

# **Asia Optical Co., Inc. and Subsidiaries**

**Consolidated Financial Statements for the  
Nine Months Ended September 30, 2023 and 2022 and  
Independent Auditors' Review Report**

## **INDEPENDENT AUDITORS' REVIEW REPORT**

The Board of Directors and Shareholders  
Asia Optical Co., Inc.

### **Introduction**

We have reviewed the accompanying consolidated balance sheets of Asia Optical Co., Inc. and its subsidiaries (collectively, the "Group") as of September 30, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the nine months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" as endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

### **Scope of Review**

Except as discussed in the following paragraph, we conducted our reviews in accordance with the Standards on Review Engagements No. 2410, "Review of Interim Financial Information performed by the Independent auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Basis for Qualified Conclusion**

As described in Note 11, the financial statements of certain non-significant subsidiaries were prepared and not reviewed by the independent auditors for the periods. Total assets of these subsidiaries amounted to \$ 5,737,674 thousand and \$ 4,444,938 thousand, representing 27% and 21% of the related consolidated totals, and total liabilities amounted to \$ 1,690,199 thousand and \$ 1,327,814 thousand, representing 27% and 22% of the related consolidated totals, as at September 30, 2023 and 2022, respectively. Total comprehensive income of these subsidiaries amounted to \$ 244,127 thousand and \$ 259,023 thousand, representing 27% and 22% of the related consolidated totals for the three-month periods ended September 30, 2023 and 2022. As for the nine-month periods ended September 30, the total comprehensive income of these subsidiaries amounted to \$ 391,760 thousand and \$ 483,184 thousand, representing 28% and 20% of the related consolidated totals. Also, as Note 13 indicated, the un-reviewed balance of investment amounted to \$ 49,737 thousand and \$47,726 thousand; the recognized share of profits of associates under the equity method of these investments amounted to \$ 738 thousand and \$ 963 thousand for the three months ended September 30, 2023 and 2022, respectively and amounted to \$ 1,956 thousand and \$ 3,268 thousand for the nine months then ended, respectively.

### **Qualified Conclusion**

Based on our reviews, except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of certain non-significant subsidiaries and investee companies been reviewed by independent accountants as described in the preceding paragraph, that we might have become aware of had it not been for the situation described above, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2023 and 2022, its consolidated financial performance for the three months and nine months then ended and its consolidated cash flows for the nine months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" as endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Lie-Dong Wu and Ting-Chien Su.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

November 1, 2023

*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.*

# ASIA OPTICAL CO., INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	September 30, 2023		December 31, 2022		September 30, 2022	
	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Note 6)	\$ 9,752,009	45	\$ 9,179,112	45	\$ 8,947,971	43
Financial assets at amortized cost - current (Notes 8 and 31)	174,493	1	87,131	-	267,674	1
Notes receivable (Note 23)	87,403	-	71,764	-	77,600	-
Trade receivables from unrelated parties (Notes 9 and 23)	4,252,112	20	3,836,922	19	3,883,347	18
Trade receivables from related parties (Notes 23 and 30)	-	-	-	-	8	-
Inventories (Note 10)	3,343,943	16	3,360,626	16	3,812,830	18
Other financial assets - current (Note 30)	60,659	-	100,641	1	112,329	1
Other current assets (Note 12)	128,516	1	163,797	1	183,973	1
Total current assets	17,799,135	83	16,799,993	82	17,285,732	82
<b>NON-CURRENT ASSETS</b>						
Financial assets at fair value through profit or loss - non-current (Note 7)	176,997	1	166,996	1	162,467	1
Investments accounted for using the equity method (Note 13)	49,737	-	46,741	-	47,726	-
Property, plant and equipment (Note 14)	2,630,192	12	2,544,471	13	2,637,114	13
Right-of-use assets (Note 15)	277,593	1	282,110	1	296,067	2
Investment property (Note 16)	349,901	2	366,452	2	385,353	2
Other intangible assets (Note 17)	85,505	1	74,202	-	69,052	-
Deferred tax assets (Notes 4 and 25)	63,200	-	43,810	-	52,039	-
Prepayments for equipment	78,753	-	85,170	1	71,063	-
Refundable deposits	13,885	-	13,299	-	13,327	-
Other financial assets - non-current (Note 18)	-	-	-	-	3,928	-
Total non-current assets	3,725,763	17	3,623,251	18	3,738,136	18
<b>TOTAL</b>	<b>\$ 21,524,898</b>	<b>100</b>	<b>\$ 20,423,244</b>	<b>100</b>	<b>\$ 21,023,868</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Contract liabilities – current (Note 23)	\$ 348,791	2	\$ 339,150	2	\$ 410,622	2
Notes payable	3,951	-	7,182	-	10,818	-
Trade payables to unrelated parties	3,224,488	15	2,599,360	13	2,716,275	13
Trade payables to related parties (Note 30)	9,913	-	12,276	-	10,923	-
Other payables (Note 19)	1,901,993	9	1,960,293	9	2,103,275	10
Current tax liabilities (Notes 4 and 25)	373,105	2	357,316	2	345,363	2
Lease liabilities - current (Note 15)	18,770	-	18,730	-	18,559	-
Other current liabilities (Note 23)	96,676	-	90,646	-	93,018	-
Total current liabilities	5,977,687	28	5,384,953	26	5,708,853	27
<b>NON-CURRENT LIABILITIES</b>						
Deferred tax liabilities (Notes 4 and 25)	172,638	1	181,701	1	188,489	1
Lease liabilities - non-current (Note 15)	18,019	-	25,887	-	30,230	-
Net defined benefit liabilities - non-current (Notes 4 and 21)	114,953	-	122,644	1	139,221	1
Guarantee deposits received	7,840	-	7,856	-	6,676	-
Other non-current liabilities (Note 20)	2,306	-	2,285	-	2,277	-
Total non-current liabilities	315,756	1	340,373	2	366,893	2
Total liabilities	6,293,443	29	5,725,326	28	6,075,746	29
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT</b>						
Capital Stock	2,792,439	13	2,810,839	14	2,810,839	13
Capital surplus	5,365,320	25	5,400,198	26	5,400,198	26
Retained earnings						
Legal reserve	2,100,482	10	2,040,613	10	2,040,613	10
Special reserve	281,870	1	1,085,120	5	1,085,120	5
Unappropriated earnings	2,107,288	10	1,452,121	7	1,304,337	6
Other equity	274,345	1	( 276,073 )	( 1 )	51,184	-
Treasury shares	-	-	( 109,630 )	-	-	-
Equity attributable to owners of the parent	12,921,744	60	12,403,188	61	12,692,291	60
<b>NON-CONTROLLING INTERESTS</b>	<b>2,309,711</b>	<b>11</b>	<b>2,294,730</b>	<b>11</b>	<b>2,255,831</b>	<b>11</b>
Total equity	15,231,455	71	14,697,918	72	14,948,122	71
<b>TOTAL</b>	<b>\$ 21,524,898</b>	<b>100</b>	<b>\$ 20,423,244</b>	<b>100</b>	<b>\$ 21,023,868</b>	<b>100</b>

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

# ASIA OPTICAL CO., INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In thousands of New Taiwan dollars, Except Earnings Per Share)

	Three Months Ended September 30				Nine Months Ended September 30			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
NET REVENUES (Note 23 and 30)	\$4,715,016	100	\$ 5,099,719	100	\$ 13,002,307	100	\$ 14,462,583	100
COSTS OF REVENUES (Notes 10, 21, 24 and 30)	<u>3,834,010</u>	<u>81</u>	<u>3,973,601</u>	<u>78</u>	<u>10,649,679</u>	<u>82</u>	<u>11,668,036</u>	<u>81</u>
GROSS PROFIT	<u>881,006</u>	<u>19</u>	<u>1,126,118</u>	<u>22</u>	<u>2,352,628</u>	<u>18</u>	<u>2,794,547</u>	<u>19</u>
OPERATING EXPENSES (Notes 21, 24 and 30)								
Selling and marketing expenses	50,077	1	52,015	1	136,487	1	151,271	1
General and administrative expenses	299,952	7	341,821	7	932,145	7	987,389	7
Research and development expenses	189,205	4	225,225	4	579,841	5	626,955	4
Expected credit loss (Note 9)	<u>9,732</u>	<u>-</u>	<u>35,181</u>	<u>1</u>	<u>23,217</u>	<u>-</u>	<u>55,441</u>	<u>-</u>
Total operating expenses	<u>548,966</u>	<u>12</u>	<u>654,242</u>	<u>13</u>	<u>1,671,690</u>	<u>13</u>	<u>1,821,056</u>	<u>12</u>
INCOME FROM OPERATIONS	<u>332,040</u>	<u>7</u>	<u>471,876</u>	<u>9</u>	<u>680,938</u>	<u>5</u>	<u>973,491</u>	<u>7</u>
NON-OPERATING INCOME AND EXPENSES								
Other income (Note 24 and 30)	37,515	1	41,596	1	73,524	-	167,040	1
Other gains and losses (Note 24)	( 349)	-	( 5,173)	-	( 8,479)	-	( 10,717)	-
Finance costs (Note 15)	( 323)	-	( 452)	-	( 1,033)	-	( 2,776)	-
Share of profit of associates (Note 13)	738	-	963	-	1,956	-	3,268	-
Interest income	81,930	2	21,539	-	228,556	2	44,149	-
Foreign exchange gain (loss), net	( 146,167)	( 3)	229,136	4	( 46,690)	-	341,623	2
Net gain (loss) on fair value of financial asset at FVTPL	( <u>29,233</u> )	( <u>1</u> )	( <u>17,841</u> )	<u>-</u>	<u>3,461</u>	<u>-</u>	( <u>68,348</u> )	<u>-</u>
Total non-operating income and expenses	( <u>55,889</u> )	( <u>1</u> )	<u>269,768</u>	<u>5</u>	<u>251,295</u>	<u>2</u>	<u>474,239</u>	<u>3</u>
INCOME BEFORE INCOME TAX	276,151	6	741,644	14	932,233	7	1,447,730	10

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# ASIA OPTICAL CO., INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In thousands of New Taiwan dollars, Except Earnings Per Share)

	Three Months Ended September 30				Nine Months Ended September 30			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
INCOME TAX EXPENSE (Notes 4 and 25)	<u>10,463</u>	<u>-</u>	<u>158,500</u>	<u>3</u>	<u>168,908</u>	<u>1</u>	<u>298,620</u>	<u>2</u>
NET INCOME	<u>265,688</u>	<u>6</u>	<u>583,144</u>	<u>11</u>	<u>763,325</u>	<u>6</u>	<u>1,149,110</u>	<u>8</u>
OTHER COMPREHENSIVE INCOME (LOSS) Items that may be reclassified subsequently to profit or loss: Exchange differences on translation of foreign operations	<u>630,540</u>	<u>13</u>	<u>601,507</u>	<u>12</u>	<u>613,015</u>	<u>5</u>	<u>1,290,477</u>	<u>9</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 896,228</u>	<u>19</u>	<u>\$ 1,184,651</u>	<u>23</u>	<u>\$ 1,376,340</u>	<u>11</u>	<u>\$ 2,439,587</u>	<u>17</u>
NET INCOME ATTRIBUTE TO:								
Owner of the parent	\$ 181,756	4	\$ 454,741	9	\$ 498,701	4	\$ 813,807	6
Non-controlling interests	<u>83,932</u>	<u>2</u>	<u>128,403</u>	<u>2</u>	<u>264,624</u>	<u>2</u>	<u>335,303</u>	<u>2</u>
	<u>\$ 265,688</u>	<u>6</u>	<u>\$ 583,144</u>	<u>11</u>	<u>\$ 763,325</u>	<u>6</u>	<u>\$ 1,149,110</u>	<u>8</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTE TO:								
Owner of the parent	\$ 729,657	15	\$ 996,509	19	\$ 1,049,119	8	\$ 1,944,314	14
Non-controlling interests	<u>166,571</u>	<u>4</u>	<u>188,142</u>	<u>4</u>	<u>327,221</u>	<u>3</u>	<u>495,273</u>	<u>3</u>
	<u>\$ 896,228</u>	<u>19</u>	<u>\$ 1,184,651</u>	<u>23</u>	<u>\$ 1,376,340</u>	<u>11</u>	<u>\$ 2,439,587</u>	<u>17</u>
EARNINGS PER SHARE (Note 26)								
Basic	<u>\$ 0.65</u>		<u>\$ 1.62</u>		<u>\$ 1.79</u>		<u>\$ 2.90</u>	
Diluted	<u>\$ 0.65</u>		<u>\$ 1.60</u>		<u>\$ 1.77</u>		<u>\$ 2.85</u>	

