of carbon emissions and enhance our operational competitive advantage.

To ensure that management, execution teams, and all employees work together to achieve greenhouse gas reduction targets and improve resource efficiency, we will formulate plans to implement company-wide reduction targets and cultivate a sustainable corporate culture. This will rally our colleagues to work together and gradually realize the company's net-zero emission pathway and goals.

Reduction Target Achievement

Our company does not yet meet the disclosure requirements of the 2023 Sustainable Development Roadmap and Information Disclosure Regulations for Listed and OTC Companies.

Note 1: Should be handled according to the schedule set by the regulations in Article 10, Paragraph 2.

Note 2: The base year should be the year in which the inventory of the consolidated financial statements is completed. For example, according to Article 10, Paragraph 2 of these Regulations, companies with a capital of NT\$10 billion or more should complete the inventory of the consolidated financial statements for the fiscal year 2024 by 2025. Therefore, the base year is 2024. If a company has completed the inventory of the consolidated financial statements earlier, it may use that earlier year as the base year. Furthermore, the data for the base year may be calculated using either a single year or an average of several years.

(VIII) Status of ethical corporate management practices and deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons for deviation

Evaluation item	Operating status			Deviation and causes of deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Executive summary	
<p>I. Formulation of the ethical corporate management policy and proposal</p> <p>(I) Has the company established an integrity management policy approved by the Board of Directors, and clearly stated this policy of integrity management in regulations and external documents, along with the commitment of the Board and senior management to actively implement these policies?</p>	✓		<p>(I) The company has established the “Ethical Corporate Management Best Practice Principles” and the “Ethical Corporate Management Operating Procedures and Conduct Guidelines,” which clearly stipulate matters to be noted when conducting business operations. These have been disclosed on the Market Observation Post System and the company’s website (https://www.vizionfocus.com/).</p>	None
<p>(II) Has the company established a mechanism to assess the risk of dishonest conduct, regularly analyze and evaluate business activities with a higher risk of dishonest conduct within the scope of operations, and accordingly formulate preventive measures against dishonest conduct? Do these at least include preventive measures against the conducts specified in Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?</p>	✓		<p>(II) All company employees have signed confidentiality agreements and comply with employee work rules, which stipulate that employees shall not engage in private misconduct, disclose company confidential information, or commit other illegal acts that cause losses to the company. Employees shall not accept, demand, or agree to any remuneration or gifts by taking advantage of their positions. Violators will be held accountable in accordance with the law. Based on the risk assessment results of business activities with a higher risk of dishonest conduct within the scope of operations, the company has formulated the “Ethical Corporate Management Operating Procedures and Conduct Guidelines,” which include preventive measures against the conducts specified in Article 7, Paragraph 2 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM</p>	None

Evaluation item	Operating status			Deviation and causes of deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Executive summary	
(III) Does the company have a clearly defined operational procedure, behavior guidelines, sanctions for violations, and grievance system in its program to prevent dishonest behavior, and is it implemented and regularly reviewed and revised?	✓		Listed Companies.” (III) The company’s “Ethical Corporate Management Best Practice Principles” and “Code of Ethical Conduct” clearly define the terms and conduct guidelines regarding conflicts of interest, customer information confidentiality, business gifts, fair trade and competition, and provide grievance channels for employees to address opinions on unfair or unreasonable treatment.	None
II. Practice Ethical Corporate Management (I) Does the company assess the integrity records of its business partners and explicitly stipulate integrity clauses in contracts signed with these trading partners?	✓		(I) In accordance with the “Ethical Corporate Management Best Practice Principles”, the company will consider the legality and record of dishonest conduct for suppliers, customers, or other counterparties prior to business dealings, avoiding transactions with those who have records of dishonest behavior. A qualified vendor list has been established to avoid transactions with parties known for dishonest behavior, and integrity clauses are clearly stipulated in signed contracts.	None
(II) Does the company have a unit dedicated to promoting corporate integrity under the Board of Directors, and does it regularly (at least once a year) report to the Board on the integrity management policy, measures to prevent dishonest behaviors, and the supervision of their implementation?	✓		(II) Currently, our company has not set up a dedicated unit for promoting corporate integrity under the Board of Directors; however, our Audit Office is under the Board’s jurisdiction and can directly report to the Board if there are issues concerning integrity.	None
(III) Has the Company established policies to	✓		(III) To prevent conflicts of interest, the company has	None

Evaluation item	Operating status			Deviation and causes of deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Executive summary	
<p>prevent conflicts of interest, provide appropriate channels of communication, and implement such policies?</p> <p>(IV) Has the company, to implement ethical corporate management, established effective accounting and internal control systems, and has the internal audit unit formulated relevant audit plans based on the assessment results of dishonest conduct risks and audited the implementation of preventive measures against dishonest conduct accordingly, or engaged accountants to conduct the audits?</p> <p>(V) Does the Company organize internal and external training on ethical corporate management on a regular basis?</p>	<p>✓</p>	<p>✓</p>	<p>established a ‘Code of Ethical Conduct’, ‘Code of Ethics’, and ‘Whistleblower Case Handling Procedures’, which are announced on both internal and external company websites in a dedicated whistleblower section.</p> <p>(IV) The company has established an accounting system and internal control system to ensure the effectiveness of financial reporting processes and internal controls. The internal audit unit formulates audit plans based on risk assessment results and conducts regular audits, as well as ad-hoc project audits as needed. Audit results are reported to the Audit Committee and the Board of Directors.</p> <p>(V) The Company uses the board of directors or internal management meetings to promote the ethical management policy.</p>	<p>None</p> <p>In the future, education and training will be organized on a regular or irregular basis, depending on the actual needs.</p>
<p>III. The operation of the Company’s whistle-blowing system</p> <p>(I) Does the company have a specific whistleblowing and reward system in place, and establish convenient whistleblowing channels, and assign appropriate personnel responsible for handling reported cases?</p>	<p>✓</p>		<p>(I) Our company has established ‘Corporate Integrity Operation Procedures and Behavior Guidelines’ which include specific provisions for reporting dishonest behavior, publicly available on internal and external company websites, handled by the Audit Department.</p>	<p>None</p>

Evaluation item	Operating status			Deviation and causes of deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Executive summary	
(II) Has the company established standard operating procedures for investigating whistleblowing cases, subsequent actions after investigations, and related confidentiality mechanisms?	✓		(II) In our ‘Corporate Integrity Operation Procedures and Conduct Guidelines,’ it is stipulated that records and preservation of whistleblower cases, investigation processes, outcomes, and related documentation must be confidential, protecting the identity of the whistleblower and the content of the report, and allowing for anonymous reporting. Designated personnel or units responsible for handling reports must immediately prepare a report and notify the independent directors in writing if significant violations are discovered or if there is a risk of substantial damage to the company. No significant internal or external whistleblower incidents occurred in our company during 2023.	The Company will formulate relevant operating procedures based on the actual needs.
(III) Has the Company taken measures to protect the whistleblower from improper treatment due to their whistle-blowing?	✓		(III) For whistleblowing cases, the company shall keep the whistleblower’s identity and report content confidential. The company shall not dismiss, transfer, demote, reduce salary, reprimand, or impose any other unfavorable treatment on the whistleblower due to the whistleblowing act.	None
IV. Enhance information disclosure Does the company disclose the content and effectiveness of its Integrity Management Code on its website and MOPS?	✓		The company has established a website (https://www.vizionfocus.com/) and the “Ethical Corporate Management Best Practice Principles” on the Market Observation Post System, and discloses the “Procedures for Ethical Management and Guidelines for Conduct” and annual implementation focus on	None

Evaluation item	Operating status			Deviation and causes of deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Executive summary	
			the Company's website.	
V. If the Company has established integrity management principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies," please describe the current practices and any deviations from the Principles: Not applicable.				
VI. Other important information helpful for understanding the company's integrity management operations (such as reviews and amendments to the established Code of Conduct for Integrity Management): none.				

- (IX) If the Company has established the Corporate Governance Best Practice Principles and related regulations, the inquiry method shall be disclosed: The Company has established the Corporate Governance Best Practice Principles and related rules and regulations, which shall be effective upon the approval of the Board of Directors and reported to the annual shareholders' meeting. Information can be found on our company's website (<https://www.vizionfocus.com/>) and MOPS.
- (X) Other important information that is sufficient to enhance the understanding of the Company's corporate governance should be disclosed together:
1. To perfect our corporate governance structure, in March 2023, we appointed Hsing-Chuan Li as the corporate governance officer, responsible for promoting corporate governance activities.
 2. For details on the operation of our company's corporate governance, please refer to the "Corporate Governance" section on our Investor Relations page on our website: <https://www.vizionfocus.com/>.
- (XI) Implementation of the internal control system:
1. Statement of Internal Control System: Please refer to Appendix I
 2. CPA's report on commissioning a CPA to review the internal control system: None.
- (XII) For the most recent fiscal year and as of the annual report's print date, there were no instances where the company or its internal personnel were penalized under the law, or where the company penalized its internal personnel for violating internal control system regulations, which may have a material impact on shareholders' equity or securities prices.

(XIII) Important resolutions of the shareholders' meeting and the board of directors in the most recent year and up to the date of publication of the annual report:

1. Contents of important resolutions of the shareholders' meeting

Name of Meeting	Date of Meeting	Important resolutions
Annual General Shareholders' Meeting Agenda	June 14, 2023	1. Ratification of the Company's 2022 Business Report and Financial Statements.
		2. Recognition of the Company's 2022 earnings appropriation
		3. Approved amendments to certain provisions of the Company's "Articles of Incorporation"
		4. Approved the proposal for amendment to certain provisions of the Company's "Endorsement and Guarantee Management Procedures"
		5. Adopting amendments to the "Shareholders' Meeting Rules" of our company.
		6. Passed application to the competent authority for stock listing (OTC)
		7. Proposal for approval to conduct a cash capital increase for issuing new shares for pre-market (exchange) public underwriting, with all original shareholders waiving their subscription rights

2. Contents of important resolutions of the board of directors

Session of the meeting	Date of Meeting	Important resolutions
The 14th meeting of the 4th board of directors	March 20, 2023	1. The Company's Distribution of Remuneration to Employees and Director 2022.
		2. Fiscal Year 2022 Business Report and Financial Statements of the Company
		3. Discussion on the Company's 2022 Earnings Distribution.
		4. Determination of whether the eligible accounts receivable and other receivables constitute a nature of financial lending
		5. Proposal to approve the Fiscal Year 2022 Internal Control System Statement.
		6. Proposal to amend certain provisions of the Company's "Articles of Incorporation"
		7. Proposed amendment to certain clauses of the company's "Endorsement Guarantee Operation Management Procedures"
		8. Proposed amendment to certain clauses of the company's "Shareholder Meeting Regulations"
		9. Proposal to amend various procedures
		10. Discussion on the renewal of credit limits with financial institutions
		11. Application to the regulatory authority for stock listing (OTC)
		12. Proposal for approval to conduct a cash capital increase for issuing new shares for pre-market (exchange) public underwriting, with all original shareholders waiving their subscription rights

Session of the meeting	Date of Meeting	Important resolutions
		<p>13. The company plans to sign an “Over-Allotment Agreement” with the lead underwriter prior to its initial (market) listing and to coordinate a voluntary custody arrangement with certain shareholders</p> <p>14. Proposal to approve the accounting fees for Southern Region Lead CPA, Deloitte Taiwan for fiscal year 2023</p> <p>15. Proposal to set the time, location, and agenda for the Fiscal Year 2023 Annual General Meeting of Shareholders</p> <p>16. Proposal to discuss the appointment of the company’s Corporate Governance Officer</p> <p>17. Proposal to discuss the appointment of the company’s Chief Information Security Officer</p> <p>18. Approval of the company’s management salary adjustment case (President/Assistant Vice President/Accounting Director/Chief Information Security Officer)</p>
The 15th meeting of the 4th board of directors	May 4, 2023	<p>1. The Company’s 2023 Q1 financial statements</p> <p>2. Determination of whether the eligible accounts receivable and other receivables constitute a nature of financial lending</p> <p>3. The company’s plans to acquire real estate</p> <p>4. Discussion on applying for additional credit limits from financial institutions</p> <p>5. Proposal to apply for an increase in the derivative financial product trading limit with E.SUN Commercial Bank</p>
The 16th meeting of the 4th board of directors	June 14, 2023	<p>1. Discussion on applying for additional credit limits from financial institutions</p> <p>2. The company plans to make an indirect investment in Jiangsu Vizionfocus Inc. (hereinafter referred to as Jiangsu Vizionfocus).</p>
The 17th meeting of the 4th board of directors	August 7, 2023	<p>1. The Company’s consolidated financial statements for Q2, 2023</p> <p>2. Determination of whether the eligible accounts receivable and other receivables constitute a nature of financial lending</p> <p>3. Discussion on the renewal of credit limits with financial institutions</p> <p>4. Discussion on the renewal of the derivative financial product trading limit with CTBC.</p> <p>5. Proposal to provide endorsements and guarantees for a subsidiary of the company</p> <p>6. Proposed discussion on adding credit terms to the medium-to-long-term loan contract with E.SUN Bank and issuing a support letter for the subsidiary.</p> <p>7. Amendment proposal of the internal control system</p> <p>8. Establishing the reference date and related matters for the conversion of employee stock options into new shares for this fiscal year.</p> <p>9. Proposal to approve the personnel promotion of Division Chief Chia-Hua Chang</p> <p>10. Proposal to amend the Company’s “Regulations Governing Remuneration to Directors and Managers”</p>

Session of the meeting	Date of Meeting	Important resolutions
		11. Fiscal Year 2022 manager and employee remuneration payout case of the company.
		12. Fiscal Year 2022 director remuneration payout case of the company.
The 18th meeting of the 4th board of directors	September 25, 2023	1. Discussion on amending the expansion plan and capital expenditure budget for Fiscal Year 2023.
		2. The Company's financial forecast for the fourth quarter of 2023 and the first quarter of 2024
		3. In preparation for our company's listing application, a 'Statement on Internal Control System' covering the period from July 1, 2022, to June 30, 2023, is proposed.
		4. Proposal to revise internal controls and various procedures.
The 19th meeting of the 4th board of directors	June 6, 2023	1. The Company's consolidated financial statements for Q3, 2023
		2. Determination of whether the eligible accounts receivable and other receivables constitute a nature of financial lending
		3. Evaluation of the independence and suitability of the company's certifying accountant.
		4. To accommodate operational needs, our company plans to add a colored lens production line (V1+), with an estimated total capital expenditure of NTD69.01 million.
The 20th meeting of the 4th board of directors	December 13, 2023	1. Discussion on the company's Fiscal Year 2024 operational plan and budget.
		2. Discussion of the 2024 audit plan
		3. Amendment proposal of the internal control system
		4. Discussion on the renewal of credit limits with financial institutions
		5. Proposal to provide endorsements and guarantees for a subsidiary of the company
		6. Proposal to conduct a cash capital increase by issuing new shares for the company's initial public offering.
		7. Manager participation in the cash capital increase and share subscription allocation
		8. Discussion of the company managers' fiscal year 2023 year-end bonus case
The 21st meeting of the 4th board of directors	January 25, 2024	1. Discussion on the proposed construction of a factory at "Section 668-5, Datong" by the company.
		2. Proposal to revise the company's 'Decision-Making Authority'
		3. Proposal to amend certain provisions of the Company's "Articles of Incorporation"
		4. Election of Seven Directors (Including Four Independent Directors) for the 5th Term.
		5. Proposal to set the time, location, and agenda for the Fiscal Year 2024 Annual General Meeting of Shareholders
The 22nd	March 13,	1. The Company's Distribution of Remuneration to Employees and Directors

Session of the meeting	Date of Meeting	Important resolutions
meeting of the 4th board of directors	2024	in 2023.
		2. Fiscal Year 2023 Business Report and Financial Statements of the company.
		3. Discussion on the Company's 2023 Earnings Distribution.
		4. Determination of whether the eligible accounts receivable and other receivables constitute a nature of financial lending
		5. Proposal to approve the Fiscal Year 2023 Internal Control System Statement.
		6. Proposal to revise the company's 'Decision-Making Authority'
		7. Discussion on the renewal of credit limits with financial institutions
		8. Proposal to discuss the supervision of senior personnel involved in derivative transactions.
		9. Nomination and review of the list of director candidates (including independent directors).
		10. Lifting of Non-compete Restrictions on Company's Directors (Including Juristic Persons and Their Representatives)
		11. Addition to the agenda for the fiscal year 2024 Annual General Meeting of Shareholders
		12. Approved the salary adjustment for the Company's managers (President/Associate Vice President/CFO/Chief Information Security Officer)

(XIV) For the most recent fiscal year and up to the date of the annual report publication, there were no dissenting opinions recorded or stated in writing by any director regarding important resolutions passed by the Board of Directors.

(XV) Resignation or dismissal of the Chairman, President, head of accounting, head of finance, head of internal audit, head of corporate governance, and head of R&D in the most recent year and up to the date of publication of the annual report: None.

V. Information on accounting fees

(I) Information on accounting fees

Value: NTD Thousand

Name of CPA Firm	Name of CPA	Audit period	Audit public expenditure	Non-audit fees	Total	Notes
Deloitte Taiwan	Yu-Hsiang Liu	January 1, 2023 - December 31, 2023	4,350	1,820	6,170	None
	Chao-Chun Wang					

Note: Non-audit service fees include tax certification, internal control project reviews, and services related to initial public offerings and capital increases.

(II) The Company shall disclose the following information if it has any of the following circumstances:

- When a change of CPA firm results in a reduction in audit fees from the previous year, the amount of audit fees before and after the change and the reason for the change shall be disclosed: No such circumstance, hence not applicable.
- If the audit fees decreased by more than ten percent compared to the previous year, it is required

to disclose the amount, percentage, and reason for the decrease in audit fees: there is no such case, hence not applicable.

VI. Replacement of CPA

There was no change of CPAs in the last two years prior to the publication date of this annual report.

VII. In the past year, our Chairman, President, and managers responsible for finance or accounting have held positions at the accounting firm that certifies our accounts or its affiliated enterprises.

None of the above circumstances has occurred to the Company.

VIII. For the most recent fiscal year and up to the date of the annual report publication, changes in share transfers and pledges of shares by directors, managers, and shareholders holding more than ten percent of shares are reported.

(I) Changes in shareholdings

Unit: shares

Title	Name	2023		As of March 31, 2024	
		Increase (decrease) of shares held	Increase (decrease) in shares pledged	Increase (decrease) of shares held	Increase (decrease) in shares pledged
Chairman	Hsiu-Chuan Huang	None	None	(100,000)	None
Director and major shareholder	Chang Wah Electromaterials Inc.	None	None	(100,000)	None
	Representative: Chia-Neng Huang (Note 1)	None	None	None	None
	Representative: Sheng-Tao Wu (Note 1)	None	None	None	None
Director and President	An Shih	60,000	None	5,000	None
Director	Li-Ching Kuo	None	None	None	None
Independent Director	Cheng-Hung Chen	None	None	None	None
Independent Director	Chien-Yu Chen	None	None	None	None
Independent Director	Yuan-Ching Wen	None	None	None	None
Vice President	Jui-Feng Shang	None	None	2,000	None
Assistant Vice President, Business Management Division	Hsing-Chuan Li	36,000	None	2,000	None
Assistant Vice President of Project C	Yang-Pin Fan	2,000	None	None	None
Assistant Vice President of Project C	Chia-Hua Chang (Note 2)	None	None	8,000	None
Chief Information Security Officer	Hsien-Chi Su (Note 3)	19,000	None	(18,000)	None
Internal Audit Manager	Wei-Cheng Yin	None	None	5,000	None

Note 1: On August 1, 2023, Chang Wah Electromaterials Inc. changed its representative from Mr. Chia-Neng Huang to Mr. Sheng-Tao Wu.

Note 2: On August 7, 2023, the Board of Directors resolved to promote Mr. Chia-Hua Chang to the position of Assistant Vice President .

Note 3: Mr. Hsien-Chi Su was appointed as Chief Information Security Officer by the Board of Directors on March 20, 2023.

(II) Transfer of shareholding by directors, managers, and shareholders holding more than 10% equity interest to related parties: None.

(III) Information about the related parties of directors, managers, and shareholders who hold more than ten percent of the shares and have pledged their shares: None.

IX. Information on the top ten shareholders holding shares, who are related parties or are spouses or relatives within the second degree of kinship:

March 31, 2024; Unit: Share

Name	Number of shares held in person		Shares held by spouse and minor children		Total Shares Held in the Name of Others		Top ten shareholders who are related parties, spouses, or relatives within the second degree of kinship, and their names and relationships:		Notes
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Name	Relationship	
Chang Wah Electromaterials Inc. Representative: Chuan-Cheng Hung	8,105,970	14.09%	None	None	None	None	None	None	None
	None	None	None	None	None	None			None
Quan Qiao Li Co., Ltd. Representative: Kuei-Chih Tsai	4,674,390	8.13%	None	None	None	None	Hsiu-Chuan Huang	The chairpersons are relatives within the second degree of kinship	None
	None	None	None	None	None	None			None
E.SUN Venture Capital Co., Ltd. Representative: Lung-Cheng Lin	3,150,000	5.48%	None	None	None	None	None	None	None
	None	None	None	None	None	None			None
Hsiu-Chuan Huang	2,840,643	4.94%	None	None	None	None	Kuei-Chih Tsai, representative of Quan Qiao Li Co., Ltd.	The chairpersons are relatives within the second degree of kinship	None
Song Ling Investment Co., Ltd. Representative: Ying-Shi Huang	2,015,000	3.50%	None	None	None	None	None	None	None
	420,000	0.73%	None	None	None	None	None	None	None
Cathay Venture Inc. Representative: Jen-He Chang	1,700,000	2.96%	None	None	None	None	None	None	None
	None	None	None	None	None	None	None	None	None
Xuan Pin Investment Co., Ltd. Representative: Wen-Pin Kuo	1,435,000	2.50%	None	None	None	None	None	None	None
	230,000	0.40%	None	None	None	None	None	None	None
An Shih	1,245,026	2.16%	None	None	None	None	None	None	None
Excel Quality Holding representative: Yu-Chuan Hsu	996,590	1.73%	None	None	None	None	None	None	None
	None	None	None	None	None	None	None	None	None
Trust Property Account of CTBC Bank	853,425	1.48%	None	None	None	None	None	None	None

X. Number of Shares Held by the Company, Its Directors, Managers, and Enterprises Controlled Directly or Indirectly by the Company in the Same Reinvestment Business and Its Consolidated Shareholding Percentage

December 31, 2023; Unit: Thousand shares; %

Invested business	The Company's investment		Directors, managerial officers, and investments in businesses directly or indirectly controlled by directors, managers, and directors		Comprehensive investment	
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio
Green Wealth Investments Limited	35,693	100.00%	None	None	35,693	100.00%
Clear Precise Investments Limited	None	None	35,693	100.00%	35,693	100.00%
Jiangsu Vizionfocus Inc.	None	None	Note	80.00%	Note	80.00%

Note: Since it is a limited company, there is no number of shares.

Four. Fundraising Status

I. Capital and shares

(I) Source of share capital:

March 31, 2024;

Unit: NTD Thousand; thousand shares

Year/month	Issuing price	Authorized capital		Paid-in capital stock		Notes		
		Number of shares	Amount	Number of shares	Amount	Source of share capital	Property other than cash used to offset share capital.	Others
May, 2012	10	20,000	200,000	10	100	Establishment	-	Note 1
June, 2012	10	20,000	200,000	18,628	186,280	Capital increase in cash by 18,618 thousand shares	-	Note 2
November, 2012	12	35,000	350,000	28,528	285,280	Capital increase in cash by 9,900 thousand shares	-	Note 3
June 2015	10	35,000	350,000	13,066	130,657	Capital reduction against losses 15,462 thousand shares	-	Note 4
June 2015	20	35,000	350,000	27,366	273,657	Capital increase in cash by 14,300 thousand shares	-	
October, 2016	10	35,000	350,000	27,618	276,177	Employee stock option certificates converted into 252 thousand shares.	-	Note 5
May, 2017	20	50,000	500,000	36,618	366,177	Capital increase in cash by 9,000 thousand shares	-	Note 6
November, 2017	10	50,000	500,000	36,739	367,387	Employee stock option certificates converted into 121 thousand shares.	-	Note 7
January, 2019	28	50,000	500,000	48,739	487,387	Capital increase in cash by 12,000 thousand shares	-	Note 8
December, 2019	10	50,000	500,000	49,562	495,617	Employee stock option certificates converted into 823 thousand shares.	-	Note 9
August 2020	10	80,000	800,000	50,008	500,077	Employee stock option certificates converted into 446 thousand shares.	-	Note 10
October, 2021	88	80,000	800,000	52,008	520,077	Capital increase in cash by 2,000 thousand shares	-	Note 11
August 2023	30	80,000	800,000	52,455	524,547	Employee stock option certificates converted into 447 thousand shares.	-	Note 12
March, 2024	180	80,000	800,000	57,512	575,117	Capital increase in cash by 5,057 thousand shares	-	Note 13

Note 1: Approved by the Taipei City Government by Letter Fu-Chan-Ye-Shang-Zi No.10183778300 dated 2012.05.10

Note 2: Approved by the Taipei City Government Letter Fu-Chan-Ye-Shang-Zi No. 10185498300 dated 2012.07.10

Note 3: Approved by the Ministry of Economic Affairs Letter Jing-Shou-Zhong-Zi No. 10234044270 on November 15, 2013

Note 4: Approved by the Ministry of Economic Affairs Letter Jing-Shou-Zhong-Zi No. 10433420270 on June 5, 2015

Note 5: Approved by the Ministry of Economic Affairs Letter Jing-Shou-Zhong-Zi No. 10534410850 on October 28, 2016

Note 6: Approved by the Ministry of Economic Affairs through Jing-Shou-Zhong-Zi No. 10633298110 dated May 26, 2017

Note 7: Approved by the Ministry of Economic Affairs in Letter Jing-Shou-Zhong-Zi No. 10633733420 on December 13, 2017

Note 8: Approved by the Ministry of Economic Affairs Letter Jing-Shou-Zhong-Zi No. 10833083720 on February 1, 2019

Note 9: Approved by the Ministry of Economic Affairs Letter Jing-Shou-Zhong-Zi No. 10833783410 on December 26, 2019

Note 10: Approved by the Ministry of Economic Affairs Letter Jing-Shou-Shang-Zi No. 10901122190 on August 12, 2020

Note 11: Approved by the Ministry of Economic Affairs Letter Jing-Shou-Shang-Zi No. 11001186870 on October 18, 2021

Note 12: Approved by the Ministry of Economic Affairs Letter Jing-Shou-Shang-Zi No. 11230172590 on September 5, 2013

Note 13: Approved by the Ministry of Economic Affairs Letter Jing-Shou-Shang-Zi No. 11330052670 on April 15, 2024

March 31, 2024; Unit: Share

Type of shares	Authorized capital			Notes
	Ending outstanding balance	Unissued shares	Total	
Registered common stock	57,511,700	22,488,300	80,000,000	Listed company stock

Summary declaration system-related information: Not applicable.

(II) Shareholder structure

March 31, 2024; unit: persons; shares: %

Shareholder structure Quantity	Government agencies	Financial institutions	Other corporate entities	Individual	Foreign institutions and foreigners	Total
Number of persons	None	1	29	3,348	24	3,402
Number of shares held	None	853,425	23,667,263	30,744,866	2,246,146	57,511,700
Shareholding ratio	None	1.48	41.15	53.46	3.91	100.00

(III) Distribution of shareholdings

1. Distribution of common shares

March 31, 2024;
Unit: Persons; Share: %

Shareholding classification	Number of shareholders (persons)	Number of shares held (shares)	Shareholding ratio (%)
1 - 999	1,003	122,432	0.21
1,000 - 5,000	2,093	4,558,573	7.93
5,001 - 10,000	94	1,414,500	2.46
10,001 - 15,000	51	1,259,814	2.19
15,001 - 20,000	32	1,125,385	1.96
20,001 - 30,000	17	770,558	1.34
30,001 - 40,000	36	2,619,364	4.55
40,001 - 50,000	31	4,536,174	7.89
50,001 - 100,000	22	6,234,632	10.84
100,001 - 200,000	9	4,495,724	7.82
200,001 - 400,000	2	1,447,079	2.52
400,001 - 600,000	3	2,703,440	4.70
600,001 - 800,000	9	26,224,025	45.59
800,001 - 1,000,000	3,402	57,511,700	100.00
Over 1,000,001	1,003	122,432	0.21
Total	2,093	4,558,573	7.93

2. Distribution of preferred shares: The Company did not issue preferred shares.

(IV) List of Principal Shareholders

March 31, 2024;
Unit: Persons; Share: %

Names of Principal Shareholders	Shares of Stock	Number of shares held	Shareholding ratio (%)
Chang Wah Electromaterials Inc.		8,105,970	14.09
Quan Qiao Li Co., Ltd.		4,674,390	8.13
E.SUN Venture Capital Co., Ltd.		3,150,000	5.48
Hsiu-Chuan Huang		2,840,643	4.94
Song Ling Investment Co., Ltd.		2,015,000	3.50
Cathay Venture Inc.		1,700,000	2.96
Xuan Pin Investment Co., Ltd.		1,435,000	2.50
An Shih		1,245,026	2.16
Chia-Neng Huang		1,057,996	1.84
Excel Quality Holding		996,590	1.73

(V) Market Price, Net Worth, Earnings and Dividends per Share for the Past Two Years

Unit: NTD; thousand shares

Item		Fiscal Year	2022	2023
Market price per share	Highest recorded		Unlisted (on the stock exchange or OTC)	Unlisted (on the stock exchange or OTC)
	Lowest recorded		Unlisted (on the stock exchange or OTC)	Unlisted (on the stock exchange or OTC)
	Average		Unlisted (on the stock exchange or OTC)	Unlisted (on the stock exchange or OTC)
Net worth per share	Before distribution		31.50	34.07
	After distribution		29.00	(Note 4)
Earnings per share	Weighted average number of shares		52,008	52,187
	Earnings per share (not retroactive).		6.02	10.77
	Earnings per share (retroactive).		6.02	10.77
Dividends per share	Cash dividends		2.5	(Note 5)
	Bonus stock dividend	Stock dividend from retained earnings	-	-
		Stock dividend from capital reserve	-	-
	Accumulated unpaid dividends		-	-
Analysis of investment return	Price-to-earnings ratio (Note 1)		Unlisted (on the stock exchange or OTC)	Unlisted (on the stock exchange or OTC)
	P/P ratio (Note 2)		Unlisted (on the stock exchange or OTC)	Unlisted (on the stock exchange or OTC)
	Cash dividend yield (Note 3)		Unlisted (on the stock exchange or OTC)	Unlisted (on the stock exchange or OTC)

Note 1: Price-earnings ratio = Average closing price per share for the year/earnings per share.

Note 2: Cost-benefit ratio = Average closing price per share for the year/cash dividends per share.

Note 3: Cash dividend yield = cash dividends per share/average closing price per share for the year.

Note 4: The 2023 earnings appropriation has not yet been resolved by the shareholders' meeting, and is not presented here.

Note 5: The decision was made in the Board of Directors' meeting on March 13, 2024, but has not yet been approved by the shareholders' meeting.

(VI) Company's dividend policy and implementation

1. Dividend policy stipulated in the Articles of Incorporation:

If the Company has earnings in the annual final accounts, the earnings shall be used to pay taxes and make up for past losses, and then 10% of the earnings shall be set aside as legal reserve, unless the accumulated legal reserve has amounted to the total paid-in capital of the Company. After appropriating or reversing the special reserve in accordance with the regulations of the competent authority, the remainder is added to the undistributed earnings from prior years as distributable earnings. The distributable earnings may be used to distribute shareholders' dividends after the Board of Directors prepares an earnings distribution proposal and submits it to the shareholders' meeting for resolution.

The Company pursues sustainable operations and stable management and development in line with the overall environment, industry growth characteristics, and the Company's long-term financial planning. The Company adopts a residual dividend policy where the annual fund needs are measured based on the Company's future capital budget planning. After the funds required for financing are reserved, the remaining earnings may be distributed in the form of cash dividends and stock dividends. The distribution steps are as follows:

- (1) Determine the optimal capital budget.

- (2) Determine the funds required for financing for the aforesaid capital budget.
 - (3) Determine how much of the funds for financing are covered by retained earnings.
 - (4) After an appropriate portion of the remaining earnings is retained depending on the operational needs, the remainder may be distributed to shareholders in the form of dividends. The amount to be distributed shall not be less than 10% of the Company's distributable earnings for the year, provided that the cash dividend shall not be less than 10% of the total dividends to be distributed.
2. The proposed distribution of dividends at this shareholder meeting: It is proposed that each common share will distribute a cash dividend of NTD3.57.
 3. Expected material changes in dividend policy: None.
- (VII) Effect of the issuance of bonus shares on the Company's operating performance and earnings per share: None.

(VIII) Remuneration to employees and directors

1. The percentages or ranges with respect to the remuneration of employees and directors as set forth in the Articles of Incorporation:

If the Company makes a profit in the year, 1-12% of the profit shall be set aside as employee remuneration, and the employee remuneration may be paid in shares or in cash. The Company may, subject to a resolution of the Board of Directors, set aside no more than 1.5% of the profit as director remuneration.

However, if the Company still has accumulated losses, a certain portion of the profit shall be retained to make up for the losses before setting aside the profit based on the aforementioned percentages as employee and director remuneration.

The income in the year referred to in Paragraph 1 refers to the net income before tax for the year before deduction of the remuneration distributed to employees and directors.

The distribution of employees' and directors' remuneration is subject to a board meeting resolution adopted by a majority of the directors present, which represent two-thirds or more of total directors, and shall be reported to the shareholders' meeting.

The employees of the Company's controlling company or subsidiaries that meet the requirements specified by the Board of Directors may also receive the employee remuneration distributed by the Company, restricted stock awards issued by the Company, and employee stock options granted by the Company, subscribe for newly issued shares under Article 267 of the Company Act, and receive transferred shares.

2. Accounting treatment for discrepancies between the estimated and actual amounts distributed for employee and director remuneration, the basis for estimation of remuneration amounts, and the basis for calculating the number of shares distributed as part of employee remuneration:

The remuneration distribution ratio for employees and directors, as stipulated in the company's articles of association, is estimated and reported as business expenses for the fiscal year. If the actual amount distributed by the Board of Directors differs from the estimated amount, it will be treated as an accounting estimate adjustment and the difference will be recognized in the profit and loss for the

year in which the Board resolution was made.

3. Distribution of remuneration approved by the Board of Directors:

(1) Employees' and directors' remuneration, in cash or in shares:

① Proposed remuneration to employees and directors:

The distribution of remuneration to directors and employees for 2023 was approved by the Board of Directors on March 13, 2024, resolving to distribute NTD77,704,000 as employee remuneration and NTD8,547,000 as director remuneration.

② If there are discrepancies between the estimated and recognized expense amounts for the fiscal year, the differences, reasons, and handling should be disclosed:

The proposed distribution amount and the estimated expenses for the year 2023 are NTD77,704 thousand for employee remuneration and NTD8,547 thousand for director remuneration, with no discrepancies.

(2) The amount of employee remuneration distributed in shares and its ratio to the net profit after tax and total remuneration for the period in the individual or separate financial statements: not applicable.

4. The actual distribution of employees' and directors' and directors' remuneration in the previous year (including the number of shares distributed, the amount and the price of the shares), and any discrepancy between the actual distribution and the recognized employees' and directors' remuneration, the amount, causes and treatment of such discrepancy:

(1) The actual payment of employees' and directors' remuneration for the previous year is as follows:

2022 earnings proposal	Resolution to pay dividends	Actual payment
Remuneration to employees	NTD41,500 thousand	NTD41,500 thousand
Remuneration to directors	NTD5,110 thousand	NTD5,110 thousand
Date of resolution of the Board of Directors	March 20, 2023	
Reported on the date of the shareholders' meeting	June 14, 2023	

(2) If there is a discrepancy between the above amounts and the recognized remuneration for employees and directors, the discrepancy amount, reasons, and handling situation should also be disclosed: No discrepancies.

(IX) Shares repurchased by the Company: None.

II. Issuance of corporate bonds (including overseas corporate bonds)

None.

III. Disclosure of preferred shares

None.

IV. Participation in the Issuance of Global Depository Receipts

None.

V. Issuance of employee stock options

(I) The Company's employee stock options that have not yet expired and the impact on shareholders' equity

March 31, 2024

Types of employee stock options	1st (phase) employee stock options in 2021	1st (phase) employee stock options in 2022
Effective date of filing and total units	(Note) 1,700,000 units	November 4, 2022 300,000 units
Date of issuance	May 1, 2021	December 1, 2022
Number of outstanding units	1,700,000 units	300,000 units
Number of units still available for issuance.	0 units	0 units
Number of subscribed shares as a percentage of total issued shares	2.96%	0.52%
Subscription period	2021.05.01 - 2027.04.30	2022.12.01 - 2028.11.30
Method of fulfillment	Issuance of new shares	Issuance of new shares
Restricted stock option period and ratio (%).	Eligible to exercise 30% of stock options after two years, 60% after three years, and 100% after four years.	Eligible to exercise 50% of stock options after two years, and 100% after three years.
Number of shares already acquired.	447,000 shares	0 shares
Executed subscription amount	NTD13,410 thousand	NTD0
Unexecuted subscription quantity	1,043,000 units (Excluding 210,000 units that have expired)	280,000 units (Excluding 210,000 units that have expired)
Subscription price per share for unexercised stock options.	NTD28.96	NTD123.55
The unexercised stock options as a percentage of the total issued shares (%).	1.81%	0.49%
Effect on shareholders' equity	The number of unexecuted subscriptions accounted for 1.81% of the total number of issued shares, and there was no significant impact on shareholders' equity	The number of outstanding shares accounted for 0.52% of the total number of issued shares, so there was no significant impact on shareholders' equity

Note: When our company issued the employee stock options, it was a non-publicly traded company. According to Article 167-2 of the Company Law, the issuance was approved by a resolution of the Board of Directors.

(II) Up to the date of the annual report publication, list the names of managers and the top ten employees who have acquired employee stock options, along with details on the acquisition and subscription conditions.

1. The subscription price for the first issue of employee stock options in 2021

March 31, 2024

Unit: thousand shares; NTD Thousand

	Title	Name	Number of shares subscribed that are acquired (Thousand shares)	Percentage of subscribed shares relative to the total issued shares (%)	Implemented			Not Implemented				
					Number of shares subscribed (Thousand shares)	Subscription price (NTD)	Subscription amount (NTD Thousand)	Subscription quantity as percentage of total issued shares (%)	number of shares subscribed (Thousand shares)	Subscription price (NTD)	Subscription amount (NTD Thousand)	Subscription quantity as a percentage of total issued shares (%)
Manager	President	An Shih	520	0.90	156	30	4,680	0.27	364	28.96	10,541	0.63
	Vice President	Jui-Feng Shang										
	Assistant Vice President of Project C	Yang-Pin Fan										
	Assistant Vice President of Project C	Chia-Hua Chang										
	Assistant Vice President of Business Management and Head of Finance and Accounting	Hsing-Chuan Li										
	Director of Operation Division	Hsien-Chi Su										
	Internal Audit Manager	Wei-Cheng Yin										
Employees	Director (of a department)	Wen-Ching Lin	520	0.90	156	30	4,680	0.27	364	28.96	10,541	0.63
	Director (of a department)	Ying-Chieh Chen										
	Director (of a department)	Po-Jung Chang										
	Director (of a department)	Chien-Fang Chiu										
	Director (of a department)	Tzu-Wei Chou										
	Manager	Chien-Yi Chen										
	Manager	Wei-Hang Hsu										
	Manager	Chih-Hua Lai										
	Manager	Ya-Lun Li										
	Special assistant	Hsiao-En Fan										

2. The subscription price for the first issue of employee stock options in 2022

March 31, 2024

Unit: thousand shares; NTD Thousand

	Title	Name	Number of shares subscribed that are acquired (Thousand shares)	Percentage of subscribed shares relative to the total issued shares (%)	Implemented				Not Implemented			
					Number of shares subscribed (Thousand shares)	Subscription price (NTD)	Subscription amount (NTD Thousand)	Subscription quantity as percentage of total issue shares (%)	Number of shares subscribed (Thousand shares)	Subscription price (NTD)	Subscription amount (NTD Thousand)	Subscription quantity as a percentage of total issued shares (%)
Manager	President	An Shih	130	0.23	0	127.6	0	0	130	123.55	16,062	0.23
	Vice President	Jui-Feng Shang										
	Assistant Vice President of Project C	Yang-Pin Fan										
	Assistant Vice President of Project C	Chia-Hua Chang										
	Assistant Vice President of Business Management and Head of Finance and Accounting	Hsing-Chuan Li										
	Operation Division Director (of a department)	Hsien-Chi Su										
	Internal Audit Manager	Wei-Cheng Yin										
Employees (None)	Manager	Hui-Chen Chen	150	0.26	0	127.6	0	0	150	123.55	18,533	0.26
	Manager	Shih-Kuo Chen										
	Manager	Yi-Ping Kung										
	Manager	Hui-Chen Yu										
	ENGINEER	Yu-Hsuan Lai										
	ENGINEER	Chun Chen										
	ENGINEER	Wei-Chieh Li										
	ENGINEER	Yu-Hao Lin										

Note: As the issuance volume is 300,000 shares, all acquisitions have been listed.

(III) Private placement of employee stock option certificates in the most recent three years and as of the annual report printing date: No such cases.

VI. Issuance of new restricted employee shares

None.

VII. Issuance of new shares in connection with the acquisition or transfer of shares of other companies

None.

VIII. Implementation of Capital Utilization Plan

As of the quarter preceding the publication date of our annual report, the status of the funds utilization plan for previous issuances is as follows: none.

Five. Operational overview

I. Business Contents

(I) Scope of business

1. Principal business activities

Business Item Code	Business Items
CF01011	Medical Devices Manufacturing
F108031	Wholesale of Medical Devices
F208031	Retail Sale of Medical Apparatus
CB01010	Mechanical Equipment Manufacturing
CB01990	Other Machinery Manufacturing
CE01030	Optical Instruments Manufacturing
CE01990	Other Optics and Precision Instrument Manufacturing
I199990	Other Consulting Services
F401010	International Trade
ZZ99999	All business items that are not prohibited or restricted by law, except those that are subject to special approval

2. Business proportion

Unit: NTD Thousand; %

Fiscal Year Principal Products	2022		2023	
	Net operating revenue	Business proportion	Net operating revenue	Business proportion
Contact lens	1,831,498	99.85%	2,567,908	99.83%
Others (Note)	2,823	0.15%	4,294	0.17%
Total	1,834,321	100.00%	2,572,202	100.00%

Note: Mainly due to the sale of raw materials.

3. The Company's main products (services)

The company and its subsidiaries are primarily engaged in the research, development, manufacturing, and sales of soft disposable contact lenses. All products are developed in-house, with a focus on launching new disposable contact lens products as well as undertaking domestic and international OEM contact lens manufacturing jobs. Products are sold across regions like Japan, China, the United States, and Taiwan. Currently, a diverse range of contact lenses with varying water content levels, patterns, and functionalities have been developed. Based on the replacement schedule, they are categorized as daily, bi-weekly, or monthly disposables. In terms of lens functionality, offerings include blue light blocking, myopia correction, toric, multifocal, and cosmetic lenses that alter iris appearance. The target customers are contact lens brand companies, with products distributed through physical retail stores and online marketing channels.

