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APOGEE OPTOCOM CO., LTD.

PARENT COMPANY ONLY FINANCIAL STATEMENTS

WITH REPORT OF INDEPENDENT AUDITORS

FOR THE YEARS ENDED 31 DECEMBER 2024 AND 2023

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The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

Independent Auditors' Report Translated from Chinese

To APOGEE OPTOCOM CO., LTD.

Opinion

We have audited the accompanying parent company only balance sheets of APOGEE OPTOCOM CO., LTD. (the "Company") as of 31 December 2024 and 2023, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2024 and 2023, and notes to the parent company only financial statements, including the summary of significant accounting policies (together "the parent company only financial statements").

In our opinion, the parent company only financial statements referred to above present fairly, in all material respects, the parent company only financial position of the Company as of 31 December 2024 and 2023, and its financial performance and cash flows for the years ended 31 December 2024 and 2023, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2024 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

The main business of the Company is to produce and sell film filters. For the year ended 31 December 2024, the Company recognized revenue in the amount of NT$329,551 thousand. The Company recognized revenue when promised products are transferred to customers and meet performance obligations. As the product contracts contain different transaction terms, which may cause the income to be recognized at an inappropriate time, we determined this a key audit matter.

Our audit procedures included, but were not limited to, assessing and testing the effectiveness of the internal control design and execution regarding timing of meeting performance obligation in the sales cycle. This includes selecting samples to test the details of sales transactions; checking the significant terms of the contract and checking the original sales orders, invoices, export declarations, signed receipts from customer; performing cut-off testing for a period before and after the balance sheet date by tracking to relevant supporting documents to verify that revenue have been recognized in correct periods, and review whether there was significant sales returns after the balance sheet date.

We also assessed the adequacy of disclosures of operating revenues. Please refer to Note VI to the parent company only financial statements.

Valuation for slow-moving inventories

As of 31 December 2024, the Company's net inventories amounted to NT$86,079 thousand, which accounted for 8% of total parent company only asset, which is significant for the parent company only financial statements. Since the inventory are mainly customized orders of optical communication coating products, and the evaluation of allowances for sluggish or obsolete inventories involves significant management judgment, we determined this as a key audit matter.

Our audit procedures included, but not limited to, assessing and testing the effectiveness of the internal control design and execution regarding provisioning policy of obsolescence inventory, including observing the physical count to confirm whether the inventory is slow-moving, evaluating the adequacy of management's provisioning policy of obsolescence loss, testing the accuracy of inventory aging on a sampling basis, analyzing the changes in inventory aging and assessing the inventory that needed to be individually provisioned for slow-moving losses; and recalculating allowance for inventory valuation loss, to ensure that the valuation for slow-moving inventories followed the Company's accounting policies.

We also assessed the adequacy of disclosures of inventories. Please refer to Notes V and VI to the parent company only financial statements.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

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

In preparing the parent company only financial statements, management is responsible for assessing the ability to continue as a going concern of the Company, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company.

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misrepresentation can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the accompanying notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2024 parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young, Taiwan

<u>Yao, Shih-Chieh</u>

<u>Hu, Tzu-Ren</u>

11 March 2025

Notice to Readers：

The accompanying consolidated financial statements are intended only to present the financial position, results of operations 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 accepted and applied in the Republic of China.

Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or Standards on Auditing of the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Financial Statements Originally Issued in Chinese

APOGEE OPTOCOM CO., LTD.

PARENT COMPANY ONLY BALANCE SHEETS

As of 31 December 2024 and 2023

(Expressed in thousands of New Taiwan Dollars)

ASSETS	Notes	31 Dec. 2024	31 Dec. 2023
Current assets			
Cash and cash equivalents	IV/VI.1	$217,254	$205,456
Financial assets measured at amortized cost, current	IV/VI.4	300,000	306,442
Current contract assets	IV	263	1,756
Notes receivable, net	IV/VI.5	-	159
Accounts receivable, net	IV/VI.6	99,016	108,155
Current tax assets	IV	14,920	13,876
Inventories, net	IV/VI.7	86,079	120,485
Other current assets		14,619	27,421
Total current assets		732,151	783,750
Non-current assets			
Financial assets measured at fair value through other comprehensive income, non-current	IV/VI.3	5,674	6,073
Property, plant and equipment	IV/VI.9	236,448	349,295
Right-of-use assets	IV/VI.16	21,283	30,701
Deferred tax assets	IV/VI.20	59,473	57,445
Other non-current assets		2,130	9,479
Total non-current assets		325,008	452,993
Total assets		$1,057,159	$1,236,743

(The accompanying notes are an integral part of the parent company only financial statements.)