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

(Concluded)

**ASIA OPTICAL CO., INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Parent					Other Equity		Total	Non-controlling Interests	Total Equity
	Capital Stock (Note 22)	Capital Surplus (Note 22 and 27)	Retained Earnings (Notes 22 and 27)			Exchange Differences on Translation of the Financial Statements of Foreign Operations	Treasury Shares (Note 22)			
			Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE AT JANUARY 1, 2022	\$ 2,810,839	\$ 5,399,840	\$ 1,891,790	\$ 830,448	\$ 2,296,940	( \$ 1,079,323 )	\$ -	\$ 12,150,534	\$ 3,741,518	\$ 15,892,052
Appropriation of 2021 earnings										
Legal reserve	-	-	148,823	-	( 148,823 )	-	-	-	-	-
Special reserve	-	-	-	254,672	( 254,672 )	-	-	-	-	-
Cash dividends, NT\$3.70 per share	-	-	-	-	( 1,040,010 )	-	-	( 1,040,010 )	-	( 1,040,010 )
Net income for the nine months ended September 30, 2022	-	-	-	-	813,807	-	-	813,807	335,303	1,149,110
Other comprehensive income for the nine months ended September 30, 2022, net of income tax	-	-	-	-	-	1,130,507	-	1,130,507	159,970	1,290,477
Total comprehensive income for the nine months ended September 30, 2022	-	-	-	-	813,807	1,130,507	-	1,944,314	495,273	2,439,587
Consideration of interests acquired in subsidiaries	-	-	-	-	( 362,905 )	-	-	( 362,905 )	( 1,751,347 )	( 2,114,252 )
Change in ownership interests in subsidiaries	-	358	-	-	-	-	-	358	-	358
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	( 229,613 )	( 229,613 )
BALANCE AT SEPTEMBER 30, 2022	\$ 2,810,839	\$ 5,400,198	\$ 2,040,613	\$ 1,085,120	\$ 1,304,337	\$ 51,184	\$ -	\$ 12,692,291	\$ 2,255,831	\$ 14,948,122
BALANCE AT JANUARY 1, 2023	\$ 2,810,839	\$ 5,400,198	\$ 2,040,613	\$ 1,085,120	\$ 1,452,121	( \$ 276,073 )	( \$ 109,630 )	\$ 12,403,188	\$ 2,294,730	\$ 14,697,918
Appropriation of 2022 earnings										
Legal reserve	-	-	59,869	-	( 59,869 )	-	-	-	-	-
Special reserve	-	-	-	( 803,250 )	803,250	-	-	-	-	-
Cash dividends, NT\$1.90 per share	-	-	-	-	( 530,563 )	-	-	( 530,563 )	-	( 530,563 )
Net income for the nine months ended September 30, 2023	-	-	-	-	498,701	-	-	498,701	264,624	763,325
Other comprehensive income for the nine months ended September 30, 2023, net of income tax	-	-	-	-	-	550,418	-	550,418	62,597	613,015
Total comprehensive income for the nine months ended September 30, 2023	-	-	-	-	498,701	550,418	-	1,049,119	327,221	1,376,340
Cancellation of treasury shares	( 18,400 )	( 34,878 )	-	-	( 56,352 )	-	109,630	-	-	-
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	( 312,240 )	( 312,240 )
BALANCE AT SEPTEMBER 30, 2023	\$ 2,792,439	\$ 5,365,320	\$ 2,100,482	\$ 281,870	\$ 2,107,288	\$ 274,345	\$ -	\$ 12,921,744	\$ 2,309,711	\$ 15,231,455

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

# ASIA OPTICAL CO., INC. AND SUBSIDIARIES

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

	<b>Nine Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 932,233	\$ 1,447,730
Adjustments for:		
Depreciation expense	406,484	397,266
Amortization expense	24,389	15,912
Expected credit loss	23,217	55,441
Loss (gain) on financial assets at fair value through profit or loss, net	( 3,461 )	68,348
Finance costs	1,033	2,776
Interest income	( 228,556 )	( 44,149 )
Dividend income	( 9,242 )	( 25,792 )
Share of profit of associates	( 1,956 )	( 3,268 )
Loss (gain) on disposal of property, plant and equipment, net	5,463	( 624 )
Impairment loss on non-financial assets	11,268	3,627
Gain on foreign currency exchange, net	( 8,670 )	( 17,296 )
Recognition of provisions	23	26
Changes in operating assets and liabilities:		
Notes receivable	( 13,933 )	79,017
Trade receivables	( 318,808 )	642,566
Inventories	147,124	328,212
Other current assets	44,838	( 30,701 )
Other financial assets	42,362	71,676
Contract liabilities	7,220	( 17,781 )
Notes payable	( 3,337 )	( 7,636 )
Trade payables	( 290,281 )	( 778,842 )
Other payables	( 104,102 )	( 350,409 )
Other current liabilities	4,502	( 23,026 )
Net defined benefit liabilities	( 8,107 )	( 6,572 )
Cash generated from operations	659,703	1,806,501
Interest received	228,556	44,149
Interest paid	( 1,033 )	( 2,776 )
Income tax paid	( 193,067 )	( 112,240 )
Net cash generated from operating activities	<u>694,159</u>	<u>1,735,634</u>

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# ASIA OPTICAL CO., INC. AND SUBSIDIARIES

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

	<b>Nine Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at amortized cost	(\$ 86,096)	(\$ 193,718)
Acquisition of financial assets at fair value through profit or loss	-	( 7,378)
Acquisition of property, plant and equipment	( 270,916)	( 268,970)
Proceeds from disposal of property, plant and equipment	5,632	913
Increase in refundable deposits	( 305)	( 65)
Acquisition of intangible assets	( 35,935)	( 10,692)
Decrease in other financial assets	-	37,564
Increase in prepayments for equipment	( 138,041)	( 31,789)
Dividend received	<u>9,242</u>	<u>25,792</u>
Net cash used in investing activities	( <u>516,419</u> )	( <u>448,343</u> )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Acquisition of subsidiary's ownership interests	-	( 2,114,252)
Decrease in guarantee deposits received	( 132)	( 1,163)
Repayment of the principal portion of lease liabilities	( 15,834)	( 15,365)
Dividends paid to owner of the parent	( 530,563)	( 1,040,010)
Change in non-controlling interest	<u>312,240</u>	<u>229,613</u>
Net cash used in financing activities	( <u>858,769</u> )	( <u>3,400,403</u> )
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<u>1,253,926</u>	<u>874,020</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	572,897	( 1,239,092)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<u>9,179,112</u>	<u>10,187,063</u>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<u>\$ 9,752,009</u>	<u>\$ 8,947,971</u>

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

(Concluded)

# ASIA OPTICAL CO., INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022 (In thousands of New Taiwan dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

Asia Optical Co., Inc. (the “Company”) was incorporated in the Republic of China (ROC) in October, 1980 according to the Company Law of the ROC. The Company mainly manufactures, processes and sells cameras, riflescopes, photocopier lens, scanner lens and optical components.

The Company’s shares have been listed on the Taiwan Stock Exchange (TWSE) since August, 2002.

The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) are presented in the Company’s functional currency, the New Taiwan dollar.

### 2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on November 1, 2023.

### 3. APPLICATION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

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

The initial application of amendments to the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group’s accounting policies.

- b. New IFRSs endorsed by the FSC with effective date starting 2024

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

Note 1: Unless stated otherwise, the above New IFRSs are 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: Exemption from certain disclosure requirements when this amendment first applies.

As of the date the consolidated financial statements were authorized for issue, the Group is

continuously assessing the possible impact that the application of the aforementioned standards and interpretations will have on the Group’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

- c. New IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Issued by IASB (Note 1)
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 17 and IFRS 9-Comparative Information”	January 1, 2023
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 2)

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

Note 2: The Amendment shall be applied for annual reporting periods beginning on or after January 1, 2025. When the Amendment first applies, the effect is initially recognized as retained earnings in the first effective dates. When a consolidated company uses non-functional currency, the effect shall be adjusted as exchange differences on translation of foreign operations’ financial statements.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of the aforementioned standards and interpretations will have on the Group’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. The consolidated financial statements do not present all the disclosures required for a complete set of annual consolidated financial statements as required under the IFRSs.

- 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 values and 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 are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which 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. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. 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 Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group'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 Company.

Refer Note 11 to Tables 6 and 7 for the detailed information of subsidiaries (including the percentage of ownership and main business).

d. Other Significant Accounting Policies

1) Defined benefit retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements or other significant one-off events.

2) Income tax expense

Income tax expense represents the sum of the tax currently payable and deferred tax. Income taxes for interim period are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

For more significant accounting policies applied in these consolidated financial statements, please refer to the consolidated financial statements for the year ended December 31, 2022.

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY**

The Group considers the possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis.

For the critical accounting judgments and key sources of estimation and uncertainty applied in these consolidated financial statements, please refer to the consolidated financial statements for the year ended December 31, 2022.

## **6. CASH AND CASH EQUIVALENTS**

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Cash on hand and petty cash	\$ 6,712	\$ 24,186	\$ 27,915
Checking and savings accounts	2,008,061	3,236,089	3,960,341
Cash equivalent (Time deposits with original maturities of less than three months)	<u>7,737,236</u>	<u>5,918,837</u>	<u>4,959,715</u>
	<u>\$ 9,752,009</u>	<u>\$ 9,179,112</u>	<u>\$ 8,947,971</u>
Interest rate intervals of cash in bank (%)	0.001-5.65	0.001-5.17	0.001-3.95

## 7. FINANCIAL ASSETS AT FVTPL - NON-CURRENT

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Unlisted shares			
Pioneer Technology Co., Ltd. (“Pioneer”)	\$ 135,555	\$ 114,641	\$ 105,056
OTO Brite Electronics, Inc. (“OTO Brite”)	36,750	47,752	49,813
Guangdong Xinwei Automobile Technology Co., Ltd (“Guangdong Xinwei”)	4,692	4,603	4,666
B-STORM. CO., LTD. (“B-STORM”)	-	-	2,932
Shisei Datum Ltd. (“Shisei Datum”)	-	-	-
Kotura, Inc. (“Kotura”)	-	-	-
	<u>\$ 176,997</u>	<u>\$ 166,996</u>	<u>\$ 162,467</u>

## 8. FINANCIAL ASSETS AT AMORTIZED COST – CURRENT

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Time deposits with original maturities of more than 3 months	<u>\$ 174,493</u>	<u>\$ 87,131</u>	<u>\$ 267,674</u>
Market rate intervals of time deposits (%)	1.25-1.45	1.35-1.44	0.27-1.55

Refer to Note 31 for information relating to financial assets at amortized cost -current pledged as security.