4. New products (services) planned to be developed

(1) Functional lens

From the perspective of sports optometry, our company independently develops materials and key process technologies, providing functional contact lenses for use during sports. Designed for daily use, promoting the widespread adoption of sports-specific contact lenses among general sports enthusiasts. Under the existing framework of two mass-produced functional tinted products, we continue to collaborate with a U.S. expert in sports optometry to develop indoor-appropriate sports functional lenses.

(2) High oxygen permeability and high water content Silicone Hydrogel color lens

Our company has developed a new generation of Silicone Hydrogel materials, utilizing our proprietary material development and synthesis technologies. By integrating the structural and design aspects of high polymer materials, we enable the hydrophilic factors to bind to the lens surface, creating a moisturizing layer on the eye surface. This achieves the necessary optical lens design that meets the high oxygen permeability required for ocular health and superior wearing comfort.

Developing new silicone hydrogel colored contact lens products based on silicone hydrogel materials. The new colored pigment material system, combined with the sandwich layering process technology, encapsulates the pigments within the lens material. Ensuring better lens wearing quality.

Silicone lenses, due to their complex composition compared to traditional hydrogel materials (pHEMA), enable the aggregation of hydrophilic groups on the surface during material development and process control, enhancing comfort during wear.

(3) The second generation of blue light blocking material

The company has developed a second-generation blue light blocking material platform that enables lenses to simultaneously provide vision correction and block out harmful high-energy blue light wavelengths, allowing eyes to remain in a healthy environment with high visual clarity. The development of second-generation blue light blocking materials has been completed and will be applied in hydrogel and silicone hydrogel products, offering better options for optical wavelength control in vision care.

(4) Technical formula of lens preservative fluid materials

We continue to develop special formulas that combine high moisture retention and lubrication factors, making the lens surface moist and the eyes more comfortable after wearing. The company has also developed specialty formulations containing vitamin B12, hyaluronic acid (HA), and menthol with health benefits as lens care solutions to be offered in combination with lens products for customer selection.

(5) Progressive multifocal contact lens

Lenses for presbyopia:	In response to the increasing age of contact lens wearers, multifocal contact lenses are being developed to correct vision problems associated with aging, catering to the needs of users.
Stress relieving lenses:	To alleviate symptoms such as discomfort caused by prolonged close-up eye use, we have developed stress-relief lenses that provide clarity for distance vision, provide comfort for near vision, relieve eye fatigue, and increase visual comfort.

(6) Toric contact lenses.

In response to the increasing global myopic population, as well as the growing population with both myopia and astigmatism, our company has collaborated with international vision research institutions to develop toric contact lenses. We have designed professional lenses with blink-stabilized positioning and vision correction capabilities that can simultaneously correct myopia and astigmatism while improving wearing comfort and vision correction quality.

Developed toric contact lens with the appearance of color contact lens to meet the market demand of Japanese customers. This provides consumers with an additional choice that balances aesthetic appeal with vision correction.

(7) Special cosmetic contact lens designs.

The company possesses core technologies for colored lenses and strives to lead in lens pattern design and printing processes. It focuses on fulfilling diverse customer needs by customizing multi-layer and asymmetric lens patterns that align with customer brand images.

(II) Industry overview

1. Current status and development of the industry

(1) Overview of contact lens products

Contact lenses are lenses worn on the cornea to correct vision, a concept first proposed by the Italian polymath Leonardo da Vinci in the 16th century. In the 19th century, the first contact lens was blown from glass by a German inventor. With the advancement of industrial manufacturing techniques, centrifugal spin casting, lathe cutting, and mold injection molding technologies were developed. In terms of materials, early lenses were made of uncomfortable rigid materials such as glass and polymethyl methacrylate (PMMA), which later transitioned to more comfortable hydrophilic materials like polyhydroxyethyl methacrylate (HEMA). Oxygen permeability improved from rigid gas permeable (RGP) lenses to the latest extended-wear silicone hydrogel materials. Regarding lens designs, there are three main types: scleral lenses, corneal lenses, and iris-supported lenses. Initially, lenses were transparent, but they later developed a light blue tint to aid in visibility and removal from solution. Recently, cosmetic lenses with colored or patterned iris designs, as well as pupil-enlarging lenses, have emerged to enhance aesthetics.

Contact lenses must be directly applied to the surface of the eye, one of the most delicate organs in the human body. Therefore, the material characteristics of contact lenses must possess excellent biocompatibility, physical stability, and chemical stability. As the eye relies on oxygen dissolved directly in tears for its oxygen supply, contact lens materials must be gas-permeable. Moreover, the eye is highly sensitive to foreign objects, and soft materials can help reduce the foreign body sensation associated with wearing contact lenses. The manufacturing process must adopt stable, efficient, and mass-reproducible technologies. Regarding the duration of use, contact lenses have evolved from extended-wear lenses lasting over a year to daily, weekly, bi-weekly,

monthly, quarterly, and semi-annual disposable lenses. After years of development, the contact lens industry is dominated by cast-molding manufacturing, soft hydrogel and silicone hydrogel materials, and full corneal coverage lenses. Additionally, due to convenience and hygiene considerations, daily disposable contact lenses have become the market mainstream.

(2) Contact lens market overview

With the rapid advancements in technology, various new types of 3C electronic products have flourished. During the COVID-19 pandemic outbreak in 2020, countries implemented work-from-home and study-from-home measures, significantly increasing the prevalence of laptops, tablets, and mobile phones. Prolonged and short-distance use of these 3C electronic products has led to a decline in the age at which individuals develop myopia, resulting in a steady increase in demand for vision correction products among the public. Additionally, the resurgence of post-pandemic travel opportunities has fueled global consumption and economic growth. According to a 2023 report from the international journal Contact Lens Spectrum, the global contact lens market growth rate from January to September 2023 was approximately 8% to 9%, which is very close to the estimated 9% global contact lens market annual growth rate for 2022. The global contact lens market is expected to reach approximately USD10 billion in 2023, far surpassing the pre-pandemic market size of USD9 billion. Furthermore, according to 2022 statistics from the Taiwan External Trade Development Council, the top three global contact lens markets are: the United States (€4.432 billion), Japan (€2.015 billion), and mainland China (€969 million). In mature markets such as North America and Japan, where contact lens penetration rates are already high, changes are mainly driven by upgrades in product functionality or materials (e.g., silicone hydrogel, toric, multifocal products). In the rapidly growing Chinese market, in addition to an increasing number of wearers, mainstream products have rapidly shifted from yearly or semi-annual disposables to monthly or daily disposables. As modern people's use of 3C products continues to increase, driving the growth of myopia and astigmatism populations, major manufacturers are actively developing differentiated products such as toric lenses, multifocal lenses, and cosmetic lenses for global marketing. The contact lens product penetration rate in developing countries is also increasing year by year, providing strong growth momentum for the global contact lens market. According to a report by Acumen Research and Consulting in September 2022, the global contact lens market size in 2021 was approximately USD 9.6 billion, and it is expected to reach USD 17.4 billion by 2030, with an estimated compound annual growth rate of 6.90% between 2022 and 2030.



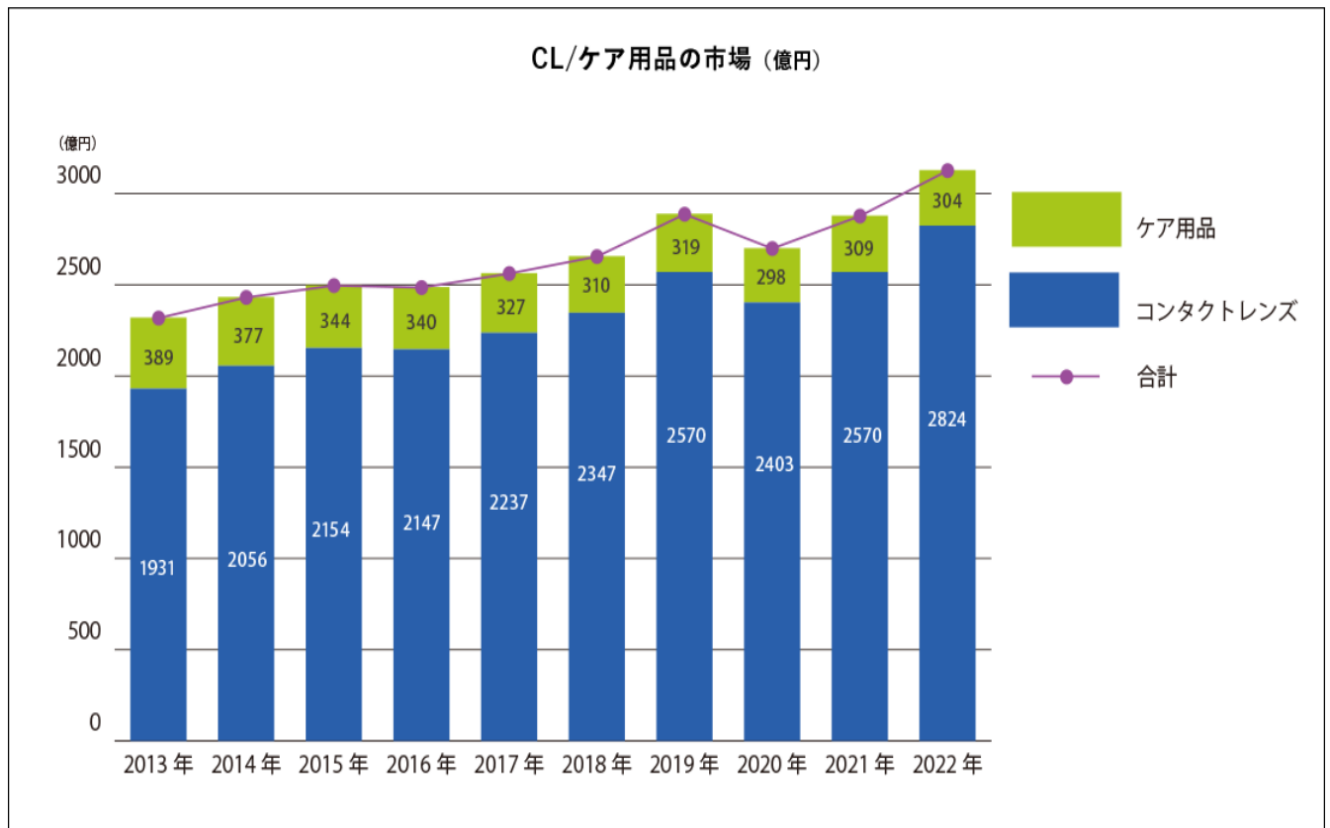
Source: Acumen Research and Consulting (2022.09)

In the Japanese market, as disposable contact lenses in Japan are considered a mature medical device product, the current product penetration rate has reached 20-30%, and future growth is expected to slow down. However, Japan is currently the world’s second-largest single contact lens market. Since the Japanese contact lens market is relatively mature, major brand companies have combined their contact lens products with elements of cosmetics and fashion trends, giving them a sense of trendiness and small-quantity diversification. As the COVID-19 pandemic gradually subsided in 2021 and Japan gradually lifted restrictions, end-consumer demand for contact lenses increased significantly. Orders from major Japanese well-known brands (such as T-Garden, L-code, and Seed) rebounded, driving overall demand. According to data from the Department of Statistics of the Ministry of Economic Affairs, Taiwan’s contact lens exports in 2022 were approximately NTD17.4 billion, with an annual growth rate of 2.35%. The main export markets were Japan and mainland China. From the perspective of the Japanese market, the top three major contact lens importing countries were Ireland, Taiwan, and Puerto Rico, accounting for 43.2%, 16.3%, and 11.3%, respectively. Among them, Ireland and Puerto Rico are the main production bases for the four major contact lens brands (Johnson & Johnson, Alcon, Cooper, and Bausch & Lomb), while Taiwan is the main production base for local Japanese brands. In addition to regular clear and colored lenses, Japanese local consumers’ demand for other vision correction products, such as multifocal contact lenses for presbyopia and toric contact lenses for astigmatism, is gradually increasing. Considering that Japan entered a super-aged society in 2007 and the population aged 65 and above is expected to exceed 30% by 2025, current disposable contact lens users will become a key factor supporting the future growth of the contact

lens industry. According to the 2023 statistical data released by the Japan Contact Lens Association, the Japanese contact lens market size in 2022 was 282.4 billion yen, an increase of 25.4 billion yen or 9.88% compared to 2021. Additionally, according to a forecast report by Statista Market Insight, the Japanese contact lens market is expected to grow at an average annual rate of approximately 4.22% from 2023 to 2027, with a market size reaching 350 billion yen.

Market Scale of Contact Lenses and Care Supplies in Japan, 2013 - 2022

Unit: 100 million yen



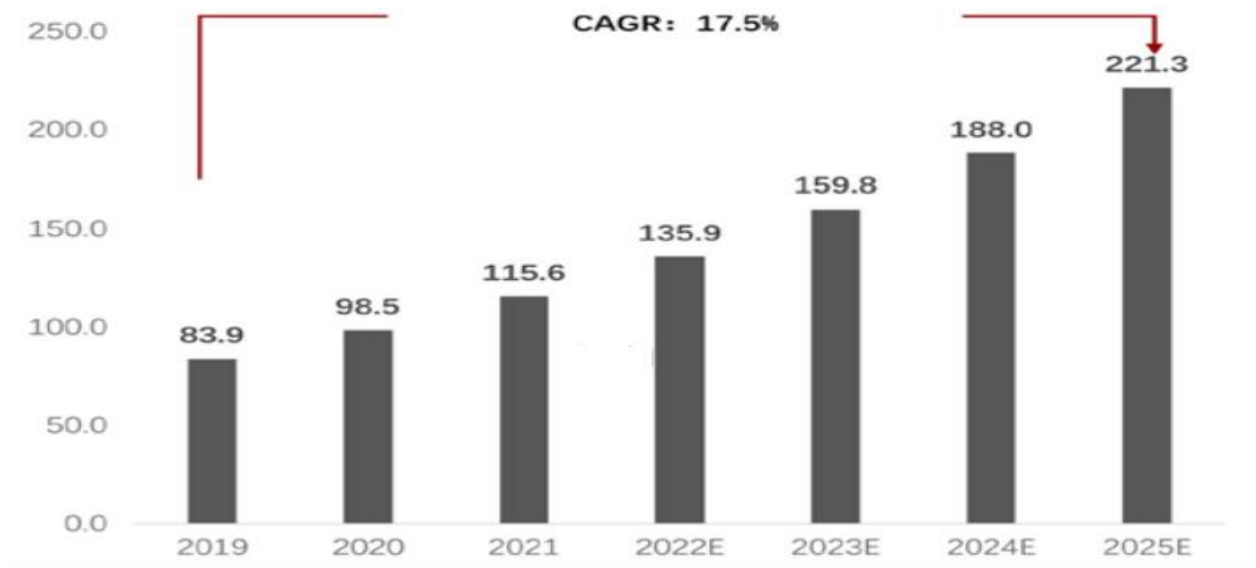
Source: Japan Contact Lens Association (2023)

With the rapid economic development in mainland China and the increasing usage of consumer electronics, the myopic population in China has been rising annually. The COVID-19 pandemic in 2020 and the government's implementation of work-from-home and study-from-home measures have also significantly increased the prevalence of myopia among Chinese youth. According to statistics from the World Health Organization (WHO), there were approximately 2.6 billion myopic individuals globally in 2020, with nearly 30% coming from China. For potential young consumers, contact lenses are more aesthetically pleasing and convenient compared to traditional frame glasses. Although the Chinese contact lens market has been developing for years, the product penetration rate is only 3-8%, significantly lower than the 20-30% penetration rate in other developed countries, indicating substantial growth potential for the Chinese contact lens market. After China opened up the e-commerce channel for contact lens sales in 2015, the Chinese contact lens industry entered a period of rapid growth. Chinese domestic brands, with their high cost-performance ratio and diverse

product offerings, reduced the preference for the four major international brands (Johnson & Johnson, Alcon, Cooper, and Bausch & Lomb) and Japanese brands in the Chinese market, thereby driving the rapid development of domestic brands such as KILALA, LaPeche, and MOODY. However, most Chinese contact lens brands currently lack their own production capabilities and rely on Taiwanese OEMs. According to data from the Department of Statistics of the Ministry of Economic Affairs, Taiwan’s contact lens exports in 2022 were approximately NTD17.4 billion, with an annual growth rate of 2.35%, with the main export markets being Japan and mainland China. Contact lens manufacturers are actively developing related products, not only improving the functionality and comfort of contact lenses but also developing popular products such as pupil-enlarging lenses, colored contact lenses, toric lenses, and multifocal lenses. Additionally, they have established their own brands for multi-channel marketing and actively expanded into the Chinese market. According to data from Leadleo Research Institute, the Chinese contact lens market size reached RMB 13.59 billion in 2022, a 17.56% increase from 2021, and is expected to grow to RMB 22.13 billion by 2025, with an estimated annual growth rate of 17.50%.

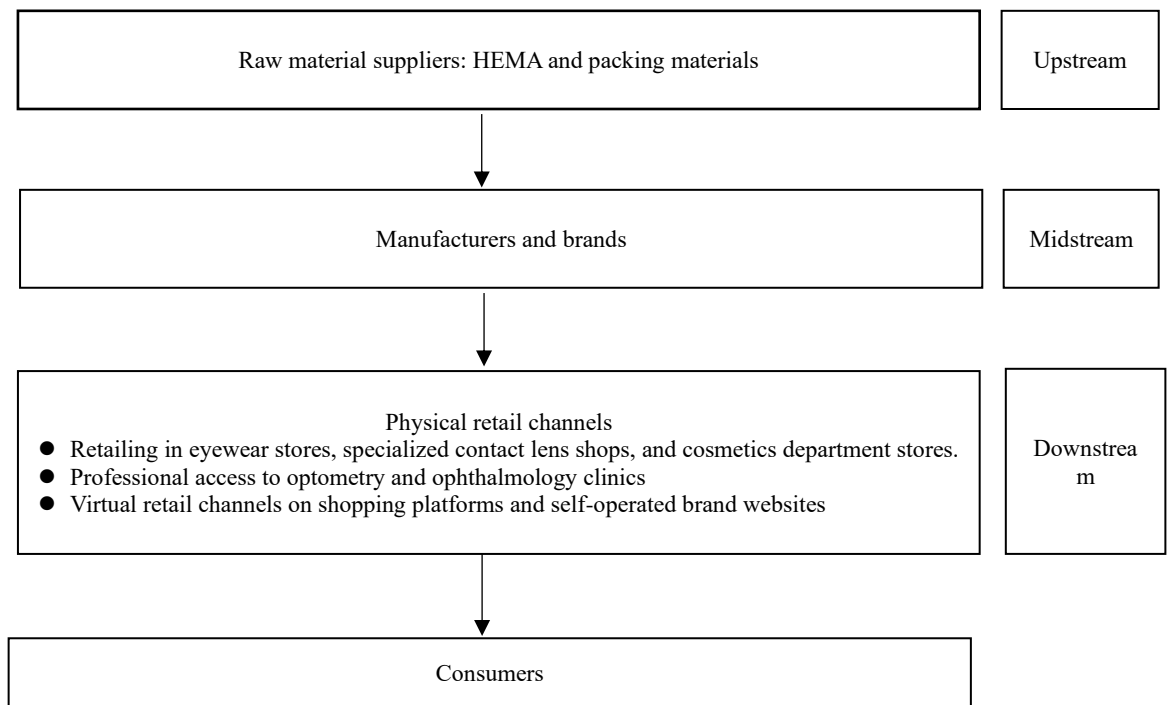
Market scale of China’s contact lens industry

Unit: RMB 100 million



Source: Leadleo Research Institute; 2022 Short Report on the Contact Lens Industry in China.

2. Correlation between up-stream, mid-stream and down-stream of the industry



In the contact lens industry upstream, major raw material suppliers provide high polymer resins such as HEMA (hydroxyethyl methacrylate), PP blisters (polypropylene blisters), PP resins (polypropylene resins), aluminum foils, and various packaging boxes.

In the midstream of the contact lens industry, contact lens manufacturers and brand owners play a pivotal role. As contact lenses are classified as medical devices, manufacturers must obtain GMP/ISO production certifications in accordance with regulatory requirements. Additionally, before entering the mass production stage, products must obtain certification in their intended sales regions. The design and production of contact lenses involve the integration of cross-disciplinary technologies, including optics, mechanics, electronics, materials, and surface treatments. Contact lens products possess the characteristics of standardized mass manufacturing, requiring highly automated production and quality monitoring processes. Furthermore, the diverse product offerings and complex multifocal product combinations, coupled with the medical device regulations' traceability requirements, necessitate robust manufacturing and information management capabilities. From a sales professional perspective, contact lenses are optometric products that, due to their nature, classify as fast-moving consumer goods. Therefore, brands in this sector must possess cross-disciplinary integration capabilities. In the unique colored contact lens market in Asia, contact lenses carry characteristics of fashion trends. Brand management and sales must closely align with market demands, distinctly differing from the attributes of product manufacturers.

The downstream of the contact lens industry comprises physical retail channels, professional optometric channels, and online retail channels. Physical retail channels include optical stores, contact lens specialty stores, and cosmetics/department store retail outlets. In some countries, contact lenses are classified as highly regulated products, requiring professional optometric fitting and prescriptions from eye care professionals and clinics before sales can occur. Online retail channels encompass shopping platforms,

brand-owned websites, messaging applications, and social media affiliate sales. However, as contact lenses are classified as medical devices, some countries strictly enforce policies requiring medical prescriptions for purchase, determining whether online sales are permitted based on respective national policies.

3. Product development trends and competition

(1) Product development trend

A. Optical design ranging from single-focus to toric and multifocal lenses.

The initial optical design of contact lenses was simply for single vision correction of myopia. Subsequently, due to wearers' demand for better vision correction and advancements in manufacturing technology, major brands successively introduced toric (curved surface) lenses for astigmatism correction in the early 21st century. As the age of disposable contact lens wearers increased, multifocal lenses capable of correcting both distance and near vision issues, commonly known as presbyopia, emerged. According to statistics from the 2023 Contact Lens Spectrum, in countries with advanced optometric systems, the adoption rates for soft toric and multifocal lenses are impressively high, reaching over 25% and 22% respectively. As the global population ages, the demand for multifocal lenses is expected to grow steadily.

B. Silicone water-based adhesive products with improved oxygen permeability gradually become mainstream in the market

The development of contact lens materials is moving towards enhancing oxygen permeability and comfort. The oxygen permeability (Dk/t) of silicone hydrogel contact lenses is 5 to 6 times higher than that of traditional hydrogel lenses. This high oxygen permeability prevents corneal edema or neovascularization caused by hypoxia, making them suitable for extended wear. However, their unit price is relatively higher, and their market penetration is currently higher in Europe and the United States, primarily because purchasing contact lenses in these regions requires a doctor's prescription. Consequently, doctors tend to recommend higher-quality products. In Asia, where consumers can freely purchase contact lenses without a prescription, silicone hydrogel lenses are approximately 30% more expensive than hydrogel lenses, resulting in lower market penetration. The development of cost-effective silicone hydrogel products will become a growth driver for the contact lens market in the future.

C. Launch of special function lenses to meet the needs of consumers

In addition to vision correction and the aesthetic appeal offered by clear and cosmetic contact lenses, rising health consciousness has led to the introduction of blue light and ultraviolet blocking products to protect the eyes from excessive exposure. Furthermore, blue light blocking cosmetic lenses with various patterns have been developed. Additionally, specialized wavelength management products have been created for different indoor and outdoor activities, utilizing wavelength management technology to enhance visual contrast and eliminate color fringing in specific colored lenses, thereby

providing a sharper and more precise visual experience for sports activities.

D. Rising safety awareness brings changes to the materials used for contact lens production

Contact lenses are classified as medical devices and must comply with legal standards in design, development, and manufacturing, and must also obtain marketing authorization. As economies develop, consumer awareness of safety in various daily necessities, including food, clothing, housing, and transportation, has heightened. Recent research reports from Europe and the United States have indicated that commercially available contact lens products contain PFAS (per- and polyfluoroalkyl substances), a type of soft plastic material widely used in coatings for daily necessities to maintain smooth and comfortable surfaces and prevent bacterial growth. However, an increasing body of scientific data has linked PFAS to cancer, fetal complications, liver disease, and autoimmune disorders. Consequently, Europe and the United States have taken steps to amend regulations and restrict the use of PFAS. This development highlights the impending challenges that the contact lens manufacturing industry will face in the future.

(2) Product competition

As contact lenses are classified as a medical device, many countries have high requirements for their safety. Production and manufacturing requires a license before they can be sold, which makes the industry's entry barrier higher. According to data from the international Contact Lens Spectrum journal, the global contact lens market remains an oligopoly, primarily dominated by four major American multinational brands - Johnson & Johnson, CooperVision, Alcon, and Bausch & Lomb - collectively accounting for approximately 90% market share. The remaining market is penetrated by regional brand companies, distribution channels, and contact lens manufacturers through their own OEM and ODM branded products.

(III) Technology and R&D overview

1. Technical level of the business and research and development

The Company and its subsidiaries focus on the research, development, and production of disposable soft contact lens materials. With reference to customer needs and market trends, the Company plans and develops products with market futures and good growth potential. Three core technologies: advanced material R&D, visual comfort-oriented optical design, ultra-precision processing techniques, AI-integrated process technology and equipment automation with continuous in-depth optimization across optics, mechanics, electronics, materials, and molding domains. Additionally, the company and its subsidiaries continue to obtain target product certifications in key countries and regions to ensure that their capabilities, from material R&D to mass lens production, meet the quality standards of major international manufacturers.

The products currently developed by our company are mainly hydrogel-based, including sandwich-type colored contact lenses, blue-tinted transparent hydrogel lenses, blue light

blocking colored and clear hydrogel lenses. We have also recently developed advanced multifocal presbyopia and astigmatism optical correction contact lenses and are actively expanding into next-generation high oxygen permeability silicone hydrogel contact lenses.

The Taiwan product certification for silicone hydrogel lenses was obtained in 2022, and sales have commenced in Taiwan. Product certification applications for mainland China, Japan, the United States, and the European Union are in progress. Clinical trials were conducted at three hospitals in mainland China in 2022 and two hospitals in Taiwan in 2023, with no reported cases of adverse events. Clinical trials at three teaching hospitals in the United States commenced in September 2023, allowing the collection of more clinical data to validate product efficacy. To date, there have been no significant adverse events impacting the clinical trial results of the silicone hydrogel products. The Chinese market is expected to obtain sales certification in the third quarter of 2024, with Japan and the USA projected to achieve certification by the end of the fourth quarter of 2024.

Furthermore, our company continues to develop various types of functional specialty lenses using our competitive proprietary materials research and process design. This includes sports optometry lenses that enhance visual sensitivity. Through specialized optical design and manufacturing processes, these lenses provide functionalities such as astigmatism correction, myopia control, and visual stress relief for the wearer.

2. R&D personnel and their academic backgrounds

Our company and its subsidiaries' R&D personnel have considerable practical experience in process equipment development, mechanical automation, material research and development, and application.

Unit: Persons; %

Item \ Fiscal Year		2022		2023		March 31, 2024	
		Number of persons	Percentage (%)	Number of persons	Percentage (%)	Number of persons	Percentage (%)
Education Background Distribution	Doctoral Degree	1	1.18	1	1.10	1	1.08
	Master's Degree	12	14.12	12	13.19	15	16.13
	University/college	51	60.00	59	64.84	58	62.37
	High school (inclusive) and below	21	24.70	19	20.88	19	20.43
Total		85	100	91	100	93	100

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

Unit: NTD Thousand; %

Item	2023	As of March 31, 2024
R&D expenses (A)	127,225	35,930
Net operating revenue (B)	2,572,202	768,033
R&D expenses as a percentage of net operating revenues (A)/(B)	4.95%	4.68%

Note: Based on the consolidated financial statements audited by accountants for 2023 and the self-assessed figures for 2024.

4. Technologies or products successfully developed in the most recent year and up to the date of publication of the annual report

A. Production technology development

Fiscal Year	R&D Achievements
2023	<ul style="list-style-type: none"> Product packaging - Equipment capacity efficiency enhancement plan development completed and in mass production. Production Equipment - Completion of the development of the 4th generation dry film line, increasing monthly production capacity from 2.5 million pieces to 3.5 million pieces. Product packaging - In-house molded PP Blister packs for lens packaging have been implemented and commenced mass production.
2024	<ul style="list-style-type: none"> The second-generation colored contact lens steel plate equipment (with doubled precision) has been developed and mass production has commenced.

B. Product development

Fiscal Year	R&D Achievements
2023	<ul style="list-style-type: none"> Development of astigmatism-correcting colored hydrogel lenses has been completed. The Hydrogel Product Quality Enhancement Plan has been completed, effectively improving the comfort of lens wear. Completion of the development of the second generation of blue light blocking materials.
2024	<ul style="list-style-type: none"> Development completed for a high-moisture retention differential solution (Vitamin B12 + Hyaluronic Acid, Menthol).

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

1. Short-term business development plan

(1) Japanese market

Japan's disposable contact lens market developed relatively early, with a diverse range of sales channels. In addition to traditional professional optometry practices, online virtual channels and cosmetics/drugstore retail channels hold significant market shares. After years of market development, the age distribution of contact lens consumers is relatively comprehensive, with a higher proportion of middle-aged and elderly consumers compared to other emerging markets. Consequently, in addition to basic single-vision products, the demand for complex optical designs such as toric and multifocal lenses continues to increase. Furthermore, the four major brands primarily distributed through professional optometry channels are gradually expanding into local and second-tier brands. Apart from high oxygen permeability and moisture retention, differentiated additional functionalities are crucial. Our

company will continue developing differentiated products to enhance the market competitiveness of our brand customers and simultaneously increase our market share in Japan, creating a win-win situation.

Through years of investment in product development and certification processes, the company has achieved the capability to periodically launch new products, thereby maintaining the competitiveness of its brand customers and enhancing market share. In 2020, the company collaborated with a strategic partner to pioneer the launch of clear and tinted blue light blocking contact lenses in the Japanese market, garnering widespread acclaim and attention. The company will continue to introduce new products featuring second-generation blue light blocking, silicone hydrogel, and high-moisture retention materials, coupled with complex optical designs. By offering a diverse product portfolio and comprehensive product certification coverage, the company aims to assist its brand customers in continuously expanding their market share.

(2) Chinese market

Since China opened its online channels for the sale of contact lenses in 2012, online channels have maintained over 30% growth. In 2019, the amount of online sales exceeded that of physical channels for the first time. Online channels are characterized by a wide variety of sales, fast turnover, and rapid changes in demand. Only the flexible supply and high-efficiency production of suppliers can meet market demand. Our company has strategically positioned its high-quality and cost-effective products in the Chinese market, while our subsidiary, Jiangsu Vizionfocus Inc., provides localized production, sales, and services, having started mass production and shipping in 2019. Jiangsu Vizionfocus Inc. successfully penetrated into the supply chain of China's first-tier brands. It has the most advanced production equipment and process technology in China and can save brand customers on import tariffs and transportation costs. With professional technical services and a rapid and stable supply capacity, we have earned the trust and support of Chinese brand customers, forming solid partnerships. Furthermore, since 2023, our subsidiary Jiangsu Vizionfocus Inc. has successively obtained product registrations for blue light blocking and silicone hydrogel products, using differentiated products to expand market share in China.

Despite some impacts during the pandemic, the contact lens industry, particularly colored lenses and eye makeup products, continued to grow rapidly as people wearing masks paid more attention to their eyes. As the pandemic gradually subsides and countries lift restrictions, the increase in people going out has led to a 24.4% growth in online sales channels in 2023. The demand for contact lens is expected to maintain growth in the post-pandemic era.

(3) Americas market

The Americas' contact lens market share is primarily concentrated in North America, with the United States being the largest global market, accounting for 31% of the share. However, the U.S. market is dominated by four major players, and the sales channels are monopolized by professional optometry practices, requiring prescriptions from optometrists or opticians. These practices and professionals have formed close industry partnerships with the four major companies, creating high entry barriers. As a result, the U.S. represents the most challenging contact lens market to penetrate. Additionally, according to the Contact Lens Spectrum 2023 report, among the contact lens products circulating in the U.S. market, approximately 50% are made of silicone hydrogel materials, while traditional hydrogel materials account for approximately 29%. In terms of optical design, traditional single-vision soft lenses account for only about 43% of the share. Therefore, combining silicone hydrogel materials with toric and multifocal functionalities has become the most critical factor driving sales.

The sports contact lens developed by the Company successfully obtained U.S. FDA certification at the end of 2019, and began shipping and supply to the U.S. market in the third quarter of 2021. Our company is currently undergoing the FDA certification process for our silicone hydrogel products. Once FDA certification is obtained, we will integrate it with the developed sales channels for sports contact lenses to continuously increase our market share.

(4) Southeast Asia market

According to IMF statistics, ASEAN ranks as the fifth largest economy globally, after the United States, European Union, China, and Japan. Among ASEAN nations, Indonesia, the Philippines, Thailand, and Vietnam each have populations exceeding fifty million. Notably, Indonesia, Malaysia, and Thailand have reached upper-middle income levels, demonstrating significant potential consumer spending power. Furthermore, according to statistics from the retail research firm Statista, the compound annual growth rate for the contact lens markets in Indonesia, the Philippines, Thailand, Vietnam, and Malaysia will remain above 5% from 2023 to 2027. Among these countries, the projected retail sales of contact lenses in Indonesia, Thailand, and Malaysia are expected to reach half the size of the Taiwanese market by 2023. The company has initiated a program to obtain product sales permits in the top five ASEAN countries and expects to gradually obtain sales permits starting in 2024, anticipating future revenue contributions.

2. Long-term business development plan

- (1) **Product Development:** In terms of optics, the company is enhancing complex designs such as toric and multifocal lenses, combined with next-generation high oxygen permeability silicone hydrogels, second-generation blue light blocking, and high-moisture retention materials. This enriches product functionalities and increases product value, comprehensively meeting the diverse needs of different consumer

segments across various markets and channels. In addition to the company's core offerings of cosmetic lenses and vision correction products, myopia control products have also become a recent industry focus. The company has initiated projects to develop myopia control products to address this demand.

- (2) **Product Certification:** To accommodate the development of new products and sales requirements in new markets, the company is actively pursuing product certifications to enhance its existing and new product portfolios across regulatory bodies such as the U.S. FDA, European Union MDR, China NMPA, Japan PMDA, and various Southeast Asian countries. However, obtaining certifications for new materials and complex optical designs poses far greater challenges than for mature products. Consequently, the company continues to recruit outstanding professionals with expertise in new product certification and validation capabilities to meet increasingly stringent safety verification and clinical trial requirements.
- (3) **Market Strategy:** In addition to continuously expanding sales in the Japanese and Chinese markets, the company is actively developing business in Europe, the United States, and Southeast Asia, achieving a balanced sales distribution across markets to mitigate operational risks arising from demand fluctuations in a single market. Currently, the company's primary sales channels are focused on e-commerce, cosmetics, and department store retail channels, which differ significantly from the professional optometry channels prevalent in the U.S. and European markets. To support the company's expansion plans in the U.S. and European markets, the company will enhance its optometry expertise and capabilities.
- (4) **Customer Service:** Colored cosmetic lens products have a significant fashion element. Rapidly responding to market demands is crucial for such products. The company has developed an online colored lens design platform to assist customers in swiftly completing new product designs. An independent prototyping line enhances the flexibility, agility, and speed of simulation and prototyping, significantly shortening the product development cycle. In the order and supply process, we manage customer inventory status and shorten order delivery times through the integration of production and inventory data.
- (5) **Manufacturing:** Continuous optimization of automated production processes by integrating artificial intelligence applications in quality and production management to improve production efficiency, shorten lead times, and provide customers with stable, high-quality products in preparation for engaging with new tier-one customers.

II. Market, Production and Sales

(I) Market analysis

1. Major Sales Regions for Principal Products (Services)

Unit: NTD Thousand; %

Sales regions \ Fiscal Year		2022		2023	
		Net sales	Percentage (%)	Net sales	Percentage (%)
Domestic sales		86,041	4.69	125,432	4.88
Export sales	Japan	676,513	36.88	878,328	34.15
	China	1,069,743	58.32	1,564,184	60.81
	USA	2,024	0.11	3,112	0.12
	Australia	-	-	1,146	0.04
	Subtotal	1,748,280	95.31	2,446,770	95.12
Total		1,834,321	100.00	2,572,202	100.00

2. Market share

The main products of our company and its subsidiaries are disposable soft contact lenses. According to research data from Contact Lens Spectrum, the global contact lens market in 2023 was valued at approximately USD10 billion, marking a growth of 5.26% from USD9.5 billion in 2022. For fiscal year 2023, the combined revenues of our company and its subsidiaries totaled NTD2.57 billion, capturing approximately 0.82% of the market share. Over the period from 2020 to 2023, revenues have demonstrated a consistent upward trend. Moving forward, the company plans not only to consolidate its presence in established markets such as China, Japan, and Taiwan but also to aggressively expand into Southeast Asia and Western markets. This strategic expansion is expected to substantially increase our market share.

3. Future market supply, demand and growth

In recent years, the demand for contact lenses has shown a steady growth trend annually. The key factors promoting the growth of the contact lens market are explained as follows:

(1) Myopia prevalence and decreasing age of onset.

With the development and widespread adoption of digital video technology, coupled with the outbreak of the COVID-19 pandemic in 2020, countries implemented work-from-home and study-from-home measures, significantly increasing the usage frequency of laptops, tablets, and mobile phones. This has led to a decline in the age at which individuals develop myopia, resulting in a projected rapid growth of the myopic population in the future. According to statistics from the World Health Organization (WHO), there were approximately 2.6 billion myopic individuals globally in 2020, with nearly 30% coming from China. It is estimated that by 2050, with a projected global population of 10 billion, 5 billion individuals will be myopic, representing a 1.92-fold increase compared to 2020. Additionally, according to data from Insight and Info, in 2022, there were 365 million myopic patients aged 18-45 in China, with 287 million classified as low-to-moderate myopia and 78 million as high myopia. It is projected that

in 2023, the number of myopic patients aged 18-45 in China will grow to 372 million, with 293 million classified as low-to-moderate myopia and 79 million as high myopia, representing a growth rate of approximately 1.92%. As myopia is an irreversible visual impairment, the myopic population is expected to continue increasing in the future.

Number and forecast of myopic patients aged 18-45 years old in China from 2014 to 2023

Unit: Persons in million



Source: Compiled by Insight and Info

(2) Diversification of contact lens materials and applications

With the development of application materials and advances in production technology, a diverse range of soft contact lens products has been developed. In applied materials, we have developed blue light blocking materials that block harmful high-energy blue light, as well as high oxygen permeability, high water content silicone hydrogel corrective lenses. For lens functionality, we have developed lenses for correcting astigmatism, presbyopia, alleviating eye pressure, and sports applications.

(3) Combining fashion cosmetics and pop culture

Due to the prevalence of deeper iris colors among Asian populations, a unique market demand for cosmetic and decorative contact lenses has emerged. Additionally, in most Asian countries, purchasing contact lenses does not require professional optometric prescriptions or medical prescriptions, resulting in diverse and convenient purchasing channels. These include physical retail outlets such as drugstores, optical shops, brand stores, as well as online channels like e-commerce platforms, brand-owned websites, and social media affiliate sales. Beyond the ever-evolving trends in cosmetic lens patterns and colors, the market has also witnessed the development of blue light-blocking and high-moisture contact lenses. Factors such as the large myopic population in Asia and the relatively low contact lens penetration rate have contributed to the region's year-over-year growth in the contact lens market.

4. Competitive advantage

- (1) Subsidiaries can serve the Chinese market locally, offering competitive pricing.

The Company's subsidiary, Jiangsu Vizionfocus Inc., commenced mass production and shipments starting in 2019. Facing demand from the Chinese market, it enjoys advantages in delivery time and supply flexibility, without the need to pay import tariffs or incur high cross-border transportation costs, giving it an excellent competitive edge with direct local supply.

- (2) Self-made optical mold cores and plastic molds are the key to stable yield and quality

Optical molds are critical components required for the molding process in contact lens manufacturing; our company produces its own optical molds, capable of controlling the precision of injection molding. Through in-house mold-making and enhanced injection molding capabilities, we continue to improve the yield and quality stability of contact lens production.

- (3) Rapid sampling

Cosmetic colored contact lenses possess fast fashion attributes, and the product design and production must quickly respond to market trends. Based on years of experience in developing cosmetic contact lenses, our company and its subsidiaries have successfully developed automated prototyping equipment, effectively shortening the prototyping cycle and accelerating the speed to market of our products.

- (4) Automation and Intelligent Manufacturing

The company and its subsidiaries employ a full-mold manufacturing process. Building upon years of manufacturing experience since the establishment of the facilities, the company continues to enhance its equipment and processes. Starting in 2020, the company has actively developed its fourth-generation high-speed fully automated production line. In terms of intelligent manufacturing applications, these include production parameter collection for critical workstations, big data analysis and management, AI-powered production scheduling, and AOI (Automated Optical Inspection) systems. Despite the rapid growth in production scale and increasing product portfolio complexity, the company has demonstrated highly efficient factory management.

5. Favorable and unfavorable factors for development prospects and countermeasures

- (1) Favorable factors

- (1-1) Intelligent production, digital information layout, and strong management capabilities to support future scale growth

Cosmetic lenses account for over 50% of our and our subsidiaries' sales, with these products being more complex than standard transparent vision-correcting lenses. Cosmetic lens products have trendy and fashionable attributes, with a short life cycle for patterns and colors, which accelerates updates and increases the complexity of production and inventory management.

Over the years, our company has continuously invested in production management and information systems, integrating a smart manufacturing setup. This has prepared us for the enhanced management capabilities required for increasingly complex product combinations due to future growth.

(1-2) Has economies of scale, with competitive production costs.

Our company benefits from increasing demand in the end market for contact lenses, with operational scale expanding progressively. We now possess a significant economic scale and our production costs are highly competitive.

(2) Unfavorable factors

(2-1) The supply of mainstream products is monopolized by international big firms

Major manufacturers such as Johnson & Johnson, COOPERVISION, ALCON, and Bausch + Lomb dominate over 90% of the market share. Their brands have been well-established for many years, enjoy high visibility, and have a strong brand image embedded in the minds of most consumers, posing challenges for new entrants to penetrate the market.

Responsive measures:

Despite the high market share held by the four major manufacturers, their product strategies largely focus on single products that cater to mainstream user groups. There is less emphasis on developing specialized products for specific demographics, such as fashion cosmetic contact lenses for the Asian market or products suited to the gentler corneal curvature of Asians, areas where these manufacturers have not extensively focused. Based on the unique growth curve characteristics of the Asian market, in addition to leveraging colored cosmetic lenses to continuously penetrate the overall contact lens market, the company will also launch attractive products with optical designs suitable for Asian wearers to tap into the rapidly growing Asian market. Additionally, our company's development of products such as toric, multifocal, myopia control, and silicone hydrogel lenses, as well as our comprehensive product line, will aid in expanding into various international markets.

(2-2) Increasingly strict management regulations

Contact lenses are classified as medical devices and must comply with legal standards in design, development, and manufacturing, and must also obtain marketing authorization. With economic development, consumer awareness of product and appliance safety across food, clothing, housing, and transportation has increased. Contact lenses are no exception, with governments worldwide imposing increasingly stringent regulatory reviews for market approval.