English Translation of Financial Statements Originally Issued in Chinese
APOGEE OPTOCOM CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
As of 31 December 2024 and 2023
(Expressed in Thousands of New Taiwan Dollars)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	31 Dec. 2024	31 Dec. 2023
Current liabilities			
Financial liabilities measured at fair value through profit or loss, current	IV/VI.2	$25	$-
Notes payables	IV	24	384
Accounts payable	IV	16,724	18,715
Other payables	IV/VI.11	53,125	62,718
Lease liabilities, current	IV/VI.16	9,552	9,407
Other current liabilities		400	1,019
Total current liabilities		79,850	92,243
Non-current liabilities			
Deferred tax liabilities	IV/VI.20	113	-
Lease liabilities, non-current	IV/VI.16	12,400	21,952
Other non-current liabilities		260	260
Credit balance of investments accounted for using equity method	IV/VI.8	6,974	7,130
Total non-current liabilities		19,747	29,342
Total liabilities		99,597	121,585
Equity attributable to the parent company	VI.13		
Ordinary share		385,090	385,090
Capital surplus		673,187	692,441
Retained earnings			
Legal reserve		40,552	94,635
Special reserve		25,403	25,403
Unappropriated retained earnings		(137,943)	(54,083)
Total retained earnings		(71,988)	65,955
Other equity		(28,727)	(28,328)
Total equity		957,562	1,115,158
Total liabilities and equity		$1,057,159	$1,236,743

(The accompanying notes are an integral part of the parent company only financial statements.)

English Translation of Financial Statements Originally Issued in Chinese

APOGEE OPTOCOM CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF COMPERHENSIVE INCOME

For the Years Ended 31 December 2024 and 2023

(Expressed in thousands of New Taiwan Dollars)

ITEMS	Notes	For the year ended 31 December	
		2024	2023
Operating revenue	IV/VI.14	$329,551	$362,789
Operating costs	IV/VI.7,12,17/VII	(327,350)	(330,408)
Gross profit		2,201	32,381
Operating expenses	IV/VI.12,15,17/VII		
Sales and marketing expenses		(14,429)	(14,895)
General and administrative expenses		(64,390)	(66,630)
Research and development expenses		(96,518)	(97,112)
Expected credit gain (losses)		1,155	(1,272)
Total operating expenses		(174,182)	(179,909)
Operating losses		(171,981)	(147,528)
Non-operating income and expenses	IV/VI.8,18		
Other income		13,507	14,124
Other gains and losses		18,790	(2,049)
Finance costs		(484)	(656)
Share of accounted for equity method loss of associates and joint ventures		156	(125)
Total non-operating income and expenses		31,969	11,294
Losses from continuing operations before income tax		(140,012)	(136,234)
Income tax profit	IV/VI.20	2,069	32,879
Net losses		(137,943)	(103,355)
Other comprehensive income (losses)	IV/VI.19		
Items that will not be reclassified subsequently to profit or loss			
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income		(399)	(2,925)
Total other comprehensive income, net of tax		(399)	(2,925)
Total comprehensive income		$(138,342)	$(106,280)
Losses per share (NTD)			
Losses per share-basic	IV/VI.21	$(3.58)	$(2.68)
Losses per share-diluted		$(3.58)	$(2.68)

(The accompanying notes are an integral part of the parent company only financial statements.)

English Translation of Financial Statements Originally Issued in Chinese

APOGEE OPTOCOM CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the Years Ended 31 December 2024 and 2023

(Expressed in thousands of New Taiwan Dollars)

ITEMS	Equity attributable to the parent company						Total equity
			Retained earnings			Other Equity interest	
	Ordinary share	Capital surplus	Legal Reserve	Special Reserve	Unappropriated retained earnings	Unrealized Gains (Losses) on Financial Assets Measured at Fair Value Through Other Comprehensive Income	
Balance as of 1 January 2023	$385,090	$692,441	$85,678	$24,880	$135,770	$(25,403)	$1,298,456
Legal reserve	-	-	8,957	-	(8,957)	-	-
Special reserve	-	-	-	523	(523)	-	-
Cash dividends	-	-	-	-	(77,018)	-	(77,018)
Net losses for the year ended 31 December 2023	-	-	-	-	(103,355)	-	(103,355)
Other comprehensive income (losses) for the year ended 31 December 2023	-	-	-	-	-	(2,925)	(2,925)
Total comprehensive income	-	-	-	-	(103,355)	(2,925)	(106,280)
Balance as of 31 December 2023	$385,090	$692,441	$94,635	$25,403	$(54,083)	$(28,328)	$1,115,158
Balance as of 1 January 2024	$385,090	$692,441	$94,635	$25,403	$(54,083)	$(28,328)	$1,115,158
Legal reserve used to offset accumulated deficits	-	-	(54,083)	-	54,083	-	-
Cash distributions from capital surplus	-	(19,524)	-	-	-	-	(19,524)
Net losses for the year ended 31 December 2024	-	-	-	-	(137,943)	-	(137,943)
Other comprehensive income for the year ended 31 December 2024	-	-	-	-	-	(399)	(399)
Total comprehensive income	-	-	-	-	(137,943)	(399)	(138,342)
Balance as of 31 December 2024	$385,090	$673,187	$40,552	$25,403	$(137,943)	$(28,727)	$957,562

(The accompanying notes are an integral part of the parent company only financial statements.)