## 9. TRADE RECEIVABLES FROM UNRELATED PARTIES

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
At amortized cost			
Gross carrying amount	\$ 4,325,053	\$ 3,884,776	\$ 3,956,750
Less: Loss Allowance	( <u>72,941</u> )	( <u>47,854</u> )	( <u>73,403</u> )
	<u>\$ 4,252,112</u>	<u>\$ 3,836,922</u>	<u>\$ 3,883,347</u>

The average credit period of sales of goods is 30 to 240 days. The Group uses other publicly available financial information or its own trading records to rate its major customers. The Group’s exposure and the credit ratings of its counterparties are continuously monitored and reviewed by the management annually.

In order to minimize credit risk, the management of the Company has delegated a team responsible for

determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due days from the invoice date is not further distinguished according to the Group's different customer base.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group 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 following table details the loss allowance of trade receivables:

	<u>Less than 90 days</u>	<u>91 to 120 Days</u>	<u>121 to 150 Days</u>	<u>151 to 180 Days</u>	<u>181 to 210 Days</u>	<u>Over 211 Days</u>	<u>Total</u>
<b>September 30, 2023</b>							
Expected credit loss rate (%)	0-2.8	0-5.56	0-23.91	0-32.63	0-68.80	0-100	
Gross carrying amount	\$3,665,950,	\$ 353,403	\$ 223,369	\$ 40,843	\$ 12,521	\$ 28,967	\$ 4,325,053
Loss allowance (Lifetime ECLs)	( 25,319)	( 6,918)	( 9,537)	( 1,249)	( 6,540)	( 23,378)	( 72,941)
Amortized cost	<u>\$ 3,640,631</u>	<u>\$ 346,485</u>	<u>\$ 213,832</u>	<u>\$ 39,594</u>	<u>\$ 5,981</u>	<u>\$ 5,589</u>	<u>\$ 4,252,112</u>
<b>December 31, 2022</b>							
Expected credit loss rate (%)	0-0.73	0-6.21	0-23.91	0-32.63	0-68.80	0-100	
Gross carrying amount	\$ 3,223,733	\$ 272,888	\$ 94,191	\$ 89,755	\$ 99,821	\$ 104,388	\$ 3,884,776
Loss allowance (Lifetime ECLs)	( 8,147)	( 5,254)	( 5,928)	( 7,180)	( 8,817)	( 12,528)	( 47,854)
Amortized cost	<u>\$ 3,215,586</u>	<u>\$ 267,634</u>	<u>\$ 88,263</u>	<u>\$ 82,575</u>	<u>\$ 91,004</u>	<u>\$ 91,860</u>	<u>\$ 3,836,922</u>
<b>September 30, 2022</b>							
Expected credit loss rate (%)	0-0.56	0-6.24	0-23.91	0-32.63	0-68.80	0-100	
Gross carrying amount	\$ 3,133,499	\$ 331,600	\$ 142,504	\$ 93,259	\$ 76,800	\$ 179,088	\$ 3,956,750
Loss allowance (Lifetime ECLs)	( 7,845)	( 13,922)	( 21,966)	( 6,906)	( 6,083)	( 16,681)	( 73,403)
Amortized cost	<u>\$ 3,125,654</u>	<u>\$ 317,678</u>	<u>\$ 120,538</u>	<u>\$ 86,353</u>	<u>\$ 70,717</u>	<u>\$ 162,407</u>	<u>\$ 3,883,347</u>

The movements of the loss allowance of trade receivables were as follows:

	<b>Nine Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>
Balance at January 1	\$ 47,854	\$ 88,001
Add: Provision	23,217	55,441
Less: Written off	-	( 78,493)
Effect of exchange rate changes	1,870	8,454
Balance at September 30	<u>\$ 72,941</u>	<u>\$ 73,403</u>

## 10. INVENTORIES

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Raw materials	\$ 1,763,323	\$ 2,085,097	\$ 2,537,292
Supplies	43,042	50,139	54,698

Work in process	451,765	506,028	477,685
Finished goods	<u>1,085,813</u>	<u>719,362</u>	<u>743,155</u>
	<u>\$ 3,343,943</u>	<u>\$ 3,360,626</u>	<u>\$ 3,812,830</u>

The nature of the cost of goods sold is as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Cost of inventories sold	\$ 3,826,457	\$ 3,963,190	\$10,638,411	\$11,664,409
Inventory loss from write-down	<u>7,553</u>	<u>10,411</u>	<u>11,268</u>	<u>3,627</u>
	<u>\$ 3,834,010</u>	<u>\$ 3,973,601</u>	<u>\$10,649,679</u>	<u>\$11,668,036</u>

## 11. SUBSIDIARIES

### a. Subsidiaries included in the consolidated financial statements

Investor	Investee	% of Ownership		
		September 30, 2023	December 31, 2022	September 30, 2022
Asia Optical	Asia Optical International Ltd. (“Asia International”)	100	100	100
	Powerlink Electronic International Ltd. (“Powerlink”)	100	100	100
	Richman International Group Co., Ltd. (“Richman”)	100	100	100
	Taiwan Top Optical Co., Ltd. (“Taiwan Top”)	94	94	94
	Asia Tech Image, Inc. (“Asia Tech”)	26	26	26
	Powerlink Electronic International (Cayman) Ltd. (“Powerlink Cayman”)	100	100	100
	Powerlink Electronic International (KY), Ltd. Taiwan Branch. (“Powerlink TWN BR”)	-	100	100
	Asia Optical and Asia International	AOE Optronics Co., Ltd. (“AOE Optronics”)	98	98
Asia Optical, Richman and Asia International	Dong-Guan Tailien Optical Co., Ltd. (“Dong-Guan Tailien”)	90	90	90
Asia International	Dong-Guan Sintai Optical Co., Ltd. (“Dong-Guan Sintai”)	100	100	100
	Shen Zhen Sintai Optical Co., Ltd. (“Shen Zhen Sintai”)	100	100	100
	Sintai Photonics Technology (Shang Hai) Ltd. (“Shang Hai Sintai”)	100	100	100
	Pentax Sintai Holding Co., Limited (“Pentax Sintai”)	45	45	45
	AOI Development Center, Limited (“AOIDC”)	100	100	100

	Myanmar Asia Optical International Co., Ltd. (“Myanmar Asia”)	100	100	100
Richman	Crosszone Limited (“Crosszone”)	100	100	100
Richman and Asia International	Yorkey Optical International (Cayman) Ltd. (“Yorkey Cayman”)	100	100	100
Powerlink	Scopro Optical Co., Ltd. (“Scopro”)	100	100	100
Asia Tech	Asia Image (Samoa) Technology Limited (“Asia Tech Samoa”)	100	100	100
Pentax Sintai	Shen Zhen Pentax Sintai Co., Ltd. (“Shen Zhen Pentax Sintai”)	-	-	-
Asia Tech Samoa	Atii Tech Image (Shen Zhen) Co., Ltd. (“Shen Zhen Atii”)	100	100	100
AOE Optronics	AOE International (Cayman) Limited (AOE Cayman)	100	100	100
AOE Cayman	AOE Optronics (Shen Zhen) Ltd. (“AOE Shen Zhen”)	100	100	100
Powerlink Cayman	Asia Scopro Optics Co., Inc. (Asia Scopro)	100	100	100
	ASAM Industries Inc. (“ASAM”)	100	100	100
Yorkey Cayman	Yorkey Optical Technology Limited (“Yorkey Technology”)	100	100	100
Yorkey Technology	Dong-Guan Yorkey Optical Co., Ltd. (“Dong-Guan Yorkey”)	100	100	100

The dissolution of Pentax Sintai was approved by the board of directors in December 2021; thus, the related income and expenses were excluded from the consolidated statements of comprehensive income. As of September 30, 2023, the process of liquidation has not yet been completed.

In March 2022, Asia International completed the privatization of Yorkey Cayman by way of a scheme of arrangement, and acquired 72.21% of the shares of Yorkey Cayman for \$2,114,252 thousand from other shareholders of Yorkey Cayman. The Group's percentage of ownership increased from 27.79% to 100% and the percentage of the indirect investment in Dong-Guan Yorkey increased to 100%. As equity trading did not result in any loss of control, it shall be handled as an equity transaction, refer to Note 27.

The board of directors of Richman resolved to return capital in the amount of US\$2,500 thousand in April 2022.

The shareholders' meeting of Taiwan Top resolved a capital reduction to offset deficit in June 2022. The base date of capital reduction was on June 16, 2022.

In August 2022, Taiwan Top issued new shares. The Group subscribed for additional new shares of Taiwan Top at a percentage different from its existing ownership percentage, thereby increasing its ownership interest from 92.52 % to 93.62 %.

The board of directors of Asia International resolved to raise the capital of Myanmar Asia through debt for equity swap in the amount of US\$8,326 thousand in October 2022.

The dissolution of Powerlink TWN BR was approved by the board of directors in December 2022. In June 2023, the process of liquidation has been completed.

Restricted by local laws, the Company entrusted others to invest in Scopro, Asia Scopro and ASAM; The Company still has a 100% ownership interest in the subsidiaries mentioned above.



The financial statements for the nine months ended September 30, 2023 and 2022 of Asia International, Asia Tech, Shen Zhen Sintai, Asia Tech Samoa, AOE Optronics, Shen Zhen Atii, Myanmar Asia were reviewed by independent auditors. In addition, the financial statements for the nine months ended September 30, 2022 of Powerlink, Scopro, Powerlink Cayman, Powerlink TWN BR, Asia Scopro, ASAM were reviewed. Other financial statements of non-significant subsidiaries were not reviewed.

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

Name of Subsidiary	Proportion of Ownership and Voting Rights Held by Non-controlling Interests		
	September 30,2023	December 31, 2022	September 30,2022
Asia Tech	74	74	74

Refer to Table 6 and 7 for the information on principal place of business and place of incorporation.

## 12. OTHER CURRENT ASSETS

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Prepayments	\$ 101,773	\$ 123,510	\$ 149,782
Net input VAT	7,937	12,989	9,771
Other	<u>18,806</u>	<u>27,298</u>	<u>24,420</u>
	<u>\$ 128,516</u>	<u>\$ 163,797</u>	<u>\$ 183,973</u>

## 13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investee	<u>September 30, 2023</u>		<u>December 31, 2022</u>		<u>September 30, 2022</u>	
	Carrying Amount	% of Ownership	Carrying Amount	% of Ownership	Carrying Amount	% of Ownership
<u>Unlisted companies</u>						
Dong-Guan Nikon Surveying Instruments Co., Ltd. (Dong-Guan Nikon)	<u>\$ 49,737</u>	40	<u>\$ 46,741</u>	40	<u>\$ 47,726</u>	40

Refer to Table 7 for the nature of activities, principal place of business and country of incorporation of the associate.

Investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have not been reviewed.