Responsive measures:

The company has currently obtained certifications such as GMP, ISO 13485, Taiwan TFDA, China NMPA, Japan PMDA, US FDA, and EU CE. It has accumulated sufficient experience and talent in maintaining the corresponding

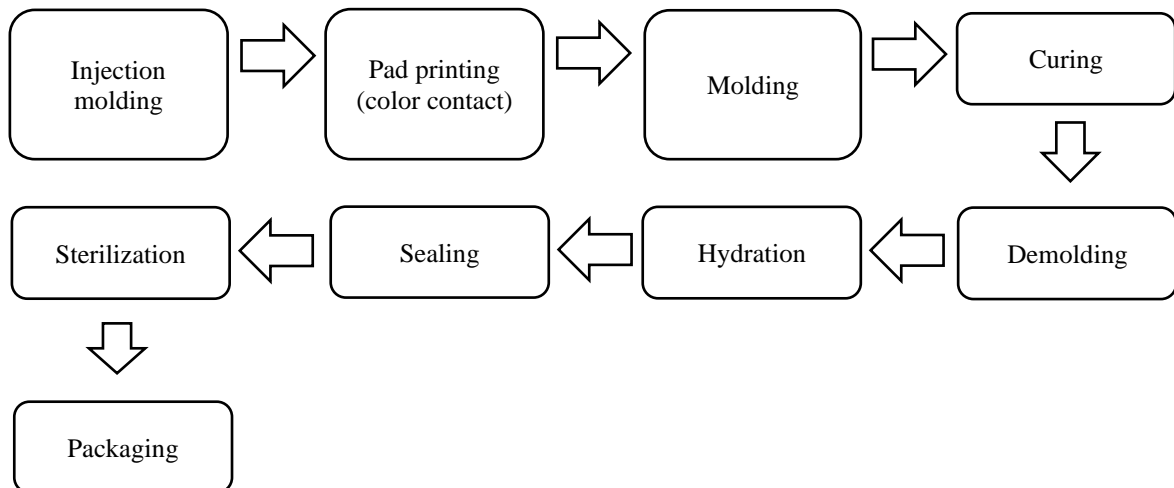
management systems and product certifications. The company has also completed the product upgrades for our key products, including high moisturization, UV protection, blue light blocking, and high oxygen transmission, which have successively obtained market approvals in various major markets. Once the development of various niche products is completed, we can apply for market approvals on this basis in major markets. This will allow us to share various physical, chemical, biological, and clinical assessment data, significantly saving on resource investments and shortening the preparation and review timelines.

(II) Applications and Production Process of Principal Products

1. Key Applications of Principal Products

The main products of our company and its subsidiaries are soft disposable contact lenses, primarily designed for myopia correction, fashionable cosmetic lenses, and functional blue light blocking lenses.

2. Production Process of Major Products



(III) Supply of main raw materials

The main raw materials used by the company and its subsidiaries include hydroxyethyl methacrylate (HEMA), polypropylene blisters (PP blisters), polypropylene resins (PP resins), aluminum foils, and various colored packaging boxes, with none of the suppliers having a monopolistic hold on the market.

Due to the inherent difficulty in formulating silicone hydrogel products, many manufacturers are forced to choose more expensive and customized silicone raw materials to formulate usable silicone hydrogel product formulations. This allows greater freedom in formulation design during the initial product design stage, but future supply chain management flexibility will be limited due to the customized raw materials.

From the initial stages of product design, our company considers supply chain risk management, opting for commercially mature silicone materials in the market to mitigate supply chain risks associated with custom silicone materials. The Company has three suppliers for the two

types of silicone materials used in the formulation of its silicone water-based adhesives. All three suppliers have accumulated relevant verification data for the silicone materials, so that the supplier can be switched at any time if necessary in the future.

To ensure a stable supply source, the company and its subsidiaries establish multiple suppliers based on factors such as quality, price, delivery time, and cooperation level. Long-term collaborative relationships have been cultivated with each supplier, effectively ensuring supply stability. Therefore, the company and its subsidiaries have not experienced supply shortages or interruptions that could severely impact production.

Contact lenses fall under the medical device industry and are used directly on the human eye. To protect human safety, governments around the world have established stringent review processes for the production and sale of contact lenses. Manufacturers and sellers must obtain certifications from the respective governments and product approvals before they can market and sell their products in those countries. It's important to note that certifications are divided into two categories: system certifications and product certifications. System certifications, such as ISO 13485, GMP, and Japanese QMS, provide certification for a company's overall operational quality processes and adhere to broader quality standards. On the other hand, product certifications involve regulatory reviews of specific product specifications, safety, and efficacy. To obtain product certification, companies must submit extensive physical and chemical analysis data, GLP biocompatibility test results, and clinical trial reports to demonstrate that their products meet the required standards. Once these submissions pass the review process, product certification is granted, making it a more time-consuming endeavor. In addition to complying with ISO 13485 and ISO 14001 standards (certification underway), Taiwan GMP, and Japan QMS specifications, our company has also secured multiple product certifications including CE, FDA, NMPA, TFDA, and PMDA. These certifications attest to our rigorous manufacturing processes and the high quality of our products, which significantly aid in expanding both our domestic and international markets.

(IV) Names of customers accounting for 10% of the net purchase (sale) in any of the last two years, the amounts purchased (sold), and the percentage, and the reasons for the changes:

- Names of customers to which the Company and its subsidiaries accounted for 10 percent or more of the Company's total purchases in the last two years:

Unit: NTD Thousand

Item	2022				2023			
	Code Name	Amount	Percentage of annual net purchasing amount (%)	Relationship with the issuer	Code Name	Amount	Percentage of annual net purchasing amount (%)	Relationship with the issuer
1	A	55,387	12.61%	None	A	65,999	10.69%	None
	Others	383,861	87.39%	-	Others	551,419	89.31%	-
	Net purchasing amount	439,248	100.00%	-	Net purchasing amount	617,418	100.00%	-

Reasons for increase/decrease: As the company and its subsidiaries grow, the demand for purchasing materials has also increased accordingly.

2. Names of customers to which the Company and its subsidiaries have sold more than 10% of the Company's total sales in the last 2 years:

Unit: NTD Thousand

Item	2022				2023			
	Code Name	Amount	Percentage of annual net sales amount (%)	Relationship with the issuer	Code Name	Amount	Percentage of annual net sales amount (%)	Relationship with the issuer
1	A	285,222	15.55%	None	B	579,603	22.53%	None
2	B	241,829	13.18%	None	D	528,735	20.56%	None
3	C	191,914	10.46%	None	A	264,610	10.29%	None
	Others	1,115,356	60.81%	-	Others	1,199,254	46.62%	-
	Net sales	1,834,321	100.00%	-	Net sales	2,572,202	100.00%	-

Reason for change: As our company and its subsidiaries are in a stage of performance growth, with market expansion in various regions and development of new clients, the proportion of major clients also changes in accordance with revenue fluctuations.

- (V) Production volume and value in the most recent two years

Unit: thousand units; NTD Thousand

Production volume value	Fiscal Year	2022			2023		
		Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Main products							
Contact lens		352,500	305,957	1,149,190	459,634	421,377	1,601,547

Explanation of changes: Our company and its subsidiaries have increased capacity and output simultaneously due to the expansion of production lines and process optimization.

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

Unit: thousand units; NTD Thousand

Sales volume and value	Fiscal Year	2022				2023			
		Domestic sales		Export sales		Domestic sales		Export sales	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Main products									
Contact lens		11,649	85,949	282,248	1,745,549	17,802	125,382	380,498	2,442,526
Others (Note)		-	92	-	2,731	-	50	-	4,244
Total		11,649	86,041	282,248	1,748,280	17,802	125,432	380,498	2,446,770

Note: Other primary sales consist of raw materials, which are not aggregated due to differing units.

Explanation of changes: A significant increase in export quantities and amounts is primarily due to new customers and a gradual increase in sales volume from existing customers, leading to corresponding growth in sales value.

III. Number of employees in the last two years and up to the publication date of the annual report

Unit: Person; Age; Year; %

Fiscal Year		2022	2023	Current year up to the publication date of the annual report
Number of employees	R&D personnel	85	91	93
	General staff	595	705	745
	Total	680	796	838
Average age (years)		33	32	32
Average years of service (years)		2.2	2.5	2.5
Education distribution ratio	Doctoral Degree	0.29%	0.26%	0.24%
	Master's Degree	4.86%	5.24%	5.01%
	University/college	67.35%	61.42%	62.89%
	High school (inclusive) and below	27.50%	33.08%	31.86%

IV. Information on environmental protection expenditure

1. According to laws and regulations, if it is necessary to apply for a permit for installation of pollution facilities or pollution discharge permit, or to pay pollution prevention fees or to establish a dedicated environmental protection unit, the description of the application, payment and establishment shall be made.

The company has legally obtained a water pollution control permit. During the production process, waste raw materials and waste generated from the research and development process are handled and transported by qualified professional waste disposal contractors in accordance with regulations. Domestic sewage is processed in compliance with the water pollution control measures of the KuanYuan Technology Industrial Park. In fiscal years 2022 and 2023, our company paid sewage treatment fees of NTD1,617 thousand and NTD1,903 thousand, respectively. Furthermore, our company has established a dedicated environmental, health, and safety unit in accordance with regulations. Our subsidiary, Jiangsu Vizionfocus, has implemented water pollution control measures at its Jiangsu Heyang plant.

2. Investment in key equipment for pollution prevention and its uses and potential benefits.

December 31, 2023; Unit: NTD Thousand

Equipment name	Quantity	Date of acceptance	Investment cost	Undiscounted balance	Purpose and expected benefits
Sewage treatment system	1 set	2021.07	2,600	1,553	Wastewater generated during the production process is treated to meet regulatory discharge standards.

3. For the last two fiscal years and up to the date of the annual report publication, the company has made improvements regarding environmental pollution; there have been no incidents of pollution disputes, hence no details of such events are reported.
4. For the most recent two fiscal years and as of the date of printing of the annual report, the company should disclose losses incurred due to environmental pollution (including compensation and

violations of environmental regulations identified during environmental inspections, with details on the date of penalty, official letter number, violated regulations and content, and penalties imposed). The company should also disclose estimated current and future amounts and corresponding countermeasures. If reasonable estimation is not feasible, the company should explain why: No such cases.

5. Currently, there are no pollution issues and their improvement measures impacting the company's earnings, competitive position, and capital expenditures, nor any significant environmental capital expenditures expected in the next two years.

V. Labor–management relations

1. Employee welfare, continuing education, training, and retirement systems of the Company and its subsidiaries, as well as labor–management agreements and employee rights protection measures:

- (1) Employee benefit measures and implementation

- A. Special leave system (our company follows the Labor Standards Act, while subsidiaries follow the Labor Contract Law).
- B. Insurance: The Company: Labor Insurance, National Health Insurance, Group accident and medical insurance, Employee overseas travel insurance, self-paid medical insurance for employee dependents; Subsidiaries: Social Insurance
- C. Healthcare: Our company provides free regular health screenings.
- D. Recreation: Our company regularly organizes employee trips and various festive activities each year.
- E. Bonuses: The Company and its subsidiaries provide year-end bonuses and remuneration (earnings distribution).
- F. Various subsidies: Our company and its subsidiaries provide marriage gifts, funeral subsidies, emergency relief funds, festival gifts/cash, birthday gifts, and maternity gifts.

- (2) Implementation of employee further education and training.

- A. Orientation and training for new recruits:

The company and its subsidiaries have the Administrative Management Department (under the Business Management Division) organize pre-job training for new employees upon onboarding, with lecturers dispatched from relevant departments. The training covers topics such as company policies, occupational safety and health, quality systems, trade secrets, and information security, to help new employees familiarize themselves with and adapt to the work environment.

- B. Internal training for each department

In response to the long-term development needs of our company and its subsidiaries, as well as the business requirements of various units and legal requirements of various professional staff, each department drafts an annual employee education and training plan and budget by the end of each year. Once approved, the plan is implemented, covering general knowledge, professional skills, and managerial training. The effectiveness of these programs is reviewed at the end of the year.

C. Professional training

The company's and subsidiaries' administrative management department, occupational safety and health office, and other relevant management units periodically organize training sessions or drills on various topics such as illegal infringement, first aid, fire/earthquake emergency response as well as health seminars covering medical care, food safety, stress relief, etc.

(3) Retirement system and its implementation

Since June 5, 2012, in accordance with the Labor Pension Act, the company has contributed an amount equal to 6% of employees' monthly wages to their personal labor pension accounts. Employees may also voluntarily contribute additional amounts within the 6% limit. Additionally, for white-collar foreign workers, the company has established employee retirement regulations in accordance with the law and formed an employee retirement reserve supervision committee. Retirement reserves are contributed monthly at 2% of the total payroll expense and deposited into a dedicated account at the Bank of Taiwan to protect employee rights and interests.

(4) Agreement between labor and management

The company highly values employee feedback and adopts a two-way and open approach to communication. Prior to meetings, employee opinions are collected through labor representatives, and relevant topics are discussed during the meetings. The internal communication channels are smooth, with labor-management meetings held regularly every three months. The agenda covers but is not limited to management systems, labor conditions, work efficiency improvements, and related issues. Representatives from both labor and management are invited to attend and discuss, aiming to maintain a harmonious interactive relationship.

(5) Measures taken to protect the rights and interests of employees

Our company maintains a robust document management system, which details various management methods. Our employee work rules are established according to legal requirements. The work rules for the year 2023 were approved on September 21, 2023, by the Miaoli County Labor Bureau. These rules clearly define the rights, obligations, and benefits of employees and are regularly reviewed and revised to comply with legal standards and protect all employee rights.

2. For the last two fiscal years and up to the date of the annual report publication, the company's losses due to labor disputes (including results from labor inspections violating the Labor Standards Act, with details such as the date of disposition, disposition reference number, violated regulation articles, contents of the violations, and the content of the disposition to be clearly stated) and the estimated amounts of potential future occurrences and corresponding measures should be disclosed. If these cannot be reasonably estimated, an explanation should be provided for why an estimation is not feasible:

The losses incurred due to labor disputes from 2022-2023 and up to the date of the annual report publication in 2024 are as follows:

- (1) In the May 1, 2023 letter Fu-Lao-Zi-Zi No. 1120103555 issued by the Miaoli County Government, it stated that on March 28, 2023, the county government dispatched personnel to conduct a labor

inspection at our company and found that our employees' working hours exceeded the statutory monthly limit on extended working hours. There were also instances of non-compliance with regulations regarding national holidays and rest days, violating Article 32, Paragraph 2 and Article 36, Paragraph 1 of the Labor Standards Act. Pursuant to Article 79, Paragraph 1, Subparagraph 1 and Article 80-1, Paragraph 1 of the same Act, fines of NTD20 thousand each were imposed, totaling NTD40 thousand. Immediate improvement was mandated.

- (2) In the August 3, 2023 letter Fu-Lao-Zi-Zi No. 1120155982 issued by the Miaoli County Department of Labor and Youth Development, it stated that during the labor conditions inspection conducted by the Occupational Safety and Health Center of Central Region in May 2023, it was found that the monthly extended working hours of our foreign migrant workers exceeded 46 hours. Although agreed upon in labor-management meetings, the monthly limit should not exceed 54 hours, and the quarterly limit should not exceed 138 hours, violating Articles 24 and 32 of the Labor Standards Act. Separate fines of NTD20 thousand each were imposed, totaling NTD40 thousand.
- (3) In the August 31, 2023 letter Fu-Lao-Zi-Zi No. 1120199036 issued by the Miaoli County Department of Labor and Youth Development, it stated that during the labor inspection conducted by the department in July 2023, it was found that the company's industry-academia collaboration program employees were not compensated for extended working hours in accordance with the law. As a result, the Miaoli County Government imposed a fine of NTD20 thousand pursuant to Article 24 of the Labor Standards Act.
- (4) On October 26, 2022, the Department of Occupational Safety and Health conducted a labor inspection at our company and found four violations as follows:
 - A. A hazardous chemicals inventory should be created.
 - B. Controlled areas should have "No Entry" signs posted and be locked as part of access control measures.
 - C. Containers containing hazardous chemicals should be clearly labeled.
 - D. Medical personnel should be appointed according to the size of the company.

On November 1, 2022, the Occupational Safety and Health Administration of the Ministry of Labor issued official letters Lao-Zi-Zhong-1-Zi No. 11110570041 and Lao-Zi-Zhong-1-Zi No. 1111057004, respectively, requiring the company make improvements within a specified period and post a public notice at a conspicuous location in the non-compliant premises for seven days. No fines were imposed. The company has compiled a list of hazardous chemical substances, prominently labeled them, posted "No Entry" signs, and displayed public notices at conspicuous locations in the non-compliant premises for more than seven days. Additionally, the company has hired medical personnel as formal employees, thereby completing all required improvements.

- (5) On September 25, 2023, the Department of Occupational Safety and Health conducted a labor inspection at our company and found two violations as follows:
 - A. Workplace storage of high-pressure nitrogen gas cylinders without proper safety caps.
 - B. The content of the Safety Data Sheet for Methyl Acrylamide has not been reviewed or updated for over three years.

On October 11, 2023, the Occupational Safety and Health Administration of the Ministry of

Labor issued Lao-Zhi-Zhong-1-Zi No. 1121708968, requiring the company make improvements within a given period, without imposing any fines. The company has properly covered the high-pressure gas containers and updated the safety data sheet for methyl acrylamide in accordance with the regulations, thereby completing the required improvements.

The aforementioned fines imposed were not significant and did not result in substantial losses for the company. These were also not considered major legal violations. Besides paying the full fines, the company has actively implemented improvements, minimizing any significant adverse impact on the company's financial operations. The company's management system and employee welfare policies remain robust, and labor-management relations are harmonious. In the past two fiscal years and up to the printing date of the annual report, apart from the aforementioned incidents, the company has not experienced any significant labor disputes resulting in losses.

VI. Cyber security management

1. Describe the information security risk management framework, information security policies, specific management plans, and resources invested in information security management.

(1) Risk management framework

To strengthen cybersecurity protection and management mechanisms, the company has established the "Computer Information Management Cycle" in accordance with Article 9 of the "Regulations Governing Establishment of Internal Control Systems by Public Companies" and the "Cybersecurity Operation Procedures" to ensure the security of computer data, information systems, information equipment, and network equipment.

Additionally, in accordance with Article 3 of the "Cyber Security Management Guidelines for TWSE/GTSM Listed Companies", the company's Board of Directors resolved on March 20, 2023, to appoint the Head of Operations Support as the Chief Information Security Officer, who is responsible for supervising various units in executing information security prevention, crisis reporting, emergency response handling, and other related tasks.

(2) Cyber security policy:

The Company mainly adopts the following management measures for information security, and will always pay attention to the latest information security management development, introduce corresponding information security measures, and gradually establish a complete information security system to ensure the sound operation of the Company.

- A. Employees are granted appropriate system and data access permissions based on their job responsibilities, along with information security education and training.
- B. All computer mainframes and servers are designated for management and maintenance. Passwords are protected and regularly replaced in accordance with the "Computer Password Management Principles." The use of unauthorized software and hardware from unknown sources is strictly prohibited.
- C. Data is routinely backed up and managed according to confidentiality levels and permissions to prevent loss, damage, forgery, or alteration.
- D. Newly developed information systems, or enhancements to existing systems, should consider information security needs and assessments and require integration into system functionalities.

- E. Network equipment must be managed by designated personnel, constantly monitoring the network status, and firewalls must be installed for security control of both internal and external networks.
 - F. Users are restricted in their connection capabilities based on their permissions and must adhere to relevant security regulations; violations will be handled according to related laws, and their network access rights will be revoked.
 - G. Regularly review network security measures and adjust firewall settings to defend against cyber intrusions and attacks.
 - H. Important information equipment should be placed in appropriate locations and protected to reduce the risks caused by environmental insecurity and unauthorized system access.
 - I. The physical environment should be secured based on predetermined information facilities, with necessary barriers established to achieve the purpose of security control. The computer room should consider physical security measures against disasters such as fire, flooding, and earthquakes, and consider possible safety measures in adjacent spaces.
 - J. To address the impacts of various human and natural disasters on business operations, it is essential to ensure all backup measures are thoroughly implemented. Each department shall develop an emergency response plan based on the nature of its business to ensure the sustainable operation of each business.
- (3) Specific management plans and resources invested in cyber security management
- A. The company employs two layers of firewall protection against external attacks: leasing Chunghwa Telecom's IPS services and utilizing physical firewall equipment.
 - B. User computers restrict USB devices, computer screens idle for 10 minutes are locked with a password, and company computers are managed under the AD domain.
 - C. Computer software installations are restricted; if business needs require specific software, an information request form must be filled out for approval.
 - D. Computer login passwords must be changed every 90 days, cannot be the same as the previous three passwords, must be at least six characters long, and contain both letters and numeric characters.
 - E. Computers should be protected by anti-virus software and ransomware monitoring software.
 - F. Regularly monitor whether the firewall is abnormal on a daily basis.
 - G. Conduct database restoration drills at the end of each year.
 - H. Network drive data/ERP.MES.BPM.HRM, etc., system databases are regularly scheduled for backup, with manual off-site backups performed weekly.
2. For the most recent fiscal year and as of the annual report's printing date, disclose any losses incurred, potential impacts, and corresponding measures due to major cybersecurity incidents. If reasonable estimation is not feasible, state the reasons for being unable to reasonably estimate: There were no such incidents.

VII. Important contracts

Important contracts that are still in existence as of the date of the annual report are listed as follows:

Company	Nature of the contract	Party concerned	Start/end date of contract	Main Content	Restrictive clauses
VIZIONFOCUS INC.	Residential lease agreement	Trusval Technology Co., Ltd.	2022.09.01 - 2027.08.31	Factory and office leasing (Zhunan Plant I)	None
VIZIONFOCUS INC.	Residential lease agreement	EASY YANG CORPORATION	2018.09.01 - 2029.12.31	Factory and office leasing (2F, Zhunan Packing Station)	None
VIZIONFOCUS INC.	Residential lease agreement	LALINK Automatic Machine Co., LTD	2019.09.01 - 2034.08.31	Factory and office leasing (Zhunan Plant II)	None
VIZIONFOCUS INC.	Residential lease agreement	EASY YANG CORPORATION	2022.01.01 - 2032.12.31	Factory and office leasing (5F, Zhunan Packing Station)	None
VIZIONFOCUS INC.	Residential lease agreement	PRIT BIOTECHNOLOGY CO., LTD.	2024.03.01 - 2026.12.31	Factory and office leasing (3F, Zhunan Packing Station)	None
VIZIONFOCUS INC.	Borrowings contract	Mega International Bank	2020.01.15 - 2029.11.30	Medium-term borrowings	<ol style="list-style-type: none"> To be handled in accordance with the Regulations Governing the Return of Taiwanese Investors to Investment Projects in Taiwan In accordance with contractual provisions
VIZIONFOCUS INC.	Borrowings contract	Chang Hwa Commercial Bank	2019.12.12 - 2028.08.15	Medium-term borrowings	<ol style="list-style-type: none"> To be handled in accordance with the Regulations Governing the Return of Taiwanese Investors to Investment Projects in Taiwan Collateral provided by the Company
VIZIONFOCUS INC.	Borrowings contract	HUA NAN COMMERCIAL BANK	2019.12.30 - 2027.02.05	Medium-term borrowings	To be handled in accordance with the Regulations Governing the Return of Taiwanese Investors to Investment Projects in Taiwan
VIZIONFOCUS INC.	Borrowings contract	E.SUN COMMERCIAL BANK, LTD.	2019.10.15 - 2024.10.15	Medium-term borrowings	To be handled in accordance with the Regulations Governing the Return of Taiwanese Investors to Investment Projects in Taiwan
VIZIONFOCUS INC.	Borrowings contract	E.SUN COMMERCIAL BANK, LTD.	2023.08.08 - 2027.08.08	Short/Medium-term syndicated loan	In accordance with contractual provisions
VIZIONFOCUS INC.	Borrowings contract	E.SUN COMMERCIAL BANK, LTD.	2023.10.20 - 2026.10.20	Medium-term borrowings	In accordance with contractual provisions
VIZIONFOCUS INC.	Borrowings contract	Mizuho Bank Co., Ltd.	2023.08.15 - 2025.08.15	Medium-term borrowings	None

Company	Nature of the contract	Party concerned	Start/end date of contract	Main Content	Restrictive clauses
VIZIONFOCUS INC.	Borrowings contract	Mega International Bank	2023.07.28 - 2026.07.27	Short/Medium-term syndicated loan	In accordance with contractual provisions
VIZIONFOCUS INC.	Borrowings contract	Taishin International Bank	2023.08.23 - 2026.02.28	Short/Medium-term syndicated loan	In accordance with contractual provisions
VIZIONFOCUS INC.	Borrowings contract	Yuanta Commercial Bank Co., Ltd.	2023.08.30 - 2025.08.30	Short/Medium-term syndicated loan	In accordance with contractual provisions
VIZIONFOCUS INC.	Borrowings contract	CTBC BANK CO., LTD.	2023.08.30 - 2025.08.30	Medium-term borrowings	In accordance with contractual provisions
VIZIONFOCUS INC.	Issuance of commercial paper	Mega Bills Finance Corporation	2023.09.11 - 2024.09.10	Issuance of commercial paper	None
Jiangsu Vizionfocus Inc.	Residential lease agreement	JIANGSU YUYUE MEDICAL EQUIPMENT & SUPPLY CO., LTD.	2019.10.01 - 2029.12.31	Plant lease	None
Jiangsu Vizionfocus Inc.	Borrowings contract	CTBC Bank Shanghai Branch	2023.09.01 - 2024.08.31	Short-term borrowings	None
Jiangsu Vizionfocus Inc.	Borrowings contract	Mega Bank Suzhou Branch	2024.01.19 - 2025.01.18	Short/Medium-term syndicated loan	None
Jiangsu Vizionfocus Inc.	Borrowings contract	E-Shan Bank, Guangzhou Branch	2023.09.19 - 2024.05.05	Short/Medium-term syndicated loan	None

Six. Financial Overview

I. Brief financial data for the last five years including balance sheets and comprehensive income statements, names of accountants, and their audit opinions.

(I) Adopting simplified balance sheets and comprehensive income statements in accordance with International Financial Reporting Standards.

1. Consolidated financial information

(1) Condensed balance sheet - IFRS (consolidated financial statements)

Unit: NTD Thousand

Item		Fiscal Year		Financial information for the most recent five years				
		2019	2020	2021	2022	2023		
Current assets		625,317	867,305	1,336,012	1,574,369	1,756,629		
Property, plant and equipment		531,546	790,766	1,132,224	1,295,784	2,334,146		
Intangible assets		16,782	20,421	23,407	55,206	80,703		
Right-of-use assets		307,354	274,705	245,798	229,132	198,463		
Other assets		103,725	234,277	152,055	55,318	92,657		
Total assets		1,584,724	2,187,474	2,889,496	3,209,809	4,462,598		
Current liabilities	Before distribution	198,232	250,895	472,094	548,496	953,787		
	After distribution	198,232	250,895	550,106	678,515	Note		
Non-current liabilities		371,045	643,311	608,536	639,138	1,473,136		
Total liabilities	Before distribution	569,277	894,206	1,080,630	1,187,634	2,426,923		
	After distribution	569,277	894,206	1,158,642	1,317,653	Note		
Equity attributable to the parent company's owners		852,284	1,011,879	1,424,155	1,638,342	1,787,188		
Capital stock		495,617	500,077	520,077	520,077	524,547		
Capital reserve		474,234	475,961	635,990	638,030	653,674		
Retained earnings (accumulated losses)	Before distribution	(111,940)	34,428	268,561	477,000	618,466		
	After distribution	(111,940)	34,428	190,549	346,981	Note		
Other equity		(5,627)	1,413	(473)	3,235	(9,499)		
Treasury stock		-	-	-	-	-		
Non-controlling interests		163,163	281,389	384,711	383,833	248,487		
Total equity	Before distribution	1,015,447	1,293,268	1,808,866	2,022,175	2,035,675		
	After distribution	1,015,447	1,293,268	1,730,854	1,892,156	Note		

*Source: The consolidated financial statements of 2019 - 2023 audited and certified by CPAs.

Note: As of the date of this annual report, the fiscal year 2023 profit distribution plan has not yet been resolved by the shareholders' meeting.

(2) Condensed comprehensive income statement - IFRS (consolidated financial statements)

Unit: NTD Thousand

(Except for per-share earnings (net loss) expressed in NTD)

Item	Fiscal Year	Financial information for the most recent five years				
		2019	2020	2021	2022	2023
Net operating revenue		584,862	855,146	1,419,688	1,834,321	2,572,202
Gross operating profit		186,236	288,697	491,812	697,428	1,025,339
Operating profit (loss)		80,683	148,768	316,560	366,086	832,016
Total non-operating income and expenses		(30,109)	(20,264)	13,125	15,485	2,486
Net profit (loss) before tax		50,574	128,504	329,685	381,571	834,502
Net profit (loss) from continuing operations		90,371	150,075	278,091	316,650	655,730
Losses from discontinued operations		-	-	-	-	-
Net profit (loss) for the year		90,371	150,075	278,091	316,650	655,730
Other comprehensive income (loss) for the year (net amount after tax)		(6,195)	13,781	(4,259)	7,549	(19,598)
Total comprehensive income for the year		84,176	163,856	273,832	324,199	636,132
Net profit attributable to the owners of the parent company		120,319	146,368	234,133	312,991	562,282
Net profit (loss) attributable to non-controlling equity		(29,948)	3,707	43,958	3,659	93,448
Total comprehensive income attributable to owners of the parent company		116,845	153,408	232,247	316,699	549,068
Total comprehensive income attributable to non-controlling interests		(32,669)	10,448	41,585	7,500	87,064
Earnings per share (NTD)		2.49	2.94	4.64	6.02	10.77

*Source: The consolidated financial statements of 2019 - 2023 audited and certified by CPAs.

2. Parent company only financial information

(1) Condensed balance sheet - IFRS (parent company only financial statements)

Unit: NTD Thousand

Item		Financial information for the most recent five years				
		2019	2020	2021	2022	2023
Current assets		422,235	623,459	962,135	1,115,327	1,198,456
Investment under the equity method		174,721	300,319	413,599	573,211	993,971
Property, plant and equipment		423,569	525,802	657,171	653,328	1,502,445
Right-of-use assets		270,753	245,391	219,938	206,450	179,379
Intangible assets		11,553	9,001	12,384	26,286	44,194
Other assets		69,706	136,211	98,174	35,544	75,317
Total assets		1,372,537	1,840,183	2,363,401	2,610,146	3,993,762
Current liabilities	Before distribution	186,450	223,962	359,487	367,167	791,110
	After distribution	186,450	223,962	437,499	497,186	Note
Non-current liabilities		333,803	604,342	579,759	604,637	1,415,464
Total liabilities	Before distribution	520,253	828,304	939,246	971,804	2,206,574
	After distribution	520,253	828,304	1,017,258	1,101,823	Note
Equity attributable to the parent company's owners		852,284	1,011,879	1,424,155	1,638,342	1,787,188
Capital stock		495,617	500,077	520,077	520,077	524,547
Capital reserve		474,234	475,961	635,990	638,030	653,674
Retained earnings (accumulated losses)	Before distribution	(111,940)	34,428	268,561	477,000	618,466
	After distribution	(111,940)	34,428	190,549	346,981	Note
Other equity		(5,627)	1,413	(473)	3,235	(9,499)
Treasury stock		-	-	-	-	-
Non-controlling interests		-	-	-	-	-
Total equity	Before distribution	852,284	1,011,879	1,424,155	1,638,342	1,787,188
	After distribution	852,284	1,011,879	1,346,143	1,508,323	Note

*Source: The parent company only financial statements of 2019 - 2023 audited and certified by CPAs.

Note: As of the date of this annual report, the fiscal year 2023 profit distribution plan has not yet been resolved by the shareholders' meeting.

(2) Condensed comprehensive income statements - IFRS (parent company only financial statements)

Unit: NTD Thousand

(Except for per-share earnings (net loss) expressed in NTD)

Item	Financial information for the most recent five years				
	2019	2020	2021	2022	2023
Net operating revenue	593,366	774,494	1,039,663	1,313,349	1,700,818
Gross operating profit	204,345	271,267	318,546	463,558	639,217
Operating profit	122,756	161,320	192,935	336,782	463,924
Total non-operating income and expenses	(42,234)	(9,255)	66,905	42,428	226,845
Net income before tax	80,522	152,065	259,840	379,210	690,769
Net income from continuing operations for the year	120,319	146,368	234,133	312,991	562,282
Losses from discontinued operations	-	-	-	-	-
Net income for the year	120,319	146,368	234,133	312,991	562,282
Other comprehensive income (loss) for the year (net amount after tax)	(3,474)	7,040	(1,886)	3,708	(13,214)
Total comprehensive income for the year	116,845	153,408	232,247	316,699	549,068
Net profit attributable to the owners of the parent company	120,319	146,368	234,133	312,991	562,282
Net income attributable to non-controlling interests	-	-	-	-	-
Total comprehensive income attributable to owners of the parent company	116,845	153,408	232,247	316,699	549,068
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-
Earnings per share (NTD)	2.49	2.94	4.64	6.02	10.77

Source: parent company only financial statements audited and certified by CPAs.

(II) Names of CPAs and Audit Opinions in the Past Five Years

1. Names of CPAs and Audit Opinions in the Past Five Years

Fiscal Year	CPA Firm	Name of CPA	Audit Opinions
2019	Deloitte Taiwan	Yu-Hsiang Liu	Unqualified opinion with emphasis of matter.
2020	Deloitte Taiwan	Yu-Hsiang Liu, Chao-Chun Wang (Note)	Unqualified opinion
2021	Deloitte Taiwan	Yu-Hsiang Liu, Chao-Chun Wang (Note)	Unqualified opinion
2022	Deloitte Taiwan	Yu-Hsiang Liu, Chao-Chun Wang (Note)	Unqualified opinion
2023	Deloitte Taiwan	Yu-Hsiang Liu, Chao-Chun Wang (Note)	Unqualified opinion

Note: Conducted according to the 'Guidelines for the Certification of Financial Reports of Public Companies by Accountants,' Article 2.

2. If there has been a change in the accounting firm in the most recent five years, the company, former, and newly appointed accountants should explain the reasons for the change: In line with the company's long-term development and the regulations for the approval of auditing and attestation of financial reports of public companies by certified public accountants, starting from the fiscal year 2020, certified public accountants Yu-Hsiang Liu and Chao-Chun Wang have jointly audited and attested the company's financial reports.

II. Financial information for the last five years

(I) Consolidated financial analysis - IFRS (consolidated financial statements)

Analytical Items		Fiscal Year		Financial information for the last five years				
		2019	2020	2021	2022	2023		
Financial structure (%)	Debt to asset ratio (%)	35.92%	40.88%	37.40%	37.00%	53.00%		
	Long-term capital to property, plant and equipment (%)	260.84%	244.90%	213.51%	205.38%	150.33%		
Solvency (%)	Current ratio (%)	315.45%	345.68%	283.00%	287.03%	184.17%		
	Quick ratio (%)	235.38%	268.81%	234.12%	243.55%	150.48%		
	Interest coverage ratio	10.24	22.26	64.38	41.59	52.15		
Operating capacity	Accounts receivable turnover (times)	3.29	2.95	3.19	3.90	4.96		
	Average collection days	111	124	115	94	74		
	Inventory turnover (times)	4.10	3.95	5.00	5.36	6.51		
	Payable turnover rate (times)	15.06	16.57	14.80	15.60	10.82		
	Average sales days (days)	89	92	73	68	56		
	Property, plant and equipment turnover (times)	1.53	1.29	1.48	1.51	1.42		
	Total asset turnover (times)	0.53	0.45	0.56	0.60	0.67		
Profitability	Return on assets (%)	8.22%	8.21%	11.12%	10.63%	17.43%		
	Return on equity (%)	12.20%	13.00%	17.93%	16.53%	32.32%		
	Profit (loss) before tax as a percentage of paid-in capital (%)	10.20%	25.70%	63.39%	73.37%	159.09%		
	Net profit (loss) margin (%)	15.45%	17.55%	19.59%	17.26%	25.49%		
	Earnings (net loss) per share (NTD)	2.49	2.94	4.64	6.02	10.77		
Cash flow	Cash flow ratio (%)	11.80%	30.22%	82.39%	138.15%	100.51%		
	Cash flow adequacy ratio (%)	Note 1	2.13%	25.81%	61.86%	56.54%		
	Cash reinvestment ratio (%)	1.10%	2.51%	9.82%	21.27%	19.48%		
Level of leverage	Operating leverage	4.71	4.15	3.28	3.79	2.31		
	Financial leverage	1.02	1.04	1.02	1.03	1.02		

Reasons for changes in the financial ratios in the last two years. (If the increase/decrease change is less than 20%, the analysis can be waived.)

1. Financial structure analysis:

- (1) Debt to asset ratio rise: mainly due to the raising of funds for the purchase of land, machinery and equipment in 2023, resulting in an increase in long-term borrowings.
- (2) Long-term capital to property, plant and equipment ratio decreased: mainly due to the increase in property, plant and equipment in 2023.

2. Analysis of solvency:

- (1) The decrease in the current ratio and quick ratio was primarily due to the allocation of funds in 2023 to real estate, factory buildings, and equipment, which increased the proportion of non-current assets, consequently lowering both the current ratio and quick ratio.
- (2) Interest coverage ratio increase: Mainly due to the reversal of expected credit losses leading to an increase in pre-tax net income in fiscal year 2023, enhancing the ability to cover interest payments.

3. Operating capacity analysis:
 - (1) The increase in accounts receivable turnover and the decrease in average days to collect receivables in 2023 are primarily due to an increase in net sales from 2022 to 2023 and a decrease in accounts receivable from 2022 to 2023.
 - (2) The increase in inventory turnover and the decrease in average inventory turnover days are mainly due to the increase in shipments in 2023 compared to 2022, faster sales of inventory, and the strengthening of inventory control.
 - (3) Decrease in accounts payable turnover rate: primarily due to an increase in average accounts payable in 2023 compared to 2022.
4. Profitability analysis:
 - (1) Return on assets increased: mainly due to the increase in net income after tax in 2023 compared to 2022.
 - (2) Return on equity increased: mainly due to the increase in net profit after tax in 2023 compared to 2022.
 - (3) Net income before tax to paid-in capital ratio increased: It was mainly because the net profit after tax in 2023 increased from that in 2022.
 - (4) Increase in net profit margin: mainly due to the increase in the net profit after tax in 2023 as compared to 2022.
 - (5) The increase in earnings per share is mainly due to the increase in net income after tax in 2023 as compared to 2022.
5. Cash flow analysis:
 - (1) Cash flow ratio decreased: mainly due to the increase of current liabilities in 2023.
6. Leverage analysis:
 - (1) Decrease in operating leverage: Mainly due to the increase in variable operating costs and expenses in 2023 being higher than in 2022.

Note 1: Net cash flow from operating activities is a net cash outflow, thus related ratios are not applicable.

Note 2: The formulas for the financial analysis are as follows:

1. Financial structure
 - (1) Debt to asset ratio = total liabilities / total assets.
 - (2) Long-term capital to property, plant and equipment ratio = (total equity + non-current liabilities) / net property, plant and equipment.
2. Solvency
 - (1) Current ratio = current assets / current liabilities.
 - (2) Quick ratio = (current assets - inventory - prepayment) / current liabilities.
 - (3) Interest coverage ratio = net income before income tax and interest expense / interest expense for the current period.
3. Operating capacity
 - (1) Accounts receivable (including accounts receivable and notes receivable arising from business operations) turnover rate = Net sales / Average accounts receivable for each period (including accounts receivable and notes receivable arising from business operations) balance.
 - (2) Average collection days = 365 / receivables turnover.
 - (4) Inventory turnover = sales cost / average inventory.
 - (5) Payables (including accounts payable and notes payable arising from business operations) turnover rate = cost of goods sold/balance of average accounts payable for each period (including accounts payable and notes payable arising from business operations).
 - (6) Average inventory turnover days = 365 / inventory turnover
 - (7) Property, plant and equipment turnover = net sales / average net property, plant and equipment.
 - (8) Total asset turnover = net sales / average total assets.
4. Profitability
 - (1) Return on assets = "net income + interest expenses x (1 - tax rate)" / average total assets.
 - (2) Return on equity = net income / average total equity.
 - (3) Net profit margin = net income / net sales.
 - (4) Earnings per share = (profit or loss attributable to parent company shareholders - preferred share dividends) / weighted average outstanding shares.
5. Cash flow
 - (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
 - (2) Cash flow adequacy ratio = net cash flow from operating activities for the most recent five years / (capital expenditure + increase in inventory + cash dividend) for the most recent five years.
 - (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividend) / (gross property, plant and equipment + long-term investment + other non-current assets + working capital).
6. Leverage:
 - (1) Operating leverage = (net operating revenue - variable operating costs and expenses) / operating income.
 - (2) Financial leverage = operating income / (operating income - interest expenses).

(II) Parent company only financial analysis - IFRS (standalone financial statements)

Analytical Items		Fiscal Year		Financial information for the last five years				
		2019	2020	2021	2022	2023		
Financial structure (%)	Debt to asset ratio	37.90%	45.01%	39.74%	37.23%	55.25%		
	Long-term capital to property, plant and equipment ratio	280.02%	307.38%	304.93%	343.32%	213.16%		
Solvency (%)	Current ratio	226.46%	281.73%	267.64%	303.77%	151.49%		
	Quick ratio	156.12%	206.34%	214.40%	250.59%	120.87%		
	Interest coverage ratio	66.31	26.16	57.93	54.67	44.64		
Operating capacity	Accounts receivable turnover (times)	3.34	2.99	3.51	5.15	6.37		
	Average collection days	109	122	104	71	57		
	Inventory turnover (times)	4.17	3.89	4.61	4.92	5.52		
	Payable turnover rate (times)	14.79	16.17	14.49	11.19	9.63		
	Average sales days (days)	88	94	79	74	66		
	Property, plant and equipment turnover (times)	1.93	1.63	1.76	2.00	1.58		
	Total asset turnover (times)	0.61	0.48	0.49	0.53	0.52		
Profitability	Return on assets (%)	12.51%	9.41%	11.31%	12.81%	17.41%		
	Return on equity (%)	19.34%	15.70%	19.22%	20.44%	32.83%		
	Profit before tax as a percentage of paid-in capital (%)	16.25%	30.41%	49.96%	72.91%	131.69%		
	Net profit margin (%)	20.28%	18.90%	22.52%	23.83%	33.06%		
	Earnings per share (NTD)	2.49	2.94	4.64	6.02	10.77		
Cash flow	Cash flow ratio (%)	40.81%	57.79%	106.47%	166.29%	82.31%		
	Cash flow adequacy ratio (%)	Note 1	9.05%	40.81%	72.46%	56.50%		
	Cash reinvestment ratio (%)	3.85%	4.77%	11.12%	19.87%	13.79%		
Level of leverage	Operating leverage	3.29	3.51	3.87	2.85	2.59		
	Financial leverage	1.01	1.04	1.02	1.02	1.04		

Reasons for changes in the financial ratios in the last two years. (If the increase/decrease change is less than 20%, the analysis can be waived.)

1. Financial structure analysis:

- (1) Debt to asset ratio rise: mainly due to the raising of funds for the purchase of land, machinery and equipment in 2023, resulting in an increase in long-term borrowings.
- (2) Long-term capital to property, plant and equipment ratio decreased: mainly due to the increase in property, plant and equipment in 2023.

2. Analysis of solvency:

- (1) The decrease in the current ratio and quick ratio was primarily due to the allocation of funds in 2023 to real estate, factory buildings, and equipment, which increased the proportion of non-current assets, consequently lowering both the current ratio and quick ratio.