English Translation of Financial Statements Originally Issued in Chinese

APOGEE OPTOCOM CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

For the Years Ended 31 December 2024 and 2023

(Expressed in thousands of New Taiwan Dollars)

ITEMS	For the year ended 31 December		ITEMS	For the year ended 31 December	
	2024	2023		2024	2023
Cash flows from operating activities:			Cash flows from investing activities:		
Net losses before tax	$(140,012)	$(136,234)	Acquisition of financial asset at fair value through other comprehensive income	-	(7,500)
Adjustments for:			Acquisition of financial assets at amortised cost	-	(72,037)
Depreciation	147,551	159,675	Proceeds from disposal of financial assets at amortized cost	6,442	-
Amortization	424	634	Acquisition of financial assets at fair value through profit or loss	(720)	(517)
Expected credit (gains) losses	(1,155)	1,272	Acquisition of property, plant and equipment	(5,774)	(39,139)
Net losses on financial assets or liabilities at fair value through profit or loss	745	517	Increase in prepayments for equipments	(12,602)	(788)
Interest expense	484	656	Net cash (used in) investing activities	(12,654)	(119,981)
Interest income	(9,262)	(10,362)			
Share of (profits) losses of associates and joint ventures accounted for using equity method	(156)	125	Cash flows from financing activities:		
Changes in operating assets and liabilities:			Cash payments for the principle portion of the lease liabilities	(9,407)	(9,264)
Notes receivable, net	159	(159)	Cash dividends paid	(19,254)	(77,018)
Accounts receivable, net	10,294	24,283	Net cash (used in) financing activities	(28,661)	(86,282)
Inventories	34,406	(10,835)			
Other current assets	14,282	3,413	Net increase (decrease) in cash and cash equivalents	11,798	(189,204)
Other non current assets	15	(11)	Cash and cash equivalents, at beginning of period	205,456	394,660
Notes payable	(360)	(133)	Cash and cash equivalents, at end of period	$217,254	$205,456
Accounts payable	(1,991)	4,625			
Other account payables	(9,593)	(5,142)			
Other current liabilities	(619)	234			
Cash generated from operations	45,212	32,558			
Interest received	9,275	10,456			
Interest paid	(484)	(656)			
Income taxes paid	(890)	(25,299)			
Net cash provided by operating activities	53,113	17,059			

(The accompanying notes are an integral part of the parent company only financial statements.)

APOGEE OPTOCOM CO., LTD.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS

For the Years Ended 31 December 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Stated)

I. History and organization

1. APOGEE OPTOCOM CO., LTD. (“the Company”) was approved to be established on 23 July 2003, Republic of China. Its registration place and main operating base are located on the 4th floor, No. 7, Nan-Ke 3rd Road, Hsin-shi District, Tainan City, Taiwan (R.O.C). Its main business is to operate DWDM interference.

2. The company and the original parent company Next Tech Technologies Co., Ltd. completed the merger on 29 July 2007 as the basis of merger.

3. The company’s shares were listed on the "Taipei Exchange" on 17 December 2014, and started to list on Taiwan Stock Exchange (TWSE) on 24 March 2021.

II. Date and procedures of authorization of financial statements for issue

The parent company only financial statements of the Company for the years ended 31 December 2024 and 2023 were authorized for issue in accordance with a resolution of the board of directors on 11 March 2025.

III. Newly issued or revised standards and interpretations

1. Changes in accounting policies resulting from applying for the first time certain standards and amendments

   The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after 1 January 2024. The adoption of these new standards and amendments had no material impact on the Company.

2. Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, and not yet adopted by the Company as at the end of the reporting period are listed below:

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Lack of Exchangeability – Amendments to IAS 21	1 January 2025

(1) Lack of Exchangeability – Amendments to IAS 21

These amendments specify whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide.

The abovementioned amendments are applicable for annual periods beginning on or after 1 January 2025 and have no material impact on the Company.

3. Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	1 January 2023
c	IFRS 18 “Presentation and Disclosure in Financial Statements”	1 January 2027
d	Disclosure Initiative – Subsidiaries without Public Accountability: Disclosures (IFRS 19)	1 January 2027
e	Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7	1 January 2026
f	Annual Improvements to IFRS Accounting Standards – Volume 11	1 January 2026
g	Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7	1 January 2026

(1) IFRS 10 “Consolidated Financial Statements” and IAS 28“Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.

(2) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after 1 January 2023 (from the original effective date of 1 January 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after 1 January 2023.

(3) IFRS 18 “Presentation and Disclosure in Financial Statements”

IFRS 18 replaces IAS 1 Presentation of Financial Statements. The main changes are as below:

A. Improved comparability in the statement of profit or loss (income statement)

IFRS 18 requires entities to classify all income and expenses within their statement of profit or loss into one of five categories: operating; investing; financing; income taxes; and discontinued operations. The first three categories are new, to improve the structure of the income statement, and requires all entities to provide new defined subtotals, including operating profit or loss. The improved structure and new subtotals will give investors a consistent starting point for analyzing entities’ performance and make it easier to compare entities.

B. Enhanced transparency of management-defined performance measures

IFRS 18 requires entities to disclose explanations of those entity-specific measures that are related to the income statement, referred to as management-defined performance measures.

C. Useful grouping of information in the financial statements

IFRS 18 sets out enhanced guidance on how to organize information and whether to provide it in the primary financial statements or in the notes. The changes are expected to provide more detailed and useful information. IFRS 18 also requires entities to provide more transparency about operating expenses, helping investors to find and understand the information they need.

(4) Disclosure Initiative – Subsidiaries without Public Accountability: Disclosures (IFRS 19)

This standard permits subsidiaries without public accountability to provide reduced disclosures when applying IFRS Accounting Standards in their financial statements. IFRS 19 is optional for subsidiaries that are eligible and sets out the disclosure requirements for subsidiaries that elect to apply it.