## 14. PROPERTY, PLANT AND EQUIPMENT

### Nine Months Ended September 30, 2023

	Balance, January 1	Additions	Decrease	Reclassification	Effect of Exchange Rate Changes	Balance, September 30
<u>Cost</u>						
Land	\$ 310,936	\$ -	\$ -	\$ -	(\$ 2,941)	\$ 307,995
Buildings	2,496,126	2,224	( 276)	708	57,277	2,556,059
Machinery and equipment	7,405,830	112,465	( 188,856)	27,887	212,253	7,569,579
Office equipment	409,733	821	( 496)	-	20,613	430,671
Other equipment	2,400,530	153,248	( 60,392)	95,289	51,035	2,639,710
Construction in progress	<u>1,216</u>	<u>6,503</u>	<u>-</u>	<u>( 1,149)</u>	<u>287</u>	<u>6,857</u>
	<u>13,024,371</u>	<u>\$ 275,261</u>	<u>(\$ 250,020)</u>	<u>\$ 122,735</u>	<u>\$ 338,524</u>	<u>13,510,871</u>
<u>Accumulated depreciation</u>						
Buildings	1,653,905	\$ 69,726	(\$ 276)	\$ -	\$ 38,119	1,761,474
Machinery and equipment	6,485,878	157,994	( 178,178)	-	191,938	6,657,632
Office equipment	341,276	868	( 496)	-	17,233	358,881
Other equipment	<u>1,998,841</u>	<u>127,693</u>	<u>( 59,975)</u>	<u>-</u>	<u>36,133</u>	<u>2,102,692</u>
	<u>10,479,900</u>	<u>\$ 356,281</u>	<u>(\$ 238,925)</u>	<u>\$ -</u>	<u>(\$ 283,423)</u>	<u>10,880,679</u>
	<u>\$ 2,544,471</u>					<u>\$ 2,630,192</u>

### Nine Months Ended September 30, 2022

	Balance, January 1	Additions	Decrease	Reclassification	Effect of Exchange Rate Changes	Balance, September 30
<u>Cost</u>						
Land	\$ 312,067	\$ -	\$ -	\$ -	(\$ 3,597)	\$ 308,470
Buildings	2,401,997	15,043	( 871)	914	122,343	2,539,426
Machinery and equipment	7,051,159	126,591	( 127,123)	27,434	468,908	7,546,969
Office equipment	381,677	1,749	( 1,005)	-	55,459	437,880
Other equipment	2,352,548	120,314	( 129,176)	187	74,341	2,418,214
Construction in progress	<u>1,274</u>	<u>5,068</u>	<u>-</u>	<u>( 1,046)</u>	<u>( 5)</u>	<u>5,291</u>
	<u>12,500,722</u>	<u>\$ 268,765</u>	<u>(\$ 258,175)</u>	<u>\$ 27,489</u>	<u>\$ 717,449</u>	<u>13,256,250</u>
<u>Accumulated depreciation</u>						
Buildings	1,527,503	\$ 69,231	(\$ 871)	\$ -	\$ 67,516	1,663,379
Machinery and equipment	6,123,047	169,283	( 126,890)	( 298)	417,313	6,582,455
Office equipment	326,141	594	( 1,005)	-	47,471	373,201
Other equipment	<u>1,956,054</u>	<u>108,287</u>	<u>( 129,120)</u>	<u>298</u>	<u>64,582</u>	<u>2,000,101</u>
	<u>9,932,745</u>	<u>\$ 347,395</u>	<u>(\$ 257,886)</u>	<u>\$ -</u>	<u>\$ 596,882</u>	<u>10,619,136</u>
	<u>\$ 2,567,977</u>					<u>\$ 2,637,114</u>

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives as follows:

Buildings	
Main buildings	25-50 years
Others	2-20 years
Machinery and equipment	2-12 years
Office equipment	2-8 years
Other equipment	2-35 years

## 15. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>	
<u>Carrying amount</u>				
Land	\$ 248,934	\$ 239,893	\$ 249,510	
Buildings	27,882	41,747	45,981	
Other equipment	<u>777</u>	<u>470</u>	<u>576</u>	
	<u>\$ 277,593</u>	<u>\$ 282,110</u>	<u>\$ 296,067</u>	
	<u>Three Months Ended September 30</u>		<u>Nine Months Ended September 30</u>	
	2023	2022	2023	2022
Additions to right-of use assets				
Land	\$ 2,766	\$ -	\$ 7,350	\$ -
Other equipment	-	-	582	-
Buildings	-	-	-	5,930
	<u>\$ 2,766</u>	<u>\$ -</u>	<u>\$ 7,932</u>	<u>\$ 5,930</u>
Depreciation of right-of-use assets				
Land	\$ 2,741	\$ 2,887	\$ 8,378	\$ 7,956
Buildings	4,629	4,657	13,955	14,062
Other equipment	<u>91</u>	<u>107</u>	<u>275</u>	<u>319</u>
	<u>\$ 7,461</u>	<u>\$ 7,651</u>	<u>\$ 22,608</u>	<u>\$ 22,337</u>

Besides the addition and recognized depreciation expenses, there were no material subleases and impairment loss of the right-of-use assets of the Group for the nine months ended September 30, 2023 and 2022.

### b. Lease liabilities

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
<u>Carrying amount</u>			
Current	\$ 18,770	\$ 18,730	\$ 18,559
Non-current	<u>18,019</u>	<u>25,887</u>	<u>30,230</u>

Range of discount rates for lease liabilities was as follows:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Land	2%	2%	2%
Buildings	1.1%-5%	1.1%-5%	1.5%-5%
Office equipment	2%-4.75%	2%-4.75%	2%-4.75%
Other equipment	1.5%-4.75%	1.5%-4.75%	1.5%-4.75%

### c. Material lease-in activities and terms

The Group leases lands and buildings for the use of plants and offices with lease terms of 2 to 50 years. The lease contracts for land located in the ROC's export processing zone specify that lease payments

will be adjusted in the next month after change in land value prices is announced. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	<b>Three Months Ended September 30</b>		<b>Nine Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Expenses relating to short-term leases	<u>\$ 5,029</u>	<u>\$ 5,232</u>	<u>\$ 14,363</u>	<u>\$ 15,199</u>
Total cash outflow for leases			<u>\$ 31,230</u>	<u>\$ 31,928</u>
Finance costs				
Interest expense from lease liabilities	<u>\$ 323</u>	<u>\$ 428</u>	<u>\$ 1,033</u>	<u>\$ 1,364</u>

## 16. INVESTMENT PROPERTY

	<b>Balance, January 1</b>	<b>Additions</b>	<b>Effect of Exchange Rate Changes</b>	<b>Balance, September 30</b>
<u>Nine Months Ended September 30, 2023</u>				
Cost	\$ 1,141,001	<u>\$ -</u>	<u>\$ 29,561</u>	\$ 1,170,562
Accumulated depreciation	( 774,549 )	( <u>27,595</u> )	( <u>18,517</u> )	( 820,661 )
	<u>\$ 366,452</u>			<u>\$ 349,901</u>
<u>Nine Months Ended September 30, 2022</u>				
Cost	\$ 1,106,970	<u>\$ -</u>	<u>\$ 58,796</u>	\$ 1,165,766
Accumulated depreciation	( 721,633 )	( <u>27,534</u> )	( <u>31,246</u> )	( 780,413 )
	<u>\$ 385,337</u>			<u>\$ 385,353</u>

The investment properties are depreciated using the straight-line method over 20-50 years.

The market for comparable properties is inactive and alternative reliable measurements of fair value are not available; therefore, the Group determined that the fair value of the investment property is not reliably measurable.

## 17. OTHER INTANGIBLE ASSETS

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Computer software	\$ 43,462	\$ 40,685	\$ 41,251
Goodwill	14,883	14,883	14,883
Others	<u>27,160</u>	<u>18,634</u>	<u>12,918</u>
	<u>\$ 85,505</u>	<u>\$ 74,202</u>	<u>\$ 69,052</u>

The computer software is amortized on a straight-line basis over 2 to 10 years.

## 18. OTHER FINANCIAL ASSETS - NON-CURRENT

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Restricted deposits	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,928</u>

The Company repatriated US\$10,000 thousand under The Management, Utilization, and Taxation of Repatriated Offshore Funds Act by National Taxation Bureau, Ministry of Finance and submitted an investment plan to the Ministry of Economic Affairs (MOEA) under the Regulations on Industries Investment from Repatriated Offshore Funds for approval. The Company withdraws the fund for investment according to the schedule of the approved plan. The fund cannot be used for purposes other than those specified. The Company had fully utilized the fund and got the completion certification from MOEA in February, 2023.

## 19. OTHER PAYABLES

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Salaries and bonus	\$ 888,888	\$ 947,663	\$ 742,742
Compensation of employees and remuneration of directors	381,214	321,601	552,023
Payables for consumables, supplies and packing charges	162,650	170,105	157,269
Payables for annual leave	49,264	45,028	31,103
Others	<u>419,977</u>	<u>475,896</u>	<u>620,138</u>
	<u>\$ 1,901,993</u>	<u>\$ 1,960,293</u>	<u>\$ 2,103,275</u>

## 20. PROVISIONS

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Employee benefits (other non-current liabilities)	<u>\$ 2,306</u>	<u>\$ 2,285</u>	<u>\$ 2,277</u>

Employee benefits refer to estimates of certain long-term benefits.

## 21. RETIREMENT BENEFIT PLANS

Relevant pension cost of defined benefit plans recognized for the three months and the nine months ended September 30, 2023 and 2022 were determined by the pension cost rates of actuarial valuation as of December 31, 2022 and 2021, amounting to 496 thousand and 822 thousand; 1,533 thousand and 2,480 thousand, respectively.

## 22. EQUITY

### a. Capital Stock

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Number of shares authorized (in thousands)	313,000	313,000	313,000
Capital authorized	<u>\$ 3,130,000</u>	<u>\$ 3,130,000</u>	<u>\$ 3,130,000</u>
Number of shares issued and fully paid (in thousands)	279,244	281,084	281,084
Capital issued	<u>\$ 2,792,439</u>	<u>\$ 2,810,839</u>	<u>\$ 2,810,839</u>

Each issued common stock with par value of \$10 is entitled the right to vote and receive dividends.

On March 7, 2023, the Company's Board of Directors resolved to cancel 1,840 thousand treasury shares with par value of \$10, amounting to 18,400 thousand and set the same date as the record date of capital reduction approved by the Competent Authority. The changes in capital have completed and registered with the Authority.

### b. Capital surplus

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>			
Additional paid-in capital	\$ 430,838	\$ 433,676	\$ 433,676
From convertible bonds	4,660,886	4,691,598	4,691,598
<u>May be used to offset a deficit only (2)</u>			
From changes in ownership interest of subsidiaries	72,361	72,361	72,361
From interest payable compensation of convertible bonds	74,343	74,833	74,833
Others - share options expired	<u>126,892</u>	<u>127,730</u>	<u>127,730</u>
	<u>\$ 5,365,320</u>	<u>\$ 5,400,198</u>	<u>\$ 5,400,198</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital, limited to a certain percentage of the Company's capital surplus and once a year.
- 2) Such capital surplus arises from the effect of changes in ownership interest in a subsidiary resulted from equity transactions other than actual disposal or acquisition, and/or from the relevant payable

interest compensation and stock options occurred in converting the corporate bonds and not received before expiration time.

c. Retained earnings and dividends policy

According to the amendments to the Articles that were resolved in the shareholders' meeting on June 14, 2022, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, except when the legal reserve equals the Company's total issued capital, and setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of compensation of employees and remuneration of directors, refer to Note 24.

In accordance with Article 240 of Company Act, the dividends and bonuses, capital surplus, or legal reserve can be distributed in the whole or in part by cash in accordance with Article 241 of the Company Act after a resolution has been adopted by a majority of directors present at a meeting of the board of directors attended by two-thirds of the total number of directors; in addition, a report of such distribution shall be submitted to the shareholders' meeting.