3. Operating capacity analysis:

- (1) The increase in accounts receivable turnover in 2023 are primarily due to an increase in net sales from 2022 to 2023 and a decrease in accounts receivable from 2022 to 2023.
- (2) Decrease in turnover rates for real estate, plants, and equipment: primarily due to increases in real estate, plants, and equipment during 2023.

4. Profitability analysis:

- (1) Return on assets increased: mainly due to the increase in net income after tax in 2023 compared to 2022.
- (2) Return on equity increased: mainly due to the increase in net profit after tax in 2023 compared to 2022.
- (3) Net income before tax to paid-in capital ratio increased: It was mainly because the net profit after tax in 2023 increased from that in 2022.
- (4) Increase in net profit margin: mainly due to the increase in the net profit after tax in 2023 as compared to 2022.
- (5) The increase in earnings per share is mainly due to the increase in net income after tax in 2023 as compared to 2022.

5. Cash flow analysis:

- (1) Cash flow ratio decreased: mainly due to the increase of current liabilities in 2023.
- (2) Decrease in cash flow adequacy ratio: mainly due to the increase in capital expenditure in the last five years.
- (3) Decrease in the cash reinvestment ratio: principally due to an increase in real estate, factories, and equipment in 2023.

Note 1: Net cash flow from operating activities is a net cash outflow, thus related ratios are not applicable.

Note 2: The formulas for the financial analysis are as follows:

1. Financial structure
 - (1) Debt to asset ratio = total liabilities / total assets.
 - (2) Long-term capital to property, plant and equipment ratio = (total equity + non-current liabilities) / net property, plant and equipment.
2. Solvency
 - (1) Current ratio = current assets / current liabilities.
 - (2) Quick ratio = (current assets - inventory - prepayment) / current liabilities.
 - (3) Interest coverage ratio = net income before income tax and interest expense / interest expense for the current period.
3. Operating capacity
 - (1) Accounts receivable (including accounts receivable and notes receivable arising from business operations) turnover rate = Net sales / Average accounts receivable for each period (including accounts receivable and notes receivable arising from business operations) balance.
 - (2) Average collection days = 365 / receivables turnover.
 - (3) Inventory turnover = sales cost / average inventory.
 - (4) Payables (including accounts payable and notes payable arising from business operations) turnover rate = cost of goods sold/balance of average accounts payable for each period (including accounts payable and notes payable arising from business operations).
 - (5) Average inventory turnover days = 365 / inventory turnover
 - (6) Property, plant and equipment turnover = net sales / average net property, plant and equipment.
 - (7) Total asset turnover = net sales / average total assets.
4. Profitability
 - (1) Return on assets = "net income + interest expenses x (1 - tax rate)" / average total assets.
 - (2) Return on equity = net income / average total equity.
 - (3) Net profit margin = net income / net sales.
 - (4) Earnings per share = (profit or loss attributable to parent company shareholders - preferred share dividends) / weighted average outstanding shares.
5. Cash flow
 - (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
 - (2) Cash flow adequacy ratio = net cash flow from operating activities for the most recent five years / (capital expenditure + increase in inventory + cash dividend) for the most recent five years.
 - (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividend) / (gross property, plant and equipment + long-term investment + other non-current assets + working capital).
6. Leverage:
 - (1) Operating leverage = (net operating revenue - variable operating costs and expenses) / operating income.
 - (2) Financial leverage = operating income / (operating income - interest expenses).

III. Audit Committee's Review Report on Financial Reports for the Most Recent Fiscal Year

Please refer to Attachment 2.

IV. Latest consolidated financial statement audited by CPAs

Please refer to Attachment 3.

V. Parent company only financial statement for the most recent year, audited and certified by CPAs

Please refer to Attachment 4.

VI. The financial conditions of the company and its related enterprises in the most recent fiscal year and as of the date of the annual report, including any financial liquidity difficulties encountered and their impact on the company's financial status.

None.

Seven. Review and Analysis of Financial Position and Financial Performance, and Risks

I. Financial Analysis - Consolidated Financial Statements

1. The main reasons for the material changes in assets, liabilities and equity in the most recent two years and their effects

Unit: NTD Thousand; %
(Except earnings per share in NTD)

Item	Fiscal Year		Difference	
	2023	2022	Amount	%
Current assets	1,756,629	1,574,369	182,260	11.58%
Property, plant and equipment	2,334,146	1,295,784	1,038,362	80.13%
Right-of-use assets	198,463	229,132	(30,669)	(13.38%)
Intangible assets	80,703	55,206	25,497	46.19%
Other assets	92,657	55,318	37,339	67.50%
Total assets	4,462,598	3,209,809	1,252,789	39.03%
Current liabilities	953,787	548,496	405,291	73.89%
Non-current liabilities	1,473,136	639,138	833,998	130.49%
Total liabilities	2,426,923	1,187,634	1,239,289	104.35%
Capital stock	524,547	520,077	4,470	0.86%
Capital reserve	653,674	638,030	15,644	2.45%
Retained earnings	618,466	477,000	141,466	29.66%
Total equity	2,035,675	2,022,175	13,500	0.67%

Analysis of changes in ratio variations: (explanation of changes exceeding 20% from the previous period and where the change amount reaches NTD10 million or more)

1. Increase in property, plant and equipment: mainly due to the increase in land and equipment in 2023.
2. Increase in intangible assets: due to the increase in intangible assets under development in 2023.
3. Increase of other assets: mainly due to the increase of prepayment for equipment in 2023.
4. Increase of total assets: due to the increase of land and equipment in 2023.
5. Increase in current liabilities: Primarily due to increases in short-term borrowings and current portion of long-term borrowings in 2023.
6. Increase of non-current liabilities: due to the increase of long-term borrowings in 2023.
7. Increase in retained earnings: mainly attributed to revenue growth in 2023, with net profit higher than in 2022.

II. Financial performance analysis

(I) Consolidated financial performance analysis (consolidated financial statements)

1. Major reasons and impacts of significant changes in operating revenue, operating income, and pre-tax net profit over the last two fiscal years

Unit: NTD Thousand; %
(Except earnings per share in NTD)

Item	Fiscal Year		Increase (decrease) amount	Change ratio (%)
	2023	2022		
Net operating revenue	2,572,202	1,834,321	737,881	40.23%
Gross operating profit	1,025,339	697,428	327,911	47.02%
Operating expenses	193,323	331,342	(138,019)	(41.65%)
Net operating profit	832,016	366,086	465,930	127.27%
Total non-operating income and expenses	2,486	15,485	(12,999)	(83.95%)
Net income before tax	834,502	381,571	452,931	118.70%
Income tax expense	178,772	64,921	113,851	175.37%
Net profit after tax	655,730	316,650	339,080	107.08%
Total comprehensive income for the period	636,132	324,199	311,933	96.22%

Item	Fiscal Year	2023	2022	Increase (decrease) amount	Change ratio (%)
1. Description of Significant Changes (changes of more than 20% from the previous period and the absolute change amount reaching NTD10 million):					
(1) Increase of operating revenue: mainly due to the increase of business performance in 2023.					
(2) Increase in gross profit: because the increase in operating revenue in 2023 was greater than the increase in operating costs.					
(3) Decrease in operating expenses: mainly due to the reversal of expected credit impairment losses in 2023.					
(4) Increase in operating profit: due to the increase in gross profit and decrease in operating expenses in 2023.					
(5) Lower non-operating income and expenses: mainly due to the decrease in foreign currency exchange gains in 2023 compared to 2022.					
(6) The increase in net income before tax, net income after tax, and the total comprehensive income of the current period: It is mainly due to the increase in business performance and net operating profit for 2023.					
(7) Increase of income tax expense: mainly due to the increase of business performance in 2023.					
2. Expected sales volume and basis for the next year: Our company sets annual targets based on estimated customer demand, overall market conditions, production capacity planning, and past operating results. To meet diverse market demands, our company will continue to focus on developing new products to enhance competitiveness. We expect our company's sales revenue to achieve stable growth in the coming year.					
3. Possible impact on the Company's future finance and business: No material impact due to the expected stable growth of business performance.					
4. Future response plan: No special response plan due to the expected stable growth of business performance.					

III. Cash flow

Analysis of changes in cash flow for the most recent fiscal year and cash flow projection for the next year (consolidated financial statements)

1. Changes in cash flow in the most recent year (2023) - Consolidated Statements

Unit: NTD Thousand

Cash balance at the beginning of the period (December 31, 2022)	Net cash flow from operating activities for the year	Net cash flow from investing activities for the year	Net cash flow from financing activities for the year	Effect of exchange rate changes	Closing cash balance (December 31, 2023)
918,501	958,653	(1,393,756)	325,248	(8,490)	800,156
Changes in cash flow for the current year (2023) are as follows:					
(1) Operating activities: net cash inflow from operating activities due to net changes such as increased profits in the current year.					
(2) Investing activities: Mainly arising from the acquisition of property, plant, and equipment, resulting in net cash outflows from investing activities.					
(3) Financing activities: Net cash inflow from financing activities is generated by long-term borrowings.					

2. Remedies for insufficient cash and analysis of liquidity:

(1) There was no cash shortage in the current year.

(2) Liquidity analysis for the most recent two years:

Unit: %

Item	Fiscal Year	2023	2022	Increase (decrease) ratio %
Cash flow ratio (%)		100.51%	138.15%	(37.64%)
Cash flow adequacy ratio (%)		56.54%	61.86%	(5.32%)
Cash reinvestment ratio (%)		19.48%	21.27%	(1.79%)
Explanation of changes in proportion analysis: (Analysis for periods where the increase or decrease proportion exceeds 20%)				
(1) Cash flow ratio decreased: mainly due to the increase of current liabilities in 2023.				

3. Cash flow analysis for the next year (2024)

Unit: NTD Thousand

Cash balance, beginning (1) (December 31, 2023)	Expected net cash inflow from operating activities for the year (2)	Projected cash outflow for the year (3)	Projected cash surplus (deficit) amount (1) + (2) + (3)	Remedies for expected cash shortage	
				Investment plan	Financial plan
800,156	670,508	(777,979)	692,685	-	-

(1) Analysis of changes in cash flow in 2024:

- ① Net cash inflows from operating activities: A net inflow of NTD670,508 thousand is projected, primarily due to the company's continued operational profitability.
- ② Net cash outflow from investing activities: Expected net outflow of NTD1,962,767 thousand, mainly for the anticipated purchase of real estate, factories, and equipment.
- ③ Net cash inflow from financing activities: The estimated net inflow is NTD1,184,787 thousand, which is mainly due to the Company's long-term borrowings for drawdown and capital increase in cash.

(2) Remedies for anticipated cash shortage: No cash shortage is expected.

IV. Impacts of major capital expenditures in the most recent year on financial operations

The company's existing Factory 1, Factory 2, and packaging facilities are all leased premises with no additional space for capacity expansion. Therefore, the construction of a self-owned factory is planned to facilitate plant integration and provide the necessary space for medium- and long-term development. On May 4, 2023, the company's board of directors approved the acquisition of land in Zhunan Township, Miaoli County, with a transaction amount of NTD699,880 thousand. The funding for this purchase will be sourced from the company's internal funds and bank loans. As the company's overall business scale grows, additional production lines will be added, and the research and development, sales, and management teams will be expanded, bringing positive benefits to the company's operations without any significant adverse financial or business impacts.

V. Re-investment policy in the most recent year, the main reason for profit or loss, improvement plan, and investment plan for the coming year

(I) Investment policy

The company's investment policy is guided by the principles of supporting the development needs of its core business and long-term strategic investments, rather than short-term financial investments. The relevant executing departments adhere to the internal control system's "Investment Cycle" and "Procedures for Acquisition or Disposal of Assets" in executing investment decisions. Prudent evaluations of investment plans are conducted, considering changes and challenges in the operating environment, to ensure overall stable business development and enhance investment returns, thereby increasing shareholder equity.

- (II) The main reason for the profit or loss of reinvestment, improvement plan and investment plan for the coming year

Unit: NTD Thousand

Name of Investment Company	Investment gains recognized in 2023	Main business items	Main reason for profit or loss	Improvement plan	Investment plan for the coming year
Green Wealth Investments Limited	214,384	International investment	Due to recognition of investment income from Clear Precise Investments Limited	-	Looking ahead, the company's investment plans will be aligned with its long-term development strategies for relevant business investments. It will continue to supervise and manage existing subsidiaries to achieve expected investment objectives and enhance overall investment performance.
Clear Precise Investments Limited	214,384	International investment	Due to the recognition of the investment interest in Jiangsu Vizionfocus Inc.	-	
Jiangsu Vizionfocus Inc.	214,380	R&D, design, and production of contact lens; wholesale and import and export of similar products of the above-mentioned products	Good operating condition	-	

VI. Analysis and assessment of risk matters in the most recent year and up to the publication date of this annual report

- (I) For the most recent fiscal year and as of the date of the annual report, the impacts of interest rate fluctuations, exchange rate changes, and inflation on the company's profits and losses and future countermeasures:

The following details the interest expenses and exchange gains (losses) as a percentage of operating income for our company and its subsidiaries over the last two years:

Unit: NTD Thousand; %

Item	Fiscal Year	2022	2023
	Net operating revenue		1,834,321
Interest expense		12,668	19,969
Interest expense/Net operating revenue (%)		0.69%	0.78%
Exchange gain		18,168	936
Exchange gain/Net operating revenue (%)		0.99%	0.04%

Source: Financial reports audited by accountants for 2022 and 2023.

1. Impacts of changes in interest rates and countermeasures in the future:

During the fiscal years 2022 and 2023, the interest expenses for our company and its subsidiaries were NTD12,668 thousand and NTD19,969 thousand respectively, representing 0.69% and 0.78% of the total operating revenues for each year. These interest expenses primarily arose from borrowings from financial institutions. Overall, the interest expenses relative to operating revenue were minimal and did not significantly impact the company.

Responding measures

The company and its subsidiaries regularly evaluate money market interest rates and financial information to take appropriate responsive measures in a timely manner. Considering funding costs and potential returns versus risks, the most advantageous fund utilization method is selected to mitigate interest rate fluctuation risks.

2. Impacts of changes in foreign exchange rates and countermeasures in the future:

The company and its subsidiaries are primarily export-oriented, with sales revenue denominated mainly in U.S. dollars and Chinese RMB, while procurement of raw materials and other items is primarily conducted in New Taiwan dollars and Chinese RMB. Consequently, significant exchange rate fluctuations will impact the company and its subsidiaries. In fiscal years 2022 and 2023, the company reported foreign exchange gains of NTD18,168 thousand and NTD936, thousand, respectively, representing 0.99% and 0.04% of total operating revenue for each year, which is insignificant and has no material impact on the company.

Responding measures

To effectively reduce the impact of exchange rate fluctuations, our company and its subsidiaries, apart from adopting natural hedging policies related to payments, will implement the following measures for the future:

- (1) Finance department personnel maintain contact with financial institutions to keep abreast of global political and economic developments and obtain immediate exchange rate information to fully grasp trends in exchange rate fluctuations.
- (2) In line with operational conditions and foreign currency trends, our company aims to minimize foreign currency positions and has negotiated with suppliers to adopt the financial reporting currency for payments to reduce fluctuations caused by accumulated foreign currency positions.
- (3) Our company primarily collects payments in USD and RMB (which also mitigates risk dispersion), while expenditures are mainly in TWD. In the absence of natural hedging opportunities, aside from maintaining necessary foreign currency positions for supplier payments and safe levels of foreign cash on hand each month, most of the foreign currency cash positions are sold at highs in the spot market to reduce the risks associated with position volatility. If encountering severe fluctuations in foreign exchange rates, our company will seek other suitable methods to mitigate foreign exchange losses, such as: in the event of a sharp decline in the US dollar, if we need to convert US dollars into New Taiwan dollars due to New Taiwan dollar demand, it will result in significant foreign exchange losses. Our company will evaluate and optimally adopt methods such as US dollar time deposits or foreign sales loans to establish US dollar liability positions to control foreign exchange losses.
- (4) Depending on the changes in exchange rates, the Company will follow the “Procedures for Acquisition or Disposal of Assets” to hedge derivative financial instruments to avoid exchange rate risks arising from the Company’s business operations.

3. Impacts of inflation and countermeasures in the future:

To date, the company and its subsidiaries have not experienced any significant impact on profitability due to inflation. However, in recent years, influenced by the interest rate hikes in the United States, overall prices and cost levels have exhibited a sustained upward trend. The company and its subsidiaries will continue monitoring fluctuations in upstream raw material prices and maintain good relationships with suppliers and customers, dynamically adjusting production and sales strategies to mitigate the impact of inflation on profitability.

- (II) Main reasons for profit or loss arising from high-risk investments, high-leverage investments, loans to others, endorsements/guarantees, and derivative transactions in the previous period to the day this report was printed, and the response:

Our company and its subsidiaries adhere to principles of prudence and a practical management philosophy, focusing on our core business without engaging in high-risk, high-leverage investments or derivative financial transactions. For the fiscal years 2022 and 2023 up to the printing date of the annual report, the company did not engage in lending funds to others or derivative product transactions. However, the subsidiary Jiangsu Vizionfocus Inc. obtained financing from financial institutions for operational needs, for which the company provided guarantees to facilitate business development in accordance with the company's "Operational Procedures for Endorsement and Guarantee" and related processes. This is not expected to have a significant adverse impact on the company's profitability. Additionally, the company's subsidiaries did not engage in lending funds, endorsement guarantees, or derivative product transactions.

- (III) Recent fiscal year and as of the annual report publication date, future research and development plans and projected R&D expenses:

1. Future R&D plans

The Company's R&D focuses on meeting market demands and trends, and developing products with market growth and competitiveness in accordance with the Company's operational development and industry trends. The main development directions are as follows:

(1) Material development

- (1-1) Developing ultra-high oxygen-permeable, high-water-content silicone hydrogel materials to enhance comfort and eye health during extended wear.
- (1-2) Development of the second generation of blue-light blocking materials. The lens is transparent without showing yellowing and has better blue-light blocking performance.
- (1-3) Continue to develop long-lasting and highly moisturizing lenses by combining material technology and moisturizing factors.
- (1-4) Research key material technologies and develop functional contact lenses (such as materials with color functionality and sports lens).

(2) Ultra-precision processing, pad printing technology, optical design

- (2-1) Continuing to enhance ultra-precision mold processing technology.
- (2-2) Continuous improvement in mold technology, injection molding, and color transfer printing techniques for colored contact lenses.
- (2-3) We collaborate with an international team of experts to develop and improve optical design technologies for astigmatism, progressive multifocal, and myopia control lenses.

(3) Development of smart factories and automated equipment.

- (3-1) Improving production technology at various process stages and integrating AOI+AI automatic inspection equipment to reduce human error rates.
- (3-2) Developing automated equipment that integrates upstream and downstream processes to enhance production efficiency.

(3-3) By integrating a big data platform and intelligent analysis expert systems, real-time feedback on issues during production processes is provided, which establishes a production history for products that facilitates rapid traceability and quality improvement.

2. Projected research and development expenditures.

The company and its subsidiaries invested NTD99,467 thousand and NTD127,225 thousand in research and development expenses in 2022 and 2023, respectively, accounting for 5.42% and 4.95% of operating revenues. The projected research and development expenditures of the company and its subsidiaries are primarily budgeted based on new product and technology development plans. In the future, research and development expenditures will be gradually increased based on market demand, operational conditions, technology development status, and functional product launch plans to ensure the company's core competitiveness.

(IV) For the most recent fiscal year and up to the date of the annual report publication, we have managed the impacts of significant domestic and international policy and legal changes on our financial business, along with corresponding measures:

Our company and its subsidiaries closely monitor any significant domestic and international policy and legal changes that could affect our financial operations, and we continuously gather relevant information to provide decision-making support for the management team. For the most recent fiscal year and up to the date of the annual report, changes in relevant policies and laws have not had a significant impact on the financial operations of the company and its subsidiaries.

(V) For the most recent fiscal year and up to the date of the annual report publication, the impact of technological changes (including information security risks) and industry shifts on the company's financial operations, and the corresponding measures taken:

The company and its subsidiaries' main products are soft disposable contact lenses. The key risks arising from technological changes and industry shifts primarily stem from the development of alternative products, such as invasive medical procedures (e.g., laser surgery or implantable contact lenses). However, due to the inherent risks associated with surgeries, adaptation periods, potential side effects, irreversibility, and their inability to provide a permanent solution to vision problems, general acceptance among patients with vision impairments remains low. Another alternative is traditional frame glasses, but their technology has not undergone any revolutionary breakthroughs. Moreover, their less appealing aesthetics and inconvenience allow them to maintain only a certain market share, posing no significant threat to contact lenses. Given that there are no revolutionary technologies or products available in the short term that could replace existing ones, the recent technological changes and industry shifts have not had a significant impact on the financial operations of our company and its subsidiaries up to the date of this annual report publication.

(VI) In the most recent fiscal year and up to the date of publication of the annual report, the impact of changes in corporate image on crisis management and corresponding measures:

Since its establishment, our company and its subsidiaries have been committed to integrity in management, technological innovation, quality improvement, and customer satisfaction. We place high importance on corporate image, adhere to legal regulations, and actively enhance internal management quality and performance. In the most recent year and up to the date of publication of the

annual report, there have been no reports of any adverse corporate image. In the future, the Company and its subsidiaries will also uphold the same efforts, continue to maintain a good corporate image, and actively expand business.

(VII) In the most recent fiscal year and up to the date of the annual report publication, the anticipated benefits, potential risks, and corresponding measures for mergers and acquisitions are as follows:

Our company and its subsidiaries had no merger and acquisition plans in 2022 and 2023 up to the publication date of the annual report. In the case of any future merger and acquisition plan, the Company will handle such matters in accordance with the relevant laws and regulations and the relevant operating procedures formulated by the Company. The Company will also adhere to a prudent evaluation attitude to ensure the protection of the Company's interests and shareholders' rights and interests.

(VIII) In the most recent fiscal year and up to the date of the annual report publication, the expected benefits, potential risks, and corresponding measures for factory expansion are as follows:

With the company's business scale and workforce expanding annually, the limited area of our two existing factories in Zhunan restricts the number of additional production lines that can be installed. The current facilities are insufficient to meet future operational growth needs. In August 2023, the company acquired land from a non-related party in Zhunan Township, Miaoli County, to construct its own factory premises, providing the necessary space for medium- and long-term development. The production capacity will be increased in phases, with the first phase expected to meet the growing demands of existing clients and facilitate the acquisition of new clients, enhancing production flexibility. As the company's overall business scale grows and economies of scale emerge, positive effects on revenue and profitability are anticipated. The Company has prudently planned the capital required for plant expansion, construction progress, business order and other risks before investing, and has also formulated relevant measures to reduce the adverse effects of various risks on the Company's operations.

(IX) For the most recent fiscal year and as of the annual report printing date, disclose risks faced due to concentrated procurement or sales and corresponding measures:

(1) Concentration risk of purchases

In 2023, no single supplier's purchase amounted to more than 11% of the total consolidated purchasing net amount for our company and its subsidiaries, thus there is no risk of over-concentration of purchases from a few suppliers. The primary procurement items for the company and its subsidiaries include chemical raw materials, aluminum foils, packaging materials, polypropylene resins, and polypropylene blisters. The suppliers for these items are not monopolistic. To ensure a stable supply source, the company and its subsidiaries establish multiple suppliers based on factors such as quality, price, delivery time, and cooperation level. Long-term collaborative relationships have been cultivated with each supplier, effectively ensuring supply stability. Therefore, the company and its subsidiaries have not experienced supply shortages or interruptions that could severely impact production.

(2) Risk of sales concentration

In 2023, no single group's revenue accounted for more than 23% of the company's and its subsidiaries' consolidated net sales revenue. Therefore, there was no risk of sales concentration affecting the company's stable growth. However, the company and its subsidiaries will continue to develop new customers to expand performance and diversify business sources.

(X) During the most recent fiscal year and up to the date of the annual report publication, there have been no significant transfers or changes in the shares held by directors or major shareholders owning more than ten percent, that impacted the company in terms of influence, risk, or corresponding measures: none reported.

(XI) The impact, risks, and mitigation measures related to changes in control of the company:

Our company has not experienced any changes in management rights during the most recent fiscal year and up to the date of publication of the annual report.

(XII) For the most recent fiscal year and as of the date of printing of the annual report, the company should disclose any material litigation, non-litigation, or administrative disputes that have been concluded or are still pending, involving the company, its directors, president, de facto responsible persons, shareholders holding more than 10% equity interest, and subsidiaries, where the outcome may have a material impact on shareholders' equity or securities prices. The disclosure should include the facts in dispute, subject amount, commencement date of the litigation/dispute, key parties involved, and the handling status as of the annual report printing date.

Among the company's directors, general managers, responsible persons, shareholders holding more than 10% of the shares, and subsidiaries, except for the following pending litigation involving Chang Wah Electromaterials Inc. (hereinafter referred to as Chang Wah Electromaterials), a legal entity director and major shareholder, the company's other directors, general managers, substantive responsible persons, and subsidiaries have not been involved in any final judgments or ongoing litigation, non-litigation, or administrative disputes from 2021 to 2023 up to the date of printing of the annual report that could have a significant impact on shareholders' equity or securities prices:

- (1) In September 2016, Chipbond Technology Corporation (hereinafter referred to as "Chipbond Technology") filed a civil lawsuit against Chang Wah Electromaterials Inc. (hereinafter referred to as "Chang Wah Electromaterials") and its Chairman, Mr. Chia-Neng Huang, for the elimination of trade secret infringement. The main claims of the lawsuit included the prohibition of using or disclosing trade secrets obtained from Chipbond Technology, the destruction of relevant files and documents, the destruction of products infringing on trade secrets, and a claim for joint and several damages amounting to NTD1,765,137 thousand. This case is currently being adjudicated by the Intellectual Property and Commercial Court under case number Min-Ying-Su-Zi No. 12 of 2016.
- (2) Furthermore, in addition to filing a civil claim for damages in the aforementioned case, Chipbond Technology also filed a criminal complaint against Chang Wah Electromaterials and its Chairman, Mr. Chia-Neng Huang, for trade secret infringement. In this case, the

Kaohsiung District Prosecutors Office issued a non-prosecution disposition under case number Zhen-Zi No. 13864 of 2019 against Chang Wah Electromaterials and its Chairman, Mr. Chia-Neng Huang. Chipbond Technology appealed the decision, which was subsequently dismissed by the Intellectual Property Branch of the High Prosecutors Office under case number Shang-Sheng-Yi-Zi No. 352 of 2019. Chipbond Technology then requested a trial by the Kaohsiung District Court, which is currently in progress.

The aforementioned litigations are still pending before the court of first instance and have not been concluded. The company has obtained a legal opinion from the attorney appointed by Chang Wah Electromaterials for the aforementioned litigation cases, which assesses that the litigation cases are unlikely to have a significant adverse impact on Chang Wah Electromaterials. Additionally, Chang Wah Electromaterials' investment in the company is financial in nature, and it is not involved in the company's actual operations. Furthermore, the case is related to Chang Wah Electromaterials' own business and does not involve the company. Therefore, this case has no significant impact on the company's financial operations or business and is unlikely to have a significant adverse effect on the company's shareholders' equity or securities prices.

(XIII) Other significant risks and response measures:

- (1) Disclosure of risks and corresponding measures taken for R&D products that may fail to develop successfully, delays in development processes, sales not meeting expectations, or inability to license to others:

Contact lenses are classified as Class 2 low-risk medical devices. During the research and development phase, the company conducts material feasibility testing to ensure there are no issues with mass production and commercialization before initiating resource allocation for clinical trials and certification applications. As contact lenses are a mature product, and the company has been deeply rooted in the industry for many years, having commenced mass production and shipments since 2014 while delivering remarkable annual performance, any failure or delay in developing new products can be addressed by leveraging the lessons learned during the development process. Therefore, such circumstances are unlikely to have a significant adverse impact on the company's operations.

The company's main business is ODM production for contact lens brands. Intellectual property planning primarily aims to protect products rather than generate revenue through licensing, resulting in relatively low risks from an inability to authorize licenses.

- (2) Disclosure of risks and measures related to reliance on third parties (such as CROs, CMOs) for clinical trials or post-marketing drug production:

The company's products are contact lenses. Obtaining product certifications in certain countries requires clinical trials. However, as contact lenses are mature products, there are no risks associated with clinical trials or reliance on third parties (such as CROs or CMOs) for clinical/post-marketing production.

- (3) We disclose the risks associated with shortfalls in operating capital, explain the adequacy of operating funds, the timeline for available R&D, and the measures taken in response:

The company has been profitable since 2018 and annually plans a three-year product roadmap and sales forecast. Over 5% of operating revenue is invested in R&D funding. Currently, there is sufficient operating capital with no risk of fund shortages.

- (4) Disclose restrictive clauses in technology licensing agreements or outsourcing contracts, as well as risks faced and corresponding measures adopted:

The company's key technologies are self-developed. To strengthen technological capabilities and accelerate development progress, the company has separately entered into cooperation and technology transfer agreements with National Taiwan University of Science and Technology and Company Z. However, there are no restrictive clauses that may pose risks to the company's operations and sales processes.

VII. Other important matters

None.

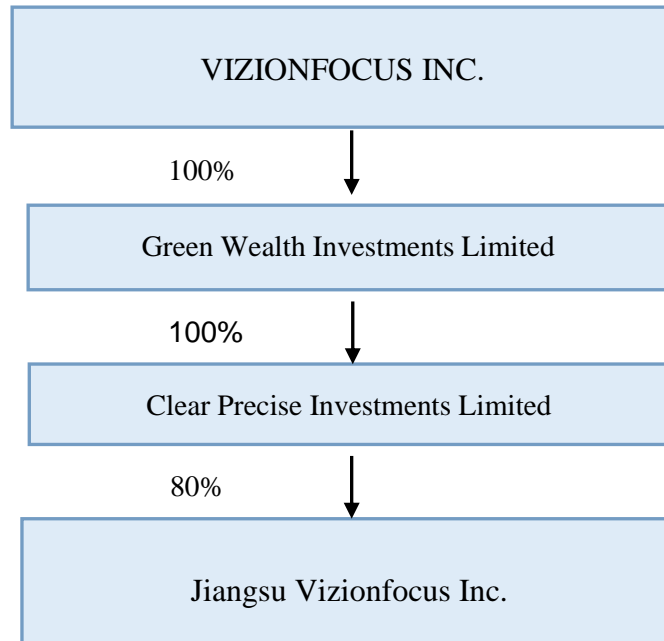
Eight. Special Notes

I. Information on affiliates

(I) Consolidated business report of affiliated companies:

1. Overview of affiliates

(1) Organization chart of affiliates in 2023 (2023.12.31)



(2) Presumed controlling and affiliated companies in accordance with Article 369-3 of the Company Act: None.

(3) According to Article 369-2, Paragraph 2 of the Company Law, companies directly or indirectly controlled by our company in terms of personnel, finance, or business operations: none

2. Basic Information of Affiliates

Unit: NTD Thousand; USD

Name of affiliated enterprises	Date of establishment	Address	Paid-up capital	Main Business or Production Operations
Green Wealth Investments Limited	2013.10	Vistra Corporate Services Centre, Fround Floor NPF Building, Beach Rd., Apia Samoa	1,097,607	International investment operations
Clear Precise Investments Limited	2013.10	Vistra Corporate Services Centre, Fround Floor NPF Building, Beach Rd., Apia Samoa	1,097,607	International investment operations
Jiangsu Vizionfocus Inc.	2015.09	Building 12-15, Yuyue Medical Center, No. 3, Baisheng Road, Life Science Industrial Park, Danyang City, Jiangsu Province	693,185	R&D, design, and production of contact lens; wholesale and import and export of similar products of the above-mentioned products

3. Presumed to have controlling and subsidiary relationships based on shared shareholder information:

Inferred cause	Name or title (Note 1)	Shares held (Note 2)		Date of establishment	Address	Paid-up capital	Main business items
		Number of shares	Shareholding ratio				
		(Not applicable)					

4. The scope of business covered by the overall related enterprises:

Name of affiliated enterprises	Main Business or Production Operations	Interaction and division of labor
Green Wealth Investments Limited	International investment operations	Holding company, not applicable
Clear Precise Investments Limited	International investment operations	Holding company, not applicable
Jiangsu Vizionfocus Inc.	R&D, design, and production of contact lens; wholesale and import and export of similar products of the above-mentioned products	Manufacturing and sales locations in Mainland China

5. Names of the directors and general managers of related companies and their shareholdings or capital contributions in those companies:

Unit; NTD; Share; %
December 31, 2023

Name of affiliated enterprises	Title (Note 1)	Name or Representative	Shares held (Note 2 and Note 3)	
			Number of shares or capital contribution	Shareholding ratio
Green Wealth Investments Limited	Chairman	An Shih	Holding 35,692,609 shares.	100%
Clear Precise Investments Limited	Chairman	An Shih	Holding 35,692,609 shares.	100%
Jiangsu Vizionfocus Inc. (Note 4)	Chairman	An Shih	Invested NTD1,097,607 thousand	80%

Note 1: If the related company is a foreign company, list the equivalent positions.

Note 2: For invested companies that are limited companies, please fill in the number of shares and the percentage of shares held; for others, fill in the amount of capital and the percentage of capital contributed and note accordingly.

Note 3: When the director is a legal entity, additional information about the representative must be disclosed.

Note 4: Is a limited company, no share count.

(II) Business overview of related enterprises:

1. Financial condition and operating results of each related enterprise.

Unit: NTD Thousand
December 31, 2023

Company name	Capital amount	Total asset value	Total liabilities	Net worth	Operating revenue	Operating profit (loss)	Current profit (loss) (after tax)	Earnings (losses) per share (after tax)
Green Wealth Investments Limited	1,097,607	993,971	0	993,971	0	0	214,384	6.01
Clear Precise Investments Limited	1,097,607	993,971	0	993,971	0	(4)	214,384	6.01
Jiangsu Vizionfocus Inc.	693,185	1,487,472	245,039	993,946	933,285	350,635	307,828	Note 3

Note 1: If the related enterprises mentioned are foreign companies, the relevant figures are converted into New Taiwan dollars based on the exchange rate on the reporting date.

Note 2: The earnings (loss) per share is based on the number of outstanding shares of each company on December 31, 2023.

Note 3: Is a limited company, no share count.

2. Consolidated financial statements of affiliates:

For the fiscal year 2023, the companies required to be included in the preparation of the consolidated financial statements for the company and its subsidiaries under the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements” and the IFRS No. 27, “Consolidated and Separate Financial Statements,” are the same. Furthermore, the relevant information required to be disclosed in the consolidated financial statements for affiliates has already been disclosed in the aforementioned parent-subsidiary consolidated financial statements. Therefore, no separate consolidated financial statements for affiliates have been prepared. Please refer to the consolidated financial statements in Attachment 2 of this annual report.

3. Related party transaction report: Not applicable.

II. As of the most recent fiscal year and up to the date of the annual report publication, the management of privately placed securities.

None.

III. As of the most recent fiscal year and up to the date of publication of the annual report, the situation regarding subsidiaries holding or disposing of shares in our company.

None.

IV. Other necessary supplementary explanations.

None.

IX. For the most recent fiscal year and up to the date of the annual report publication, pursuant to Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act, there have been no matters significantly impacting shareholder rights or security prices: none.

Appendix I

Execution Status of Internal Control System:

Statement of Internal Control System:

VIZIONFOCUS INC. Statement of Internal Control System

March 13, 2024

Based on the findings of a self-assessment, VIZIONFOCUS INC. (VF) states the following with regard to its internal control system during the year 2023:

1. VF's Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance, and safeguarding of assets); reliability, timeliness and transparency of our financial reporting; and compliance with applicable laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three objectives mentioned above. Moreover, the effectiveness of an internal control system may be subject to changes of environment or circumstances. Nevertheless, our internal control system contains self-monitoring mechanisms, and VF takes immediate remedial actions in response to any deficiencies identified.
3. VF evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of internal control based on the process of management: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring. Each component further contains several items. Please refer to the Regulations for details.
4. VF has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the evaluation mentioned in the preceding paragraph, VF believes that, as of December 31, 2023, its internal control system (including its supervision of subsidiaries), as well as its internal controls to monitor the achievement of its objectives concerning operational effectiveness and efficiency; reliability, timeliness and transparency of financial reporting; and compliance with applicable laws and regulations, were effective in design and operation, and reasonably assured the achievement of the above-mentioned objectives.
6. This Statement will be an essential content of the VF's Annual Report and Prospectus, and will be publicly disclosed. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchanged Act. 7. This Statement has been passed by the Board of Directors in their meeting held on March 13, 2024.

VIZIONFOCUS INC.

Chairman: Hsiu-Chuan Huang

President: An Shih

Appendix 2

VIZIONFOCUS INC.

Audit Committee's Review Report

The Board of Directors prepared the Company's business report, financial statements (including individual and consolidated financial statements), and earnings distribution proposal for 2023. The financial statements (including individual and consolidated financial statements) have been audited by CPA Yu-Hsiang Liu and CPA Chao-Chun Wang of Deloitte Taiwan, with an audit report with unqualified opinion issued. The Audit Committee has reviewed the above-mentioned business report, financial statements (including individual and consolidated financial statements), and earnings distribution proposal and found no discrepancy. This report is hereby presented in accordance with Article 14-4 and Article 14-5 of the Securities and Exchange Act. Please review.

To 2024 Annual General Shareholders' Meeting, VIZIONFOCUS INC.

VIZIONFOCUS INC. Audit Committee

Audit Committee Convener: Cheng-Hung Chen

March 13, 2024

Appendix 3

VIZIONFOCUS INC. and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2023 and 2022 and
Independent Auditors' Report**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The entities that are required to be included in the combined financial statements of affiliates of VIZIONFOCUS INC. as of and for the year ended December 31, 2023 under Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standard 10, "Consolidated Financial Statements". In addition, the information required to be disclosed in the combined financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Consequently, VIZIONFOCUS INC. and its subsidiaries did not prepare a separate set of combined financial statements of affiliates.

Very truly yours,

VIZIONFOCUS INC.

By

Shiou-Chuang Huang
Chairman

March 13, 2024

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders

VIZIONFOCUS INC.

Opinion

We have audited the accompanying consolidated financial statements of VIZIONFOCUS INC. (the "Corporation") and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "consolidated financial statements").

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Corporation and its subsidiaries' consolidated financial statements for the year ended December 31, 2023 is described as follows:

Revenue Recognition From Specific Customers

Due to the fact that the management may be under the pressure of achieving certain goals and meeting market expectations, the possibility of overstating sales may arise. In some cases, the sales revenue from a specific

customer increases significantly and the amount is considered significant compared to the overall revenue. Furthermore, there are new overseas consignment transactions with specific customers this year. Revenue from consignment transactions is recognized when the customer takes delivery of the physical goods. Therefore, the aforementioned types of sales revenue recognition are deemed as a key audit matter.

Refer to Note 4 to the Corporation and its subsidiaries' consolidated financial statements for the related accounting policies and disclosures on sales revenue. The audit procedures we performed in response to the above-mentioned key audit matter are as follows:

1. We understood the design and implementation of the internal controls and tested the effectiveness of the implementation of the internal controls related to sales revenue.
2. We selected samples from the specific customers' sales revenue records and verified the corresponding purchase order, shipping documents, and receipts of payment. Additionally, confirmation of the recipient of payment is verified to ensure consistency with the transaction counterpart.
3. We selected samples from the consignment sales revenue records and verified the corresponding bill of lading and shipping documents and the authenticity of sales transactions.
4. We supervised the inventory counting process to confirm whether the quantity of consigned inventory matches with the recorded inventory amount.
5. We obtained details of sales returns and allowances for the year and after the reporting period and verified that the sales transactions actually occurred before the balance sheet date.