(5) Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7

The amendments include:

A. Clarify that a financial liability is derecognised on the settlement date and describe the accounting treatment for settlement of financial liabilities using an electronic payment system before the settlement date.

B. Clarify how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features.

C. Clarify the treatment of non-recourse assets and contractually linked instruments.

D. Require additional disclosures in IFRS 7 for financial assets and liabilities with contractual terms that reference a contingent event (including those that are ESG-linked), and equity instruments classified at fair value through other comprehensive income.

(6) Annual Improvements to IFRS Accounting Standards – Volume 11

A. Amendments to IFRS 1
B. Amendments to IFRS 7
C. Amendments to Guidance on implementing IFRS 7
D. Amendments to IFRS 9
E. Amendments to IFRS 10
F. Amendments to IAS 7

(7) Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7

The amendments include:

A. Clarify the application of the ‘own-use’ requirements.
B. Permit hedge accounting if these contracts are used as hedging instruments.
C. Add new disclosure requirements to enable investors to understand the effect of these contracts on a company’s financial performance and cash flows.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Company is still currently determining the potential impact of the new or amended standards and interpretations listed under (3), it is not practicable to estimate their impact on the Company at this point in time. The remaining new or amended standards and interpretations have no material impact on the Company.

IV. Summary of material accounting policies

(1) Statement of compliance

The Company's parent company only financial statements as of 31 December 2024 and 2023 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations").

(2) Basis of preparation

The Company prepared parent company only financial statements in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the parent company only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent company only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary adjustments.

The parent company only financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The parent company only financial statements are expressed in thousands of New Taiwan Dollars ("NT$") unless otherwise stated.

(3) Foreign currency transactions

The Company's parent company only financial statements are presented in NT$, which is also the Company's functional currency. Each entity in the Company determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Company entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

a. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
b. Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.
c. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(4) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following partial disposals are accounted for as disposals:

(a) when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and

(b) when the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(5) Current and non-current distinction

An asset is classified as current when:

(a) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
(b) The Company holds the asset primarily for the purpose of trading
(c) The Company expects to realize the asset within twelve months after the reporting period
(d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

(a) The Company expects to settle the liability in its normal operating cycle
(b) The Company holds the liability primarily for the purpose of trading
(c) The liability is due to be settled within twelve months after the reporting period
(d) The Company does not have the right at the end of the reproting period to defer settlement of the lability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

(6) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(7) Financial instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments are recognized initially at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilitues.

A. Financial instruments: Recognition and Measurement

The Company accounts for regular way purchase or sales of financial assets on the trade date.

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

(a) the Company's business model for managing the financial assets and
(b) the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables, financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

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

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

(a) purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
(b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods

Financial assets measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

(a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

(a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
(b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

(c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
   (i) Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
   (ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Company made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

<u>Financial asset measured at fair value through profit or loss</u>

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

B. Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the balance sheet.

The Company measures expected credit losses of a financial instrument in a way that reflects:

(a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
(b) the time value of money; and
(c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follows:

(a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
(b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
(c) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.
(d) For lease receivables arising from transactions within the scope of IFRS 16, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note XII for further details on credit risk.

C. Derecognition of financial assets

A financial asset is derecognized when:

(a) The rights to receive cash flows from the asset have expired

(b) The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred

(c) The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

D. Financial liabilities and equity

Classification of liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss.

A financial liability is classified as held for trading if:

(a) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
(b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
(c) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

(a) it eliminates or significantly reduces a measurement or recognition inconsistency; or
(b) a company of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the company is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid or payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

E. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(8) Derivative instrument

The Company uses derivative instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as financial assets or liabilities at fair value through profit or loss except for derivatives that are designated as and effective hedging instruments which are classified as financial assets or liabilities for hedging.

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of hedges, which is recognized in either profit or loss or equity according to types of hedges used.

When the host contracts are either non-financial assets or liabilities, derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not designated at fair value though profit or loss.

(9) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(a) In the principal market for the asset or liability, or
(b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(10) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials – Purchase cost on a first in, first out basis
Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is treated in accordance with IFRS 15 and not within the scope of inventories.

(11) Investments accounted for using the equity method

The Company presented the investment of subsidiaries as “investments accounted for using the equity method” in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the parent company only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent company only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary adjustments. The adjustments mainly consider the treatment of the investments in subsidiaries in accordance with IFRS 10 “Consolidated Financial Statements” and the difference of adopting International Financial Reporting Standards by different entities. The adjustments may debit or credit accounts such as: “investments accounted for using the equity method”, “share of profit of associates and joint ventures accounted for using the equity method”, or “share of other comprehensive income of associates and joint ventures accounted for using the equity method”.

The Company’s investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence.

Under the equity method, the investment in the associate is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company’s share of net assets of the associate. After the interest in the associate is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the Company’s related interest in the associate.

When changes in the net assets of an associate occur and not those that are recognized in profit or loss or other comprehensive income and do not affects the Company’s percentage of ownership interests in the associate, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate on a pro rata basis.

When the associate issues new stock, and the Company's interest in an associate is reduced or increased as the Company fails to acquire shares newly issued in the associate proportionately to its original ownership interest, the increase or decrease in the interest in the associate is recognized in additional paid in capital and investment accounted for using the equity method. When the interest in the associate is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes of the associate.