Under the Company Law of the ROC and the Company's Articles of Incorporation, in deciding its stock dividend policy, the Company should consider that it is currently expanding and has a great demand for capital. Thus, for a stable dividend policy, the board of directors should take into account the results of operations, financial position and capital demand of the Company when deciding the type of dividends (cash or shares) to be distributed. Total dividends paid should be less than 90% of retained earnings available for appropriation, and the cash dividends must be more than 10% of total dividends paid.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The Company specifies that when the special reserve is allocated from the net deduction of other equity accumulated in the previous period, if the undistributed surplus in the previous period is insufficient for allocation, the after-tax net income plus items other than the after-tax net income of the current period will be added into the undistributed surplus of the current period for the allocation.

The appropriations of earnings for 2022 and 2021 were resolved by the shareholders' meeting in June 2022 and 2021 as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share(NT\$)</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Legal reserve	\$ 59,869	\$ 148,823		
Special reserve	( 803,250 )	254,672		
Cash dividends	530,563	1,040,010	<u>\$ 1.90</u>	<u>\$ 3.70</u>

d. Treasury shares

<b>Purpose of Buy-back</b>	<b>Number of Shares at September 30, 2023</b>	<b>Increase</b>	<b>Decrease</b>	<b>Number of Shares at September 30, 2023</b>
	<b>(In Thousands of Shares)</b>	<b>(In Thousands of Shares)</b>	<b>(In Thousands of Shares)</b>	<b>(In Thousands of Shares)</b>

Maintain the Company's creditworthiness and shareholders' interests

<u>1,840</u>	<u>-</u>	<u>( 1,840)</u>	<u>-</u>
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Under the Securities Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholder's rights on these shares, such as rights to dividends and to vote.

### 23. NET REVENUES

	<b>Three Months Ended September 30</b>		<b>Nine Months Ended September 30</b>	
	2023	2022	2023	2022
Revenues from Contracts with customers				
Sale of goods	<u>\$ 4,715,016</u>	<u>\$ 5,099,719</u>	<u>\$ 13,002,307</u>	<u>\$ 14,462,583</u>

The rate of discount is estimated using the most likely amount, taking into account the Group's accumulated historical experience of discount. The balance of refund liability was as follows:

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Refund liability	<u>\$ 36,951</u>	<u>\$ 36,951</u>	<u>\$ 36,951</u>
a. Contract information			
	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Notes receivable and trade receivables	<u>\$ 4,339,515</u>	<u>\$ 3,908,686</u>	<u>\$ 3,960,955</u>
Contract liabilities			
Sale of goods	<u>\$ 348,791</u>	<u>\$ 339,150</u>	<u>\$ 410,622</u>

b. Disaggregation of revenues

Refer to Note 35 for information about disaggregation of revenues.

	<b>Nine Months Ended September 30</b>	
	2023	2022
<u>Timing of revenue recognition</u>		
Satisfied at a point in time	<u>\$ 13,002,307</u>	<u>\$ 14,462,583</u>

### 24. NET INCOME FROM CONTINUING OPERATIONS

a. Other income

	<b>Three Months Ended September 30</b>		<b>Nine Months Ended September 30</b>	
	2023	2022	2023	2022



Rental income (Note 30)	\$ 6,208	\$ 5,868	\$ 17,991	\$ 17,725
Dividend income	9,242	721	9,242	25,792
Others	<u>22,065</u>	<u>35,007</u>	<u>46,291</u>	<u>123,523</u>
	<u>\$ 37,515</u>	<u>\$ 41,596</u>	<u>\$ 73,524</u>	<u>\$ 167,040</u>

b. Other gains and losses

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2022	2023
Gain (loss) on disposal of property, plant and equipment	\$ 33	\$ -	(\$ 5,463)	\$ 624
Other losses	( <u>382</u> )	( <u>5,173</u> )	( <u>3,016</u> )	( <u>11,341</u> )
	( <u>\$ 349</u> )	( <u>\$ 5,173</u> )	( <u>\$ 8,479</u> )	( <u>\$ 10,717</u> )

c. Employee benefits, depreciation and amortization expenses

	Three Months Ended September 30					
	2023			2022		
	Recognized in Cost of Revenues	Recognized in Operating Expenses	Total	Recognized in Cost of Revenues	Recognized in Operating Expenses	Total
Employee benefits expense						
Salaries and bonuses	\$655,451	\$266,149	\$921,600	\$ 636,014	\$ 336,086	\$ 972,100
Other employee benefits	77,248	38,466	115,714	68,906	29,212	98,118
Post-employment benefits						
Defined contribution plans	41,591	20,077	61,668	42,105	20,427	62,532
Defined benefit plans	174	322	496	404	418	822
Depreciation	97,019	42,920	139,939	93,585	39,658	133,243
Amortization	651	8,144	8,495	516	5,000	5,516

	Nine Months Ended September 30					
	2023			2022		
	Recognized in Cost of Revenues	Recognized in Operating Expenses	Total	Recognized in Cost of Revenues	Recognized in Operating Expenses	Total
Employee benefits expense						
Salaries and bonuses	\$1,852,055	\$837,493	\$2,689,548	\$ 1,951,594	\$ 939,345	\$ 2,890,939
Other employee benefits	229,144	105,986	335,130	193,009	88,627	281,636
Post-employment benefits						
Defined contribution plans	122,701	59,617	182,318	126,765	59,437	186,202
Defined benefit plans	568	965	1,533	1,204	14,276	2,480
Depreciation	282,454	124,030	406,484	281,468	115,798	397,266
Amortization	1,679	22,710	24,389	940	14,972	15,912

d. Compensation of employees and remuneration of directors

According to the Company's Articles of Incorporation, the Company shall accrue compensation of employees and remuneration of directors at rates of 5% to 20% and no higher than 3.5%, respectively, of net income before income tax.

The compensation of employees and remuneration of directors for the three months and nine months ended September 30, 2023 and 2022 respectively, were as follows:

	<b>Three Months Ended September 30</b>			
	<b>2023</b>		<b>2022</b>	
	<b>Accrual Rate</b>	<b>Amount</b>	<b>Accrual Rate</b>	<b>Amount</b>
Compensation of employees	13%	\$ 21,000	15%	\$ 86,177
Remuneration of directors	2%	3,094	2%	11,491
	<b>Nine Months Ended September 30</b>			
	<b>2023</b>		<b>2022</b>	
	<b>Accrual Rate</b>	<b>Amount</b>	<b>Accrual Rate</b>	<b>Amount</b>
Compensation of employees	15%	\$ 96,000	15%	\$ 155,502
Remuneration of directors	2%	12,500	2%	20,734

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate in next year.

The compensation of employees and remuneration of directors for the year ended December 31, 2022 and 2021 were resolved by the board of directors in March 2023 and 2022, respectively, as follows:

	<b>2022</b>		<b>2021</b>	
	<b>Accrual Rate</b>	<b>Amount</b>	<b>Accrual Rate</b>	<b>Amount</b>
	Compensation of employees	15%	\$ 184,013	14%
Remuneration of directors	2%	24,500	2%	37,300

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the accrued amount in the consolidated financial statements for the years ended December 31, 2022 and 2021.

Information on the compensation of employees and remuneration of directors resolved by the Company's Board of Directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 25. INCOME TAX

### a. Income tax expense recognized in profit or loss

	<b>Three Months Ended September 30</b>		<b>Nine Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	Current income tax expense			
Current tax expense				
Recognized in the current period	\$ 35,657	\$ 168,188	\$ 146,089	\$ 312,895
Undistributed retained earnings surcharge	-	4,122	74,898	6,137
Adjustments on prior years	50	(7,054)	(23,807)	(20,416)
	<u>35,707</u>	<u>165,256</u>	<u>197,180</u>	<u>298,616</u>

Deferred income tax expense				
Current tax expense				
Recognized in the current period	( 25,244 )	( 6,756 )	( 28,272 )	4
Income tax expense recognized in profit or loss	<u>\$ 10,463</u>	<u>\$ 158,500</u>	<u>\$ 168,908</u>	<u>\$ 298,120</u>

b. Income tax examination

The income tax returns of the Company, and AOE Optronics through 2021 have been examined by the tax authorities. The income tax returns of Asia Tech and Taiwan Top through 2020 has been examined by the tax authorities.

**26. EARNINGS PER SHARE**

	<b>Net Income (Numerator)</b>	<b>Number of Shares (In Thousands) (Denominator)</b>	<b>Earnings Per Share (In Dollars)</b>
<u>Three months ended September 30, 2023</u>			
Basic EPS			
Net income available to shareholders of the common shares	\$ 181,756	279,244	<u>\$ 0.65</u>
Dilutive effects			
Subsidiaries' compensation of employees	( 287 )	-	
Company's compensation of employees	<u>-</u>	<u>1,524</u>	
Diluted EPS			
Net income available to owners of the parent	<u>\$ 181,469</u>	<u>280,768</u>	<u>\$ 0.65</u>
<u>Three months ended September 30, 2022</u>			
Basic EPS			
Net income available to shareholders of the common shares	\$ 454,741	281,084	<u>\$ 1.62</u>
Dilutive effects			
Subsidiaries' compensation of employees	( 643 )	-	
Company's compensation of employees	<u>-</u>	<u>2,700</u>	
Diluted EPS			
Net income available to owners of the parent	<u>\$ 454,098</u>	<u>283,784</u>	<u>\$ 1.60</u>
<u>Nine months ended September 30, 2023</u>			
Basic EPS			
Net income available to shareholders of the common shares	\$ 498,701	279,244	<u>\$ 1.79</u>
Dilutive effects			
Subsidiaries' compensation of employees	( 1,200 )	-	
Company's compensation of employees	<u>-</u>	<u>2,149</u>	

Diluted EPS			
Net income available to owners of the parent	\$ 497,501	<u>281,393</u>	<u>\$ 1.77</u>
<u>Nine months ended September 30, 2022</u>			
Basic EPS			
Net income available to shareholders of the common shares	\$ 813,807	281,084	<u>\$ 2.90</u>
Dilutive effects			
Subsidiaries' compensation of employees	( 2,187 )	-	
Company's compensation of employees	<u>-</u>	<u>3,744</u>	
Diluted EPS			
Net income available to owners of the parent	\$ 811,620	<u>284,828</u>	<u>\$ 2.85</u>

If the Company offered to settle compensation paid to employees in cash or shares, the Company assumed the entire amount of the compensation will be settled in shares and the resulting potential shares, if dilutive, are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share. 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.

## 27. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

In March 2022, the Group acquired 72.21% of the shares of Yorkey Cayman from other shareholders; thus, the Group's ownership interest in Yorkey Cayman increased from 27.79% to 100%.

### YORKEY CAYMAN

#### Nine months ended September 30, 2022

Cash consideration paid	(\$ 2,114,252)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred from non-controlling interests	<u>1,751,347</u>
Differences recognized from equity transactions	(\$ <u>362,905</u> )
<u>Line items adjusted for equity transactions</u>	
Unappropriated earnings	(\$ <u>362,905</u> )

The Group did not subscribe the shares of Taiwan Top for Cash Capital Increase in August, 2022 by the shareholding ratio, and resulted in the ownership interest increased from 92.52% to 93.62 %.

### TAIWAN TOP

#### Nine months ended September 30, 2022

Cash consideration paid	(\$ 25,324)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred from non-controlling interests	<u>25,682</u>
Differences recognized from equity transactions	<u>\$ 358</u>

### Line items adjusted for equity transactions

Additional paid-in capital	
-from changes in ownership interest of subsidiaries	<u>\$ 358</u>

The above transactions were accounted for as equity transactions, since the Group did not cease to have control over these subsidiaries.

## 28. NON-CASH TRANSACTIONS

For the nine months ended September 30, 2023 and 2022, the Group entered into the following non-cash investing activities:

The Group reclassified prepayments for equipment in the amount of \$122,735 thousand and \$27,489 thousand to property, plant and equipment for the nine months ended September 30, 2023 and 2022, respectively.