Other Matter

We have also audited the standalone financial statements of VIZIONFOCUS INC. as of and for the years ended December 31, 2023 and 2022 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation and its subsidiaries' 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 Corporation and its subsidiaries 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 Corporation and its subsidiaries' financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation and its subsidiaries' 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 Corporation and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Corporation and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the Corporation and its subsidiaries' audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Yu-Hsiang Liu and Chao-Chun Wang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 13, 2024

Notice to Readers

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

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

VIZIONFOCUS INC. and Subsidiaries

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 800,156	18	\$ 918,501	28
Notes receivable (Notes 4 and 7)	8,265	-	4,455	-
Accounts receivable (Notes 4, 5 and 7)	612,906	14	411,960	13
Other receivables	4,213	-	664	-
Current tax assets (Notes 4 and 20)	9,629	-	-	-
Inventories (Notes 4, 5 and 8)	257,015	6	218,551	7
Prepayments (Note 28)	64,377	1	19,962	1
Other current assets	68	-	276	-
Total current assets	<u>1,756,629</u>	<u>39</u>	<u>1,574,369</u>	<u>49</u>
NON-CURRENT ASSETS				
Property, plant and equipment (Notes 4, 10, 28 and 29)	2,334,146	52	1,295,784	40
Right-of-use assets (Notes 4 and 11)	198,463	5	229,132	7
Other intangible assets (Notes 4 and 12)	80,703	2	55,206	2
Deferred tax assets (Notes 4 and 20)	23,070	1	45,781	2
Prepayments for equipment	63,189	1	2,882	-
Refundable deposits (Note 28)	6,079	-	6,081	-
Other non-current assets	319	-	574	-
Total non-current assets	<u>2,705,969</u>	<u>61</u>	<u>1,635,440</u>	<u>51</u>
TOTAL	<u>\$ 4,462,598</u>	<u>100</u>	<u>\$ 3,209,809</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 13)	\$ 150,000	3	\$ -	-
Contract liabilities - current (Notes 4 and 18)	6,279	-	17,191	1
Accounts payable (Note 14)	182,227	4	103,591	3
Other payables (Notes 15 and 28)	347,099	8	269,793	8
Current tax liabilities (Notes 4 and 20)	53,568	1	3,768	-
Lease liabilities - current (Notes 4, 11, and 28)	30,040	1	29,355	1
Deferred revenue - current (Notes 13 and 23)	6,391	-	4,734	-
Current portion of long-term borrowings (Notes 13, 28 and 29)	173,169	4	119,591	4
Other current liabilities	5,014	-	473	-
Total current liabilities	<u>953,787</u>	<u>21</u>	<u>548,496</u>	<u>17</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 13, 28, and 29)	1,198,760	27	406,674	13
Deferred tax liabilities (Notes 4 and 20)	85,849	2	15,881	1
Lease liabilities - non-current (Notes 4, 11, and 28)	177,570	4	207,982	6
Deferred revenue - non-current (Notes 13 and 23)	9,993	-	6,033	-
Net defined benefit liabilities (Notes 4 and 16)	735	-	-	-
Other non-current liabilities	229	-	2,568	-
Total non-current liabilities	<u>1,473,136</u>	<u>33</u>	<u>639,138</u>	<u>20</u>
Total liabilities	<u>2,426,923</u>	<u>54</u>	<u>1,187,634</u>	<u>37</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 17)				
Ordinary shares	<u>524,547</u>	<u>12</u>	<u>520,077</u>	<u>16</u>
Capital surplus	<u>653,674</u>	<u>14</u>	<u>638,030</u>	<u>20</u>
Retained earnings				
Legal reserve	55,501	1	26,856	1
Special reserve	-	-	473	-
Unappropriated earnings	<u>562,965</u>	<u>13</u>	<u>449,671</u>	<u>14</u>
Total retained earnings	<u>618,466</u>	<u>14</u>	<u>477,000</u>	<u>15</u>
Other equity				
Exchange differences on translation foreign operations	(9,499)	-	3,235	-
Total equity attributable to owners of the Corporation	1,787,188	40	1,638,342	51
NON-CONTROLLING INTERESTS (Notes 9 and 17)	<u>248,487</u>	<u>6</u>	<u>383,833</u>	<u>12</u>
Total equity	<u>2,035,675</u>	<u>46</u>	<u>2,022,175</u>	<u>63</u>
TOTAL	<u>\$ 4,462,598</u>	<u>100</u>	<u>\$ 3,209,809</u>	<u>100</u>

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

VIZIONFOCUS INC. and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 18)	\$ 2,572,202	100	\$ 1,834,321	100
OPERATING COSTS (Notes 8, 10, 19 and 28)	<u>1,546,863</u>	<u>60</u>	<u>1,136,893</u>	<u>62</u>
GROSS PROFIT	<u>1,025,339</u>	<u>40</u>	<u>697,428</u>	<u>38</u>
OPERATING EXPENSES (Notes 7 and 19)				
Selling and marketing expenses	49,600	2	31,017	2
General and administrative expenses	115,872	4	80,449	4
Research and development expenses	127,225	5	99,467	5
Expected credit loss (reversal of credit loss)	<u>(99,374)</u>	<u>(4)</u>	<u>120,409</u>	<u>7</u>
Total operating expenses	<u>193,323</u>	<u>7</u>	<u>331,342</u>	<u>18</u>
PROFIT FROM OPERATIONS	<u>832,016</u>	<u>33</u>	<u>366,086</u>	<u>20</u>
NON-OPERATING INCOME AND EXPENSES (Notes 19 and 28)				
Interest income	10,140	-	3,434	-
Other income	14,697	1	6,439	1
Other gains and losses	(2,382)	-	18,280	1
Finance costs	<u>(19,969)</u>	<u>(1)</u>	<u>(12,668)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>2,486</u>	<u>-</u>	<u>15,485</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	834,502	33	381,571	21
INCOME TAX EXPENSE (Notes 4 and 20)	<u>178,772</u>	<u>7</u>	<u>64,921</u>	<u>4</u>
NET PROFIT FOR THE YEAR	<u>655,730</u>	<u>26</u>	<u>316,650</u>	<u>17</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 16, 17 and 20)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	(600)	-	-	-
Income tax benefit related to items that will not be reclassified subsequently to profit or loss	120	-	-	-
Items that may be reclassified subsequently to profit or loss				

(Continued)

VIZIONFOCUS INC. and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2023		2022	
	Amount	%	Amount	%
Exchange differences on translation of the financial statements of foreign operations	\$ (22,418)	(1)	\$ 8,476	1
Income tax benefit (expense) relating to items that may be reclassified subsequently to profit or loss	<u>3,300</u>	-	<u>(927)</u>	-
Other comprehensive income (loss) for the year, net of income tax	<u>(19,598)</u>	(1)	<u>7,549</u>	1
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 636,132</u>	<u>25</u>	<u>\$ 324,199</u>	<u>18</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 562,282	22	\$ 312,991	17
Non-controlling interests	<u>93,448</u>	<u>3</u>	<u>3,659</u>	-
	<u>\$ 655,730</u>	<u>25</u>	<u>\$ 316,650</u>	<u>17</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 549,068	21	\$ 316,699	17
Non-controlling interests	<u>87,064</u>	<u>4</u>	<u>7,500</u>	1
	<u>\$ 636,132</u>	<u>25</u>	<u>\$ 324,199</u>	<u>18</u>
EARNINGS PER SHARE (Note 21)				
Basic	\$ 10.77		\$ 6.02	
Diluted	10.49		5.85	

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

(Concluded)

VIZIONFOCUS INC. and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Corporation						Other Equity Exchange Differences on Translation Foreign Operations	Total	Non-controlling Interests	Total Equity
	Ordinary Shares	Capital Surplus	Retained Earnings			Total				
			Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE AT JANUARY 1, 2022	\$ 520,077	\$ 635,990	\$ 3,443	\$ -	\$ 265,118	\$ 268,561	\$ (473)	\$ 1,424,155	\$ 384,711	\$ 1,808,866
Appropriation of 2021 earnings (Note 17)										
Legal reserve	-	-	23,413	-	(23,413)	-	-	-	-	-
Special reserve	-	-	-	473	(473)	-	-	-	-	-
Cash dividends	-	-	-	-	(78,012)	(78,012)	-	(78,012)	-	(78,012)
	-	-	23,413	473	(101,898)	(78,012)	-	(78,012)	-	(78,012)
Net profit for the year ended December 31, 2022	-	-	-	-	312,991	312,991	-	312,991	3,659	316,650
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	-	-	3,708	3,708	3,841	7,549
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	312,991	312,991	3,708	316,699	7,500	324,199
Difference between the fair value consideration and carrying amount of subsidiaries during acquisition or disposal (Note 24)	-	(2,774)	-	-	(26,540)	(26,540)	-	(29,314)	(63,061)	(92,375)
Share based payment (Note 22)	-	4,814	-	-	-	-	-	4,814	-	4,814
Increase in non-controlling interests (Note 17)	-	-	-	-	-	-	-	-	54,683	54,683
BALANCE AT DECEMBER 31, 2022	520,077	638,030	26,856	473	449,671	477,000	3,235	1,638,342	383,833	2,022,175
Appropriation of 2022 earnings (Note 17)										
Legal reserve	-	-	28,645	-	(28,645)	-	-	-	-	-
Reversal of Special reserve	-	-	-	(473)	473	-	-	-	-	-
Cash dividends	-	-	-	-	(130,019)	(130,019)	-	(130,019)	-	(130,019)
	-	-	28,645	(473)	(158,191)	(130,019)	-	(130,019)	-	(130,019)
Net profit for the year ended December 31, 2023	-	-	-	-	562,282	562,282	-	562,282	93,448	655,730
Other comprehensive income (loss) for the year ended December 31, 2023, net of income tax	-	-	-	-	(480)	(480)	(12,734)	(13,214)	(6,384)	(19,598)
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	561,802	561,802	(12,734)	549,068	87,064	636,132
Difference between the fair value consideration and carrying amount of subsidiaries during acquisition or disposal (Note 24)	-	-	-	-	(290,317)	(290,317)	-	(290,317)	(222,410)	(512,727)
Share based payment (Note 17 and 22)	4,470	15,644	-	-	-	-	-	20,114	-	20,114
BALANCE AT DECEMBER 31, 2023	\$ 524,547	\$ 653,674	\$ 55,501	\$ -	\$ 562,965	\$ 618,466	\$ (9,499)	\$ 1,787,188	\$ 248,487	\$ 2,035,675

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

VIZIONFOCUS INC. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 834,502	\$ 381,571
Adjustments for:		
Depreciation expense	265,870	223,650
Amortization expense	12,958	10,608
Expected credit loss (reversal of credit loss)	(99,374)	120,409
Finance costs	19,969	12,668
Interest income	(10,140)	(3,434)
Compensation costs of share-based payments	6,704	4,814
Loss (gain) on disposal of property, plant and equipment, net	202	(214)
Impairment loss recognized on non-financial assets	29,525	10,567
Loss on disposal of inventories	4,099	662
Amortization of deferred revenue	(6,098)	(4,258)
Changes in operating assets and liabilities		
Notes receivable	(3,810)	(4,455)
Accounts receivable	(101,072)	(8,540)
Other receivables	(1,605)	817
Inventories	(70,849)	(24,507)
Prepayments	(44,415)	5,502
Other current assets	208	(264)
Other non-current assets	255	255
Contract liabilities	(10,912)	15,666
Accounts payable	78,636	20,358
Other payables	98,974	44,913
Other current liabilities	4,541	(1,300)
Net defined benefit liabilities	135	-
Other non-current liabilities	(2,339)	2,546
Cash generated from operations	1,005,964	808,034
Interest received	8,196	2,861
Interest paid	(13,590)	(9,647)
Income taxes paid	(41,917)	(43,487)
Net cash generated from operating activities	<u>958,653</u>	<u>757,761</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(1,355,191)	(277,247)
Proceeds from disposal of property, plant and equipment	96	219
Decrease in refundable deposits	2	3,641
Acquisition of intangible assets	(38,663)	(14,819)
Net cash used in investing activities	<u>(1,393,756)</u>	<u>(288,206)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	265,782	119,719

(Continued)

VIZIONFOCUS INC. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2023	2022
Repayment of short-term borrowings	\$ (115,782)	\$ (205,054)
Proceeds from long-term borrowings	1,629,850	211,486
Repayment of long-term borrowings	(778,508)	(133,637)
Repayment of the principal portion of lease liabilities	(29,346)	(28,326)
Cash dividends paid	(130,019)	(78,012)
Proceeds from employee share options	13,410	-
Acquisition of subsidiaries	(530,139)	(74,841)
Decrease in non-controlling interests	<u>-</u>	<u>54,683</u>
Net cash generated from (used in) financing activities	<u>325,248</u>	<u>(133,982)</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS	<u>(8,490)</u>	<u>2,052</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(118,345)	337,625
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>918,501</u>	<u>580,876</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 800,156</u>	<u>\$ 918,501</u>

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

(Concluded)

VIZIONFOCUS INC. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

VIZIONFOCUS INC. (the “Corporation”) was incorporated in May 2012. Its main business activities are the manufacture of medical devices, mechanical equipment, optical instruments, precision instruments, international trade and other consulting services.

The Corporation’s shares were listed and have been trading on the Taipei Exchange (TPEX) since November 2021. In addition, the Company’s listing application was reviewed and approved by the Taiwan Stock Exchange in December 2023 and is expected to be listed for trading in March 2024.

The consolidated financial statements are presented in the Corporation’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation’s board of directors and authorized for issue on March 13, 2024.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRS Accounting Standards”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have a material impact on the Corporation and its subsidiaries’ accounting policies.

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

Note 1: Unless stated otherwise, the above IFRS Accounting Standards will be effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

As of the date the consolidated financial statements were reported to the board of directors and authorized for issue, the Corporation and its subsidiaries have assessed that the application of other standards and interpretations will not have a material impact on the Corporation and its subsidiaries' financial position and financial performance.

- c. The IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

Note 1: Unless stated otherwise, the above IFRS Accounting Standards are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

As of the date the consolidated financial statements were authorized for issue, the Corporation and its subsidiaries are continuously assessing the possible impact of the application of other standards and interpretations on the Corporation and its subsidiaries' financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

For readers' convenience, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If inconsistencies arise between the English version and the Chinese version or if differences arise in the interpretations between the two versions, the Chinese version of the consolidated financial statements shall prevail.

- a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS Accounting Standards as endorsed and issued into effect by the FSC.

- b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
 - 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
 - 3) Level 3 inputs are unobservable inputs for the asset or liability.
- c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities expected to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Corporation and its subsidiaries do not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and the entities controlled by the Corporation (i.e., its subsidiaries).

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Corporation. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Corporation and to the non-controlling interests.

Changes in the Corporation's ownership interests in subsidiaries that do not result in the Corporation losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Corporation's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Corporation.

Please refer to Note 9 and Appendices 4 and 5 for the details, shareholding percentages, and business activities of the subsidiaries.

e. Foreign currencies

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the closing rates at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting the consolidated financial statements, the functional currencies of the Corporation's entities (including subsidiaries operating in other countries or using currencies different from the Corporation's functional currency) are translated into the presentation currency – the New Taiwan dollar as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Corporation and non-controlling interests as appropriate).

f. Inventories

Inventories consist of raw materials, supplies, work in progress, semi-finished goods, finished goods and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost.

g. Property, plant, and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost. Cost includes professional fees and borrowing costs eligible for capitalization. Samples produced when testing whether an item of property, plant and equipment is functioning properly before that asset reaches its intended use are measured at the lower of cost or net realizable value, and any proceeds from selling those samples and the cost of those samples are recognized in profit or loss. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use and depreciated accordingly.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant component is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each balance sheet date, with the effect of any changes in estimate accounted for on prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss.

Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

2) Internally generated intangible assets - research and development expenditures

Expenditures on research activities are recognized as expenses in the period in which they are incurred.

An internally generated intangible asset arising from the development phase of an internal project is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- The ability to measure reliably the expenditures attributable to the intangible asset during its development.

The amount initially recognized for internally generated intangible asset is the sum of the expenditures incurred from the date when such an intangible asset first meets the recognition criteria listed above. Subsequent to initial recognition, such intangible asset is measured on the same basis as an intangible asset that is acquired separately.

3) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

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

At the end of each reporting period, the Corporation and its subsidiaries review the carrying amounts of their property, plant and equipment, right-of-use assets and intangible assets, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Corporation and its subsidiaries estimate the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. The impairment loss is recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined for the asset or cash-generating unit (net of amortization and

depreciation) had no impairment loss been recognized in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

j. Financial instruments

Financial assets and financial liabilities are recognized when the Corporation and its subsidiaries become a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement categories

Financial assets are classified as financial assets at amortized cost.

Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes and accounts receivable at amortized cost, other receivables and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Foreign currency exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit-impaired when one or more of the following events have occurred:

- i Significant financial difficulty of the issuer or the borrower;

- ii Breach of contract, such as a default;
- iii It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits, commercial papers and bonds with repurchase agreements with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

The Corporation and its subsidiaries recognize a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

The Corporation and its subsidiaries always recognize lifetime expected credit losses (ECLs) for accounts receivable. For all other financial instruments, the Corporation and its subsidiaries recognize lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Corporation and its subsidiaries measure the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs, represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Corporation and its subsidiaries consider the following situations as indication that a financial asset is in default (without taking into account any collateral held by the Corporation and its subsidiaries):

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.
- ii. Financial asset is more than 360 days past due unless the Corporation and its subsidiaries have reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial instruments is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

The Corporation and its subsidiaries derecognize a financial asset only when the contractual rights to the cash flows from the asset expire, or when they transfer the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

2) Equity instruments

Equity instruments issued by the Corporation and its subsidiaries are recognized at the proceeds received, net of direct issue costs.

3) Financial liabilities

a) Subsequent measurement

All the financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

k. Revenue recognition

The Corporation and its subsidiaries identify contracts with customers, allocate the transaction price to the performance obligations, and recognize revenue when performance obligations are satisfied.

Revenue from the sale of goods is recognized when the committed goods are delivered from the Corporation and its subsidiaries to customers and the performance obligations have been satisfied. The transaction price received is recognized as a contract liability until the performance obligations are satisfied.

Revenue is measured at the fair value of the goods sold, which is the discounted present value of the price (net of commercial discounts and quantity discounts) agreed to by the Corporation and its subsidiaries with customers. Estimated discounts or other allowances of the consideration received are recognized as refund liabilities. For a contract where the period between the date the Corporation and its subsidiaries transfer a promised good or service to a customer and the date the customer pays for that good or service is one year or less, the Corporation and its subsidiaries do not adjust the promised amount of consideration for any effect of a significant financing component.

l. Leases

At the inception of a contract, the Corporation and its subsidiaries assess whether the contract is, or contains, a lease.

The Corporation and its subsidiaries as lessee

The Corporation and its subsidiaries recognize right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for by applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities. Right-of-use assets are subsequently measured at cost less accumulated depreciation and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Corporation remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

m. Government grants

Government grants are not recognized until there is reasonable assurance that the subsidiaries will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in other income on a systematic basis over the periods in which the subsidiaries recognize as expenses the related costs that the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the subsidiaries with no future related costs are recognized in profit or loss in the period in which they are received.

The benefit of a government loan that the Corporation and its subsidiaries received at a below-market rate of interest is treated as a government grant, measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

n. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and net interest on the net defined benefit liabilities) are recognized as employee benefits expense in the period in which they occur or when the plan amendment or curtailment occurs. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities represent the actual deficit in the Corporation and its subsidiaries' defined benefit plans.

o. Share-based payment arrangements

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Corporation's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. The expense is recognized in full at the grant date if the grants are vested immediately.

At the end of each reporting period, the Group revises its estimate of the number of employee share options that are expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options.

p. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable (refundable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each jurisdiction.

According to the Income Tax Act of the ROC, an additional tax on unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforward, to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

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

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Corporation and its subsidiaries' accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

Key sources of estimation uncertainty - estimated impairment of financial assets

a. Estimated impairment of financial assets

The provision for impairment of accounts receivable is based on assumptions on probability of default and loss given default. The Corporation and its subsidiaries use judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Corporation and its subsidiaries' historical experience, existing market conditions and as well as forward looking estimates as of the end of each reporting period. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Valuation of inventory

Inventories are stated at the lower of cost or net realizable value, and the Corporation and its subsidiaries uses judgment and estimates to determine the net realizable value of inventory at the end of the reporting period. Since the net realizable value of inventory is mainly determined on the basis of future selling price, it might be adjusted significantly.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2023	2022
Cash on hands	\$ 114	\$ 90
Checking accounts and demand deposits	730,042	714,707
Cash equivalents (investments with original maturities of three months or less)		
Time deposits	40,000	42,994
Commercial papers	30,000	130,000
Repurchase agreements collateralized by bonds	-	30,710
	<u>\$ 800,156</u>	<u>\$ 918,501</u>

7. NOTES AND ACCOUNTS RECEIVABLE

	December 31	
	2023	2022
Notes receivable		
Measured at amortized cost - operating	<u>\$ 8,265</u>	<u>\$ 4,455</u>

(Continued)

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Accounts receivable		
Measured at amortized cost	\$ 629,766	\$ 537,469
Less: Allowance for impairment loss	<u>16,860</u>	<u>125,509</u>
	<u>\$ 612,906</u>	<u>\$ 411,960</u>
		(Concluded)

The loss allowance of the Corporation and its subsidiaries' accounts receivable is recognized by using lifetime expected credit losses. Lifetime expected credit losses are calculated based on the bad debt provision matrix, which accounts for the customer's past collection experience and the increase in delayed payment beyond the credit period. The Corporation and its subsidiaries write off an accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery after carrying out follow-up procedures. For accounts receivable that have been written off, the Corporation and its subsidiaries continue to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The Corporation and its subsidiaries continue to monitor the collection of receivables to ensure that proper actions are made to collect past due receivables. Additionally, the Corporation and its subsidiaries review the recoverable amounts of receivables individually on the balance sheet date to ensure that proper allowances are recognized for unrecoverable receivables.

The Corporation and its subsidiaries' loss provisions for accounts receivable and overdue receivables based on the provision matrix were as follows:

December 31, 2023

	Not Past Due	Past Due 1 to 30 Days	Past Due 31 to 120 Days	Past Due 121 to 360 Days	Past Due Over 360 Days	Transaction counterparty shows signs of default	Total
Expected credit loss rate (%)	-	4-7	4-10	4-14	100	4-100	
Gross carrying amount	\$ 618,081	\$ 3,070	\$ -	\$ -	\$ -	\$ 16,880	\$ 638,031
Loss allowance (Lifetime ECL)	<u>-</u>	<u>(206)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,654)</u>	<u>(16,860)</u>
Amortized cost	<u>\$ 618,081</u>	<u>\$ 2,864</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 226</u>	<u>\$ 621,171</u>

December 31, 2022

	Not Past Due	Past Due 1 to 30 Days	Past Due 31 to 120 Days	Past Due 121 to 360 Days	Past Due Over 360 Days	Transaction counterparty shows signs of default	Total
Expected credit loss rate (%)	-	9	10-12	17	100	75-100	
Gross carrying amount	\$ 400,756	\$ 1,733	\$ -	\$ 3,991	\$ -	\$ 135,444	\$ 541,924
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(125,509)</u>	<u>(125,509)</u>
Amortized cost	<u>\$ 400,756</u>	<u>\$ 1,733</u>	<u>\$ -</u>	<u>\$ 3,991</u>	<u>\$ -</u>	<u>\$ 9,935</u>	<u>\$ 416,415</u>

The movements of the loss allowance of notes and accounts receivable were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Balance, beginning of the year	\$ 125,509	\$ 5,479
Recognition (reversal)	(99,374)	120,409
		(Continued)

	For the Year Ended December 31	
	2023	2022
Amounts written off	\$ (8,775)	\$ -
Effect of foreign currency exchange differences	<u>(500)</u>	<u>(379)</u>
Balance, end of the year	<u>\$ 16,860</u>	<u>\$ 125,509</u> (Concluded)

8. INVENTORIES

	December 31	
	2023	2022
Work in progress	\$ 24,530	\$ 34,266
Supplies	26,708	20,535
Raw materials	35,014	44,809
Semi-finished goods	3,354	2,066
Finished goods	<u>167,409</u>	<u>116,875</u>
	<u>\$ 257,015</u>	<u>\$ 218,551</u>

The components of the cost of goods sold were as follows:

	For the Year Ended December 31	
	2023	2022
Cost of inventories sold	\$ 1,521,312	\$ 1,131,913
Write-down of inventories	28,416	10,567
Loss on disposal of inventories	4,099	662
Revenue from sale of scraps	(8,073)	(6,249)
Impairment loss on property, plant and equipment	<u>1,109</u>	<u>-</u>
	<u>\$ 1,546,863</u>	<u>\$ 1,136,893</u>

9. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

The consolidated entities were as follows:

Investor	Investee	Main Business	Percentage of Ownership (%)		
			December 31, 2023	December 31, 2022	Note
The Corporation	Green Wealth Investments Limited (Green Wealth)	International investment activities	100	100	
Green Wealth Investments Limited (Green Wealth)	Clear Precise Investments Limited (Clear Precise)	International investment activities	100	100	
Clear Precise Investments Limited (Clear Precise)	Jiangsu Vizionfocus Inc.	Researching, developing, manufacturing and selling of contact lens, and wholesale, import and export business of similar products to aforementioned products	80	59.75	Note

Note: The subsidiary Clear Precise acquired a portion of the shares of Jiangsu Vizionfocus Inc. in September 2023, leading to an increase in the percentage of ownership from 59.75% to 80.00%. Refer to Note 24 for information related to the aforementioned equity acquisition transaction.

b. Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Proportion of Ownership and Voting Rights Held by Non-controlling Interests (%)	
	December 31	
	2023	2022
Jiangsu Vizionfocus Inc.	20.00	40.25

Refer to Table 5 for information on the country of incorporation and principal place of business.

Name of Subsidiary	Profit Allocated to Non-controlling Interests For the Year Ended December 31		Non-controlling Interests December 31	
	2023	2022	2023	2022
	Jiangsu Vizionfocus Inc.	\$ 93,448	\$ 3,659	\$ 248,487

The summarized financial information below represents amounts before intragroup eliminations:

	December 31	
	2023	2022
Current assets	\$ 582,838	\$ 457,570
Non-current assets	904,634	713,833
Current liabilities	(187,366)	(179,880)
Non-current liabilities	<u>(57,673)</u>	<u>(34,501)</u>
Equity	\$ <u>1,242,433</u>	\$ <u>957,022</u>
Equity attributable to:		
Owners of the Corporation	\$ 993,946	\$ 573,189
Non-controlling interests of Jiangsu Vizionfocus Inc.	<u>248,487</u>	<u>383,833</u>
	\$ <u>1,242,433</u>	\$ <u>957,022</u>
	For the Year Ended December 31	
	2023	2022
Revenue	\$ <u>933,285</u>	\$ <u>570,013</u>
Net profit for the year	\$ 307,828	\$ 14,518
Other comprehensive income (loss) for the year	<u>-</u>	<u>-</u>
Total comprehensive income for the year	\$ <u>307,828</u>	\$ <u>14,518</u>

(Continued)

For the Year Ended December 31
2023 **2022**

Net profit attributable to		
Owners of the Corporation	\$ 214,380	\$ 10,859
Non-controlling interests of Jiangsu Vizionfocus Inc.	<u>93,448</u>	<u>3,659</u>
	<u>\$ 307,828</u>	<u>\$ 14,518</u>
Total comprehensive income attributable to		
Owners of the Corporation	\$ 214,380	\$ 10,859
Non-controlling interests of Jiangsu Vizionfocus Inc.	<u>93,448</u>	<u>3,659</u>
	<u>\$ 307,828</u>	<u>\$ 14,518</u>
Cash flow from		
Operating activities	\$ 307,870	\$ 142,633
Investing activities	(330,348)	(138,115)
Financing activities	(25,169)	111,449
Effects of changes in exchange rates	<u>(8,490)</u>	<u>2,177</u>
Net cash inflow (out)	<u>\$ (56,137)</u>	<u>\$ 118,144</u> (Concluded)

10. PROPERTY, PLANT AND EQUIPMENT

For the Year Ended December 31, 2023

	Land	Machinery and Equipment	Tooling Equipment	Transportation Equipment	Office Equipment	Rental Assets	Other Equipment	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>									
Balance at January 1, 2023	\$ -	\$ 1,192,255	\$ 68,747	\$ 5,867	\$ 16,874	\$ 231,554	\$ 13,765	\$ 301,657	\$ 1,830,719
Additions	705,898	529,021	34,290	1,622	7,071	74,066	11,908	(73,529)	1,290,347
Disposals	-	(4,287)	(875)	-	(1,081)	(15,170)	(2,783)	-	(24,196)
Effect of foreign currency exchange difference	-	(12,409)	(862)	(20)	(120)	(2,364)	(64)	(2,108)	(17,947)
Balance at December 31, 2023	<u>705,898</u>	<u>1,704,580</u>	<u>101,300</u>	<u>7,469</u>	<u>22,744</u>	<u>288,086</u>	<u>22,826</u>	<u>226,020</u>	<u>3,078,923</u>
<u>Accumulated depreciation</u>									
Balance at January 1, 2023	\$ -	\$ 396,031	\$ 40,963	\$ 3,482	\$ 10,821	\$ 76,840	\$ 6,798	\$ -	\$ 534,935
Depreciation	-	178,156	14,458	1,363	4,407	33,130	4,052	-	235,566
Disposals	-	(4,103)	(875)	-	(1,033)	(15,104)	(2,783)	-	(23,898)
Effect of foreign currency exchange difference	-	(2,024)	(256)	(14)	(63)	(556)	(22)	-	(2,935)
Balance at December 31, 2023	<u>-</u>	<u>568,060</u>	<u>54,290</u>	<u>4,831</u>	<u>14,132</u>	<u>94,310</u>	<u>8,045</u>	<u>-</u>	<u>743,668</u>
<u>Accumulated impairment</u>									
Balance at January 1, 2023	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	-	1,109	-	-	-	-	-	-	1,109
Balance at December 31, 2023	<u>-</u>	<u>1,109</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,109</u>
Carrying amount at December 31, 2023	<u>\$ 705,898</u>	<u>\$ 1,135,411</u>	<u>\$ 47,010</u>	<u>\$ 2,638</u>	<u>\$ 8,612</u>	<u>\$ 193,776</u>	<u>\$ 14,781</u>	<u>\$ 226,020</u>	<u>\$ 2,334,146</u>

	December 31	
	2023	2022
Depreciation charge for right-of-use assets		
Land	\$ 380	\$ 380
Buildings	29,811	29,848
Machinery and equipment	<u>113</u>	<u>114</u>
	<u>\$ 30,304</u>	<u>\$ 30,342</u>
		(Concluded)

Except for the addition and recognition of depreciation expenses listed above, there was no significant sublease and impairment of the Corporation and its subsidiaries' right-of-use assets for the years ended December 31, 2023 and 2022.

b. Lease liabilities

	December 31	
	2023	2022
Carrying amount		
Current	<u>\$ 30,040</u>	<u>\$ 29,355</u>
Non-current	<u>\$ 177,570</u>	<u>\$ 207,982</u>

Range of discount rate (%) for lease liabilities was as follows:

	December 31	
	2023	2022
Land	1.605	1.605
Buildings	1.333-4.75	1.333-4.75
Machinery and Equipment	1.333	1.333

c. Material lease activities and terms

The Corporation and its subsidiaries' leases of offices, plants, machinery and equipment, and parking spaces, etc., will expire before the end of August 2034. The Corporation and its subsidiaries do not have a purchase option to acquire the leased right-of-use assets at the expiration of the lease period. The Corporation shall not sublease or transfer all or part of the leased object without the consent of the lessor.

d. Other lease information

	For the Year Ended December 31	
	2023	2022
Expenses relating to short-term leases and low-value asset leases	<u>\$ 1,788</u>	<u>\$ 1,616</u>
Total cash outflow for leases (including short-term leases)	<u>\$ 35,175</u>	<u>\$ 34,504</u>

For the leases of parking spaces and staff dormitories which qualify as short-term leases and other equipment which qualify as low-value asset leases, the Corporation and its subsidiaries have elected to apply the recognition exemption, and thus did not recognize right-of-use assets and lease liabilities for these leases.

12. OTHER INTANGIBLE ASSETS

	<u>December 31</u>	
	2023	2022
Computer software	\$ 5,843	\$ 6,171
Product certificate	22,009	20,677
Intangible assets under development	<u>52,851</u>	<u>28,358</u>
	<u>\$ 80,703</u>	<u>\$ 55,206</u>

For the Year Ended December 31, 2023

	Computer Software	Product Certificate	Intangible Assets under Development	Total
<u>Cost</u>				
Balance at January 1, 2023	\$ 27,261	\$ 39,036	\$ 28,358	\$ 94,655
Additions	3,981	3,753	30,929	38,663
Disposals	(14,268)	-	-	(14,268)
Reclassification	-	6,436	(6,436)	-
Effect of foreign currency exchange difference	<u>(94)</u>	<u>(403)</u>	<u>-</u>	<u>(497)</u>
Balance at December 31, 2023	<u>16,880</u>	<u>48,822</u>	<u>52,851</u>	<u>118,553</u>
<u>Accumulated amortization</u>				
Balance at January 1, 2023	21,090	18,359	-	39,449
Amortization	4,295	8,663	-	12,958
Disposals	(14,268)	-	-	(14,268)
Effect of foreign currency exchange difference	<u>(80)</u>	<u>(209)</u>	<u>-</u>	<u>(289)</u>
Balance at December 31, 2023	<u>11,037</u>	<u>26,813</u>	<u>-</u>	<u>37,850</u>
Carrying amount at December 31, 2023	<u>\$ 5,843</u>	<u>\$ 22,009</u>	<u>\$ 52,851</u>	<u>\$ 80,703</u>

For the Year Ended December 31, 2022

	Computer Software	Product Certificate	Intangible Assets under Development	Total
<u>Cost</u>				
Balance at January 1, 2022	\$ 24,062	\$ 28,088	\$ 27,426	\$ 79,576
Additions	3,139	-	11,680	14,819
Reclassification	-	10,748	(10,748)	-
Effect of foreign currency exchange difference	<u>60</u>	<u>200</u>	<u>-</u>	<u>260</u>
Balance at December 31, 2022	<u>27,261</u>	<u>39,036</u>	<u>28,358</u>	<u>94,655</u>

(Continued)

	Computer Software	Product Certificate	Intangible Assets under Development	Total
Accumulated amortization				
Balance at January 1, 2022	\$ 17,000	\$ 11,743	\$ -	\$ 28,743
Amortization	4,052	6,556	-	10,608
Effect of foreign currency exchange difference	<u>38</u>	<u>60</u>	<u>-</u>	<u>98</u>
Balance at December 31, 2022	<u>21,090</u>	<u>18,359</u>	<u>-</u>	<u>39,449</u>
Carrying amount at December 31, 2022	<u>\$ 6,171</u>	<u>\$ 20,677</u>	<u>28,358</u>	<u>\$ 55,206</u> (Concluded)

The following items of other intangible assets are amortized on a straight-line basis over their useful lives as follows:

Computer software	1-4 years
Product certificate	5-10 years

The amount prepaid by the Corporation and its subsidiaries for the application of relevant medical equipment licenses is classified as intangible assets under development, pending formal approval. Upon obtaining the approved certificate, it will be reclassified as intangible assets - medical equipment licenses.

13. BORROWINGS

a. Short-term borrowings (December 31, 2023 only)

	December 31, 2023
Bank credit loans	<u>\$ 150,000</u>
Interest rate range (%)	1.63

b. Long-term borrowings

	December 31	
	2023	2022
Bank credit loans		
Maturities before November 2029, interest rate at 0.6%-1.7% and 0.475%-4.75% as of December 31, 2023 and 2022, respectively.	\$ 1,345,485	\$ 479,519
Secured borrowings		
Maturities before November 2026, interest rate at 0.6% and 0.475% as of December 31, 2023 and 2022.	<u>42,828</u>	<u>57,513</u>
	1,388,313	537,032
		(Continued)

	<u>December 31</u>	
	2023	2022
Less: Current portion	\$ 173,169	\$ 119,591
Less: Deferred revenue - current (Note 23)	6,391	4,734
Less: Deferred revenue - non-current (Note 23)	<u>9,993</u>	<u>6,033</u>
	<u>\$ 1,198,760</u>	<u>\$ 406,674</u>

(Concluded)

The Corporation signed a loan agreement with Mega Bank, CTBC Bank and Taishin Bank stipulating the relevant financial ratios and amounts of the Corporation's annual consolidated financial report audited and certified by accountants should meet certain ratio requirements. The financial reports are reviewed once a year, and the Corporation was in compliance with the requirements of the syndicated loan agreement based on the audited annual consolidated financial statements for the years ended December 31, 2023 and 2022.

The Corporation signed a medium- and a long-term loan contract with E.SUN Bank and asked for a reverse commitment. All or any portion of the Corporation's land shall not be pledged, mortgaged or otherwise secured or encumbered in any form, or transferred or sold or trust or other means to dispose of the above-mentioned land, or any other act that reduces the value of the subject matter, or make repeated or similar commitments to other creditors or third parties with respect to the above-mentioned land.

The Corporation and its subsidiaries' joint guarantees and guarantees provided for long-term borrowings are set out in Notes 28 and 29.

14. ACCOUNTS PAYABLE

	<u>December 31</u>	
	2023	2022
Accounts payable	<u>\$ 182,227</u>	<u>\$ 103,591</u>

The Corporation and its subsidiaries have established financial risk management policies to ensure that all payments are made on the agreed due date.

15. OTHER PAYABLES

	<u>December 31</u>	
	2023	2022
Payables for compensation of employees and remuneration of directors	\$ 102,127	\$ 46,610
Payables for bonuses	58,133	45,306
Payable for equipment	53,417	58,342
Payables for salaries	37,586	26,230
Payables for insurance and retirement	33,915	25,546
Payables for purchase of non-controlling interest shares	-	17,412
Others (mainly consumables, defects and repairs, and miscellaneous purchases)	<u>61,921</u>	<u>50,347</u>
	<u>\$ 347,099</u>	<u>\$ 269,793</u>

16. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Corporation adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Based on the LPA, the Corporation makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

According to the local laws and regulations, the subsidiary in China has to allocate a specific ratio of salary costs to the relevant government departments.

b. Defined benefit plans

Defined benefit plans established by some of the Corporation's employees in accordance with the provisions of the Labor Standards Act are operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Corporation contributes amounts equal to a proportion of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Corporation assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Corporation is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Corporation has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Corporation's defined benefit plans are as follows:

	December 31, 2023
Present value of defined benefit obligation	\$ 1,674
Fair value of plan assets	<u>(939)</u>
Net defined benefit liabilities	<u>\$ 735</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2023	\$ _____ -	\$ _____ -	\$ _____ -
Service cost			
Current service cost	1,072	-	1,072
Interest expense (income)	<u>7</u>	<u>(8)</u>	<u>(1)</u>
Recognized in profit or loss	<u>1,079</u>	<u>(8)</u>	<u>1,071</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	5	5
Actuarial loss			
Changes in financial assumptions	72	-	72
Experience adjustments	<u>523</u>	<u>-</u>	<u>523</u>
Recognized in other comprehensive income (loss)	<u>595</u>	<u>5</u>	<u>600</u>
Contributions from the employer	<u>-</u>	<u>(936)</u>	<u>(936)</u>
Benefits paid	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2023	<u>\$ 1,674</u>	<u>\$ (939)</u>	<u>\$ 735</u>

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31, 2023
Operating costs	\$ 1,055
Research and development expenses	<u>16</u>
	<u>\$ 1,071</u>

Through the defined benefit plans under the Labor Standards Act, the Corporation is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets shall not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government and corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31, 2023
Discount rates (%)	1.5
Expected rates of salary increase (%)	4

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	December 31, 2023
Discount rate	
0.25% increase	<u>\$ (141)</u>
0.25% decrease	<u>\$ 155</u>
Expected rate of salary increase	
0.25% increase	<u>\$ 150</u>
0.25% decrease	<u>\$ (138)</u>

The above sensitivity analysis may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

	December 31, 2023
Expected contributions to the plans for the next year	<u>\$ 896</u>
Average duration of the defined benefit obligation	35.7years

17. EQUITY

a. Share capital

	December 31	
	2023	2022
Number of shares authorized (in thousands)	<u>80,000</u>	<u>80,000</u>
Shares authorized	<u>\$ 800,000</u>	<u>\$ 800,000</u>
Number of shares issued and fully paid (in thousands)	<u>52,455</u>	<u>52,008</u>
Shares issued	<u>\$ 524,547</u>	<u>\$ 520,077</u>

Due to the exercise of employee share options for the years ended December 31, 2023, the Corporation implemented a capital increase in cash through the issuance of 447 thousand ordinary shares. The ordinary shares were issued at a premium price of \$30 per share. The difference between the issue price and the face value of NT\$8,940 thousand was included in capital surplus - under the issuance of ordinary shares.

b. Capital surplus

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
May be used to offset deficit, distributed as cash or transferred to share capital (Note 1)		
Additional paid-in capital	\$ 640,821	\$ 627,916
Donated assets received (Note 2)	1,800	1,800
May not be used for any purpose		
Employee share options	<u>11,053</u>	<u>8,314</u>
	<u>\$ 653,674</u>	<u>\$ 638,030</u>

Note1: The capital surplus may be used to offset deficit, distributed as cash dividends or transferred to share capital when the Corporation has no deficit (limited to a certain percentage of the Corporation's paid-in capital).

Note2: The assets donated by the chairman of the Corporation.

c. Retained earnings and dividend policy

The Corporation's Articles of Incorporation provide that the annual net income, less any deficit, should be appropriated in the following order:

- 1) Setting aside as legal reserve 10% of profit until the accumulated legal reserve equals the Corporation's paid-in capital.
- 2) Setting aside or reversing a special reserve in accordance with the laws and regulations.
- 3) The Board of Directors shall draft the proposal for shareholder dividend allocation based on the remaining profit, if any, along with the accumulated undistributed earnings for the previous year, and submit the draft to the shareholders in their meeting to determine whether to distribute dividends or retain the earnings.

The Corporation's dividend policy takes into consideration the entire corporate environment, the growth of industry, long-term financial planning for sustainable development, and stable business development. In the planning of dividend distribution, the Corporation performs the following steps:

- 1) Determine the best capital budget.
- 2) Determine the need for capital loan to satisfy the best capital budget.
- 3) Determine how much capital could be raised from retained earnings.
- 4) The remaining earnings may be distributed to the shareholders in the form of dividends, after reserving an appropriate amount for operating needs, and the distribution should be no less than 10% of the Corporation's distributable earnings for the year, provided that the portion of cash dividends is no less than 10% of the total dividends to be paid.

The legal reserve may be used to offset deficits. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2022 and 2021, which had been approved in the shareholders' meeting in June 2023 and 2022, were as follows:

	Appropriations of Earnings		Dividend Per Share (NT\$)	
	2022	2021	2022	2021
Legal reserve	\$ 28,645	\$ 23,413		
Provision (reversal) of special surplus reserve	(473)	473		
Cash dividends	130,019	78,012	\$ 2.5	\$ 1.5

The appropriations of earnings for 2023, which had been proposed by the Corporation's board of directors in March 2024, are as follows:

	Appropriations of Earnings	Dividend Per Share (NT\$)
Legal reserve	\$ 27,149	
Reversed of special reserve	9,499	
Cash dividends	187,263	\$ 3.57

The appropriations of earnings for 2023 are subject to the resolution of the shareholders in their meeting to be held in May 2024.

d. Other equity items

Exchange differences on translation of foreign operations

	For the Year Ended December 31	
	2023	2022
Balance, beginning of the year	\$ 3,235	\$ (473)
Exchange differences arising from translating foreign operations	(16,034)	4,635
Related income tax	<u>3,300</u>	<u>(927)</u>
Balance, end of the year	<u>\$ (9,499)</u>	<u>\$ 3,235</u>

e. Non-controlling interests

	For the Year Ended December 31	
	2023	2022
Balance, beginning of the year	\$ 383,833	\$ 384,711
Share of net profit for the year	93,448	3,659
Other comprehensive income (loss) during the year		
Exchange differences on translation of foreign operations	(6,384)	3,841
Non-controlling interests increased by increased cash capital of subsidiaries	-	54,683
Changes in net assets of subsidiaries according to the amount transferred out based on the shareholding ratio	<u>(222,410)</u>	<u>(63,061)</u>
Balance, end of the year	<u>\$ 248,487</u>	<u>\$ 383,833</u>

18. REVENUE

	<u>For the Year Ended December 31</u>	
	2023	2022
Revenue from contracts with customers		
Sale of goods	\$ 2,567,908	\$ 1,831,498
Others	<u>4,294</u>	<u>2,823</u>
	<u>\$ 2,572,202</u>	<u>\$ 1,834,321</u>

a. Refer to Note 4 for contract information.

b. Contract balances

	December 31, 2023	December 31, 2022	January 1, 2022
Notes and accounts receivable	<u>\$ 621,171</u>	<u>\$ 416,415</u>	<u>\$ 523,450</u>
Contract liabilities			
Sale of goods	<u>\$ 6,279</u>	<u>\$ 17,191</u>	<u>\$ 1,525</u>

The changes in the balance of contract liabilities resulted primarily from the difference in timing between the satisfaction of performance obligations and customer payment, there were no other significant changes in 2023 and 2022.