The financial statements of the associate are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired in accordance with IAS 28 Investments in Associates and Joint Ventures. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Company estimates:

(1) Its share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
(2) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 Impairment of Assets.

Upon loss of significant influence over the associate, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

(12) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 Property, plant and equipment. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	5~50 years
Machinery and equipment	2~10 years
Utilities equipment	3~10 years
Transportation equipment	3～5 years
Office equipment	3～5 years
Other facilities	3～6 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(13) Leases

The company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, has both of the following:

(a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
(b) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximising the use of observable information.

<u>Company as a lessee</u>

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liability for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
(b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
(c) amounts expected to be payable by the lessee under residual value guarantees;
(d) the exercise price of a purchase option if the company is reasonably certain to exercise that option; and
(e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

(a) the amount of the initial measurement of the lease liability;
(b) any lease payments made at or before the commencement date, less any lease incentives received;
(c) any initial direct costs incurred by the lessee; and
(d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Company accounted for as short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

Company as a lessor

At inception of a contract, the Company classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Company allocates the consideration in the contract applying IFRS 15.

The Company recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

(14) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life (3 to 5 years).

(15) Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 Impairment of Assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(16) Revenue recognition

The Company's revenue arising from contracts with customers are primarily related to sale of goods. The accounting policies are explained as follow:

Sale of goods

The Company manufactures and sells goods. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Company is DWDM interference and revenue is recognized based on the consideration stated in the order or contract. For certain sales of goods transactions, they are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts to the Company estimates the discounts using the expected value method based on historical experiences. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur and when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the expected volume discounts.

The credit period of the Company's sale of goods is from 30 to 120 days. For most of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Company usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. For some of the contracts, part of the consideration was received from customers upon signing the contract, and the Company has the obligation to provide the products subsequently; accordingly, these amounts are recognized as contract liabilities.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component arises.

(17) Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore, fund assets are not included in the Company's financial statements.

For the defined contribution plans, the Company will make a monthly contribution of no less than 6% of the employees' monthly wages of the employees subject to the plan. The Company recognizes expense for the contribution plan in the period in which the contribution becomes due.

(18) Income tax

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination；at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and at the time of the transaction, does not give rise to equal taxable and deductible temporary difference.
ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

i Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination; at the time of transaction, affects neither the accounting profit nor taxable profit or loss at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
ii In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

According to the temporary exception in the International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12), information about deferred tax assets and liabilities related to Pillar Two income tax will neither be recognized nor be disclosed.

V. Significant accounting judgements, estimates and assumptions

The preparation of the parent company only financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flows model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note VII.7 for more details.

(b) Inventories

Due to the requirement to value inventory at the lower of cost and net realizable value, the Company must exercise judgment and estimation to determine the net realizable value of inventory as of the balance sheet date.

Estimates of net realizable value of inventories takes into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note VI.6 for more details.

(c) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies. Please refer to Note VI.20 for more details on unrecognized deferred tax assets.

VI. Contents of significant accounts

(1) Cash and cash equivalents

	31 Dec. 2024	31 Dec. 2023
Cash on hand and petty cash	$878	$858
Demand deposits	152,758	194,340
Time deposits (Note)	63,618	10,258
Total	$217,254	$205,456

Note: The contract will expire with three months and it must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value.

(2) Financial assets (liabilities) at fair value through profit or loss

	31 Dec. 2024	31 Dec. 2023
Mandatorily measured at fair value through profit or loss:		
Forward foreign exchange contracts	$(25)	$-
Current	$(25)	$-

Financial assets (liabilities) at fair value through profit or loss were not pledged.

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

	31 Dec. 2024	31 Dec. 2023
Equity instruments - Non-current		
Unlisted companies stocks	$5,674	$6,073

The Company's financial assets at fair value through other comprehensive income were not pledged.

(4) Financial assets measured at amortized cost

	31 Dec. 2024	31 Dec. 2023
Time deposits (contract term over three months)	$300,000	$306,442
Current	$300,000	$306,442

The Company classified certain financial assets as financial assets measured at amortized cost.

Please refer to Note VI.15 for more details on accumulated impairment and financial assets measured at amortized cost were not pledged and Note XII for more details on credit risk.

(5) Notes receivable

	31 Dec. 2024	31 Dec. 2023
Notes receivables	$-	$159
Less：loss allowance	-	-
Total	$-	$159

Notes receivables were not pledged.

The Company follows the requirement of IFRS 9 to assess the impairment. Please refer to Note VI.15 for more details on loss allowance and Note XII for details on credit risk.

(6) Trade receivables

	31 Dec. 2024	31 Dec. 2023
Trade receivables	$99,987	$110,281
Less：loss allowance	(971)	(2,126)
Total	$99,016	$108,155

Trade receivables were not pledged.

Trade receivables are generally on 30-120 day terms. The total carrying amount as of 31 December 2024 and 2023 were NT$99,987 thousand and NT$110,281 thousand, respectively. The Company follows the requirement of IFRS 9 to assess the impairment. Please refer to Note VI.15 for more details of the loss allowance of trade receivables and Note XII for details of credit risk management.