## 29. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
<u>September 30, 2023</u>				
Financial assets at FVTPL				
Foreign unlisted shares	\$ -	\$ 140,247	\$ -	\$ 140,247
Domestic unlisted shares	-	36,750	-	36,750
<u>December 31, 2022</u>				
Financial assets at FVTPL				
Foreign unlisted shares	\$ -	\$ 119,244	\$ -	\$ 119,244
Domestic unlisted shares	-	47,752	-	47,752
<u>September 30, 2022</u>				
Financial assets at FVTPL				
Foreign unlisted shares	-	112,654	-	112,654
Domestic unlisted shares	-	49,813	-	49,813

2) Valuation techniques and inputs applied for Level 2 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Unlisted shares	Market approach: using the market transaction price and other relevant information of same or comparable (similar) assets and liabilities, or a group of assets and liabilities (e.g., operation). Income approach: utilizing discounted cash flows to determine the present value of the expected future economic benefits that will be derived from investment.

Asset approach: measuring the fair value of individual assets and liabilities at net asset value.

b. Categories of financial instruments

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
<u>Financial assets</u>			
at amortized cost (note 1)	\$ 14,340,561	\$ 13,288,869	\$ 13,306,184
Financial assets at FVTPL			
Mandatorily at FVTPL	176,997	166,996	162,467
<u>Financial liabilities</u>			
at amortized cost (note 2)	3,828,819	3,272,675	3,522,099

(note 1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, time deposits with original maturity of more than 3 months, notes and trade receivables, other financial assets and refundable deposits and so on.

(note 2) The balances include financial liabilities at amortized cost, which comprise notes and trade payables, other payables and guarantee deposits received and so on.

c. Financial risk management objectives and policies

The Group's major financial instruments included equity, trade receivables, trade payables, borrowings and lease liabilities. The Group's corporate treasury function provides services to the business, coordinates access to financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

There has been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

1) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency-denominated monetary assets and monetary liabilities are shown in Note 33.

Sensitivity analysis

The Group was mainly exposed to the USD, JPY and RMB.

The following table details the Group's sensitivity to a 1% increase and decrease in the New Taiwan dollar (functional currency) against the relevant foreign currencies. 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents

management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. Numbers below indicate the change in pre-tax profit or loss associated with the New Taiwan dollar strengthening 1% against the relevant currency:

	<b>Nine Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>
Profit or loss		
USD impact	\$ 9,687	\$ 28,832
RMB impact	7,287	5,329
JPY impact	2,327	50

In management's opinion, sensitivity analysis was unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period did not reflect the exposure during the period.

## 2) Interest rate risk

The Group was exposed to interest rate risk because the Group's deposits, and lease liabilities are at both fixed and floating interest rates.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Fair value interest rate risk			
Financial assets	\$ 7,911,729	\$ 6,005,968	\$ 5,227,389
Lease liabilities	36,789	44,617	48,789
Cash flow interest rate risk			
Financial assets	1,929,821	3,158,060	3,751,702

### Sensitivity analysis

If interest rates had been 5% basis points higher/lower and all other variables been held constant, the Group's pretax profits for the nine months ended September 30, 2023 and 2022 would have increased/decreased by \$2,485 thousand and \$2,251 thousand, respectively. A 5% basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of counterparties to discharge an obligation and financial guarantees provided by the Group, could arise from:

- a) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and

- b) The maximum amount that may be payable in relation to financial guarantees issued by the Group, regardless of its probability.

The Group adopted a policy of obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. In order to minimize credit risk, management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. In this regard, management believes the Group's credit risk was significantly reduced.

#### Liquidity risk

The Group's operating funds are deemed sufficient to meet the cash flow demand, therefore, liquidity risk is not considered to be significant.

#### Liquidity and interest rate risk tables

The following table details the Group'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 Group can be required to pay. The table includes both interest and principal cash flows. Thus, the Group's bank loans that may be required to pay immediately were listed in the soonest period of the list, regardless of the probability that a bank may request immediate repayments. The maturity dates for other non-derivative financial liabilities were based on the agreed upon repayment dates.

	<b>Less Than 1 Year</b>	<b>1-5 Years</b>	<b>More Than 5 Years</b>	<b>Total</b>
<u>September 30, 2023</u>				
Non-interest bearing payables	\$ 5,140,345	\$ 7,840	\$ -	\$ 5,148,185
Lease liabilities	<u>19,743</u>	<u>18,039</u>	<u>729</u>	<u>38,511</u>
	<u>\$ 5,160,088</u>	<u>\$ 25,879</u>	<u>\$ 729</u>	<u>\$ 5,186,696</u>
<u>December 31, 2022</u>				
Non-interest bearing payables	\$ 4,579,111	\$ 7,856	\$ -	\$ 4,586,967
Lease liabilities	<u>19,979</u>	<u>26,339</u>	<u>742</u>	<u>47,060</u>
	<u>\$ 4,599,090</u>	<u>\$ 34,195</u>	<u>\$ 742</u>	<u>\$ 4,634,027</u>
<u>September 30, 2022</u>				
Non-interest bearing payables	\$ 4,841,291	\$ 6,676	\$ -	\$ 4,847,967
Lease liabilities	<u>19,925</u>	<u>30,293</u>	<u>1,368</u>	<u>51,586</u>
	<u>\$ 4,861,216</u>	<u>\$ 36,969</u>	<u>\$ 1,368</u>	<u>\$ 4,899,553</u>

### **30. RELATED-PARTY TRANSACTIONS**

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.



a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
Dong-Guan Nikon	Associate

b. Trading transactions

<u>Line Item</u>	<u>Related Party Category</u>	<u>Three Months Ended September 30</u>		<u>Nine Months Ended September 30</u>	
		<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Net revenues	Associate	<u>\$ -</u>	<u>\$ 16</u>	<u>\$ 7</u>	<u>\$ 63</u>
Purchases of goods	Associate	<u>\$ 7,253</u>	<u>\$ 8,351</u>	<u>\$ 16,252</u>	<u>\$ 48,489</u>
Rental income	Associate	<u>\$ 493</u>	<u>\$ 501</u>	<u>\$ 1,490</u>	<u>\$ 1,502</u>

Purchases were made at discounted market price to reflect the quantity of goods purchased and relationships between the parties. The payment terms to related parties were not significantly different from those of purchases from third parties.

The rentals were based on the market rentals in the area, and were paid monthly.

c. Receivables from related parties

<u>Line Item</u>	<u>Related Party Category</u>	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Trade Receivables	Associate	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8</u>
Other financial assets-current	Associate	<u>\$ 178</u>	<u>\$ 174</u>	<u>\$ 355</u>

d. Payables to related parties

<u>Line Item</u>	<u>Related Party Category</u>	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Trade payables	Associate	<u>\$ 9,913</u>	<u>\$ 12,276</u>	<u>\$ 10,923</u>

e. Compensation of key management personnel

	<u>Three Months Ended September 30</u>		<u>Nine Months Ended September 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Short-term employee benefits	<u>\$ 47,837</u>	<u>\$ 60,089</u>	<u>\$ 58,368</u>	<u>\$ 68,788</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

### 31. PLEDGED ASSETS

The following assets have been pledged as collateral to meet customs duty and performance guarantee:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Financial assets at amortized cost-current	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>        200</u>

### 32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of the Group were as follows:

- a. As of September 30, 2022, unused letters of credit for purchases of raw materials and machinery and equipment amounted to \$3,098 thousand.
- b. In order to provide for sufficient operating funds, the Company obtained a syndicated loan with a credit line of US\$60,000 thousand with Chinatrust Commercial Bank and the related management group. The Company is required to maintain its current ratio at no less than 100%, debt ratio less than 110%, interest coverage ratio at no less than 4 times and the value of net tangible assets at no less than NT\$12 billion during the contractual period of the loan agreement. The Group has not drawn against the credit line as of September 30, 2023.

### 33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The entities' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

	<u>September 30, 2023</u>			
	<u>Foreign Currency</u>	<u>Exchange Rate</u>		<u>Carrying Amount</u>
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$ 102,950	32.27	(USD:NTD)	\$ 3,322,197
USD	170,491	7.1798	(USD:RMB)	5,501,745
USD	7,178	56.9638	(USD:PHP)	231,634
JPY	1,076,250	0.0481	(JPY:RMB)	232,695
RMB	162,105	0.1393	(RMB:USD)	728,696
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD	199,285	32.27	(USD:NTD)	6,430,927
USD	34,046	7.1798	(USD:RMB)	1,098,664
USD	17,271	56.9638	(USD:PHP)	557,335
	<u>December 31, 2022</u>			
	<u>Foreign Currency</u>	<u>Exchange Rate</u>		<u>Carrying Amount</u>
<u>Financial assets</u>				

<u>Monetary items</u>				
USD	\$	172,939	30.71 (USD:NTD)	\$ 5,310,957
USD		116,804	6.9646 (USD:RMB)	3,587,051
USD		6,198	56.4211 (USD:PHP)	190,341
JPY		773,321	0.0527 (JPY:RMB)	179,701
RMB		105,904	0.1436 (RMB:USD)	467,032

Financial liabilities

<u>Monetary items</u>				
USD		170,235	30.71 (USD:NTD)	5,227,917
USD		30,193	6.9646 (USD:RMB)	927,227
USD		15,512	56.4211 (USD:PHP)	476,374
JPY		455,822	0.0076 (JPY:USD)	106,387

**September 30, 2022**

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>	
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$	148,647	31.75 (USD:NTD)	\$ 4,719,542
USD		155,593	7.0998 (USD:RMB)	4,940,078
USD		7,970	59.4013 (USD:PHP)	253,048
JPY		549,185	0.0490 (JPY:RMB)	120,313
HKD		14,542	0.1274 (JPY:RMB)	58,822
RMB		119,213	0.1408 (RMB:USD)	532,930

Financial liabilities

<u>Monetary items</u>				
USD		166,864	31.75 (USD:NTD)	5,297,932
USD		37,857	7.0998 (USD:RMB)	1,201,960
USD		16,681	59.4013 (USD:PHP)	529,622
JPY		526,237	0.0069 (JPY:USD)	115,285

For three months and nine months ended September 30, 2023 and 2022, realized and unrealized net foreign exchange gain (loss) were a loss of \$146,167 thousand, a gain of \$229,136 thousand, a loss of \$46,690 thousand, and a gain of \$341,623 thousand respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the entities in the Group.

### 34. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others: Table 1.
- 2) Endorsements/guarantees provided: None.
- 3) Marketable securities held (excluding investment in subsidiaries and associates): Table 2.
- 4) Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital: None.

- 5) Acquisition of individual real estate at costs of at least NT \$300 million or 20% of the paid-in capital: None.
  - 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: Table 3.
  - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4.
  - 9) Trading in derivative instruments: None.
  - 10) Intercompany relationships and significant intercompany transactions: Table 5.
- b. Information on investees: Table 6.
- 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, investment income or loss, carrying amount of the investment at the end of the period, repatriation of investment income, and limit on the amount of investment in the mainland China area: Table 7.
  - 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: Table 3.
    - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Table 3.
    - 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: None.
    - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: Table 1.
    - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: Note 30.
- d. Information of major shareholders: list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 8.