Revenue recognized in the current reporting period from the contract liabilities at the beginning of the year was summarized as follows:

	<u>For the Year Ended December 31</u>	
	2023	2022
From the contract liabilities at the beginning of the year		
Sale of goods	<u>\$ 17,191</u>	<u>\$ 1,525</u>

c. Disaggregation of revenue

	Contact lens - Injection Mold	Others	Total
<u>For the year ended December 31, 2023</u>			
Type of revenue			
Sale of goods	\$ 2,567,908	\$ -	\$ 2,567,908
Others	<u>-</u>	<u>4,294</u>	<u>4,294</u>
	<u>\$ 2,567,908</u>	<u>\$ 4,294</u>	<u>\$ 2,572,202</u>
<u>For the year ended December 31, 2022</u>			
Type of revenue			
Sale of goods	\$ 1,831,498	\$ -	\$ 1,831,498
Others	<u>-</u>	<u>2,823</u>	<u>2,823</u>
	<u>\$ 1,831,498</u>	<u>\$ 2,823</u>	<u>\$ 1,834,321</u>

19. PROFIT BEFORE INCOME TAX

The following items were included in profit before income tax:

a. Interest income

	For the Year Ended December 31	
	2023	2022
Cash in banks	\$ 10,068	\$ 3,390
Others	<u>72</u>	<u>44</u>
	<u>\$ 10,140</u>	<u>\$ 3,434</u>

b. Other income

	For the Year Ended December 31	
	2023	2022
Government subsidy income	\$ 6,846	\$ 4,967
Others	<u>7,851</u>	<u>1,472</u>
	<u>\$ 14,697</u>	<u>\$ 6,439</u>

c. Other gains and losses

	For the Year Ended December 31	
	2023	2022
Net foreign exchange gain (loss)	\$ 936	\$ 18,168
Net gain (loss) on disposal of property, plant and equipment	(202)	214
Other losses	<u>(3,116)</u>	<u>(102)</u>
	<u>\$ (2,382)</u>	<u>\$ 18,280</u>

The net foreign exchange gains/losses above include:

	For the Year Ended December 31	
	2023	2022
Total foreign exchange gains	\$ 25,307	\$ 44,100
Total foreign exchange losses	<u>(24,371)</u>	<u>(25,932)</u>
Net gain (loss)	<u>\$ 936</u>	<u>\$ 18,168</u>

d. Finance costs

	For the Year Ended December 31	
	2023	2022
Interest on bank loans	\$ 16,316	\$ 9,401
Interest on lease liabilities	<u>4,041</u>	<u>4,562</u>
Total interest expense for financial liabilities not measured at fair value through profit or loss	20,357	13,963
Less: Amounts included in the cost of qualifying assets	<u>388</u>	<u>1,295</u>
	<u>\$ 19,969</u>	<u>\$ 12,668</u>

Information on capitalized interest was as follows:

	For the Year Ended December 31	
	2023	2022
Capitalized interest amount	\$ 388	\$ 1,295
Capitalization rate (%)	4.8	4.8

e. Impairment loss recognized on non-financial assets- listed under operating cost

	For the Year Ended December 31	
	2023	2022
Write-down of inventories	\$ 28,416	\$ 10,567
Impairment loss on property, plant and equipment	<u>1,109</u>	<u>-</u>
	<u>\$ 29,525</u>	<u>\$ 10,567</u>

f. Depreciation and amortization

	For the Year Ended December 31	
	2023	2022
Property, plant and equipment	\$ 235,566	\$ 193,308
Right-of-use assets	30,304	30,342
Other intangible assets	<u>12,958</u>	<u>10,608</u>
	<u>\$ 278,828</u>	<u>\$ 234,258</u>
Analysis of depreciation expense by function		
Operating costs	\$ 254,060	\$ 211,251
Operating expenses	<u>11,810</u>	<u>12,399</u>
	<u>\$ 265,870</u>	<u>\$ 223,650</u>
Analysis of amortization expense by function		
Operating costs	\$ 3,749	\$ 3,651
Operating expenses	<u>9,209</u>	<u>6,957</u>
	<u>\$ 12,958</u>	<u>\$ 10,608</u>

g. Employee benefits

	For the Year Ended December 31	
	2023	2022
Short-term employee benefits		
Salary	\$ 546,071	\$ 369,900
Labor and health insurance	39,626	30,940
Others	<u>37,913</u>	<u>26,840</u>
	623,610	427,680
Post-employment benefits		
Defined contribution plans	23,127	19,885
Defined benefit plans (Notes 16)	<u>1,071</u>	<u>-</u>
	<u>\$ 647,808</u>	<u>\$ 447,565</u>
Analysis of employee benefits by function		
Operating costs	\$ 453,565	\$ 305,954
Operating expenses	<u>194,243</u>	<u>141,611</u>
	<u>\$ 647,808</u>	<u>\$ 447,565</u>

h. Employee's compensation and remuneration to directors

According to the Articles of Incorporation, after setting aside an amount for the offset of deficit, the Corporation should distribute the compensation of employees and remuneration of directors at rates from 1% to 12% and no higher than 1.5%, respectively, of the pre-tax profit prior to deducting the compensation of employees and remuneration of directors.

The compensation of employees and remuneration of directors for the years ended December 31, 2023 and 2022, which have been approved by the Corporation's board of directors in March 2024 and 2023, respectively, were as follows:

	For the Year Ended December 31	
	2023	2022
Compensation of employees - cash	\$ 77,704	\$ 41,500
Remuneration of directors - cash	8,547	5,110

The difference between the amounts recognized and the amounts approved by Corporation's board of directors is recorded as a change in accounting estimate and will be adjusted in the next year.

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2022 and 2021.

Information on the compensation of employees and remuneration of directors resolved by the board of directors are available on the Market Observation Post System website of the Taiwan Stock Exchange.

20. INCOME TAX

a. Income tax recognized in profit or loss

The major components of income tax were as follows:

	For the Year Ended December 31	
	2023	2022
Current tax		
In respect of the current year	\$ 78,587	\$ 30,453
Adjustments for prior years	<u>3,501</u>	<u>(5,137)</u>
	<u>82,088</u>	<u>25,316</u>
Deferred tax		
In respect of the current year	103,466	39,704
Adjustments for prior years	<u>(6,782)</u>	<u>(99)</u>
	<u>96,684</u>	<u>39,605</u>
	<u>\$ 178,772</u>	<u>\$ 64,921</u>

The reconciliation of accounting profit and income tax expense was as follows:

	For the Year Ended December 31	
	2023	2022
Profit before income tax	<u>\$ 834,502</u>	<u>\$ 381,571</u>
Income tax expense calculated at the statutory rate	\$ 191,872	\$ 77,825
Permanent differences	(3,306)	(3,138)
Unrecognized deductible temporary differences	(6,513)	(4,530)
Adjustments for prior years	<u>(3,281)</u>	<u>(5,236)</u>
	<u>\$ 178,772</u>	<u>\$ 64,921</u>

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2023	2022
Deferred tax		
Remeasurement of defined benefit plans	\$ (120)	\$ -
Exchange difference on translation of foreign operations	<u>(3,300)</u>	<u>927</u>
	<u>\$ (3,420)</u>	<u>\$ 927</u>

c. Current tax assets and liabilities

The changes in deferred tax assets and liabilities are as follows:

	December 31	
	2023	2022
Current tax assets		
Income tax refund receivable	<u>\$ 9,629</u>	<u>\$ -</u>

(Continued)

	December 31	
	2023	2022
Current tax liabilities		
Income tax payable	<u>\$ 53,568</u>	<u>\$ 3,768</u> (Concluded)

d. Deferred tax assets and liabilities

Movements of deferred tax assets and liabilities were as follows:

For the Year Ended December 31, 2023

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Balance, End of Year
<u>Deferred tax assets</u>					
Temporary differences					
Loss carryforwards	\$ 19,809	\$ (19,809)	\$ -	\$ -	\$ -
Unrealized loss on inventories	4,164	2,453	-	(20)	6,597
Unrealized impairment loss	18,684	(16,414)	-	(75)	2,195
Exchange difference on translation of foreign operations	-	-	2,373	-	2,373
Unrealised gross profit	2,925	4,511	-	-	7,436
Others	<u>199</u>	<u>4,151</u>	<u>120</u>	<u>(1)</u>	<u>4,469</u>
	<u>\$ 45,781</u>	<u>\$ (25,108)</u>	<u>\$ 2,493</u>	<u>\$ (96)</u>	<u>\$ 23,070</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Difference between tax reporting and financial reporting - depreciation method	\$ 11,690	\$ 29,643	\$ -	\$ (681)	\$ 40,652
Unrealized gain on the transactions with subsidiaries	2,320	42,877	-	-	45,197
Exchange difference on translation of foreign operations	927	-	(927)	-	-
Others	<u>944</u>	<u>(944)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 15,881</u>	<u>\$ 71,576</u>	<u>\$ (927)</u>	<u>\$ (681)</u>	<u>\$ 85,849</u>

For the Year Ended December 31, 2022

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Balance, End of Year
<u>Deferred tax assets</u>					
Temporary differences					
Loss carryforwards	\$ 60,740	\$ (40,951)	\$ -	\$ 20	\$ 19,809
Unrealized loss on inventories	6,365	(2,205)	-	4	4,164
Unrealized impairment loss	522	18,219	-	(57)	18,684
Others	<u>2,946</u>	<u>179</u>	<u>-</u>	<u>(1)</u>	<u>3,124</u>
	<u>\$ 70,573</u>	<u>\$ (24,758)</u>	<u>\$ -</u>	<u>\$ (34)</u>	<u>\$ 45,781</u>

(Continued)

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Balance, End of Year
<u>Deferred tax liabilities</u>					
Temporary differences					
Difference between tax reporting and financial reporting - depreciation method	\$ -	\$ 11,727	\$ -	\$ (37)	\$ 11,690
Unrealized gain on the transactions with subsidiaries	144	2,176	-	-	2,320
Exchange difference on translation of foreign operations	-	-	927	-	927
Others	-	944	-	-	944
	<u>\$ 144</u>	<u>\$ 14,847</u>	<u>\$ 927</u>	<u>\$ (37)</u>	<u>\$ 15,881</u>

(Concluded)

e. Income tax assessment

The Corporation's income tax returns through 2021 have been assessed by the tax authorities.

21. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	2023	2022
Profit for the year attributable to owners of the Corporation	<u>\$ 562,282</u>	<u>\$ 312,991</u>

Weighted average number of ordinary shares outstanding (in thousands of shares):

	<u>For the Year Ended December 31</u>	
	2023	2022
Weighted average number of ordinary shares used in the computation of basic earnings per share	52,187	52,008
Effect of potentially dilutive ordinary shares:		
Employee share options	1,033	1,091
Compensation of employees	<u>373</u>	<u>362</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>53,593</u>	<u>53,461</u>

Since the Corporation offered to settle the compensation paid to employees in cash or shares, the Corporation assumed the entire amount of the compensation will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

22. SHARE-BASED PAYMENT ARRANGEMENTS

In May 2021, and December 2022, the board resolved in their meetings to issue 1,700 thousand, and 300 thousand units of employee stock options, respectively, and the holder of each unit is entitled to subscribe for one ordinary share. The recipients include employees of the Corporation who meet certain criteria. The stock options have a duration of 6 years, and stock option holders may exercise the stock options granted from the date of 2 years after the expiration of the issuance period, and the exercise price is NT\$30, and NT\$127.6 per share, respectively. After issuance of the stock options, if the Corporation issues the ordinary shares, the exercise price will be adjusted according to the formula.

Information on employee share options was as follows:

	For the Year Ended December 31			
	2023		2022	
	Number of Options (In Thousands of Units)	Weighted- Average Exercise Price (\$)	Number of Options (In Thousands of Units)	Weighted- Average Exercise Price (\$)
Balance at January 1	1,790		1,620	
Options granted	-		300	
Options forfeited	-		(130)	
Options exercised	<u>(447)</u>	<u>\$ 30</u>	<u>-</u>	<u>\$ -</u>
Balance at December 31	<u>1,343</u>	<u>\$ 51.8</u>	<u>1,790</u>	<u>\$ 46.66</u>
Options exercisable, end of the year	<u>-</u>		<u>-</u>	

As of December 31, 2023, information on outstanding options was as follows:

Range of exercise price (\$)	Weighted-average remaining contractual life (in years)
\$ 30-127.6	4.13

Options granted are priced using the Black-Scholes pricing model, and the inputs to the model are as follows:

	Three Months Ended March 31	
	2022	2021
Grant-date share price (\$)	99.72	29.26
Exercise price (\$)	129.4	30
Expected share price volatility (%)	40.68-41.53	39.03-39.64
Expected life (in years)	4-4.5	4-5
Expected dividend yield	-	-
Expected subscription (%)	100	100
Risk-free interest rate (%)	1.12-1.13	0.26-0.28

Compensation costs recognized were NT\$6,704 thousand and NT\$4,814 thousand for the years ended December 31, 2023 and 2022, respectively, and the same amounts are recognized as capital surplus - employee share options.

For the year ended December 31, 2023, the executive employee stock option will be transferred the relevant capital reserve - employee stock option amount of NT\$3,965 thousand to the capital reserve - stock issuance premium.

23. GOVERNMENT GRANTS

The Corporation obtained the approval for “Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan” by government loan at a below-market interest rate for the use of capital expenditures and working capital. The fair value of the borrowings is estimated according to the borrowing interest rate of the Corporation under normal conditions, and the difference between the fair value and the amount of the borrowings obtained is regarded as the government's low-interest rate borrowing subsidy and recognized as deferred income:

	For the Year Ended December 31	
	2023	2022
Balance, beginning of year	\$ 10,767	\$ 10,624
Fair value difference recognized during the period	11,715	4,401
Recognized in the current period (recorded as other income)	<u>(6,098)</u>	<u>(4,258)</u>
Balance, ended of year	<u>\$ 16,384</u>	<u>\$ 10,767</u>
	December 31	
	2023	2022
<u>Carrying amount of deferred income</u>		
Deferred income	\$ 6,391	\$ 4,734
Long-term deferred income	<u>9,993</u>	<u>6,033</u>
	<u>\$ 16,384</u>	<u>\$ 10,767</u>

24. Equity transactions with non-controlling interests

The subsidiary, Clear Precise, acquired partial ownership of its subsidiary, Jiangsu Vizionfocus Inc., in September 2023 (including the acquisition of equity from related parties Jiangsu Yuyue Medical Equipment & Supply Co., Ltd, and Jiangsu No.1 Garden Investment Co., Ltd., for NT\$279,532 thousand and NT\$93,683 thousand, respectively) and in April 2022 (including the acquisition of equity from related party Jiangsu No.1 Garden Investment Co., Ltd., for \$17,673 thousand). The above transactions were accounted for as equity transactions since there was no change in the Corporation's control over these subsidiaries. The relevant information is as follows:

	For the Year Ended December 31	
	2023	2022
Cash consideration paid	\$ (512,727)	\$ (92,375)
The proportionate share of subsidiaries' net assets carrying amount transferred from non-controlling interests	<u>222,410</u>	<u>63,061</u>
Differences from equity transactions	<u>\$ (290,317)</u>	<u>\$ (29,314)</u>

Details of the above differences from equity transactions were adjusted as follows:

	<u>For the Year Ended December 31</u>	
	2023	2022
Capital surplus - difference between the fair value consideration and carrying amount of subsidiaries during acquisition or disposal	\$ -	\$ (2,774)
Unappropriated earnings	<u>(290,317)</u>	<u>(26,540)</u>
	<u>\$ (290,317)</u>	<u>\$ (29,314)</u>

25. NON-CASH TRANSACTIONS

For the years ended December 31, 2023 and 2022, the Corporation and its subsidiaries entered into the following non-cash investing activities that were not reflected in the statements of cash flows:

	<u>For the Year Ended December 31</u>	
	2023	2022
Increase in property, plant and equipment	\$ 1,290,347	\$ 350,384
Decrease (increase) in payable for equipment	4,925	(31,219)
Increase (decrease) in prepayments for equipment	60,307	(40,623)
Capitalization of interests	<u>(388)</u>	<u>(1,295)</u>
Cash paid	<u>\$ 1,355,191</u>	<u>\$ 277,247</u>

26. CAPITAL MANAGEMENT

The Corporation and its subsidiaries manage its capital to ensure that the Corporation and its subsidiaries will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Corporation and its subsidiaries consist of net debt and equity. The key management personnel of the Corporation and its subsidiaries review the capital structure periodically, based on the operating conditions and future development of the Corporation and its subsidiaries, taking into consideration changes in the external environment. As part of the review, the key management personnel consider the cost of capital and the risks associated with each class of capital. In order to balance the overall capital structure, the Corporation and its subsidiaries adjust the number of new shares issued, and the amount of new debt issued or existing debt redeemed.

27. FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments that are not measured at fair value

The management of the Corporation and its subsidiaries believe the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

b. Categories of financial instruments

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Financial assets</u>		
Financial assets at amortized cost 1)	\$ 1,431,619	\$ 1,341,661
<u>Financial liabilities</u>		
Financial liabilities at amortized cost 2)	2,056,209	899,649

- 1) The balances included financial assets at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable, other receivables and refundable deposits.
- 2) The balances included financial liabilities at amortized cost, which comprise short-term borrowings, accounts payable, other payables, refund liabilities (included in other current liabilities), long-term borrowings (including current portion) and guarantee deposits received (included in other current liabilities).

c. Financial risk management objectives and policies

The Corporation and its subsidiaries' major financial instruments include accounts receivable, borrowings, accounts payable and lease liabilities. The Corporation and its subsidiaries' treasury function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Corporation and its subsidiaries through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

The Corporation and its subsidiaries' activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

There had been no change to the Corporation and its subsidiaries' exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Corporation and its subsidiaries were exposed to foreign currency risk due to sales, purchases, capital expenditures and equity investments denominated in foreign currencies. Exchange rate exposures were managed by natural hedges of foreign deposits, or the same category of foreign currency right and debts from transaction.

For the carrying amounts of the Corporation and its subsidiaries' non-functional currency denominated monetary assets and liabilities at the balance sheet date, refer to Note 32.

The Corporation and its subsidiaries were mainly exposed to the USD and RMB. The following table details the Corporation and its subsidiaries' sensitivity to a 1% increase and decrease in the New Taiwan dollar against the USD and RMB. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%.

The sensitivity analysis included only outstanding foreign currency denominated monetary items.

	USD Impact		RMB Impact	
	For the Year Ended December 31		For the Year Ended December 31	
	2023	2022	2023	2022
Profit before income tax	\$ 1,303	\$ 2,869	\$ 3,389	\$ 1,908

Note: This was mainly attributable to the exposure to outstanding cash and cash equivalents, accounts receivable and borrowings in USD and RMB which were not hedged at the balance sheet date.

In management's opinion, the sensitivity analysis was unrepresentative of the inherent foreign exchange risk because the exposure at the balance sheet date did not reflect the exposure during the period. Sales in USD and RMB will fluctuate according to the terms of contracts and the business cycle.

b) Interest rate risk

The Corporation and its subsidiaries were exposed to interest rate risk because the Corporation and its subsidiaries borrowed funds at floating interest rates. The risk is managed by the Corporation and its subsidiaries by maintaining an appropriate mix of floating-rate borrowings.

The carrying amounts of the Corporation and its subsidiaries' financial assets and liabilities with exposure to interest rates at the balance sheet date were as follows:

	December 31	
	2023	2022
Fair value interest rate risk		
Financial assets	\$ 161,685	\$ 203,704
Financial liabilities	207,610	237,337
Cash flow interest rate risk		
Financial assets	635,592	712,024
Financial liabilities	1,521,929	526,265

The sensitivity analysis below was determined based on the Corporation and its subsidiaries' exposure to financial instruments at the balance sheet date. For floating rate liabilities, the analysis was prepared assuming the amount of the liabilities outstanding at the balance sheet date were outstanding for the whole year. A 1% basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates of financial liabilities had been higher/lower by 1% and all other variables were held constant, the Corporation and its subsidiaries' pre-tax profit for the years ended December 31, 2023 and 2022 would have decreased/increased by NT\$15,219 thousand and NT\$5,263 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in a financial loss to the Corporation and its subsidiaries. As at the end of the reporting period, the maximum credit risk that the Corporation and its subsidiaries may incur as a result of failure to

fulfill obligations by counterparties is the amount of financial assets recognized in the balance sheet.

Business units grant credit amount according to the experience in various credit transactions and monitor customer payment situations regularly. The Corporation and its subsidiaries do not expect significant credit risk because the counterparties are creditworthy corporations. In recent years, the actual occurrence of bad debts is very rare, and therefore no significant credit risk is expected.

Accounts receivable counterparties are concentrated in a number of significant customers. They are mostly engaged in commercial activities, and have similar economic characteristics and similar ability to fulfill contracts affected by economic or other conditions. The receivables, net with significant credit risk were as follows:

Customer	December 31	
	2023	2022
A Corporation	\$ 226,472	\$ 115,146
B Corporation	105,623	70,881
C Corporation	40,330	64,934

3) Liquidity risk

The management of the Corporation and its subsidiaries continuously monitors the movements of cash flows, net cash position and the utilization of bank loan commitments to control the proportion of long-term and short-term bank loans and ensures compliance with loan covenants.

The Corporation and its subsidiaries rely on bank borrowings as a significant source of liquidity. As of December 31, 2023 and 2022, the Corporation and its subsidiaries had available unutilized bank loans facilities of NT\$2,001,404 thousand and NT\$1,178,048 thousand, respectively. The Corporation and its subsidiaries' line of credit is sufficient to continue its operations; liquidity risk is low.

The following table details the Corporation and its subsidiaries' remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Corporation and its subsidiaries can be required to pay. The table includes both interest and principal cash flows.

Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed upon repayment dates.

	Less than 1 Year	1-5 Years	Over 5 Years	Total
<u>December 31, 2023</u>				
Non-interest bearing liabilities	\$ 529,326	\$ 229	\$ -	\$ 529,555
Variable interest rate liabilities	337,618	1,193,984	47,203	1,578,805
Lease liabilities	<u>33,542</u>	<u>117,827</u>	<u>71,212</u>	<u>222,581</u>
	<u>\$ 900,486</u>	<u>\$ 1,312,040</u>	<u>\$ 118,415</u>	<u>\$ 2,330,941</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years
Lease liabilities	\$ 33,542	\$ 117,827	\$ 64,284	\$ 6,928
	Less than 1 Year	1-5 Years	Over 5 Years	Total
<u>December 31, 2022</u>				
Non-interest bearing liabilities	\$ 373,384	\$ -	\$ -	\$ 373,384
Variable interest rate liabilities	120,615	359,790	58,341	538,746
Lease liabilities	<u>33,398</u>	<u>130,897</u>	<u>92,111</u>	<u>256,406</u>
	<u>\$ 527,397</u>	<u>\$ 490,687</u>	<u>\$ 150,452</u>	<u>\$ 1,168,536</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years
Lease liabilities	\$ 33,398	\$ 130,897	\$ 74,792	\$ 17,319

28. TRANSACTIONS WITH RELATED PARTIES

a. Related party names and relationships

<u>Related Party Name</u>	<u>Relationship</u>
SHIH, AN	The main management of the Corporation
Jiangsu Yuyue Medical Equipment & Supply Co., Ltd (Jiangsu Yuyue)	Investor that was accounted for using the equity method of the subsidiary Jiangsu VizionFocus Inc.
Chang Wah Electromaterials Inc.	The entity is a director of the Corporation
Lalink Automatic Machine Co., Ltd. (Lalink)	Substantive related party (its parent company had served as director of the Corporation from April 2021 until April 2022).
Jiangsu No.1 Garden Investment Co., Ltd.	Substantive related party
Jiangsu Joyea Co., Ltd.	Substantive related party

b. Purchase of goods

Related Party Category/Name	<u>For the Year Ended December 31</u>	
	2023	2022
Substantive related party	<u>\$ -</u>	<u>\$ 10,025</u>

There are no significant differences in the prices of goods purchased from the substantive related party and terms of payment compared to other customers.

c. Balance at period-end

Account Item	Related Party Category/Name	December 31	
		2023	2022
Prepayments	Investor that was accounted for using the equity method of the subsidiary Jiangsu VizionFocus Inc.	\$ <u>89</u>	\$ <u>91</u>
Refundable deposits	Jiangsu Yuyue	\$ <u>1,082</u>	\$ <u>1,102</u>
Other payables	Substantive related party	\$ <u>2,321</u>	\$ <u>-</u>

d. Acquisition of property, plant and equipment

Related Party Category/Name	For the Year Ended December 31	
	2023	2022
Purchase Price		
Jiangsu Joyea	\$ 94,277	\$ -
Lalink	<u>-</u>	<u>215,786</u>
	\$ <u>94,277</u>	\$ <u>215,786</u>

The Corporation and its subsidiaries did not purchase similar property, plant and equipment from non-related parties. Therefore, the purchase price is not comparable with non-related parties. Payments to related parties were made under normal terms.

e. Lease arrangements

Account Item	Related Party Category/Name	December 31	
		2023	2022
Lease liabilities (including current and non-current)	Jiangsu Yuyue	\$ <u>19,871</u>	\$ <u>23,237</u>

Account Item	Related Party Category/Name	For the Year Ended December 31	
		2023	2022
Interest expense	Jiangsu Yuyue	\$ 1,049	\$ 1,200
	Lalink	<u>-</u>	<u>645</u>
		\$ <u>1,049</u>	\$ <u>1,845</u>

The Corporation leased a plant from Lalink in January 2020. The lease term will expire in August 2034. The lease terms and prices were both determined and fixed lease payments are paid monthly.

The subsidiary leased a plant from Jiangsu Yuyue in October 2019. The lease term will expire in December 2029. The lease terms and prices were based on the plant area (in square feet) and fixed lease payments are paid quarterly.

f. Remuneration of key management personnel

	For the Year Ended December 31	
	2023	2022
Short-term employee benefits	\$ 52,652	\$ 28,973
Post-employment benefits	<u>555</u>	<u>387</u>
	<u>\$ 53,207</u>	<u>\$ 29,360</u>

g. Other transactions with related parties

1) Other expenses

Related Party Category/Name	For the Year Ended December 31	
	2023	2022
Jiangsu Joyea	\$ 94	\$ -
Lalink	<u>-</u>	<u>829</u>
	<u>\$ 94</u>	<u>\$ 829</u>

Other expenses are mainly sundry purchases expense and repairs and maintenance expense.

- 2) The main management of the Corporation, SHIH, AN, is a joint guarantor of borrowings from financial institutions.
- 3) The Corporation acquired partial ownership of its subsidiary Jiangsu Vizionfocus Inc. from related parties; refer to Note 24. The transaction price was based on the equity valuation report issued by an appointed valuation agency.

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for some of the long-term borrowings:

	December 31	
	2023	2022
Machinery and equipment	<u>\$ 35,418</u>	<u>\$ 47,049</u>

30. SIGNIFICANT UNRECOGNIZED COMMITMENTS

As of December 31, 2023, the total contract price for the purchase of property, plant and equipment is approximately NT\$528,352 thousand, and the amount not yet recorded in the accounts is NT\$261,787 thousand.

31. SIGNIFICANT AFTER THE BALANCE SHEET DATE

In January 2024, the Corporation was approved by the board of directors to authorize the chairman of the board of directors to handle the construction of a new factory within a certain amount. In February 2024, the factory was confirmed by Futai Construction Co., Ltd. with an estimated total contract amount of NT\$1,088,000 thousand. As of the date of the board's decision approved the standalone financial statements, the contract has not yet been signed.

32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currency of the Corporation and its subsidiaries and the exchange rates between the foreign currencies and the functional currency were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

	Foreign Currency (In Thousands)	Exchange Rate		Carrying Amount (In Thousands of New Taiwan Dollars)
<hr/> December 31, 2023 <hr/>				
Financial assets				
Monetary items				
USD	\$ 4,627	30.705	(USD:NTD)	\$ 142,081
RMB	78,942	4.327	(RMB:NTD)	341,583
Non-monetary items				
Subsidiaries accounted for using the equity method				
RMB	229,714	4.327	(RMB:NTD)	993,971
Financial liabilities				
Monetary items				
USD	383	30.705	(USD:NTD)	11,748
RMB	621	4.327	(RMB:NTD)	2,688
<hr/> December 31, 2022 <hr/>				
Financial assets				
Monetary items				
USD	9,161	30.71	(USD:NTD)	281,330
USD	675	6.9646	(USD:RMB)	20,735
RMB	43,281	4.408	(RMB:NTD)	190,783
JPY	31,274	0.2324	(JPY:NTD)	7,268
Non-monetary items				
Subsidiaries accounted for using the equity method				
RMB	130,039	4.408	(RMB:NTD)	573,211
Financial liabilities				
Monetary items				
USD	430	30.71	(USD:NTD)	13,211
USD	62	6.9646	(USD:RMB)	1,909

The foreign exchange net gain and loss amounted to a gain of NT\$936 thousand and a loss of NT\$18,168 thousand for the years ended December 31, 2023 and 2022, respectively. It is impractical to disclose net foreign exchange gains and losses by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies.

33. ADDITIONAL DISCLOSURES

a. Information about significant transactions and b. investees:

- 1) Financing provided to others (None)
- 2) Endorsements/guarantees provided (Table 1)
- 3) Marketable securities held (excluding investments in subsidiaries and associates) (None)
- 4) Marketable securities acquired or disposed of at costs or prices at least NT\$300 million or 20% of the paid-in capital (Table 2)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (Table 3)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (None)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (None)
- 9) Trading in derivative instruments (None)
- 10) Intercompany relationships and significant intercompany transactions (Table 6)

b. Information on investees (Table 4)

c. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment gains or losses, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 5)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period (None)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period (None)
 - c) The amount of property transactions and the amount of the resultant gains or losses (None)

- d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes (Table 1)
- e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds (None)
- f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receiving of services (Table 6)

34. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Corporation and its subsidiaries' reportable segments were as follows:

- The Corporation - Its main business activities include the manufacture of medical devices, mechanical equipment, optical instruments, precision instruments, international trade and other consulting services.
- Jiangsu VizionFocus Inc. - Mainly in researching, developing, manufacturing and selling of contact lens, and wholesale, import and export business of similar products to aforementioned products.
- Others - Other subsidiaries which were listed as reportable segments, refer to Note 9 for the details.

a. Segment revenue and results

The following was an analysis of the Corporation and its subsidiaries' revenue Corporation and its subsidiaries by reportable segments.

	The Corporation	Jiangsu VizionFocus Inc.	Others	Adjustment and Elimination	Total
<u>For the Year Ended December 31, 2023</u>					
Revenue from external customers	\$ 1,639,680	\$ 932,522	\$ -	\$ -	\$ 2,572,202
Inter-segment revenue	<u>61,138</u>	<u>763</u>	<u>-</u>	<u>(61,901)</u>	<u>-</u>
Segment revenue	<u>\$ 1,700,818</u>	<u>\$ 933,285</u>	<u>\$ -</u>	<u>\$ (61,901)</u>	<u>\$ 2,572,202</u>
Segment income	\$ 463,924	\$ 350,635	\$ (4)	\$ 17,461	\$ 832,016
Interest income	6,517	3,615	8	-	10,140
Other income	26,525	5,633	-	(17,461)	14,697
Other gains and losses	(1,761)	(621)	-	-	(2,382)
Share of profits of subsidiaries and associates accounted for using the equity method	214,384	-	428,764	(643,148)	-
Finance costs	<u>(18,820)</u>	<u>(1,149)</u>	<u>-</u>	<u>-</u>	<u>(19,969)</u>
Profit before income tax	690,769	358,113	428,768	(643,148)	834,502
Income tax	<u>128,487</u>	<u>50,285</u>	<u>-</u>	<u>-</u>	<u>178,772</u>
Net profit for the year	<u>\$ 562,282</u>	<u>\$ 307,828</u>	<u>\$ 428,768</u>	<u>\$ (643,148)</u>	<u>\$ 655,730</u>
<u>For the Year Ended December 31, 2022</u>					
Revenue from external customers	\$ 1,264,308	\$ 570,013	\$ -	\$ -	\$ 1,834,321
Inter-segment revenue	<u>49,041</u>	<u>-</u>	<u>-</u>	<u>(49,041)</u>	<u>-</u>
Segment revenue	<u>\$ 1,313,349</u>	<u>\$ 570,013</u>	<u>\$ -</u>	<u>\$ (49,041)</u>	<u>\$ 1,834,321</u>

(Continued)

	The Corporation	Jiangsu VizionFocus Inc.	Others	Adjustment and Elimination	Total
Segment income	\$ 336,782	\$ 18,607	\$ -	\$ 10,697	\$ 366,086
Interest income	2,200	1,214	20	-	3,434
Other income	16,369	767	-	(10,697)	6,439
Other gains and losses	23,408	(5,128)	-	-	18,280
Share of profits of subsidiaries and associates accounted for using the equity method	10,879	-	21,738	(32,617)	-
Finance costs	<u>(10,428)</u>	<u>(2,240)</u>	<u>-</u>	<u>-</u>	<u>(12,668)</u>
Profit before income tax	379,210	13,220	21,758	(32,617)	381,571
Income tax	<u>66,219</u>	<u>(1,298)</u>	<u>-</u>	<u>-</u>	<u>64,921</u>
Net profit for the year	<u>\$ 312,991</u>	<u>\$ 14,518</u>	<u>\$ 21,758</u>	<u>\$ (32,617)</u>	<u>\$ 316,650</u>

(Concluded)

Segment profit represented the profit from operations earned by each segment and was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment total assets and liabilities

	<u>December 31</u>	
	2023	2022
<u>Segment assets</u>		
The Corporation	\$ 3,993,762	\$ 2,610,146
Jiangsu VizionFocus Inc.	1,487,472	1,171,403
Others	1,987,942	1,163,836
Adjustment and elimination	<u>(3,006,578)</u>	<u>(1,735,576)</u>
Consolidated total assets	<u>\$ 4,462,598</u>	<u>\$ 3,209,809</u>
<u>Segment liabilities</u>		
The Corporation	\$ 2,206,574	\$ 971,804
Jiangsu VizionFocus Inc.	245,039	214,381
Others	-	17,414
Adjustment and elimination	<u>(24,690)</u>	<u>(15,965)</u>
Consolidated total liabilities	<u>\$ 2,426,923</u>	<u>\$ 1,187,634</u>

c. Other segment information

	The Corporation	Jiangsu VizionFocus Inc.	Total
<u>For the year ended December 31, 2023</u>			
Recognized in segment operating income			
Depreciation and amortization	<u>\$ 195,645</u>	<u>\$ 83,183</u>	<u>\$ 278,828</u>
<u>For the year ended December 31, 2022</u>			
Recognized in segment operating income			
Depreciation and amortization	<u>\$ 172,390</u>	<u>\$ 61,868</u>	<u>\$ 234,258</u>

d. Revenue from major products and services

Refer to Note 18 for the analysis of the Corporation and its subsidiaries' revenue from its major products and services.

e. Geographical information

The Corporation and its subsidiaries operate in four principal geographical areas – Taiwan, Japan, China and America.

The Corporation and its subsidiaries' revenue from external customers by country of operations and information about its non-current assets by location of assets are detailed below:

	For the Year Ended December 31		Non-current Assets	
			December 31	
	2023	2022	2023	2022
Taiwan	\$ 125,432	\$ 86,041	\$ 1,776,260	\$ 889,520
Japan	878,328	676,513	-	-
China	1,564,184	1,069,743	900,560	694,058
America	<u>4,258</u>	<u>2,024</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,572,202</u>	<u>\$ 1,834,321</u>	<u>\$ 2,676,820</u>	<u>\$ 1,583,578</u>

Non-current assets exclude financial instruments, deferred tax assets and refundable deposits.

f. Information about major customers

Single customers that contributed 10% or more to the Corporation and its subsidiaries' revenue were as follows:

	For the Year Ended December 31			
	2023		2022	
	Amount	%	Amount	%
Customer A	\$ 579,603	23	\$ 241,829	13
Customer B	528,735	21	181,655	10
Customer C	264,610	10	285,222	16
Customer D	<u>19,059</u>	<u>1</u>	<u>191,914</u>	<u>10</u>
	<u>\$ 1,392,007</u>	<u>55</u>	<u>\$ 900,620</u>	<u>49</u>

VIZIONFOCUS INC. and Subsidiaries

**ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2023**

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorsement/ Guarantor Provider	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party	Maximum Amount for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements (%)	Maximum Endorsement/ Guarantee Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by Subsidiary	Guarantee Provided to Subsidiary in Mainland China	Note
		Name	Relationship											
0	The Corporation	Jiangsu Vizionfocus Inc.	Subsidiary	\$ 357,438	\$ 195,443	\$ 187,867	\$ -	\$ -	10.51	\$ 893,594	Yes	No	Yes	

Note: In accordance with the Corporation's "Procedures for Provision of Endorsements and Guarantees", limits are as follows:

1. The total amount of guarantees provided by the Corporation shall not exceed 50% of the Corporation's net worth in its latest audited or reviewed financial statements.
2. The limits on the amounts for any single entity or the aggregate amounts to the entities are as follows:
 - a. The amount of guarantees to any individual entity shall not exceed 20% of the Corporation's net worth in its latest audited or reviewed financial statements.
 - b. The total amount of business transactions the guarantor has with the guarantee shall not exceed 10% of the Corporation's net worth in its latest audited or reviewed financial statements.

VIZIONFOCUS INC. and Subsidiaries

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance(Note 1, 3)		
					Shares/Unit	Amount	Shares/Unit	Amount	Shares/Unit	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares/Unit	Amount
Clear Precise Investments Limited (Samoa)	Limited Company Jiangsu Vizionfocus Inc.	Investments accounted for using the equity method	Other shareholders	Note 2	-	\$ 573,189	-	\$ 512,727	-	\$ -	\$ -	\$ -	-	\$ 993,946

Note 1: Included the share of profit or loss from investments in subsidiaries accounted for using the equity method and exchange differences on translating foreign operations.

Note 2: Included the subsidiary Jiangsu Vizionfocus Inc. other related parties and non-related parties.

Note 3: All the transactions have been eliminated when preparing the consolidated financial statements.

VIZIONFOCUS INC. and Subsidiaries

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Types of Property	Event Date	Transaction Amount	Payment Terms	Counterparty	Nature of Relationships	Prior Transaction of Related Counter party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationships	Transfer Date	Amount			
The Corporation	Land at Datong, Zhunan Township	2023.05.04	\$ 699,880	Payment according to contract terms and progress	Heng Fu Industrial Co., Ltd.	None	-	-	-	\$ -	Reference to professional appraisal agency	For operational use	None

VIZIONFOCUS INC. and Subsidiaries

**INFORMATION ON INVESTEEES (EXCLUDING INVESTMENTS IN MAINLAND CHINA)
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2023			Net Income of the Investee	Share of Profit	Note
				December 31, 2023	December 31, 2022	Number of Shares	Percentage of Ownership (%)	Carrying Amount			
The Corporation	Green Wealth Investments Limited (Samoa)	Samoa	International investment activities	\$ 1,097,607	\$ 584,880	35,692,609	100	\$ 993,971	\$ 214,384	\$ 214,384	
Green Wealth Investments Limited (Samoa)	Clear Precise Investments Limited (Samoa)	Samoa	International investment activities	1,097,607	584,880	35,692,609	100	993,971	214,384	214,384	

Note: Amount was eliminated from the consolidated financial statements.

VIZIONFOCUS INC. and Subsidiaries

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investments from Taiwan as of January 1, 2023	Remittance of Funds		Accumulated Outward Remittance for Investments from Taiwan as of December 31, 2023	Net Income of the Investee	% of Ownership of Direct or Indirect Investment	Investment Gain	Carrying Amount as of December 31, 2023	Accumulated Repatriation of Investment Income as of December 31, 2023	Note
					Outward	Inward							
Jiangsu Vizionfocus Inc.	Researching, developing, manufacturing and selling of contact lens, and wholesale, import and export business of similar products to aforementioned products	\$ 693,185	2	\$ 584,880	\$ 512,727	\$ -	\$ 1,097,607	\$ 307,828	80	\$ 214,380	\$ 993,946	\$ -	Note 2, 3

Investee Company	Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2023	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA(Note 4)
Jiangsu Vizionfocus Inc.	\$ 1,097,607	\$ 1,184,248	\$ -

Note 1: Investment methods are classified into the following three categories:

1. Direct investment.
2. Investment through a holding company registered in a third region.
3. Others.

Note 2: Amount was eliminated from the consolidated financial statements.

Note 3: Investment income is recognized based on the audited and attested financial statements.

Note 4: Pursuant to the Jing-Shen-Zi Letter No. 09704604680 of the Ministry of Economic Affairs, ROC and the amended "Regulation Governing the Approval of Investment or Technical Cooperation in Mainland China" dated August 29, 2008, the Corporation obtained the approval of the operational headquarters from the Industrial Development Bureau of Ministry of Economic Affairs, thus there is no limit on the investment amount.

VIZIONFOCUS INC. and Subsidiaries

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Investee Company	Counterparty	Relationship	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% Total Sales or Assets
0	The Corporation	Jiangsu Vizionfocus Inc.	Subsidiary	Rendering of service	\$ 53,492	In accordance with the terms of the contract	2.08
0	The Corporation	Jiangsu Vizionfocus Inc.	Subsidiary	Royalty sales	17,461	In accordance with the terms of the contract	0.68
0	The Corporation	Jiangsu Vizionfocus Inc.	Subsidiary	Accounts receivable	17,307	In accordance with the terms of the contract	0.39

Note: Amount was eliminated from the consolidated financial statements.

Appendix 4

VIZIONFOCUS INC.

**Standalone Financial Statements for the
Years Ended December 31, 2023 and 2022 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders

VIZIONFOCUS INC.

Opinion

We have audited the accompanying standalone financial statements of VIZIONFOCUS INC. (the "Corporation"), which comprise the standalone balance sheets as of December 31, 2023 and 2022, and the standalone statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the standalone financial statements, including material accounting policy information (collectively referred to as the "standalone financial statements").

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Corporation's standalone financial statements for the year ended December 31, 2023 is described as follows:

Revenue Recognition From Specific Customers

Due to the fact that the management may be under the pressure of achieving certain goals and meeting market expectations, the possibility of overstating sales may arise. In some cases, the sales revenue from a specific customer increases significantly and the amount is considered significant compared to the overall revenue. Furthermore, there are new overseas consignment transactions with specific customers this year. Revenue from consignment transactions is recognized when the customer takes delivery of the physical goods. Therefore, the aforementioned types of sales revenue recognition are deemed as a key audit matter.

Refer to Note 4 to the Corporation's standalone financial statements for the related accounting policies and disclosures on sales revenue. The audit procedures we performed in response to the above-mentioned key audit matter are as follows:

1. We understood the design and implementation of the internal controls and tested the effectiveness of the implementation of the internal controls related to sales revenue.
2. We selected samples from the specific customers' sales revenue records and verified the corresponding purchase order, shipping documents, and receipts of payment. Additionally, confirmation of the recipient of payment is verified to ensure consistency with the transaction counterpart.
3. We selected samples from the consignment sales revenue records and verified the corresponding bill of lading and shipping documents and the authenticity of sales transactions.
4. We supervised the inventory counting process to confirm whether the quantity of consigned inventory matches with the recorded inventory amount.
5. We obtained details of sales returns and allowances for the year and after the reporting period and verified that the sales transactions actually occurred before the balance sheet date.

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

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

In preparing the standalone financial statements, management is responsible for assessing the Corporation'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 Corporation 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 Corporation's financial reporting process.

Auditors' Responsibilities for the Audit of the Standalone Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the standalone 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 Corporation'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 Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Corporation to express an opinion on the standalone financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Yu-Hsiang Liu and Chao-Chun Wang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 13, 2024

Notice to Readers

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

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

VIZIONFOCUS INC.