(7) Inventories

	31 Dec. 2024	31 Dec. 2023
Raw materials	$33,524	$49,741
Work in progress	29,734	44,569
Finished goods	22,821	26,167
Merchandise	-	8
Total	$86,079	$120,485

The cost of inventories recognized in expenses amounted to NT$327,350 thousand and NT$330,408 thousand for the years ended 31 December 2024 and 2023, respectively, including the inventory valuation and obsolescence losses of inventories of NT$19,119 thousand and NT$58,488 thousand for the years ended 31 December 2024 and 2023, respectively.

No inventories were pledged.

(8) Investments accounted for using the equity method

The following table lists the investments accounted for using the equity method of the Company:

	As at			
	31 Dec. 2024		31 Dec. 2023	
Investees	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Investments in subsidiaries				
Ferrule Precision Co., Ltd.	$(6,974)	100%	$(7,130)	100%

The Company's carrying amount of long-term investments in Ferrule Precision Co., Ltd. was negative due to the continuous recognition of net losses in proportion to the ownership percentage. The Company reclassified the carrying amount of long-term investment as non-current liabilities.

(a) The share of the investment gains and losses accounted for using the equity method amounted to NT$156 thousand and NT$(125) thousand for the years ended 31 December 2024 and 2023, based on the audited financial statements.
(b) Investments in subsidiaries are shown as 'Investments accounted for using the equity method' in standalone financial statement with necessary fair value adjustments.

(9) Property, plant and equipment

	Buildings	Machinery and equipment	Utilities equipment	Transportation equipment	Office equipment	Other facilities	Total
Cost:							
As at 1 Jan. 2024	$138,895	$1,372,713	$28,746	$3,834	$5,644	$3,637	$1,553,469
Additions	-	24,665	-	-	621	-	25,286
Disposals	-	-	-	-	(140)	-	(140)
As at 31 Dec. 2024	$138,895	$1,397,378	$28,746	$3,834	$6,125	$3,637	$1,578,615
As at 1 Jan. 2023	$123,948	$1,350,446	$28,496	$3,874	$5,216	$3,467	$1,515,447
Additions	14,947	23,344	250	-	428	170	39,139
Disposals	-	(1,077)	-	(40)	-	-	(1,117)
As at 31 Dec. 2023	$138,895	$1,372,713	$28,746	$3,834	$5,644	$3,637	$1,553,469
Depreciation and impairment:							
As at 1 Jan. 2024	$99,717	$1,068,707	$25,799	$3,778	$4,124	$2,049	$1,204,174
Depreciation	8,716	126,253	1,605	56	875	628	138,133
Disposals	-	-	-	-	(140)	-	(140)
As at 31 Dec. 2024	$108,433	$1,194,960	$27,404	$3,834	$4,859	$2,677	$1,342,167
As at 1 Jan. 2023	$90,543	$933,492	$22,620	$3,686	$3,354	$1,338	$1,055,033
Depreciation	9,174	136,292	3,179	132	770	711	150,258
Disposals	-	(1,077)	-	(40)	-	-	(1,117)
As at 31 Dec. 2023	$99,717	$1,068,707	$25,799	$3,778	$4,124	$2,049	$1,204,174
Net carrying amounts as at:							
31 Dec. 2024	$30,462	$202,418	$1,342	$-	$1,266	$960	$236,448
31 Dec. 2023	$39,178	$304,006	$2,947	$56	$1,520	$1,588	$349,295

Property, plant, and equipment were not pledged.

(10) Short-term loans

The Company’s unused credit of short-term loans amounted to NT$240,000 thousand and NT$270,000 thousand, as at 31 December 2024 and 2023, respectively.

(11) Other payables

	31 Dec. 2024	31 Dec. 2023
Salaries payable	$28,081	$29,725
Other accrued expenses	25,044	32,993
Total	$53,125	$62,718

(12) Post-employment benefits

Defined contribution plan

The Company adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Expenses under the defined contribution plan for the years ended 31 December 2024 and 2023 were NT$6,166 thousand and NT$6,179 thousand, respectively.

(13) Equities

A. Ordinary share

As of 31 December 2024 and 2023, the Company's authorized capital was both NT$600,000 thousand, divided into 60,000 thousand shares, with par value at NT$10 per shares, issued in batches. The paid-in capital was both NT$385,090 thousand, divided into 38,509 thousand shares. The outstanding shares were both amounted to 38,509 thousand shares. Each share has one voting right and a right to receive dividends.

B. Capital surplus

	31 Dec. 2024	31 Dec. 2023
Additional paid-in capital	$638,406	$657,660
Treasury stock transactions	30,456	30,456
Other	4,325	4,325
Total	$673,187	$692,441

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to income derived from the issuance of new shares at a premium and or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

C. Retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

(a) Payment of all taxes and dues;
(b) Offset prior years' operation losses;
(c) Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve；
(d) Set aside or reverse special reserve in accordance with relevant law and regulations； and
(e) The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

The policy of dividend distribution is on the capital budgets, current and future investment environment, fund requirements, financial structure and surplus, etc. The dividend distribution will seek to balance the cash and share distribution ratio. Accordingly, at least 10% of the dividends must be paid in the form of cash.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total paid-in capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

According to existing regulations, when the Company distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity for the current fiscal year, provided that if the company has already set aside special reserve in the first-time adoption of the IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed from the special reserve.