### 35. SEGMENT INFORMATION

The analysis of revenue and profits by reportable segments are as below:

- a. Segment revenue and results

	<b>Segment Revenue</b>		<b>Segment Profit (Loss)</b>	
	<b>Nine Months Ended September 30</b>		<b>Nine Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Optical components	\$ 6,825,566	\$ 7,970,495	\$ (55,680)	\$ (108,026)
Contact image sensor modules	2,727,313	3,136,152	321,925	379,042
Optronics components	1,657,166	1,528,865	177,750	78,555
Digital camera	1,385,800	843,987	( 697)	134,945
Optronics products	<u>641,727</u>	<u>1,209,068</u>	<u>112,979</u>	<u>363,340</u>
	<u>\$ 13,237,572</u>	<u>\$ 14,688,567</u>	<u>\$ 556,277</u>	<u>\$ 847,856</u>

b. Reconciliation of segment revenue and segment profit (loss)

1) Segment revenue

	<b>Nine Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>
Reportable segment revenue	\$ 13,237,572	\$ 14,688,567
Eliminated intersegment revenue	<u>(235,265)</u>	<u>(225,984)</u>
Net revenue	<u>\$ 13,002,307</u>	<u>\$ 14,462,583</u>

2) Segment profit (loss)

	<b>Nine Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>
Reportable segment profit	\$ 556,277	\$ 847,856
Allocated general and administrative expenses	124,756	125,747
Other segment profit and loss	( 95)	( 112)
Other income	73,524	167,040
Other gains and losses	( 8,479)	( 10,717)
Financial costs	( 1,033)	( 2,776)
Share of profit of associates	3,461	3,268
Interest income	228,556	44,149
Foreign exchange gain (loss), net	( 46,690)	341,623
Net gain(loss) on fair value of financial assets at FVTPL	<u>1,956</u>	<u>(68,348)</u>
Income before income tax	<u>\$ 932,233</u>	<u>\$ 1,447,730</u>

Segment profit represents the profit earned by each segment without allocation of central administration expenses and directors' compensation, share of profit of associates, interest income, rental income, dividend income, gain or loss on disposal of assets, net exchange gain or loss, valuation gain or loss on financial instruments, interest expense and income tax expense. This is the amount reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

**ASIA OPTICAL CO., INC. AND SUBSIDIARIES**

**FINANCING PROVIDED TO OTHERS  
NINE MONTHS ENDED SEPTEMBER 30, 2023  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Lender	Borrower (Note 2)	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limit (Note 1)
													Item	Value		
1	Shen Zhen Sintai	Shang Hai Sintai	Receivables from related parties	Yes	\$ 178,460 (RMB 39,700)	\$ 169,469 (RMB 37,700)	\$ 169,469 (RMB 37,700)	0.5	Short-term financing	\$ -	For working capital	\$ -	-	\$ -	\$ 1,000,000	\$ 2,000,000
Total						\$ 169,469	\$ 169,469			\$ -		\$ -		\$ -		

Note 1: The lending amount to a company shall not exceed forty percent (40%) of the net worth of the Company, and the aggregate amount for lending shall not exceed fifty percent (50%) of the net worth of the Company. The restriction of these term shall not apply to inter-company loans for funding between 100% owned subsidiaries, and the Group sets an additional rule that the amount available for lending purpose between 100% owned subsidiaries shall be (a) no more than NT\$1 billion for the individual financier and (b) no more than NT\$2 billion in total.

Note 2: Intercompany accounts and transactions have been eliminated.

**ASIA OPTICAL CO., INC. AND SUBSIDIARIES**

**MARKETABLE SECURITIES HELD**

September 30, 2023

(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	September 30, 2023			
				Shares/Units	Carrying Amount	Percentage of Ownership	Fair Value
Asia Optical	<u>Shares</u> OTO Brite	None	Financial assets at FVTPL - non-current	2,902,846	\$ 36,750	9	\$ 36,750
Asia International	<u>Equity</u> Pioneer	None	Financial assets at FVTPL - non-current	-	135,555	12	135,555
	B-STORM	None	Financial assets at FVTPL - non-current	1,760	-	49	-
	Shisei Datum	None	Financial assets at FVTPL - non-current	2,718	-	29	-
Shen Zhen Sintai	<u>Equity</u> Guangdong Xinwei	None	Financial assets at FVTPL - non-current	-	4,692	38	4,692
Powerlink	<u>Shares</u> Kotura	None	Financial assets at FVTPL - non-current	1,000	-	1	-

ASIA OPTICAL CO., INC. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
 NINE MONTHS ENDED SEPTEMBER 30, 2023  
 (In Thousands of New Taiwan Dollars)

Purchaser or Seller	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable or (Payable)		Note
			Purchases / Sales	Amount	%	Payment Terms	Unit Price	Payment Terms	Ending Balance	%	
Asia Optical	Shen Zhen Sintai	Note 1	Purchases	\$ 745,318	26	30-180 days	-	-	(\$ 584,520)	(12)	Note 2
	Dong-Guan Sintai	Note 1	Purchases	289,474	10	30-180 days	-	-	( 295,182)	( 6)	Note 2
	Dong-Guan Tailien	Note 1	Purchases	183,296	6	30-180 days	-	-	( 296,213)	( 6)	Note 2
	Scopro	Note 1	Sales	( 109,326)	( 3)	30-180 days	-	-	96,406	10	Note 2
	Scopro	Note 1	Purchase	197,172	7	30-180 days	-	-	( 123,256)	( 3)	Note 2
	Myanmar Asia	Note 1	Purchases	313,861	11	30-180 days	-	-	( 275,302)	( 6)	Note 2
Asia International	Shen Zhen Sintai	Note 1	Purchases	440,717	7	30-180 days	-	-	( 1,313,806)	( 57)	Note 2
	Myanmar Asia	Note 1	Purchases	504,307	8	30-180 days	-	-	-	-	Note 2
Asia Tech	Asia Tech Samoa	Note 1	Purchases	2,164,003	100	30-180 days	-	-	( 1,618,519)	(99)	Note 2
Asia Tech Samoa	Asia Tech	Note 1	Sales	( 2,164,003)	(100)	30-180 days	-	-	1,618,519	100	Note 2
	Shen Zhen Atii	Note 1	Purchases	1,292,633	61	30-180 days	-	-	( 1,284,457)	(71)	Note 2
Shen Zhen Atii	Asia Tech Samoa	Note 1	Sales	(1,292,633)	( 87)	30-180 days	-	-	1,284,457	99	Note 2
AOE Shen Zhen	Shen Zhen Sintai	Note 1	Purchases	236,431	18	30-180 days	-	-	( 96,727)	( 12)	Note 2
	AOE Cayman	Note 1	Sales	(725,070)	( 35)	30-180 days	-	-	55,338	7	Note 2
	AOE Cayman	Note 1	Purchases	230,446	17	30-180 days	-	-	( 115,116)	( 14)	Note 2
	AOE Cayman	Note 1	Sales	(230,446)	( 24)	30-180 days	-	-	141,118	33	Note 2
AOE Cayman	AOE Shen Zhen	Note 1	Purchases	725,070	75	30-180 days	-	-	( 55,338)	( 15)	Note 2
	AOE Optronics	Note 1	Sales	( 699,494)	( 72)	30-180 days	-	-	286,987	67	Note 2
	AOE Optronics	Note 1	Purchases	699,494	84	30-180 days	-	-	(285,008)	( 70)	Note 2
Dong-Guan Sintai	Asia Optical	Note 1	Sales	( 289,474)	( 93)	30-180 days	-	-	297,298	98	Note 2
Dong-Guan Tailien	Asia Optical	Note 1	Sales	( 183,296)	( 32)	30-180 days	-	-	300,816	54	Note 2
Shen Zhen Sintai	Asia International	Note 1	Sales	( 440,717)	( 19)	30-180 days	-	-	1,557,835	60	Note 2
	Asia Optical	Note 1	Sales	( 745,318)	( 32)	30-180 days	-	-	587,975	22	Note 2
	AOE Shen Zhen	Note 1	Sales	( 236,431)	( 10)	30-180 days	-	-	151,420	6	Note 2
Myanmar Asia	Asia International	Note 1	Sales	( 504,307)	( 62)	30-180 days	-	-	-	-	Note 2
	Asia Optical	Note 1	Sales	( 313,861)	( 38)	30-180 days	-	-	281,399	100	Note 2
Doan-Guan Yorkey	Yorkey Technology	Note 1	Sales	( 956,101)	( 61)	30-180 days	-	-	1,651,809	87	Note 2
Yorkey Technology	Dong-Guan Yorkey	Note 1	Purchases	956,101	87	30-180 days	-	-	(1,651,809)	( 97)	Note 2
Scopro	Asia Optical	Note 1	Sales	( 197,172)	(100)	30-180 days	-	-	122,662	100	Note 2
	Asia Optical	Note 1	Purchases	109,326	80	30-180 days	-	-	( 93,257)	( 28)	Note 2

Note 1: Refer to Note 11 to the consolidated financial statements.

Note 2: Intercompany accounts and transactions have been eliminated.



## ASIA OPTICAL CO., INC. AND SUBSIDIARIES

## RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

September 30, 2023

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
Asia International	Myanmar Asia	Subsidiary of Asia International	\$ 2,491,634	Note 1	\$ -	-	-	\$ -
	AOE Cayman	Affiliate	266,177	Note 1	-	-	-	-
	Asia Optical	Parent company of Asia International	3,024,619	Note 1	-	-	267,213	-
	Dong-Guan Tailien	Affiliate	325,613	Note 1	-	-	-	-
AOE Cayman	AOE Shen Zhen	Subsidiary of AOE Cayman	141,118	Note 1	-	-	51,004	-
	AOE Shen Zhen	Subsidiary of AOE Cayman	939,897	Note 1	-	-	-	-
	AOE Optronics	Parent company of AOE Cayman	286,987	Note 1	-	-	64,532	-
Dong-Guan Sintai	Asia Optical	Parent company of Asia International	297,298	Note 1	-	-	29,303	-
Dong-Guan Tailien	Asia Optical	Parent company of Asia International	300,816	Note 1	-	-	23,559	-
Shen Zhen Sintai	Asia International	Parent company of Shen Zhen Sintai	1,557,835	Note 1	-	-	12,376	-
	Shang Hai Sintai	Affiliate	172,321	Note 1	-	-	-	-
	Asia Optical	Parent company of Asia International	587,975	Note 1	-	-	-	-
	AOE Shen Zhen	Subsidiary of AOE Cayman	151,420	Note 1	-	-	-	-
Myanmar Asia	Asia Optical	Parent company of Asia International	281,399	Note 1	-	-	7,826	-
Powerlink Cayman	Scopro	Affiliate	223,839	Note 1	-	-	-	-
	Asia Scopro	Parent company of Asia Scopro	167,754	Note 1	-	-	-	-
Asia Tech Samoa	Asia Tech	Parent company of Asia Tech Samoa	1,618,519	Note 1	-	-	170,275	-
Shen Zhen Atii	Asia Tech Samoa	Parent company of Shen Zhen Atii	1,284,457	Note 1	-	-	15,097	-
Dong-Guan Yorkey	Yorkey Technology	Parent company of Dong-Guan Yorkey	1,651,809	Note 1	-	-	72,293	-
Scopro	Asia Optical	Affiliate	122,662	Note 1	-	-	-	-

Note 1: The receivables resulted from purchases of materials and property, plant, and equipment on behalf of Asia International and loan transaction; thus, turnover analysis was not suitable.

Note 2: Intercompany accounts and transactions have been eliminated.