STANDALONE BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 642,685	16	\$ 687,483	26
Accounts receivable (Notes 4, 5, 7 and 27)	305,760	8	228,608	9
Other receivables (Note 27)	7,677	-	3,717	-
Inventories (Notes 4, 5 and 8)	206,840	5	177,773	7
Prepayments	35,426	1	17,470	1
Other current assets	68	-	276	-
Total current assets	<u>1,198,456</u>	<u>30</u>	<u>1,115,327</u>	<u>43</u>
NON-CURRENT ASSETS				
Investments accounted for using the equity method (Notes 4 and 9)	993,971	25	573,211	22
Property, plant and equipment (Notes 4, 10, 27 and 28)	1,502,445	38	653,328	25
Right-of-use assets (Notes 4 and 11)	179,379	4	206,450	8
Intangible assets (Notes 4 and 12)	44,194	1	26,286	1
Deferred tax assets (Notes 4, 5 and 20)	20,233	1	27,246	1
Prepayments for equipment	49,923	1	2,882	-
Refundable deposits	4,842	-	4,842	-
Other non-current assets	319	-	574	-
Total non-current assets	<u>2,795,306</u>	<u>70</u>	<u>1,494,819</u>	<u>57</u>
TOTAL	<u>\$ 3,993,762</u>	<u>100</u>	<u>\$ 2,610,146</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 13)	\$ 150,000	4	\$ -	-
Contract liabilities - current (Notes 4 and 18)	4,082	-	7,788	-
Accounts payable (Note 14)	131,759	3	88,691	3
Other payables (Notes 15 and 27)	240,393	6	141,776	6
Current tax liabilities (Notes 4 and 20)	53,568	2	-	-
Lease liabilities - current (Notes 4 and 11)	26,960	1	26,362	1
Deferred revenue - current (Notes 13 and 23)	6,391	-	4,734	-
Current portion of long-term borrowings (Notes 13, 27 and 28)	173,169	4	97,345	4
Other current liabilities	4,788	-	471	-
Total current liabilities	<u>791,110</u>	<u>20</u>	<u>367,167</u>	<u>14</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 13, 27 and 28)	1,198,760	30	406,674	16
Deferred tax liabilities (Notes 4 and 20)	45,197	1	4,191	-
Lease liabilities - non-current (Notes 4 and 11)	160,779	4	187,739	7
Deferred revenue - non-current (Notes 13 and 23)	9,993	-	6,033	-
Net defined benefit liabilities (Notes 4 and 16)	735	-	-	-
Total non-current liabilities	<u>1,415,464</u>	<u>35</u>	<u>604,637</u>	<u>23</u>
Total liabilities	<u>2,206,574</u>	<u>55</u>	<u>971,804</u>	<u>37</u>
EQUITY (Note 17)				
Ordinary shares	524,547	13	520,077	20
Capital surplus	653,674	16	638,030	25
Retained earnings				
Legal reserve	55,501	2	26,856	1
Special reserve	-	-	473	-
Unappropriated earnings	562,965	14	449,671	17
Total retained earnings	<u>618,466</u>	<u>16</u>	<u>477,000</u>	<u>18</u>
Other equity				
Exchange differences on translation foreign operations	(9,499)	-	3,235	-
Total equity	<u>1,787,188</u>	<u>45</u>	<u>1,638,342</u>	<u>63</u>
TOTAL	<u>\$ 3,993,762</u>	<u>100</u>	<u>\$ 2,610,146</u>	<u>100</u>

The accompanying notes are an integral part of the standalone financial statements.

VIZIONFOCUS INC.

STANDALONE STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 18 and 27)	\$ 1,700,818	100	\$ 1,313,349	100
OPERATING COSTS (Notes 8, 10, 19 and 27)	<u>1,061,601</u>	<u>63</u>	<u>849,791</u>	<u>65</u>
GROSS PROFIT	<u>639,217</u>	<u>37</u>	<u>463,558</u>	<u>35</u>
OPERATING EXPENSES (Notes 7 and 19)				
Selling and marketing expenses	36,188	2	25,568	2
General and administrative expenses	74,274	4	51,348	4
Research and development expenses	65,609	4	48,791	3
Expected credit loss (reversal of credit loss)	<u>(778)</u>	<u>-</u>	<u>1,069</u>	<u>-</u>
Total operating expenses	<u>175,293</u>	<u>10</u>	<u>126,776</u>	<u>9</u>
PROFIT FROM OPERATIONS	<u>463,924</u>	<u>27</u>	<u>336,782</u>	<u>26</u>
NON-OPERATING INCOME AND EXPENSES (Notes 9, 19 and 27)				
Interest income	6,517	-	2,200	-
Other income	26,525	2	16,369	1
Other gains and losses	(1,761)	-	23,408	2
Finance costs	(18,820)	(1)	(10,428)	(1)
Share of the profit of subsidiaries	<u>214,384</u>	<u>13</u>	<u>10,879</u>	<u>1</u>
Total non-operating income and expenses	<u>226,845</u>	<u>14</u>	<u>42,428</u>	<u>3</u>
PROFIT BEFORE INCOME TAX	690,769	41	379,210	29
INCOME TAX EXPENSE (Notes 4 and 20)	<u>128,487</u>	<u>8</u>	<u>66,219</u>	<u>5</u>
NET PROFIT FOR THE YEAR	<u>562,282</u>	<u>33</u>	<u>312,991</u>	<u>24</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 16, 17 and 20)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	(600)	-	-	-
Income tax benefit related to items that will not be reclassified subsequently to profit or loss	120	-	-	-

(Continued)

VIZIONFOCUS INC.

STANDALONE STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2023		2022	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of the financial statements of foreign operations	\$ (16,034)	(1)	\$ 4,635	-
Income tax benefit (expense) relating to items that may be reclassified subsequently to profit or loss	<u>3,300</u>	<u>-</u>	<u>(927)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(13,214)</u>	<u>(1)</u>	<u>3,708</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 549,068</u>	<u>32</u>	<u>\$ 316,699</u>	<u>24</u>
EARNINGS PER SHARE (Note 21)				
Basic	\$ 10.77		\$ 6.02	
Diluted	10.49		5.85	

The accompanying notes are an integral part of the standalone financial statements.

(Concluded)

VIZIONFOCUS INC.

**STANDALONE STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)**

	Ordinary Shares	Capital Surplus	Retained Earnings			Total	Other Equity Exchange Differences on Translating Foreign Operations	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings			
BALANCE AT JANUARY 1, 2022	\$ 520,077	\$ 635,990	\$ 3,443	\$ -	\$ 265,118	\$ 268,561	\$ (473)	\$ 1,424,155
Appropriation of 2021 earnings (Note 17)								
Legal reserve	-	-	23,413	-	(23,413)	-	-	-
Special reserve	-	-	-	473	(473)	-	-	-
Cash dividends	-	-	-	-	(78,012)	(78,012)	-	(78,012)
	-	-	23,413	473	(101,898)	(78,012)	-	(78,012)
Net profit for the year ended December 31, 2022	-	-	-	-	312,991	312,991	-	312,991
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	-	-	3,708	3,708
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	312,991	312,991	3,708	316,699
Difference between the fair value consideration and carrying amount of subsidiaries during acquisition or disposal	-	(2,774)	-	-	(26,540)	(26,540)	-	(29,314)
Share based payment (Note 22)	-	4,814	-	-	-	-	-	4,814
BALANCE AT DECEMBER 31, 2022	520,077	638,030	26,856	473	449,671	477,000	3,235	1,638,342
Appropriation of 2022 earnings (Note 17)								
Legal reserve	-	-	28,645	-	(28,645)	-	-	-
Reversal of special reserve	-	-	-	(473)	473	-	-	-
Cash dividends	-	-	-	-	(130,019)	(130,019)	-	(130,019)
	-	-	28,645	(473)	(158,191)	(130,019)	-	(130,019)
Net profit for the year ended December 31, 2023	-	-	-	-	562,282	562,282	-	562,282
Other comprehensive income (loss) for the year ended December 31, 2023, net of income tax	-	-	-	-	(480)	(480)	(12,734)	(13,214)
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	561,802	561,802	(12,734)	549,068
Difference between the fair value consideration and carrying amount of subsidiaries during acquisition or disposal	-	-	-	-	(290,317)	(290,317)	-	(290,317)
Share based payment (Note 22)	4,470	15,644	-	-	-	-	-	20,114
BALANCE AT DECEMBER 31, 2023	\$ 524,547	\$ 653,674	\$ 55,501	\$ -	\$ 562,965	\$ 618,466	\$ (9,499)	\$ 1,787,188

The accompanying notes are an integral part of the standalone financial statements.

VIZIONFOCUS INC.

STANDALONE STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 690,769	\$ 379,210
Adjustments for:		
Depreciation expense	187,330	166,049
Amortization expense	8,315	6,341
Expected credit loss (reversal of credit loss)	(778)	1,069
Finance costs	18,820	10,428
Interest income	(6,517)	(2,200)
Compensation costs of share-based payments	6,704	4,814
Share of the profit of subsidiaries	(214,384)	(10,879)
Gain on disposal of property, plant and equipment, net	(8)	(210)
Impairment loss recognized on non-financial assets	22,180	8,766
Loss on disposal of inventories	170	662
Amortization of deferred revenue	(6,098)	(4,258)
Changes in operating assets and liabilities		
Accounts receivable	(76,374)	51,890
Other receivables	(4,168)	181
Inventories	(50,308)	(19,310)
Prepayments	(17,956)	6,027
Other current assets	208	(264)
Other non-current assets	255	255
Contract liabilities	(3,706)	6,263
Accounts payable	43,068	25,440
Other payables	78,001	29,126
Other current liabilities	4,317	(1,301)
Net defined benefit liabilities	135	-
Cash generated from operations	<u>679,975</u>	<u>658,099</u>
Interest received	6,725	2,033
Interest paid	(12,053)	(6,112)
Income taxes paid	<u>(23,480)</u>	<u>(43,468)</u>
Net cash generated from operating activities	<u>651,167</u>	<u>610,552</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(1,037,579)	(139,668)
Proceeds from disposal of property, plant and equipment	8	210
Decrease in refundable deposits	-	3,571
Acquisition of intangible assets	<u>(26,223)</u>	<u>(9,650)</u>
Net cash used in investing activities	<u>(1,063,794)</u>	<u>(145,537)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	246,000	119,718
Repayment of short-term borrowings	(96,000)	(168,450)

(Continued)

VIZIONFOCUS INC.

STANDALONE STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2023	2022
Proceeds from long-term borrowings	\$ 1,629,850	\$ 190,703
Repayment of long-term borrowings	(756,323)	(128,058)
Repayment of the principal portion of lease liabilities	(26,362)	(25,458)
Cash dividends paid	(130,019)	(78,012)
Proceeds from employee share options	13,410	-
Acquisition of subsidiaries	<u>(512,727)</u>	<u>(173,412)</u>
Net cash generated from (used in) financing activities	<u>367,829</u>	<u>(262,969)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(44,798)	202,046
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>687,483</u>	<u>485,437</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 642,685</u>	<u>\$ 687,483</u>

The accompanying notes are an integral part of the standalone financial statements.

(Concluded)

VIZIONFOCUS INC.

NOTES TO STANDALONE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

VIZIONFOCUS INC. (the “Corporation”) was incorporated in May 2012. Its main business activities are the manufacture of medical devices, mechanical equipment, optical instruments, precision instruments, international trade and other consulting services.

The Corporation’s shares were listed and have been trading on the Taipei Exchange (TPEX) since November 2021. In addition, the Company's listing application was reviewed and approved by the Taiwan Stock Exchange in December 2023 and is expected to be listed for trading in March 2024.

The standalone financial statements are presented in the Corporation’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The standalone financial statements were approved by the Corporation’s board of directors and authorized for issue on March 13, 2024.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRS Accounting Standards”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have a material impact on the Corporation’s accounting policies.

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

Note 1: Unless stated otherwise, the above IFRS Accounting Standards will be effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

As of the date the standalone financial statements were authorized for issue, the Corporation has assessed that the application of other standards and interpretations will not have a material impact on the Corporation's financial position and financial performance.

- c. The IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

Note 1: Unless stated otherwise, the above IFRS Accounting Standards are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

As of the date the standalone financial statements were authorized for issue, the Corporation is continuously assessing the possible impact of the application of other standards and interpretations on the Corporation's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

For readers' convenience, the accompanying standalone financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If inconsistencies arise between the English version and the Chinese version or if differences arise in the interpretations between the two versions, the Chinese version of the financial statements shall prevail. However, the accompanying standalone financial statements do not include the English translation of the additional footnote disclosures that are not required under generally accepted accounting principles but are required by the Securities and Futures Bureau for their oversight purposes.

- a. Statement of compliance

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

- b. Basis of preparation

The standalone financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

The subsidiaries are accounted for in the standalone financial statements using the equity method. To make net profit for the year, other comprehensive income and equity in the standalone financial statements equal to those attributed to owners of the Corporation on the consolidated financial statements, the effect of the differences between the standalone basis and consolidated basis are adjusted in the investments accounted for using the equity method, the related share of the profit or loss, the related share of other comprehensive income of subsidiaries and related equity.

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Corporation does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Foreign currencies

In preparing the standalone financial statements of the Corporation, transactions in currencies other than the Corporation's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the closing rates at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the year in which they arise.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary item that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting the standalone financial statements, the investments of the Corporation's foreign operations (including subsidiaries operating in other countries or using currencies different from the Corporation's functional currency) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the year. The resulting currency translation differences are recognized in other comprehensive income.

e. Inventories

Inventories consist of raw materials, supplies, work in progress, semi-finished goods, finished goods and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost.

f. Investments in subsidiaries

The Corporation uses the equity method to account for its investments in subsidiaries. A subsidiary is an entity that is controlled by the Corporation.

Under the equity method, an investment is initially recognized at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the subsidiary. The Corporation also recognizes the changes in the share of other equity of subsidiaries.

Changes in the Corporation's ownership interest in a subsidiary that do not result in the Corporation losing control over the subsidiary are accounted for as equity transaction. Differences between the carrying amount of the investment and the fair value of consideration paid or received are directly recognized in equity.

When the Corporation's share of loss of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Corporation's net investment in the subsidiary), the Corporation continues recognizing its share of further loss, if any.

The Corporation assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Corporation recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount (net of amortization or depreciation) that would have been recognized had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in subsequent periods.

Unrealized profits or losses on downstream transactions with subsidiaries are eliminated in the standalone financial statements. Profits and losses on transactions with subsidiaries other than downstream are recognized in the standalone financial statements only to the extent of interests in the subsidiary that are not related to the Corporation.

g. Property, plant, and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost. Cost includes professional fees and borrowing costs eligible for capitalization. Samples produced when testing whether an item of property, plant and equipment is functioning properly before that asset reaches its intended use are measured at the lower of cost or net realizable value, and any proceeds from selling those samples and the cost of those samples are recognized in profit or loss. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use and depreciated accordingly.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant component is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each balance sheet date, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

2) Internally generated intangible assets - research and development expenditures

Expenditures on research activities are recognized as expenses in the period in which they are incurred.

An Internally generated intangible asset arising from the development phase of an internal project is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- The ability to measure reliably the expenditures attributable to the intangible asset during its development.

The amount initially recognized for Internally generated intangible asset is the sum of the expenditures incurred from the date when such an intangible asset first meets the recognition criteria listed above. Subsequent to initial recognition, such intangible asset is measured on the same basis as an intangible asset that is acquired separately.

3) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

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

At the end of each reporting period, the Corporation reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. The impairment loss is recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined for the asset or cash-generating unit (net of amortization and depreciation) had no impairment loss been recognized in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. Financial instruments

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement categories

Financial assets are classified as financial assets at amortized cost.

Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- ii The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, accounts receivable at amortized cost, other receivables, and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Foreign currency exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit-impaired when one or more of the following events have occurred:

- i Significant financial difficulty of the issuer or the borrower;
- ii Breach of contract, such as a default;
- iii It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits, commercial papers and bonds with repurchase agreements with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

The Corporation recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

The Corporation always recognizes lifetime expected credit losses (ECLs) for accounts receivable. For all other financial instruments, the Corporation recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Corporation measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting

date.

For internal credit risk management purposes, the Corporation considers the following situations as indication that a financial asset is in default (without taking into account any collateral held by the Corporation):

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.
- ii. Financial asset is more than 360 days past due unless the Corporation has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

The Corporation derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

2) Equity instruments

Equity instruments issued by the Corporation are recognized at the proceeds received, net of direct issue costs.

3) Financial liabilities

a) Subsequent measurement

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

Financial guarantee contracts

Financial guarantee contracts issued by the Corporation, if not designated as at FVTPL, are subsequently measured at the higher of the amount of the loss allowance reflecting expected credit losses and amortized cost.

b) Derecognition of financial liabilities

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

k. Revenue recognition

The Corporation identifies contracts with customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

1) Revenue from the sale of goods

Revenue from the sale of goods is recognized when the committed goods are delivered from the Corporation to customers and the performance obligations have been satisfied. The transaction price received is recognized as a contract liability until the performance obligations are satisfied.

Revenue is measured at the fair value of the goods sold, which is the discounted present value of the price (net of commercial discounts and quantity discounts) agreed to by the Corporation with customers. Estimated discounts or other allowances of the consideration received are recognized as refund liabilities. For a contract where the period between the date the Corporation transfers a promised good or service to a customer and the date the customer pays for that good or service is one year or less, the Corporation does not adjust the promised amount of consideration for any effect of a significant financing component.

2) Revenue from the rendering of services

Revenue from the rendering of services is recognized when the services are provided. Since the period between the date of services transferred and the date of collection is less than one year, the Corporation does not adjust the promised amount of consideration for any effect of a significant financing component.

l. Leases

At the inception of a contract, the Corporation assesses whether the contract is, or contains, a lease.

The Corporation as lessee

The Corporation recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for by applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities. Right-of-use assets are subsequently measured at cost less accumulated depreciation and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the standalone balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Corporation remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the standalone balance sheets.

m. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in other income on a systematic basis over the periods in which the Corporation recognizes as expenses the related costs that the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Corporation with no future related costs are recognized in profit or loss in the period in which they are received.

The benefit of a government loan received at a below-market rate of interest is treated as a government grant measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

n. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and net interest on the net defined benefit liability) and are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities represent the actual deficit in the Corporation's defined benefit plan.

o. Share-based payment arrangements

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Corporation's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. The expense is recognized in full at the grant date if the grants are vested immediately.

At the end of each reporting period, the Group revises its estimate of the number of employee share options that are expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options.

p. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable is determined according to the tax laws in the ROC.

According to the Income Tax Act of the ROC, an additional tax on unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Corporation's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

Key sources of estimation uncertainty - estimated impairment of financial assets

a. Estimated impairment of financial assets

The provision for impairment of accounts receivable is based on assumptions on probability of default and loss given default. The Corporation uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Corporation's historical experience, existing market conditions and as well as forward looking estimates as of the end of each reporting period. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Valuation of inventory

Inventories are stated at the lower of cost or net realizable value, and the Corporation uses judgment and estimates to determine the net realizable value of inventory at the end of the reporting period. Since the net realizable value of inventory is mainly determined on the basis of future selling price, it might be adjusted significantly.

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2023	2022
Cash on hands	\$ 62	\$ 90
Checking accounts and demand deposits	572,623	483,689
Cash equivalents (investments with original maturities of three months or less)		
Time deposits	40,000	42,994
Commercial papers	30,000	130,000
Repurchase agreements collateralized by bonds	<u>-</u>	<u>30,710</u>
	<u>\$ 642,685</u>	<u>\$ 687,483</u>

7. ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	2023	2022
Accounts receivable		
Measured at amortized cost	\$ 311,530	\$ 235,156
Less: Allowance for impairment loss	<u>5,770</u>	<u>6,548</u>
	<u>\$ 305,760</u>	<u>\$ 228,608</u>

The loss allowance of the Corporation's accounts receivable is recognized by using lifetime expected credit losses. Lifetime expected credit losses are calculated based on the bad debt provision matrix, which accounts for the customer's past collection experience and the increase in delayed payment beyond the credit period. The Corporation writes off an accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery after carrying out follow-up procedures. For accounts receivable that have been written off, the Corporation continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The Corporation continues to monitor the collection of receivables to ensure that proper actions are made to collect past due receivables. Additionally, the Corporation reviews the recoverable amounts of receivables individually on the balance sheet date to ensure that proper allowances are recognized for unrecoverable receivables.

The Corporation's loss provisions for accounts receivable based on the provision matrix were as follows:

December 31, 2023

	Not Past Due	Past Due 1 to 30 Days	Past Due 31 to 120 Days	Past Due 121 to 360 Days	Past Due Over 360 Days	Transaction Counterparty Shows Signs of Default	Total
Expected credit loss rate (%)	-	7	8-10	14	100	100	
Gross carrying amount	\$ 302,896	\$ 3,070	\$ -	\$ -	\$ -	\$ 5,564	\$ 311,530
Loss allowance (Lifetime ECL)	-	(206)	-	-	-	(5,564)	(5,770)
Amortized cost	<u>\$ 302,896</u>	<u>\$ 2,864</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 305,760</u>

December 31, 2022

	Not Past Due	Past Due 1 to 30 Days	Past Due 31 to 120 Days	Past Due 121 to 360 Days	Past Due Over 360 Days	Transaction Counterparty Shows Signs of Default	Total
Expected credit loss rate (%)	-	9	10-12	17	100	100	
Gross carrying amount	\$ 222,884	\$ 1,733	\$ -	\$ 3,991	\$ -	\$ 6,548	\$ 235,156
Loss allowance (Lifetime ECL)	-	-	-	-	-	(6,548)	(6,548)
Amortized cost	<u>\$ 222,884</u>	<u>\$ 1,733</u>	<u>\$ -</u>	<u>\$ 3,991</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 228,608</u>

The movements of the loss allowance of accounts receivable were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Balance, beginning of the year	\$ 6,548	\$ 5,479
Recognition (reversal)	<u>(778)</u>	<u>1,069</u>
Balance, end of the year	<u>\$ 5,770</u>	<u>\$ 6,548</u>

8. INVENTORIES

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Work in progress	\$ 20,815	\$ 30,676
Supplies	20,672	16,565
Raw materials	21,249	32,439
Semi-finished goods	2,901	1,729
Finished goods	<u>141,203</u>	<u>96,364</u>
	<u>\$ 206,840</u>	<u>\$ 177,773</u>

The components of the cost of goods sold were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Cost of inventories sold	\$ 996,626	\$ 805,215
Write-down of inventories	21,071	8,766
Loss on disposal of inventories	170	662
Revenue from sale of scraps	(8,073)	(6,249)
		(Continued)

	For the Year Ended December 31	
	2023	2022
Service cost	\$ 50,698	\$ 41,397
Impairment loss on property, plant and equipment	<u>1,109</u>	<u>-</u>
	<u>\$ 1,061,601</u>	<u>\$ 849,791</u>
		(Concluded)

9. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The Corporation's investments in its subsidiary were as follows:

	December 31	
	2023	2022
Green Wealth Investments Limited (Green Wealth)	<u>\$ 993,971</u>	<u>\$ 573,211</u>

At each balance sheet date, the percentages of ownership held by the Corporation were as follows:

	December 31	
	2023	2022
Green Wealth	100%	100%

In March 2016, the Corporation invested in and established Green Wealth (mainly engaged in the investment business) in Samoa, holding 100% of the shares. In September 2023 and May 2022, the Corporation increased its equity interest by NT\$512,727 thousand and NT\$173,412 thousand in Green Wealth. As of December 31, 2023, the Corporation's cumulative investment in Green Wealth was NT\$1,097,607 thousand.

In 2022, Clear Precise, a subsidiary of Green Wealth, acquired a portion of the non-controlling interest in its subsidiary, Jiangsu Vizionfocus Inc (the shareholding ratio increased from 51.64% to 59.75%); in 2023, it acquired some non-controlling equity interests (the shareholding ratio increased from 59.75% to 80.00%). The above transactions did not change Clear Precise's control over Jiangsu Vizionfocus Inc., and were therefore treated as equity transactions. For related equity transactions, please refer to Note 24 of the consolidated financial report.

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income or loss as of and for the years ended December 31, 2023 and 2022 were based on the audited financial statements for the same periods.

10. PROPERTY, PLANT AND EQUIPMENT

For the Year Ended December 31, 2023

	Land	Machinery and Equipment	Tooling Equipment	Transportation Equipment	Office Equipment	Rental Assets	Other Equipment	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>									
Balance at January 1, 2023	\$ -	\$ 765,201	\$ 39,823	\$ 4,808	\$ 13,077	\$ 156,495	\$ 10,941	\$ 99,938	\$ 1,090,283
Additions	705,898	237,642	13,230	1,621	3,527	9,291	10,893	28,383	1,010,485
Disposals	-	(3,647)	(875)	-	(691)	(13,073)	(2,468)	-	(20,754)
Balance at December 31, 2023	<u>705,898</u>	<u>999,196</u>	<u>52,178</u>	<u>6,429</u>	<u>15,913</u>	<u>152,713</u>	<u>19,366</u>	<u>128,321</u>	<u>2,080,014</u>
<u>Accumulated depreciation</u>									
Balance at January 1, 2023	-	328,427	32,912	2,931	8,023	58,904	5,758	-	436,955
Depreciation	-	127,942	7,611	1,098	3,364	16,670	3,574	-	160,259
Disposals	-	(3,647)	(875)	-	(691)	(13,073)	(2,468)	-	(20,754)
Balance at December 31, 2023	-	<u>452,722</u>	<u>39,648</u>	<u>4,029</u>	<u>10,696</u>	<u>62,501</u>	<u>6,864</u>	-	<u>576,460</u>
<u>Accumulated impairment</u>									
Balance at January 1, 2023	-	-	-	-	-	-	-	-	-
Additions	-	1,109	-	-	-	-	-	-	1,109
Balance at December 31, 2023	-	<u>1,109</u>	-	-	-	-	-	-	<u>1,109</u>
Carrying amount at December 31, 2023	<u>\$ 705,898</u>	<u>\$ 545,365</u>	<u>\$ 12,530</u>	<u>\$ 2,400</u>	<u>\$ 5,217</u>	<u>\$ 90,212</u>	<u>\$ 12,502</u>	<u>\$ 128,321</u>	<u>\$ 1,502,445</u>

For the Year Ended December 31, 2022

	Machinery and Equipment	Tooling Equipment	Transportation Equipment	Office Equipment	Rental Assets	Other Equipment	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>								
Balance at January 1, 2022	\$ 642,601	\$ 39,188	\$ 4,808	\$ 11,638	\$ 138,805	\$ 18,197	\$ 168,787	\$ 1,024,024
Additions	173,685	6,980	-	1,509	17,690	4,118	(68,849)	135,133
Disposals	(57,600)	(6,345)	-	(70)	-	(4,859)	-	(68,874)
Reclassification	6,515	-	-	-	-	(6,515)	-	-
Balance at December 31, 2022	<u>765,201</u>	<u>39,823</u>	<u>4,808</u>	<u>13,077</u>	<u>156,495</u>	<u>10,941</u>	<u>99,938</u>	<u>1,090,283</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2022	276,119	32,477	2,102	4,952	43,033	8,170	-	366,853
Depreciation	109,275	6,780	829	3,141	15,871	3,080	-	138,976
Disposals	(57,600)	(6,345)	-	(70)	-	(4,859)	-	(68,874)
Reclassification	633	-	-	-	-	(633)	-	-
Balance at December 31, 2022	<u>328,427</u>	<u>32,912</u>	<u>2,931</u>	<u>8,023</u>	<u>58,904</u>	<u>5,758</u>	-	<u>436,955</u>
Carrying amount at December 31, 2022	<u>\$ 436,774</u>	<u>\$ 6,911</u>	<u>\$ 1,877</u>	<u>\$ 5,054</u>	<u>\$ 97,591</u>	<u>\$ 5,183</u>	<u>\$ 99,938</u>	<u>\$ 653,328</u>

The following items of property, plant and equipment are depreciated on a straight-line basis over their useful lives as follows:

Machinery and equipment	3-6 years
Tooling equipment	2 years
Transportation equipment	5 years
Office equipment	3-6 years
Rental assets	3-14 years
Other equipment	3 years

The Corporation assessed that some of its machinery and equipment had been idle and determined that there was no recoverable amount. Thus, the Corporation recognized an impairment loss of NT\$1,109 thousand, which was recognized in operating costs for the year ended December 31, 2023.

Refer to Note 28 for the carrying amount of property, plant and equipment that had been pledged by the Corporation to secure borrowings.

11. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2023	2022
Carrying amount		
Land	\$ 2,311	\$ 2,691
Buildings	177,068	203,646
Machinery and equipment	<u>-</u>	<u>113</u>
	<u>\$ 179,379</u>	<u>\$ 206,450</u>
Additions to right-of-use assets	<u>\$ -</u>	<u>\$ 13,585</u>
Depreciation charge for right-of-use assets		
Land	\$ 380	\$ 380
Buildings	26,578	26,579
Machinery and equipment	<u>113</u>	<u>114</u>
	<u>\$ 27,071</u>	<u>\$ 27,073</u>

Except for the addition and recognition of depreciation expenses listed above, there was no significant sublease and impairment of the Corporation's right-of-use assets for the years ended December 31, 2023 and 2022.

b. Lease liabilities

	December 31	
	2023	2022
Carrying amount		
Current	<u>\$ 26,960</u>	<u>\$ 26,362</u>
Non-current	<u>\$ 160,779</u>	<u>\$ 187,739</u>

Range of discount rate (%) for lease liabilities was as follows:

	December 31	
	2023	2022
Land	1.605	1.605
Buildings	1.333-1.605	1.333-1.605
Machinery and equipment	1.333	1.333

c. Material lease activities and terms

The Corporation's leases of offices, plants, machinery and equipment, and parking spaces, etc., will expire before the end of August 2034. The Corporation does not have a purchase option to acquire the leased right-of-use assets at the expiration of the lease period. The Corporation shall not sublease or transfer all or part of the leased object without the consent of the lessor.

d. Other lease information

	For the Year Ended December 31	
	2023	2022
Expenses relating to short-term leases and low-value asset leases	<u>\$ 1,029</u>	<u>\$ 513</u>
Total cash outflow for leases (including short-term leases)	<u>\$ 30,383</u>	<u>\$ 29,333</u>

For the leases of parking spaces which qualify as short-term leases and other equipment which qualify as low-value asset leases, the Corporation has elected to apply the recognition exemption, and thus did not recognize right-of-use assets and lease liabilities for these leases.

12. INTANGIBLE ASSETS

	December 31	
	2023	2022
Computer software	\$ 5,085	\$ 5,358
Product certificate	11,633	10,424
Intangible assets under development	<u>27,476</u>	<u>10,504</u>
	<u>\$ 44,194</u>	<u>\$ 26,286</u>

For the Year Ended December 31, 2023

	Computer Software	Product Certificate	Intangible Assets Under Development	Total
<u>Cost</u>				
Balance at January 1, 2023	\$ 22,420	\$ 20,965	\$ 10,504	\$ 53,889
Additions	3,518	3,753	18,952	26,223
Disposals	(14,075)	-	-	(14,075)
Reclassification	<u>-</u>	<u>1,980</u>	<u>(1,980)</u>	<u>-</u>
Balance at December 31, 2023	<u>11,863</u>	<u>26,698</u>	<u>27,476</u>	<u>66,037</u>
<u>Accumulated amortization</u>				
Balance at January 1, 2023	17,062	10,541	-	27,603
Amortization	3,791	4,524	-	8,315
Disposals	<u>(14,075)</u>	<u>-</u>	<u>-</u>	<u>(14,075)</u>
Balance at December 31, 2023	<u>6,778</u>	<u>15,065</u>	<u>-</u>	<u>21,843</u>
Carrying amount at December 31, 2023	<u>\$ 5,085</u>	<u>\$ 11,633</u>	<u>\$ 27,476</u>	<u>\$ 44,194</u>

For the Year Ended December 31, 2022

	Computer Software	Product Certificate	Intangible Assets Under Development	Total
<u>Cost</u>				
Balance at January 1, 2022	\$ 19,889	\$ 13,757	\$ 10,593	\$ 44,239
Additions	2,531	-	7,119	9,650
Reclassification	-	7,208	(7,208)	-
Balance at December 31, 2022	<u>22,420</u>	<u>20,965</u>	<u>10,504</u>	<u>53,889</u>
<u>Accumulated amortization</u>				
Balance at January 1, 2022	14,219	7,043	-	21,262
Amortization	<u>2,843</u>	<u>3,498</u>	-	<u>6,341</u>
Balance at December 31, 2022	<u>17,062</u>	<u>10,541</u>	-	<u>27,603</u>
Carrying amount at December 31, 2022	<u>\$ 5,358</u>	<u>\$ 10,424</u>	<u>\$ 10,504</u>	<u>\$ 26,286</u>

The following items of other intangible assets are amortized on a straight-line basis over their useful lives as follows:

Computer software	1-3 years
Product Certificate	5-10 years

The amount prepaid by the Corporation for the application of the relevant medical device license is recorded as the intangible assets under development, and transferred to the intangible assets - product certificate after the approval certificate is formally obtained.

13. BORROWINGS

a. Short-term borrowings (December 31, 2023 only)

	December 31, 2023
Bank	
Credit loans	<u>\$ 150,000</u>
Interest rate range (%)	1.63

b. Long-term borrowings

	December 31	
	2023	2022
Bank credit loans		
Maturities before November 2029, interest rate at 0.6%-1.7% and 0.475%-0.575% as of December 31, 2023 and 2022, respectively	\$ 1,345,485	\$ 457,273
Secured borrowings		
Maturities before November 2026, interest rate at 0.6% and 0.475% as of December 31, 2023 and 2022 respectively.	<u>42,828</u>	<u>57,513</u>
	1,388,313	514,786
Less: Current portion	173,169	97,345
Less: Deferred revenue - current (Note 23)	6,391	4,734
Less: Deferred revenue - non-current (Note 23)	<u>9,993</u>	<u>6,033</u>
	<u>\$ 1,198,760</u>	<u>\$ 406,674</u>

The Corporation signed a loan agreement with Mega Bank, CTBC Bank and Taishin Bank stipulating the relevant financial ratios and amounts of the Corporation's annual consolidated or semiannual consolidated financial report audited and certified by accountants should meet certain ratio requirements. The financial reports are reviewed semiannually or once a year, and the Corporation was in compliance with the requirements of the syndicated loan agreement based on the audited annual consolidated financial statements for the years ended December 31, 2023 and 2022.

The Corporation signed a medium and a long-term loan contract with E.SUN Bank and asked for a reverse commitment. All or any portions of the Corporation's land shall not be pledged, mortgaged or otherwise secured or encumbered in any form, or transferred or sold or trust or other means to dispose of the above-mentioned land, or any other act that reduces the value of the subject matter, or make repeated or similar commitments to other creditors or third parties with respect to the above-mentioned land.

The Corporation's joint guarantees and guarantees provided for long-term borrowings are set out in Notes 27 and 28.

14. ACCOUNTS PAYABLE

	December 31	
	2023	2022
Accounts payable	<u>\$ 131,759</u>	<u>\$ 88,691</u>

The Corporation has established financial risk management policies to ensure that all payments are made on the agreed due date.

15. OTHER PAYABLES

	December 31	
	2023	2022
Payables for compensation of employees and remuneration of directors	\$ 86,251	\$ 46,610
Payables for bonuses	46,263	36,386
		(Continued)

	December 31	
	2023	2022
Payables for salaries	\$ 30,134	\$ 21,458
Payables for equipment	25,869	5,922
Payables for insurance and retirement	7,577	6,439
Others (mainly consumables, defects and repairs, and miscellaneous purchases)	<u>44,299</u>	<u>24,961</u>
	<u>\$ 240,393</u>	<u>\$ 141,776</u>

(Concluded)

16. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Corporation adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Based on the LPA, the Corporation makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

Defined benefit plans established by some of the Corporation's employees in accordance with the provisions of the Labor Standards Act are operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Corporation contributes amounts equal to a proportion of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Corporation assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Corporation is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Corporation has no right to influence the investment policy and strategy.

The amounts included in the standalone balance sheets in respect of the Corporation's defined benefit plans were as follows:

	December 31, 2023
Present value of defined benefit obligation	\$ 1,674
Fair value of plan assets	<u>(939)</u>
Net defined benefit liabilities	<u>\$ 735</u>

Movements in the net defined benefit liabilities were as follows:

	Present Value of The Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2023	\$ -	\$ -	\$ -
Service cost			
Current service cost	1,072	-	1,072
Net interest expense (income)	<u>7</u>	<u>(8)</u>	<u>(1)</u>
Recognized in profit or loss	<u>1,079</u>	<u>(8)</u>	<u>1,071</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	5	5
Actuarial loss			
Changes in financial assumptions	72	-	72
Experience adjustments	<u>523</u>	<u>-</u>	<u>523</u>
Recognized in other comprehensive income (loss)	<u>595</u>	<u>5</u>	<u>600</u>
Contributions from the employer	<u>-</u>	<u>(936)</u>	<u>(936)</u>
Benefits paid	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2023	<u>\$ 1,674</u>	<u>\$ (939)</u>	<u>\$ 735</u>

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31, 2023
Operating costs	\$ 1,055
Research and development expenses	<u>16</u>
	<u>\$ 1,071</u>

Through the defined benefit plans under the Labor Standards Act, the Corporation is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets shall not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government and corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31, 2023
Discount rates (%)	1.5
Expected rates of salary increase (%)	4

If possible reasonable change in each of the significant actuarial assumptions occur and all other assumptions remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	December 31, 2023
Discount rates	
0.25% increase	<u>\$ (141)</u>
0.25% decrease	<u>\$ 155</u>
Expected rates of salary increase	
0.25% increase	<u>\$ 150</u>
0.25% decrease	<u>\$ (138)</u>

The above sensitivity analysis may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

	December 31, 2023
Expected contributions to the plan for the next year	<u>\$ 896</u>
Average duration of the defined benefit obligation	35.7 years

17. EQUITY

a. Share capital

	December 31	
	2023	2022
Number of shares authorized (in thousands)	<u>80,000</u>	<u>80,000</u>
Shares authorized	<u>\$ 800,000</u>	<u>\$ 800,000</u>
Number of shares issued and fully paid (in thousands)	<u>52,455</u>	<u>52,008</u>
Shares issued	<u>\$ 524,547</u>	<u>\$ 520,077</u>

Due to the exercise of employee share options for the years ended December 31, 2023, the Corporation implemented a capital increase in cash through the issuance of 447 thousand ordinary shares. The ordinary shares were issued at a premium price of \$30 per share. The difference between the issue price and the face value of NT\$8,940 thousand was included in capital surplus - under the issuance of ordinary shares.

b. Capital surplus

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
May be used to offset deficit, distributed as cash or transferred to share capital (Note 1)		
Additional paid-in capital	\$ 640,821	\$ 627,916
Donated assets received (Note 2)	1,800	1,800
May not be used for any purpose		
Employee share options	<u>11,053</u>	<u>8,314</u>
	<u>\$ 653,674</u>	<u>\$ 638,030</u>

Note 1: The capital surplus could be used to offset deficit, distributed as cash dividends or transferred to share capital when the Corporation has no deficit (limited to a certain percentage of the Corporation's paid-in capital).

Note 2: The assets donated by the chairman of the Corporation.

c. Retained earnings and dividend policy

The Corporation's Articles of Incorporation provide that the annual net income, less any deficit, should be appropriated in the following order:

- 1) Setting aside as legal reserve 10% of profit until the accumulated legal reserve equals the Corporation's paid-in capital.
- 2) Setting aside or reversing a special reserve in accordance with the laws and regulations.
- 3) The Board of Directors shall draft the proposal for shareholder dividend allocation based on the remaining profit, if any, along with the accumulated undistributed earnings for the previous year, and submit the draft to the shareholders in their meeting to determine whether to distribute dividends or retain the earnings.

The Corporation's dividend policy takes into consideration the entire corporate environment, the growth of industry, long-term financial planning for sustainable development, and stable business development. In the planning of dividend distribution, the Corporation performs the following steps:

- 1) Determine the best capital budget.
- 2) Determine the need for capital loan to satisfy the best capital budget.
- 3) Determine how much capital could be raised from retained earnings.
- 4) The remaining earnings may be distributed to the shareholders in the form of dividends, after reserving an appropriate amount for operating needs, and the distribution should be no less than 10% of the Corporation's distributable earnings for the year, provided that the portion of cash dividends is no less than 10% of the total dividends to be paid.

The legal reserve may be used to offset deficits. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2022 and 2021, which had been approved in the shareholders meetings in June 2023 and June 2022, were as follows:

	<u>Appropriations of Earnings</u>		<u>Dividend Per Share (NT\$)</u>	
	2022	2021	2022	2021
Legal reserve	\$ 28,645	\$ 23,413		
Provision (reversal) of special surplus reserve	(473)	473		
Cash dividends	130,019	78,012	\$ 2.5	\$ 1.5

The appropriations of earnings for 2023, which had been proposed by the Corporation's board of directors in March 2024, are as follows:

	<u>Appropriations of Earnings</u>	<u>Dividend Per Share (NT\$)</u>
Legal reserve	\$ 27,149	
Reversed of special reserve	9,499	
Cash dividends	187,263	\$ 3.57

The appropriations of earnings for 2023 are subject to the resolution of the shareholders in their meeting to be held in May 2024.

e. Other equity items

Exchange differences on translation of foreign operations

	<u>For the Year Ended December 31</u>	
	2023	2022
Balance, beginning of the year	\$ 3,235	\$ (473)
Exchange differences arising from translating foreign operations	(16,034)	4,635
Related income tax	<u>3,300</u>	<u>(927)</u>
Balance, end of the year	<u>\$ (9,499)</u>	<u>\$ 3,235</u>

18. REVENUE

	<u>For the Year Ended December 31</u>	
	2023	2022
Revenue from contracts with customers		
Sale of goods	\$ 1,639,628	\$ 1,264,125
Rendering of services	53,492	43,444
Others	<u>7,698</u>	<u>5,780</u>
	<u>\$ 1,700,818</u>	<u>\$ 1,313,349</u>

- a. Refer to Note 4 for contract information.
- b. Contract balances

	December 31, 2023	December 31, 2022	January 1, 2022
Accounts receivable	<u>\$ 305,760</u>	<u>\$ 228,608</u>	<u>\$ 281,567</u>
Contract liabilities			
Sale of goods	<u>\$ 4,082</u>	<u>\$ 7,788</u>	<u>\$ 1,525</u>

The changes in the balance of contract liabilities resulted primarily from the difference in timing between the satisfaction of performance obligations and customer payment, there were no other significant changes in 2023 and 2022.