On 31 March 2021, the FSC issued Order No. Financial-Supervisory-Securities- Corporate-1090150022, which sets out the following provisions for compliance:

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. Where relevant assets are subsequently used, disposed of or reclassified, the original proportion of special reserve may be reversed for the distribution of earnings.

The Company did not set aside special reserve following the first adoption of the IFRS.

Details of the 2024 and 2023 loss compensation plan and cash distribution from capital surplus plan as approved and resolved at the board meeting and shareholders' meeting held on 11 March 2025 and 7 June 2024, respectively, are as follows:

	Cash distribution from capital surplus plan		Dividend per share (NT$)	
	2024	2023	2024	2023
Cash Dividend	$19,254	$19,254	$0.5	$0.5

Please refer to Note VI.17 for details on employees' compensation and remuneration to directors and supervisors.

(14) Operating revenue

	For the years ended 31 Dec.	
	2024	2023
Revenue from contracts with customers		
Sale of goods	$308,805	$344,927
Other revenue	20,746	17,862
Total	$329,551	$362,789

Analysis of revenue from contracts with customers during the years ended 31 December 2024 and 2023 are as follows:

A. Disaggregation of revenue

	For the years ended 31 Dec.	
	2024	2023
Self-made	$308,805	$344,927
Original equipment manufacturer	20,746	17,862
Total	$329,551	$362,789

	For the years ended 31 Dec.	
Timing of revenue recognition:	2024	2023
At a point in time	$329,551	$362,789

(15) Expected credit losses/(gains)

	For the years ended 31 Dec.	
	2024	2023
Operating expenses – Expected credit (gains)/losses		
Trade receivables	$(1,155)	$1,272

Please refer to Note XII for more details on credit risk.

The credit risk for the Company's financial assets measured at amortized cost are assessed as low (the same as the assessment result in the beginning of the period). As the Company transacts with are financial institutions with good credit, no allowance for losses has been provided for the years ended 31 December 2024 and 2023.

The Company measures the loss allowance of its trade receivables (including note receivables and trade receivables) at an amount equal to lifetime expected credit losses. A 100% allowance for expected credit losses was provided to counterparties with financial difficulties, amounting to NT$901 thousand and NT$366 thousand as of 31 December 2024 and 2023, respectively. For the remaining trade receivables, the Company considers grouping by counterparties' credit ratings, geographical regions, and industry sectors, and its loss allowance is measured using a provision matrix. Details are as follows:

As at 31 December 2024

Group:	Not yet due	Overdue		
	(Note)	1-90 days	91-180 days	Total
Gross carrying amount	$86,681	$12,337	$68	$99,086
Loss rate	0%~0.1%	0.2%~3.4%	58.6%~91.8%	
Lifetime expected credit losses	-	(25)	(45)	(70)
Subtotal	$86,681	$12,312	$23	$99,016

Note: The Company's note receivables are not overdue.

As at 31 December 2023

Group:	Not yet due (Note)	Overdue 1-90 days	Overdue 91-180 days	Total
Gross carrying amount	$94,616	$15,458	$-	$110,074
Loss rate	0%~0.1%	0.8%~34.9%	-	
Lifetime expected credit losses	(75)	(1,685)	-	(1,760)
Subtotal	$94,541	$13,773	$-	$108,314

Note: The Company's note receivables are not overdue.

The movement in the provision for impairment of trade receivables as of 31 December 2024 and 2023 is as follows:

	Trade receivables
As at 1 Jan. 2024	$2,126
(Reversal) for the current period	(1,155)
As at 31 Dec. 2024	$971
As at 1 Jan. 2023	$854
Addition for the current period	1,272
As at 31 Dec. 2023	$2,126

(14) Leases

(1) Company as a lessee

The Company leases various properties, including real estate such as land and buildings.

The Company's leases effect on the financial position, financial performance and cash flows are as follows:

A. Amounts recognized in the balance sheet

(a) Right-of-use assets

The carrying amount of right-of-use assets

	31 Dec. 2024	31 Dec. 2023
Land	$2,646	$2,746
Buildings	18,637	27,955
Total	$21,283	$30,701

For the years ended 31 December 2024 and 2023, the Company's additions to right-of-use assets both amounted to NT$0 thousand.

(b) Leases liabilities

	31 Dec. 2024	31 Dec. 2023
Leases liabilities	$21,952	$31,359

Current	$9,552	$9,407
Non-current	12,400	21,952
Total	$21,952	$31,359

Please refer to Note VI.18(3) for the interest on lease liabilities recognized during the years ended 31 December 2024 and 2023, and refer to Note XII.5 Liquidity Risk Management for the maturity analysis for lease liabilities.

B. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the years ended 31 Dec.	
	2024	2023
Land	$100	$100
Buildings	9,318	9,317
Total	$9,418	$9,417

C. Income and costs relating to leasing activities

	For the years ended 31 Dec.	
	2024	2023
The expenses relating to short-term leases	$912	$941
The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets)	96	99

D. Cash outflow relating to leasing activities

For the years ended 31 December 2024 and 2023, the Company’s total cash outflows for leases amounted to NT$10,829 thousand and NT$10,861 thousand, respectively.