TABLE 5

## ASIA OPTICAL CO., INC. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS  
 NINE MONTHS ENDED SEPTEMBER 30, 2023  
 (In Thousands of New Taiwan Dollars)

Number	Investee Company	Counterparty	Relationship (Note 1)	Transaction In Details			
				Financial Statement Accounts	Amount (Note 3)	Payment Terms	% to Total Sales or Assets (Note 2)
0	Asia Optical	Asia International	1	Trade payables	\$ 2,913,961	30-180 days	14
				Other payables	119,454	-	1
		Dong-Guan Tailien	1	Purchases	183,296	30-180 days	1
				Trade payables	296,213	30-180 days	1
		Dong-Guan Sintai	1	Purchases	289,474	30-180 days	2
				Trade payables	295,182	-	1
		Shen Zhen Sintai	1	Purchases	745,318	30-180 days	6
				Trade payables	584,520	-	3
		Myanmar Asia	1	Purchases	313,861	30-180 days	2
				Trade payables	275,302	-	1
Scopro	1	Sales	109,326	30-180 days	1		
		Purchases	197,172	30-180 days	2		
		Other payables	123,256	30-180 days	1		
Asia Scopro	1	Purchases	82,544	30-180 days	1		
1	Asia International	Dong-Guan Tailien	2	Trade receivables	325,613	30-180 days	2
				Purchases	440,717	30-180 days	3
		Shen Zhen Sintai	2	Trade payables	1,313,806	30-180 days	6
				Other payables	244,029	30-180 days	1
		Myanmar Asia	2	Purchases	504,307	30-180 days	4
				Trade receivables	2,491,634	30-180 days	12
		AOIDC	2	Professional service	65,381	30-180 days	1
AOE Cayman	2	Trade receivables	266,177	30-180 days	1		
2	AOE Optronics	AOE Cayman	2	Purchases	699,494	30-180 days	5
				Trade payables	285,008	30-180 days	1
3	Asia Tech	Asia Tech Samoa	2	Purchases	2,164,003	30-180 days	17
				Trade payables	1,618,519	30-180 days	8
4	Asia Tech Samoa	Shen Zhen Atii	2	Purchases	1,292,633	30-180 days	10
				Trade payables	1,284,457	30-180 days	6
5	AOE Cayman	AOE Shen Zhen	2	Sales	230,446	30-180 days	2
				Purchases	725,070	30-180 days	6
				Other financial assets - current	939,897	-	4
				Trade receivables	141,118	30-180 days	1

(Continued)

Number	Company Name	Counter-party	Relationship (Note 1)	Transaction In Details			
				Financial Statement Accounts	Amount (Note 3)	Payment Terms	% to Total Sales or Assets (Note 2)
6	Shen Zhen Sintai	Shang Hai Sintai AOE Shen Zhen	2	Other financial assets - current	\$ 172,321	-	1
			2	Sales	236,431	30-180 days	2
				Trade receivables	151,420	30-180 days	1
7	Powerlink Cayman	Scopro Asia Scopro	2	Trade receivables	223,839	30-180 days	1
			2	Trade receivables	167,754	30-180 days	1
8	Yorkey Technology	Dong-Guan Yorkey	2	Purchases	956,101	30-180 days	7
				Trade payables	1,651,809	30-180 days	8

(Concluded)

Note 1: 1. From the parent company to the subsidiary.

2. From the subsidiary to the subsidiary.

Note 2: The percentage of transactions to consolidated assets and liabilities items are calculated at the balance as of the end of reporting period; income and expense items are calculated at the accumulated amount of consolidated sales.

Note 3: Intercompany accounts and transactions have been eliminated.

## ASIA OPTICAL CO., INC. AND SUBSIDIARIES

INFORMATION ON INVESTEEES  
 NINE MONTHS ENDED SEPTEMBER 30, 2023  
 (In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of September 30, 2023			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				September 30, 2023	December 31, 2022	Shares	Percentage of Ownership	Carrying Value			
Asia Optical	Asia International	British Virgin Islands	Sale of riflescopes, lenses and optical components	\$ 2,701,520	\$ 2,701,520	15,686,000	100	\$ 12,373,308	\$ 456,549	\$ 456,549	Subsidiary
	Powerlink Cayman	Cayman Islands	Trading company	44,392	44,392	1,500,000	100	828,872	(4,052)	(4,052)	Subsidiary
	Asia Tech	New Taipei	Sale of precision instruments and image sensors	231,753	231,753	19,027,964	26	819,770	349,961	91,895	Subsidiary
	Powerlink	British Virgin Islands	Sale of riflescopes, telescopes, lenses and optical components	14,000	14,000	50,000	100	(102,615)	(21,360)	(21,360)	Subsidiary
	Richman	British Virgin Islands	Holding company	99,520	99,520	2,566,000	100	145,721	20,256	20,256	Subsidiary
	AOE Optronics	Taichung	Design, manufacture and sale of cell phone related products	1,921,610	1,921,610	19,065,843	95	637,614	(37,550)	(35,670)	Subsidiary
	Taiwan Top	Changhua	Manufacture and sale of cameras, copy machines, printers and facsimile machines	588,105	588,105	8,248,348	94	138,718	(3,210)	(3,005)	Subsidiary
Asia International	Yorkey Cayman	Cayman Islands	Holding company	2,663,778	2,663,778	776,346,000	95	1,548,288	249,712	237,161	Indirect Subsidiary
	Pentax Sintai	Hong Kong	Trading company	42,557	42,557	9,360,000	45	-	-	-	Note
	AOE Optronics	Taichung	Design, manufacture and sale of cell phone related products	298,179	298,179	506,880	3	16,953	(37,550)	(954)	Subsidiary
	AOIDC	Japan	Development and technology services	22,071	22,071	100	100	27,719	471	471	Indirect Subsidiary
	Myanmar Asia	Myanmar Yangon	Manufacture of lens and related products	634,082	634,082	1,998,572	100	(1,456,962)	211,474	211,474	Indirect subsidiary
Powerlink Cayman	Asia Scopro	Philippines Calamba	Manufacture and trade of riflescopes, lenses and optical component	17,043	17,043	241,000	100	(58,616)	(14,109)	(14,109)	Indirect subsidiary
	ASAM	Philippines Calamba	Anode processing factory	9,690	9,690	150,000	100	47,407	899	899	Indirect subsidiary
Asia Tech	Asia Tech Samoa	Samoa	Sale of precision instruments and image sensors	845,520	845,520	18,662,310	100	2,818,495	49,680	49,680	Indirect Subsidiary
Powerlink	Scopro	Philippines Manila	Manufacture and trade of riflescopes, lenses and optical components	5,119	5,119	4,000,000	100	(112,070)	(20,843)	(20,843)	Indirect subsidiary
Richman	Yorkey Cayman	Cayman Islands	Holding company	291,289	291,289	40,000,000	5	79,651	249,712	12,236	Indirect Subsidiary
	Crosszone	British Virgin Islands	Trading company	1,568	1,568	50,000	100	(2,951)	(200)	(200)	Indirect subsidiary
AOE Optronics	AOE Cayman	Cayman Islands	Sale of cell phone related products	1,311,447	1,311,447	44,176,066	100	605,937	(13,556)	(13,556)	Indirect subsidiary
Yorkey Cayman	Yorkey Technology	Samoa	Trading company	2,560,518	2,560,518	550,001	100	581,870	240,022	240,022	Indirect subsidiary

Note: The dissolution was approved by the board of directors. Refer to Note 11 to the consolidated financial statements.

## ASIA OPTICAL CO., INC. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
NINE MONTHS ENDED SEPTEMBER 30, 2023  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2023	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of September 30, 2023	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of September 30, 2023	Accumulated Repatriation of Investment Income as of September 30, 2023
					Outward	Inward						
Shen Zhen Sintai	Manufacture of laser printers, cameras, scanners and plastic products	US\$ 38,000	(2)	\$ 1,270,274 (US\$ 38,000)	\$ -	\$ -	\$ 1,270,274 (US\$ 38,000)	\$ 72,225	100	\$ 72,225	\$ 3,189,250	\$ -
Dong-Guan Sintai	Manufacture of optical components and finished products	US\$ 16,600	(2)	1,234,670 (US\$ 35,937)	-	-	1,234,670 (US\$ 35,937)	(16,403)	100	(16,403)	452,812	454,587 (US\$ 14,000)
Shen Zhen Atii	Manufacture and sale of image sensor	US\$ 10,000	(2)	170,256 (US\$ 5,400)	-	-	170,256 (US\$ 5,400)	42,924	26	11,298	473,212	-
Shang Hai Sintai	Manufacture and sale of parts of DV and DSC	US\$ 34,000	(2)	1,098,606 (US\$ 34,000)	-	-	1,098,606 (US\$ 34,000)	(11,685)	100	(11,685)	74,914	-
Xingfung Sintai	Manufacture and sale of DVD players, DVD pickup heads and parts	US\$ 29,137	(2)	145,656 (US\$ 4,200)	-	-	145,656 (US\$ 4,200)	-	12	-	135,555	82,859 (US\$ 2,868)
Dong-Guan Tailien	Manufacture and processing of cameras and parts	US\$ 3,160	(2)	123,440 (US\$ 4,000)	-	-	123,440 (US\$ 4,000)	72,188	61	44,1115	153,100	84,435 (US\$ 2,751)
			(3)	11,163 (US\$ 420)	-	-	11,163 (US\$ 420)	72,188	17	12,337	42,703	39,546 (US\$ 1,255)
			(2)	22,614 (US\$ 700)	-	-	22,614 (US\$ 700)	72,188	12	8,314	28,775	18,812 (US\$ 589)
Dong-Guan Yorkey	Manufacture of plastic and metallic parts, molds and cases of optical and optronics products	US\$ 20,680	(2)	291,289 (US\$ 9,079)	-	-	291,289 (US\$ 9,079)	162,101	5	7,943	84,814	-
			(2)	2,663,778 (US\$ 93,994)	-	-	2,663,778 (US\$ 93,994)	162,101	95	153,843	1,648,501	-
Dong-Guan Nikon	Research and manufacture of equipment for electronic use	US\$ 2,000	(2)	27,772 (US\$ 800)	-	-	27,772 (US\$ 800)	4,890	40	1,956	49,737	-
AOE Shen Zhen	Manufacture of cell phone related products	US\$ 12,000	(2)	360,186 (US\$ 12,000)	-	-	360,186 (US\$ 12,000)	(11,645)	95	(10,943)	(386,790)	-
Guangdong Xinwei	Manufacture of car parts	RMB\$ 9,100	(2)	-	-	-	-	(11,645)	3	2,196	(12,044)	-
				-	-	-	-	-	38	-	4,692	-

Accumulated Outward Remittance for Investment in Mainland China as of SEPTEMBER 30, 2022	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by the Investment Commission, MOEA
\$ 7,791,858 ( US\$ 235,131 )	\$ 10,280,622 ( US\$ 328,042 )	(Note 3)

Note 1: The investments were made as follows:

- (1) The investment was made directly by a subsidiary located in mainland China.
- (2) The investment was made through a corporation established in a third country, which, in turn, invested in companies located in mainland China (refer to Note 11 to the accompanying consolidated financial statements; in addition, Asia International is the investor of Pioneer and Dong-Guan Nikon).
- (3) Others

Note 2: Investment gain (loss) was recognized based on the financial un-reviewed statements except for Shen Zhen Sintai, Shen Zhen Atii, and AOE Shen Zhen.

Note 3: Under the "Regulations for the Screening of Applications to Engage in Technical Cooperation in Mainland China" issued by the Investment Commission of the Ministry of Economic Affairs on August 29, 2008, the amount of investment in mainland China has no limit since the parent company, Asia Optical Co., Inc. had acquired the approval by the Industrial Development Bureau to establish operating headquarters in Taiwan.

**ASIA OPTICAL CO., INC. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS****September 30, 2023**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Tsih-Mei Industrial Co., Ltd.	34,665,440	12.41%

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.