Revenue recognized in the current reporting period from the contract liabilities at the beginning of the year was summarized as follows:

	<u>For the Year Ended December 31</u>	
	2023	2022
From the contract liabilities at the beginning of the year		
Sale of goods	<u>\$ 7,788</u>	<u>\$ 1,525</u>

- c. Disaggregation of revenue

	Contact lens- Injection Mold	Others	Total
<u>For the year ended December 31, 2023</u>			
Type of revenue			
Sale of goods	\$ 1,639,628	\$ -	\$ 1,639,628
Rendering of services	-	53,492	53,492
Others	<u>-</u>	<u>7,698</u>	<u>7,698</u>
	<u>\$ 1,639,628</u>	<u>\$ 61,190</u>	<u>\$ 1,700,818</u>
<u>For the year ended December 31, 2022</u>			
Type of revenue			
Sale of goods	\$ 1,264,125	\$ -	\$ 1,264,125
Rendering of services	-	43,444	43,444
Others	<u>-</u>	<u>5,780</u>	<u>5,780</u>
	<u>\$ 1,264,125</u>	<u>\$ 49,224</u>	<u>\$ 1,313,349</u>

19. PROFIT BEFORE INCOME TAX

The following items were included in profit before income tax:

a. Interest income

	For the Year Ended December 31	
	2023	2022
Cash in banks	\$ 6,445	\$ 2,156
Others	<u>72</u>	<u>44</u>
	<u>\$ 6,517</u>	<u>\$ 2,200</u>

b. Other income

	For the Year Ended December 31	
	2023	2022
Royalty income (Note 27)	\$ 17,461	\$ 10,697
Government subsidy income	6,098	4,258
Others	<u>2,966</u>	<u>1,414</u>
	<u>\$ 26,525</u>	<u>\$ 16,369</u>

c. Other gains and losses

	For the Year Ended December 31	
	2023	2022
Net foreign exchange gain (loss)	\$ (1,042)	\$ 23,209
Net gain (loss) on disposal of property, plant and equipment	8	210
Other losses	<u>(727)</u>	<u>(11)</u>
	<u>\$ (1,761)</u>	<u>\$ 23,408</u>

The net foreign exchange gains/losses above include:

	For the Year Ended December 31	
	2023	2022
Total foreign exchange gains	\$ 22,597	\$ 44,244
Total foreign exchange losses	<u>(23,639)</u>	<u>(21,035)</u>
Net gain (loss)	<u>\$ (1,042)</u>	<u>\$ 23,209</u>

d. Finance costs

	For the Year Ended December 31	
	2023	2022
Interest on bank loans	\$ 15,828	\$ 7,066
Interest on lease liabilities	<u>2,992</u>	<u>3,362</u>
	<u>\$ 18,820</u>	<u>\$ 10,428</u>

e. Impairment loss recognized on non-financial assets - included in operating costs

	For the Year Ended December 31	
	2023	2022
Write-down of inventories	\$ 21,071	\$ 8,766
Impairment loss on property, plant and equipment	<u>1,109</u>	<u>-</u>
	<u>\$ 22,180</u>	<u>\$ 8,766</u>

f. Depreciation and amortization

	For the Year Ended December 31	
	2023	2022
Property, plant and equipment	\$ 160,259	\$ 138,976
Right-of-use assets	27,071	27,073
Other intangible assets	<u>8,315</u>	<u>6,341</u>
	<u>\$ 195,645</u>	<u>\$ 172,390</u>
Analysis of depreciation expense by function		
Operating costs	\$ 180,766	\$ 160,940
Operating expenses	<u>6,564</u>	<u>5,109</u>
	<u>\$ 187,330</u>	<u>\$ 166,049</u>
Analysis of amortization expense by function		
Operating costs	\$ 5,724	\$ 4,386
Operating expenses	<u>2,591</u>	<u>1,955</u>
	<u>\$ 8,315</u>	<u>\$ 6,341</u>

g. Employee benefits

	For the Year Ended December 31	
	2023	2022
Short-term employee benefits		
Salary	\$ 429,835	\$ 302,679
Labor and health insurance	30,513	23,828
Others	<u>26,514</u>	<u>18,996</u>
	486,862	345,503
Post-employment benefits		
Defined contribution plans	9,978	9,250
Defined benefit plans (Note 16)	<u>1,071</u>	<u>-</u>
	<u>\$ 497,911</u>	<u>\$ 354,753</u>
Analysis of employee benefits by function		
Operating costs	\$ 374,128	\$ 264,817
Operating expenses	<u>123,783</u>	<u>89,936</u>
	<u>\$ 497,911</u>	<u>\$ 354,753</u>

h. Employee's compensation and remuneration to directors

According to the Articles of Incorporation, after setting aside an amount for the offset of deficit, the Corporation should distribute the compensation of employees and remuneration of directors at rates from 1% to 12% and no higher than 1.5%, respectively, of the pre-tax profit prior to deducting the compensation of employees and remuneration of directors.

The compensation of employees and remuneration of directors for the years ended December 31, 2023 and 2022, which have been approved by the Corporation's board of directors in March 2024 and 2023, respectively, were as follows:

	For the Year Ended December 31	
	2023	2022
Compensation of employees - cash	\$ 77,704	\$ 41,500
Remuneration of directors - cash	8,547	5,110

The difference between the amounts recognized and the amounts approved by Corporation's board of directors is recorded as a change in accounting estimate and will be adjusted in the next year.

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2022 and 2021.

Information on the compensation of employees and remuneration of directors resolved by the board of directors are available on the Market Observation Post System website of the Taiwan Stock Exchange.

20. INCOME TAX

a. Income tax recognized in profit or loss

The major components of income tax were as follows:

	For the Year Ended December 31	
	2023	2022
Current tax		
In respect of the current year	\$ 73,614	\$ 26,666
Adjustments for prior years	<u>3,434</u>	<u>(5,137)</u>
	<u>77,048</u>	<u>21,529</u>
Deferred tax		
In respect of the current year	58,221	44,789
Adjustments for prior years	<u>(6,782)</u>	<u>(99)</u>
	<u>51,439</u>	<u>44,690</u>
	<u>\$ 128,487</u>	<u>\$ 66,219</u>

The reconciliation of accounting profit and income tax expense was as follows:

	For the Year Ended December 31	
	2023	2022
Profit before income tax	<u>\$ 690,769</u>	<u>\$ 379,210</u>

(Continued)

	For the Year Ended December 31	
	2023	2022
Income tax expense calculated at the statutory rate	\$ 138,154	\$ 75,842
Permanent differences	194	149
Unrecognized deductible temporary differences	(6,513)	(4,536)
Adjustments for prior years	<u>(3,348)</u>	<u>(5,236)</u>
	<u>\$ 128,487</u>	<u>\$ 66,219</u>
		(Concluded)

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2023	2022
Deferred tax		
Remeasurement of defined benefit plans	\$ (120)	\$ -
Exchange difference on translation of foreign operations	<u>(3,300)</u>	<u>927</u>
	<u>\$ (3,420)</u>	<u>\$ 927</u>

c. Current tax assets and liabilities

	December 31	
	2023	2022
Current tax liabilities		
Income tax payable	<u>\$ 53,568</u>	<u>\$ -</u>

d. Deferred tax assets and liabilities

Movements of deferred tax assets and liabilities were as follows:

For the Year Ended December 31, 2023

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
<u>Deferred tax assets</u>				
Temporary differences				
Loss carryforwards	\$ 19,809	\$ (19,809)	\$ -	\$ -
Unrealized loss on inventories	3,673	1,592	-	5,265
Exchange difference on translation of foreign operations	-	-	2,373	2,373
Reported unrecognized revenue				
Gross profit on sales	2,925	4,511	-	7,436
Others	<u>839</u>	<u>4,200</u>	<u>120</u>	<u>5,159</u>
	<u>\$ 27,246</u>	<u>\$ (9,506)</u>	<u>\$ 2,493</u>	<u>\$ 20,233</u>

(Continued)

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
<hr/> <u>Deferred tax liabilities</u> <hr/>				
Temporary differences				
Unrealized gain on the transactions with subsidiaries	\$ 2,320	\$ 42,877	\$ -	\$ 45,197
Exchange difference on translation of foreign operations	927	-	(927)	-
Others	<u>944</u>	<u>(944)</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,191</u>	<u>\$ 41,933</u>	<u>\$ (927)</u>	<u>\$ 45,197</u> (Concluded)

For the Year Ended December 31, 2022

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
<hr/> <u>Deferred tax assets</u> <hr/>				
Temporary differences				
Loss carryforwards	\$ 59,313	\$ (39,504)	\$ -	\$ 19,809
Unrealized loss on inventories	6,035	(2,362)	-	3,673
Others	<u>3,468</u>	<u>296</u>	<u>-</u>	<u>3,764</u>
	<u>\$ 68,816</u>	<u>\$ (41,570)</u>	<u>\$ -</u>	<u>\$ 27,246</u>
<hr/> <u>Deferred tax liabilities</u> <hr/>				
Temporary differences				
Unrealized gain on the transactions with subsidiaries	\$ 144	\$ 2,176	\$ -	\$ 2,320
Exchange difference on translation of foreign operations	-	-	927	927
Others	<u>-</u>	<u>944</u>	<u>-</u>	<u>944</u>
	<u>\$ 144</u>	<u>\$ 3,120</u>	<u>\$ 927</u>	<u>\$ 4,191</u>

e. Income tax assessment

The Corporation's income tax returns through 2021 have been assessed by the tax authorities.

21. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Net profit for the year	<u>\$ 562,282</u>	<u>\$ 312,991</u>

Weighted average number of ordinary shares outstanding (in thousands of shares):

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Weighted average number of ordinary shares used in the computation of basic earnings per share	52,187	52,008
Effect of potentially dilutive ordinary shares:		
Employee share options	1,033	1,091
Compensation of employees	<u>373</u>	<u>362</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>53,593</u>	<u>53,461</u>

Since the Corporation offered to settle the compensation paid to employees in cash or shares, the Corporation assumed the entire amount of the compensation will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

22. SHARE-BASED PAYMENT ARRANGEMENTS

In May 2021, and December 2022, the board resolved in their meetings to issue 1,700 thousand and 300 thousand units of employee stock options, respectively, and the holder of each unit is entitled to subscribe for one ordinary share. The recipients include employees of the Corporation who meet certain criteria. The stock options have a duration of 6 years, and stock option holders may exercise the stock options granted from the date of 2 years after the expiration of the issuance period, and the exercise price is NT\$30, and NT\$127.6 per share, respectively. After issuance of the stock options, if the Corporation issues the ordinary shares, the exercise price will be adjusted according to the formula.

Information on employee share options was as follows:

	<u>For the Year Ended December 31</u>			
	<u>2023</u>		<u>2022</u>	
	<u>Number of Options (In Thousands of Units)</u>	<u>Weighted-Average Exercise Price (\$)</u>	<u>Number of Options (In Thousands of Units)</u>	<u>Weighted-Average Exercise Price (\$)</u>
Balance at January 1	1,790		1,620	
Options granted	-		300	
Options forfeited	-		(130)	
Options exercised	<u>(447)</u>	<u>\$ 30</u>	<u>-</u>	<u>\$ -</u>
Balance at December 31	<u>1,343</u>	<u>\$ 51.8</u>	<u>1,790</u>	<u>\$ 46.66</u>
Options exercisable, end of the year	<u>-</u>		<u>-</u>	

As of December 31, 2023, information on outstanding options was as follows:

Range of exercise price (\$)	Weighted-average remaining contractual life (in years)
\$ 30-127.6	4.13

Options granted are priced using the Black-Scholes pricing model, and the inputs to the model are as follows:

	For the Year Ended December 31	
	2022	2021
Grant-date share price (\$)	99.72	29.26
Exercise price (\$)	129.4	30
Expected share price volatility (%)	40.68-41.53	39.03-39.64
Expected life (in years)	4-4.5	4-5
Expected dividend yield	-	-
Expected subscription (%)	100	100
Risk-free interest rate (%)	1.12-1.13	0.26-0.28

Compensation costs recognized were NT\$6,704 thousand and NT\$4,814 thousand for the years ended December 31, 2023 and 2022, respectively, and the same amounts are recognized as capital surplus - employee share options.

For the year ended December 31, 2023, the executive employee stock option will be transferred the relevant capital reserve - employee stock option amount of NT\$3,965 thousand to the capital reserve - stock issuance premium.

23. GOVERNMENT GRANTS

The Corporation obtained the approval for “Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan” by government loan at a below-market interest rate for the use of capital expenditures and working capital. The fair value of the borrowings is estimated according to the borrowing interest rate of the Corporation under normal conditions, and the difference between the fair value and the amount of the borrowings obtained is regarded as the government's low-interest rate borrowing subsidy and recognized as deferred income:

	For the Year Ended December 31	
	2023	2022
Balance, beginning of year	\$ 10,767	\$ 10,624
Fair value difference recognized during the period	11,715	4,401
Recognized in the current period (recorded as other income)	<u>(6,098)</u>	<u>(4,258)</u>
Balance, ended of year	<u>\$ 16,384</u>	<u>\$ 10,767</u>

	<u>December 31</u>	
	2023	2022
<u>Carrying amount of deferred income</u>		
Deferred income	\$ 6,391	\$ 4,734
Long-term deferred income	<u>9,993</u>	<u>6,033</u>
	<u>\$ 16,384</u>	<u>\$ 10,767</u>

24. NON-CASH TRANSACTIONS

For the years ended December 31, 2023 and 2022, the Corporation entered into the following non-cash investing activities that were not reflected in the statements of cash flows:

	<u>For the Year Ended December 31</u>	
	2023	2022
Increase in property, plant and equipment	\$ 1,010,485	\$ 135,133
Decrease (increase) in payables for equipment	(19,947)	11,176
Increase (decrease) in prepayments for equipment	<u>47,041</u>	<u>(6,641)</u>
Cash paid	<u>\$ 1,037,579</u>	<u>\$ 139,668</u>

25. CAPITAL MANAGEMENT

The Corporation manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Corporation consists of net debt and equity. The key management personnel of the Corporation review the capital structure periodically, based on the operating conditions and future development of the Corporation, taking into consideration changes in the external environment. As part of the review, the key management personnel consider the cost of capital and the risks associated with each class of capital. In order to balance the overall capital structure, the Corporation adjusts the number of new shares issued, and the amount of new debt issued or existing debt redeemed.

26. FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments that are not measured at fair value

The management believes the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

- b. Categories of financial instruments

	<u>December 31</u>	
	2023	2022
<u>Financial assets</u>		
Financial assets at amortized cost 1)	\$ 960,964	\$ 924,650

(Continued)

	December 31	
	2023	2022
<u>Financial liabilities</u>		
Financial liabilities at amortized cost 2)	\$ 1,894,081	\$ 734,486 (Concluded)

- 1) The balances included financial assets at amortized cost, which comprise cash and cash equivalents, accounts receivable, other receivables and refundable deposits.
- 2) The balances included financial liabilities at amortized cost, which comprise short-term borrowings, accounts payable, other payables and long-term borrowings (including current portion).

c. Financial risk management objectives and policies

The Corporation's major financial instruments include accounts receivable, borrowings, accounts payable and lease liabilities. The Corporation's treasury function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Corporation through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

The Corporation's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

There had been no change to the Corporation's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Corporation was exposed to foreign currency risk due to sales, purchases, capital expenditures and equity investments denominated in foreign currencies. Exchange rate exposures were managed by natural hedges of foreign deposits, or the same category of foreign currency right and debts from transaction.

For the carrying amounts of the Corporation's non-functional currency denominated monetary assets and liabilities at the balance sheet date, refer to Note 31.

Sensitivity analysis

The Corporation was mainly exposed to the USD and RMB. The following table details the Corporation's sensitivity to a 1% increase and decrease in the New Taiwan dollar against the USD and RMB. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%.

The sensitivity analysis included only outstanding foreign currency denominated monetary items.

	USD Impact		RMB Impact	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2023	2022	2023	2022
Profit before income tax	\$ 1,303	\$ 2,681	\$ 3,436	\$ 1,908

Note: This was mainly attributable to the exposure to outstanding cash and cash equivalents, accounts receivable and borrowings in USD and RMB which were not hedged at the balance sheet date.

In management's opinion, the sensitivity analysis was unrepresentative of the inherent foreign exchange risk because the exposure at the balance sheet date did not reflect the exposure during the period. Sales in USD and RMB will fluctuate according to the terms of contracts and the business cycle.

b) Interest rate risk

The Corporation was exposed to interest rate risk because the Corporation borrowed funds at floating interest rates. The risk is managed by the Corporation by maintaining an appropriate mix of floating-rate borrowings.

The carrying amounts of the Corporation's financial assets and liabilities with exposure to interest rates at the balance sheet date were as follows:

	December 31	
	2023	2022
Fair value interest rate risk		
Financial assets	\$ 60,000	\$ 203,704
Financial liabilities	187,739	214,101
Cash flow interest rate risk		
Financial assets	579,858	481,007
Financial liabilities	1,521,929	504,019

The sensitivity analysis below was determined based on the Corporation's exposure to financial instruments at the balance sheet date. For floating rate liabilities, the analysis was prepared assuming the amount of the liabilities outstanding at the balance sheet date were outstanding for the whole year. A 1% basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates of financial liabilities had been higher/lower by 1% and all other variables were held constant, the Corporation's pre-tax profit for the years ended December 31, 2023 and 2022 would have decreased/increased by NT\$15,219 thousand and NT\$5,040 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in a financial loss to the Corporation. As at the end of the reporting period, the Corporation's maximum exposure to credit risk which will cause a financial loss to the Corporation due to failure of counterparties to discharge an obligation and financial guarantees provided by the Corporation could arise from:

- a) The carrying amount of the respective recognized financial assets as stated in the standalone balance sheets; and
- b) The amount of contingent liabilities in relation to financial guarantee issued by the Corporation.

Business units grant credit amount according to the experience in various credit transactions, and monitor customer payment situations regularly. The Corporation does not expect significant credit risk because the counterparties are creditworthy corporations. In recent years, the actual occurrence of bad debts is very rare, and therefore no significant credit risk is expected.

Accounts receivable counterparties are concentrated in a number of significant customers. They are mostly engaged in commercial activities, and have similar economic characteristics and similar ability to fulfill contracts affected by economic or other conditions. The receivables, net with significant credit risk were as follows:

Customer	December 31	
	2023	2022
A Corporation	\$ 127,118	\$ 97,506
B Corporation	25,606	21,870
C Corporation	136	23,855

The Corporation provided financing guarantees for subsidiary and the maximum amount of credit risks were as follows:

	Carrying Amount	Maximum Amount of Credit Risks
<u>December 31, 2023</u>		
Commitments and guarantees	<u>\$ -</u>	<u>\$ 187,867</u>
<u>December 31, 2022</u>		
Commitments and guarantees	<u>\$ 22,246</u>	<u>\$ 189,503</u>

3) Liquidity risk

The management of the Corporation continuously monitors the movements of cash flows, net cash position and the utilization of bank loan commitments to control the proportion of long-term and short-term bank loans and ensures compliance with loan covenants.

The Corporation relies on bank borrowings as a significant source of liquidity. As of December 31, 2023 and 2022, the Corporation had available unutilized bank loans facilities of NT\$1,792,094 thousand and NT\$1,010,824 thousand, respectively. The Corporation's line of credit is sufficient to continue its operations; liquidity risk is low.

The following table details the Corporation's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Corporation can be required to pay. The table includes both interest and principal cash flows.

Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed upon repayment dates.

	Less than 1 Year	1-5 Years	Over 5 Years	Total
<u>December 31, 2023</u>				
Non-interest bearing liabilities	\$ 372,152	\$ -	\$ -	\$ 372,152
Variable interest rate liabilities	337,618	1,193,984	47,203	1,578,805
Lease liabilities	29,573	101,948	68,235	199,756
Financial guarantee contracts	<u>187,867</u>	<u>-</u>	<u>-</u>	<u>187,867</u>
	<u>\$ 927,210</u>	<u>\$ 1,295,932</u>	<u>\$ 115,438</u>	<u>\$ 2,338,580</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years
Lease liabilities	\$ 29,573	\$ 101,948	\$ 61,307	\$ 6,928

	Less than 1 Year	1-5 Years	Over 5 Years	Total
<u>December 31, 2022</u>				
Non-interest bearing liabilities	\$ 230,467	\$ -	\$ -	\$ 230,467
Variable interest rate liabilities	97,795	359,790	58,341	515,926
Lease liabilities	29,354	114,721	85,034	229,109
Financial guarantee contracts	<u>-</u>	<u>189,503</u>	<u>-</u>	<u>189,503</u>
	<u>\$ 357,616</u>	<u>\$ 664,014</u>	<u>\$ 143,375</u>	<u>\$ 1,165,005</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years
Lease liabilities	\$ 29,354	\$ 114,721	\$ 67,715	\$ 17,319

27. TRANSACTIONS WITH RELATED PARTIES

a. Related party names and relationships

<u>Related Party Name</u>	<u>Relationship</u>
Jiangsu VizionFocus Inc. SHIH, AN	Subsidiary The main management of the Corporation
Chang Wah Electromaterials Inc.	The entity is a director of the Company
Lalink Automatic Machine Co., Ltd.	Substantive related party (its parent company had served as director of the Corporation from April 2021 until April 2022).

b. Operating revenues

<u>Account Item</u>	<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
		<u>2023</u>	<u>2022</u>
Revenue from the rendering of services	Subsidiary	\$ 53,492	\$ 43,444
Other operating revenue	Subsidiary	<u>7,646</u>	<u>5,597</u>
		<u>\$ 61,138</u>	<u>\$ 49,041</u>

Revenue from the rendering of services are mainly technical consulting services for supporting the subsidiary's application for production certificate application, operations management, product development and manufacturing technology. The transaction price that is based on the actual labor costs and advance expenses is not comparable because the Corporation did not sell similar products to non-related parties.

Other operating revenue are mainly sales of contact lens raw material for trial production and the price is not comparable with non-related parties. Payments to related parties were made under normal terms.

c. Purchase of goods

<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Subsidiary	\$ 767	\$ -
Substantive related party	<u>-</u>	<u>10,025</u>
	<u>\$ 767</u>	<u>\$ 10,025</u>

The Corporation purchased from subsidiary and did not purchase similar products from non-related parties. Therefore, the purchase price is not comparable with non-related parties. Payments to related parties were made under normal terms. There are no significant differences in the prices of goods purchased from the substantive related party and terms of payment compared to other customers.

d. Balance at period-end

Account Item	Related Party Category/Name	December 31	
		2023	2022
Accounts receivable	Subsidiary	\$ <u>17,307</u>	\$ <u>12,469</u>
Other receivables	Jiangsu VizionFocus Inc.	\$ <u>6,027</u>	\$ <u>3,462</u>
Other payables	Subsidiary	\$ <u>1,356</u>	\$ <u>33</u>

e. Acquisition of property, plant and equipment

Related Party Category/Name	For the Year Ended December 31	
	2023	2022
Purchase Price		
Lalink Automatic Machine Co., Ltd.	\$ <u>-</u>	\$ <u>139,671</u>

The Corporation did not purchase similar property, plant and equipment from non-related parties. Therefore, the purchase price is not comparable with non-related parties. Payments to related parties were made under normal terms.

f. Lease arrangements

Account Item	Related Party Category/Name	For the Year Ended December 31	
		2023	2022
Interest expense	Lalink Automatic Machine Co., Ltd.	\$ <u>-</u>	\$ <u>645</u>

The Corporation leased a plant from Lalink Automatic Machine Co., Ltd. in January 2020. The lease term will expire in August 2034. The lease terms and prices were both determined and fixed lease payments are paid monthly.

g. Endorsements/guarantees provided

Related Party Category/Name	December 31	
	2023	2022
Subsidiary		
Amount endorsed/guaranteed	\$ 187,867	\$ 189,503
Amount utilized	-	22,246

h. Remuneration of key management personnel

	For the Year Ended December 31	
	2023	2022
Short-term employee benefits	\$ 49,516	\$ 28,118
Post-employment benefits	<u>555</u>	<u>387</u>
	\$ <u>50,071</u>	\$ <u>28,505</u>

i. Other transactions with related parties

1) Other expenses

Related Party Category/Name	For the Year Ended December 31	
	2023	2022
Substantive related party	\$ <u>-</u>	\$ <u>678</u>

Other expenses are mainly consumables, sundry purchases expense and repairs expense.

2) Other revenue

Related Party Category/Name	December 31	
	2023	2022
Subsidiary	\$ <u>17,461</u>	\$ <u>10,697</u>

Other revenue are mainly royalty income for supporting the subsidiary's plant and equipment construction, product certificate application and resource guidance.

3) The main management of the Corporation, SHIH,AN, is a joint guarantor of borrowings from financial institutions.

28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for some of the long-term borrowings:

	December 31	
	2023	2022
Machinery and equipment	\$ <u>35,418</u>	\$ <u>47,049</u>

29. SIGNIFICANT UNRECOGNIZED COMMITMENTS

As of December 31, 2023, the total contract price for the purchase of property, plant, and equipment is approximately NT\$285,643 thousand, and the amount not yet recorded in the accounts is NT\$122,074 thousand.

30. SIGNIFICANT SUBSEQUENT EVENTS

In January 2024, the Corporation was approved by the board of directors to authorize the chairman of the board of directors to handle the construction of a new factory within a certain amount. In February 2024, the factory was confirmed by Futai Construction Co., Ltd. with an estimated total contract amount of NT\$1,088,000 thousand. As of the date of the board's decision approved the standalone financial statements, the contract has not yet been signed.

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currency of the Corporation and the exchange rates between the foreign currencies and the functional currency were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

	Foreign Currency (In Thousands)	Exchange Rate		Carrying Amount (In Thousands of New Taiwan Dollars)
<u>December 31, 2023</u>				
Financial assets				
Monetary items				
USD	\$ 4,627	30.705	(USD:NTD)	\$ 142,081
RMB	80,335	4.327	(RMB:NTD)	347,610
Non-monetary items				
Subsidiaries accounted for using the equity method				
RMB	229,714	4.327	(RMB:NTD)	993,971
Financial liabilities				
Monetary items				
USD	383	30.705	(USD:NTD)	11,748
RMB	935	4.327	(RMB:NTD)	4,044
<u>December 31, 2022</u>				
Financial assets				
Monetary items				
USD	9,161	30.71	(USD:NTD)	281,330
RMB	43,281	4.408	(RMB:NTD)	190,783
JPY	31,274	0.2324	(JPY:NTD)	7,268
Non-monetary items				
Subsidiaries accounted for using the equity method				
RMB	130,039	4.408	(RMB:NTD)	573,211
Financial liabilities				
Monetary items				
USD	430	30.71	(USD:NTD)	13,211

The foreign exchange net gain and loss amounted to a loss of NT\$1,042 thousand and a gain of NT\$23,209 thousand for the years ended December 31, 2023 and 2022, respectively. It is impractical to disclose net foreign exchange gains and losses by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies.

32. ADDITIONAL DISCLOSURES

a. Information about significant transactions and b. investees:

- 1) Financing provided to others (None)
- 2) Endorsements/guarantees provided (Table 1)
- 3) Marketable securities held (excluding investments in subsidiaries and associates) (None)
- 4) Marketable securities acquired or disposed of at costs or prices at least NT\$300 million or 20% of the paid-in capital (Table 2)

- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (Table 3)
 - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (None)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (None)
 - 9) Trading in derivative instruments (None)
 - 10) Information on investees (Table 4)
- c. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment gains or losses, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 5)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period (None)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period (None)
 - c) The amount of property transactions and the amount of the resultant gains or losses (None)
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes (Table 1)
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds (None)
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receiving of services (Note 27)

33. SEGMENT INFORMATION

Disclosure of segment information in the standalone financial statements is waived.

VIZIONFOCUS INC. and Subsidiaries

**ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2023**

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorsement/ Guarantor Provider	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party	Maximum Amount for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements (%)	Maximum Endorsement/ Guarantee Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by Subsidiary	Guarantee Provided to Subsidiary in Mainland China	Note
		Name	Relationship											
0	The Corporation	Jiangsu Vizionfocus Inc.	Subsidiary	\$ 357,438	\$ 195,443	\$ 187,867	\$ -	\$ -	10.51	\$ 893,594	Yes	No	Yes	

Note: In accordance with the Corporation's "Procedures for Provision of Endorsements and Guarantees", limits are as follows:

1. The total amount of guarantees provided by the Corporation shall not exceed 50% of the Corporation's net worth in its latest audited or reviewed financial statements.
2. The limits on the amounts for any single entity or the aggregate amounts to the entities are as follows:
 - a. The amount of guarantees to any individual entity shall not exceed 20% of the Corporation's net worth in its latest audited or reviewed financial statements.
 - b. The total amount of business transactions the guarantor has with the guarantee shall not exceed 10% of the Corporation's net worth in its latest audited or reviewed financial statements.

VIZIONFOCUS INC. and Subsidiaries

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Nature of Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance (Note 1)		
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares/Units	Amount
Clear Precise Investments Limited (Samoa)	Limited company Jiangsu Vizionfocus Inc.	Investment accounted for using the equity method	Other shareholders	Note 2	-	\$ 573,189	-	\$ 512,727	-	-	\$ -	\$ -	-	\$ 993,946

Note 1: Included the share of profit or loss from investments in subsidiaries accounted for using the equity method and exchange differences on translating foreign operations.

Note 2: Included the subsidiary Jiangsu Vizionfocus Inc. other related parties and non-related parties.

VIZIONFOCUS INC. and Subsidiaries

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company	Property	Event Date	Transaction Amount	Payment Term	Counterparty	Nature of Relationships	Prior Transaction of Related Counterparty				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationships	Transfer Date	Amount			
The Corporation	Land at Datong, Zhunan Township	2023.05.04	\$ 699,880	Payment according to contract terms and progress	HENG FU INDUSTRIAL CO., LTD.	None	-	-	-	\$ -	Reference to professional appraisal agency	For operational use	None

VIZIONFOCUS INC. and Subsidiaries

**INFORMATION ON INVESTEEES (EXCLUDING INVESTMENTS IN MAINLAND CHINA)
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2023			Net Income of the Investee	Share of Profit	Note
				December 31, 2023	December 31, 2022	Number of Shares	Percentage of Ownership (%)	Carrying Amount			
The Corporation	Green Wealth Investments Limited (Samoa)	Samoa	International investment activities	\$ 1,097,607	\$ 584,880	35,692,609	100	\$ 993,971	\$ 214,384	\$ 214,384	
Green Wealth Investments Limited (Samoa)	Clear Precise Investments Limited (Samoa)	Samoa	International investment activities	1,097,607	584,880	35,692,609	100	993,971	214,384	214,384	

VIZIONFOCUS INC. and Subsidiaries

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investments from Taiwan as of January 1, 2023	Remittance of Funds		Accumulated Outward Remittance for Investments from Taiwan as of December 31, 2023	Net Income of the Investee	% of Ownership of Direct or Indirect Investment	Investment Gain	Carrying Amount as of December 31, 2023	Accumulated Repatriation of Investment Income as of December 31, 2023	Note
					Outward	Inward							
Jiangsu Vizionfocus Inc.	Researching, developing, manufacturing and selling of contact lens, and wholesale, import and export business of similar products to aforementioned products	\$ 693,185	2	\$ 584,880	\$ 512,727	\$ -	\$ 1,097,607	\$ 307,828	80	\$ 214,380	\$ 993,946	\$ -	Note 2

Investee Company	Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2023	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA (Note 3)
Jiangsu Vizionfocus Inc.	\$ 1,097,607	\$ 1,184,248	\$ -

Note 1: Investment methods are classified into the following three categories:

1. Direct investment.
2. Investment through a holding company registered in a third region.
3. Others.

Note 2: Investment income is recognized based on the audited and attested financial statements.

Note 3: Pursuant to the Jing-Shen-Zi Letter No. 09704604680 of the Ministry of Economic Affairs, ROC and the amended "Regulation Governing the Approval of Investment or Technical Cooperation in Mainland China" dated August 29, 2008, the Corporation obtained the approval of the operational headquarters from the Industrial Development Bureau of Ministry of Economic Affairs, thus there is no limit on the investment amount.

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STATEMENT 1

VIZIONFOCUS INC.

STATEMENT OF CASH AND CASH EQUIVALENTS

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Amount	Expiration Date	Annual Interest Rate (%)
Cash on hand	\$ 62		
Cash in banks			
Checking amounts	2,765		
Demand deposits	375,990		
Foreign currency demand deposits			
RMB 21,895,454 dollars	94,742		
US 3,180,128 dollars	97,646		
JPY 6,811,784 dollars	1,480		
Cash equivalents (investments with original maturities of less than three months)			
Time deposits	40,000	January 15, 2024 - January 22, 2024	1.1-1.14
Commercial papers	<u>30,000</u>	January 2, 2024	1.2
	<u>\$ 642,685</u>		

Note: RMB:NTD= 1: 4.327

USD:NTD=1: 30.705

JPY:NTD=1: 0.217

VIZIONFOCUS INC.

STATEMENT OF ACCOUNTS RECEIVABLE

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Customer Name	Amount	Remark
Related parties		
JIANGSU VIZIONFOCUS INC.	\$ <u>17,307</u>	Services and others
Non-related parties		
Company A	127,118	Sales
Company B	25,606	Sales
Company C	16,732	Sales
Others (Note 1)	<u>124,767</u>	Sales (Note 2)
	294,223	
Less: Allowance for impairment loss	<u>5,770</u>	(Note 2)
	<u>288,453</u>	
	<u>\$ 305,760</u>	

Note 1: The amount of individual customer included in others does not exceed 5% of the account balance.

Note 2: Included NT\$5,236 thousand for more than one year overdue, and has been fully provided for losses.

VIZIONFOCUS INC.

STATEMENT OF INVENTORIES
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Item	Amount	
	Carrying Value (Note 1)	Fair Value (Note 2)
Work in progress	\$ 20,815	\$ 34,555
Supplies	20,672	21,122
Raw materials	21,249	23,131
Semi-finished goods	2,901	2,901
Finished goods	<u>141,203</u>	<u>228,773</u>
	<u>\$ 206,840</u>	<u>\$ 310,482</u>

Note 1: The carrying value is the amount after deduction for write-down of inventories.

Note 2: Refer to Note 4 for the method used in determining fair value.

STATEMENT 4

VIZIONFOCUS INC.

**STATEMENT OF PREPAYMENTS
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

	Amount
Input tax	\$ 20,119
Prepayment	10,381
Prepaid expenses	4,558
Other (Note)	<u>368</u>
	<u>\$ 35,426</u>

Note: The amount of individual customer included in others does not exceed 5% of the account balance.

VIZIONFOCUS INC.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
 FOR THE YEAR ENDED DECEMBER 31, 2023
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee	Balance, Beginning of the Year		Addition (Note 1)		Decrease (Note 2)		Share of the Profit of Subsidiaries Amount	Balance, End of the Year			Net Assets Value (Note 3)		Guarantee or Pledge	Remark
	Number of shares	Amount	Number of share	Amount	Number of share	Amount		Number of Shares	%	Amount	Unit Price	Amount		
Unlisted company Green Wealth Investments Limited	19,669,485	\$ 573,211	16,023,124	\$ 512,727	-	\$ (306,351)	\$ 214,384	35,692,609	100	\$ 993,971	\$ 27.85	\$ 993,971	No	

Note 1: Changes for the year ended December 31, 2023 consisted of increase in investment that amounted to NT\$512,727 thousand.

Note 2: Including the difference between the fair value consideration and the carrying amount of subsidiaries during acquisition or disposal of \$290,317 thousand and exchange differences on translation of the financial statements of foreign operation amounted to NT\$16,034 thousand.

Note 3: Net asset value of unlisted companies is calculated based on the investees' financial statements and the Corporation's ownership percentage.

VIZIONFOCUS INC.

STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 2023
 (In Thousands of New Taiwan Dollars)

Item	Balance, Beginning of the Year	Additions	Decrease	Balance, End of the Year
Cost				
Land	\$ 3,799	\$ -	\$ -	\$ 3,799
Buildings	294,968	-	-	294,968
Machinery	<u>472</u>	<u>-</u>	<u>-</u>	<u>472</u>
	<u>299,239</u>	<u>\$ -</u>	<u>\$ -</u>	<u>299,239</u>
Accumulated depreciation				
Land	1,108	\$ 380	\$ -	1,488
Buildings	91,322	26,578	-	117,900
Machinery	<u>359</u>	<u>113</u>	<u>-</u>	<u>472</u>
	<u>92,789</u>	<u>\$ 27,071</u>	<u>\$ -</u>	<u>119,860</u>
	<u>\$ 206,450</u>			<u>\$ 179,379</u>

VIZIONFOCUS INC.

STATEMENT OF SHORT-TERM BORROWINGS

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Type	Contract Period	Interest Rate (%)	Balance, End of the Year	Loan Commitments	Guarantee or Pledge
Unsecured loans Taishin Bank	2023.12.26 - 2024.01.26	1.63	<u>\$150,000</u>	\$200,000	None

VIZIONFOCUS INC.

**STATEMENT OF ACCOUNTS PAYABLE
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

Vendor Name	Amount
Company A	\$ 20,432
Company B	20,263
Company C	16,154
Company D	14,042
Company E	12,643
Company F	12,455
Company G	7,817
Others (Note)	<u>27,953</u>
	<u>\$ 131,759</u>

Note: The amount of individual vendor in others does not exceed 5% of the account balance.

VIZIONFOCUS INC.

STATEMENT OF LONG-TERM BORROWINGS

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Bank Name	Contract Period	Interest Rate (%)	Balance, December 31, 2023			Guarantee or Pledge
			Current	Over 1 Year	Total	
Mega Bank	2020.01.15-2029.11.30	0.7	\$ 92,578	\$ 352,106	\$ 444,684	CEO SHIH,AN as a joint guarantor
Chang Hwa Bank	2021.08.31-2028.08.15	0.6	11,627	95,222	106,849	None
Chang Hwa Bank	2019.12.12-2026.11.15	0.6	15,238	27,590	42,828	Machinery
E.SUN Bank	2019.10.15-2027.08.08	0.7-1.7	26,036	419,429	445,465	CEO SHIH,AN as a joint guarantor
Hua Nan Bank	2019.12.30-2027.02.05	0.65	34,081	34,406	68,487	CEO SHIH,AN as a joint guarantor
CTBC Bank	2024.01.26 (Note)	1.7	-	200,000	200,000	None
Yuanta Bank	2024.03.23 (Note)	1.68	-	80,000	80,000	None
			179,560	1,208,753	1,388,313	
Less: Deferred Revenue			6,391	9,993	16,384	
			<u>\$ 173,169</u>	<u>\$ 1,198,760</u>	<u>\$ 1,371,929</u>	

Note: The contractual period is two years, with a revolving credit period and a final credit period in August 2025, The Company does not expect to repay the loan within one year.

VIZIONFOCUS INC.

STATEMENT OF LEASE LIABILITIES

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Object	Lease Term	Discount Rate (%)	Balance, End of the Year
Land	Lease of parking space	2020.02.01-2030.01.31	1.605	\$ 2,383
Building	Lease of plants	2018.09.01-2034.08.31	1.333-1.605	<u>185,356</u> 187,739
Less: Current portion				<u>26,960</u>
				<u>\$ 160,779</u>

VIZIONFOCUS INC.

STATEMENT OF OPERATING REVENUE
 FOR THE YEAR ENDED DECEMBER 31, 2023
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Quantity (KPCs)	Amount
Sales of goods		
Contact Lens	257,488	\$ 1,644,705
Sales returns and allowances	-	<u>(5,077)</u>
Revenue from the sale of goods		1,639,628
Rendering revenue (Note 1)		53,492
Other operating revenue (Note 2)		<u>7,698</u>
		<u>\$ 1,700,818</u>

Note 1: Technical service revenue.

Note 2: Revenue from selling supplies, cartons and raw materials.

VIZIONFOCUS INC.

STATEMENT OF OPERATING COSTS
 FOR THE YEAR ENDED DECEMBER 31, 2023
 (In Thousands of New Taiwan Dollars)

Item	Amount
Raw materials, beginning of the year	\$ 32,439
Raw materials purchased	225,906
Raw materials, end of the year	(21,249)
Others	<u>(10,742)</u>
Raw materials used	<u>226,354</u>
Supplies, beginning of the year	16,565
Supplies purchased	168,081
Supplies, end of the year	(20,672)
Others	<u>(68,149)</u>
Materials used	<u>95,825</u>
Direct Labor	<u>249,289</u>
Manufacturing expenses	<u>476,972</u>
Manufacturing cost	1,048,440
Work in progress, beginning of the year	30,676
Work in progress, end of the year	<u>(20,815)</u>
Finished goods cost	1,058,301
Finished goods, beginning of the year	96,364
Semi-finished goods, beginning of the year	1,729
Finished goods purchased	327
Finished goods, end of the year	(141,203)
Semi-finished goods, end of the year	(2,901)
Others	<u>5,080</u>
Cost of goods sold	1,017,697
Revenue from sale of scraps	(8,073)
Loss on disposal of inventories	170
Rendering costs	50,698
Impairment loss on property, plant and equipment	<u>1,109</u>
Operating costs	<u>\$ 1,061,601</u>

VIZIONFOCUS INC.

STATEMENT OF OPERATING EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 2023
 (In Thousands of New Taiwan Dollars)

	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Expected Credit Loss	Total
Payroll expense	\$ 20,435	\$ 37,689	\$ 38,938	\$ -	\$ 97,062
Expected credit loss (gain)	-	-	-	(778)	(778)
Insurance expense	1,365	2,446	2,556	-	6,367
Depreciation expense	49	1,121	5,394	-	6,564
Amortization expense	97	232	2,262	-	2,591
Pension	481	1,040	996	-	2,517
Import/Export expense	6,578	-	41	-	6,619
Employee benefits	-	5,971	90	-	6,061
Utility expense	-	900	677	-	1,577
Others	<u>7,183</u>	<u>24,875</u>	<u>14,655</u>	<u>-</u>	<u>46,713</u>
	<u>\$ 36,188</u>	<u>\$ 74,274</u>	<u>\$ 65,609</u>	<u>\$ (778)</u>	<u>\$ 175,293</u>

VIZIONFOCUS INC.

**STATEMENT OF EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

	For the Year Ended December 31, 2023			For the Year Ended December 31, 2022		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Payroll expense						
Salaries	\$ 322,180	\$ 97,062	\$ 419,242	\$ 225,577	\$ 70,471	\$ 296,048
Labor and health insurance	25,361	5,152	30,513	19,245	4,583	23,828
Pension	8,352	2,517	11,049	6,875	2,375	9,250
Remuneration of directors	-	10,593	10,593	-	6,631	6,631
Others	<u>18,055</u>	<u>8,459</u>	<u>26,514</u>	<u>13,120</u>	<u>5,876</u>	<u>18,996</u>
	<u>\$ 374,128</u>	<u>\$ 123,783</u>	<u>\$ 497,911</u>	<u>\$ 264,817</u>	<u>\$ 89,936</u>	<u>\$ 354,753</u>
Depreciation	\$ 180,766	\$ 6,564	\$ 187,330	\$ 160,940	\$ 5,109	\$ 166,049
Amortization	5,724	2,591	8,315	4,386	1,955	6,341

Note 1: As of December 31, 2023 and 2022, the Corporation had 486 and 390 employees, respectively, which included 5 non-employee directors for both years.

Note 2: Additional disclosures are as follows:

- 1) For the years ended 31 December 2023 and 2022, the average employee benefits were \$1,013 thousand and \$904 thousand, respectively.
- 2) For the years ended 31 December 2023 and 2022, the average salaries were \$872 thousand and \$769 thousand, respectively,
- 3) Change in average salaries was 13.39%.
- 4) The Corporation did not have supervisors.
- 5) The Corporation's remuneration policies are as follows:
 - a) Remuneration policy for directors

According to the Corporation's Articles of Incorporation and Organization Regulations for remuneration committee, and following the recommendations of the remuneration committee, the policy was proposed and approved by the board of directors.

(Continued)

- i) Remuneration for directors: The directors' remuneration is mainly determined in accordance with the company's Articles of Incorporation. If the Corporation makes a profit in the current year, the Corporation shall allocate an amount not exceeding 1.5% as directors' remuneration.
- ii) Remuneration for independent directors: The Corporation pays the independent directors' fixed remuneration monthly. The payment mentioned above will not be made separately.
- iii) Travel allowance: The Corporation pays a travel allowance to directors who do not receive salary and benefits for the Corporation's chairman or managements for attending meetings held by the functional committees under the Corporation's board of directors and the Corporation's project study and consultation meetings, etc.

b) Remuneration policy for the managements

With regard to salary and benefits for appointed managements, the remuneration committee, which comprises three independent directors appointed by the board of directors, shall study and formulate (as well as regularly review) the performance evaluation system, evaluation results, and related remuneration system for appointed managements. In addition to referencing the typical pay levels of industry peers and listed corporations, the reasonableness of correlation between individual performance, the Corporation's business performance, and future risks are also taken into consideration while determining the performance and remuneration for appointed managements.

c) Compensation policy for employees

Employee compensation mainly includes basic salary, bonuses, and remuneration for employees. Employee compensation standards are formulated based on their duties and responsibilities, current market salary standards, the Corporation's financial status and organizational structure. Bonuses and remuneration for employees reflect the Corporation's profitability in the current year and are also related to the individual performance of employees. Employees who have yet to reach the maximum job grade for the positions they hold after joining the Corporation are given opportunities for salary adjustments every year based on their job grade and individual performance. The range of salary adjustment is highly correlated with an employee's performance. In addition, the Corporation will also offer annual salary adjustments based on market salary trends and its operating conditions.

(Concluded)

VIZIONFOCUS INC.

Chairman: Hsiu-Chuan Huang