(17) Summary statement of employee benefits, depreciation and amortization expenses by function:

Function / Category	For the years ended 31 Dec.					
	2024			2023		
	Operating Costs	Operating expenses	Total	Operating Costs	Operating expenses	Total
Employee benefits expense						
Salaries	$85,774	$58,355	$144,129	$86,806	$64,521	$151,327
Labor and health insurance	9,804	5,325	15,129	9,798	5,766	15,564
Pension	3,610	2,556	6,166	3,501	2,678	6,179
Director remuneration	-	715	715	-	540	540
Other employee benefits expense	4,000	2,100	6,100	3,303	1,989	5,292
Depreciation	98,447	49,104	147,551	112,812	46,863	159,675
Amortization	61	363	424	83	551	634

(1) The numbers of employees as of 31 December 2024 and 2023 were 225 and 236, in which 5 of directors were not concurrent employees of the Company, respectively.

(2) Other information is as followed:

A. Expenses under the defined benefits plan for 2024 and 2023 were NT$780 thousand and NT$772 thousand, respectively.

B. Expenses under the employees' wages and salaries for 2024 and 2023 were NT$655 thousand and NT$655 thousand, respectively.

C. The average adjustment in expense under employees' wages and salaries decreased by 0% in 2024, compared with 2023.

D. The Company has established an audit committee in replace of the supervisors.

E. The compensation program for the chairman, vice chairman, directors, and employees includes a monthly salary, bonuses, profit sharing bonuses, treasury stock distributions or employee stock options. The Company's compensation policies are made pursuant to the Company's Reward Management Act and are determined by the industry average, job responsibility, contribution, etc. Furthermore, the Company not only refers to the overall business performance, future operating risks, and the industry prospect, but also degree of contribution to the Company and the individual performances, to determine a reasonable compensation. The amount and distribution of the bonus and profit sharing are approved by the Compensation Committee while evaluated by referring to the relevant regulatory requirement and operating circumstances from time to time, to ensure a balance between corporate sustainability and risk control.

According to the Articles of Incorporation, 1%~5% of profit of the current year is distributable as employees' compensation and no higher than 5% of profit of the current year is distributable as remuneration to directors. However, the Company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the board of directors' resolution regarding the employees' compensation and remuneration to directors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Due to losses for the year ended 31 December 2024 and 2023, The Company did not estimate employee compensation and directors' remuneration.

(18) Non-operating income and expenses

(a) Other income

	For the years ended 31 Dec.	
	2024	2023
Interest income	$9,262	$10,362
Rental income	1,835	1,879
Others	2,410	1,883
Total	$13,507	$14,124

(b) Other gains and losses

	For the years ended 31 Dec.	
	2024	2023
Foreign exchange (losses) gains, net	$19,535	$(1,379)
(Losses) on financial assets (liabilities) at fair value through profit or loss	(745)	(517)
Others	-	(153)
Total	$18,790	$(2,049)

(c) Finance costs

	For the years ended 31 Dec.	
	2024	2023
Interest on borrowings from bank	$(70)	$(87)
Interest on lease liabilities	(414)	(557)
Other interest expense	-	(12)
Total	$(484)	$(656)

(19) Components of other comprehensive income

Components of other comprehensive income for the year ended 31 December 2024 are as follows:

	Arising during the period	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:			
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	$(399)	$-	$(399)

Components of other comprehensive income for the year ended 31 December 2023 are as follows:

	Arising during the period	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:			
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	$(2,925)	$-	$(2,925)

(20) Income tax

The major components of income tax expense (income) for the years ended 31 December 2024 and 2023 are as follows:

Income tax expense (income) recognized in profit or loss

	For the years ended 31 Dec.	
	2024	2023
Current income tax expense:		
Current income tax charge	$-	$154
Adjustments in respect of current income tax of prior periods	(154)	(4,354)
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	(1,915)	(28,679)
Total income tax (income) expense	$(2,069)	$(32,879)

A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the years ended 31 Dec.	
	2024	2023
Accounting profit (loss) before tax from continuing operations	$(140,012)	$(136,234)
Tax at the domestic rates applicable to profits in the country concerned	$(28,002)	$(27,247)
Tax effect of revenues exempt from taxation	(31)	25
Tax effect of deferred tax assets/liabilities	26,098	91
Corporate income surtax on undistributed retained earnings	-	154
Adjustments in respect of current income tax of prior periods	(154)	(4,354)
Other income tax effects adjusted in accordance with the Tax Act	-	(1,548)
Income tax effects of non-deductible expenses on tax returns	20	-
Total income tax (income) expence recognized in profit or loss	$(2,069)	$(32,879)

Deferred tax assets (liabilities) relate to the following:

For the year ended 31 December 2024

	Beginning balance as at 1 Jan. 2024	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending Balance as at 31 Dec. 2024
Temporary differences				
Unrealized exchange (gain)	$1,545	$(1,658)	$-	$(113)
Allowance for inventory valuation and obsolescence losses	39,629	3,824	-	43,453
Allowance for doubtful accounts	205	(205)	-	-
Revaluations of financial assets at fair value through profit or loss	-	5	-	5
Tax loss credit	15,626	(51)	-	15,575
Impairment on property, plant, and equipment	440	-	-	440
Deferred tax income/(expense)		$1,915	$-	
Net deferred tax assets/(liabilities)	$57,445			$59,360
Reflected in balance sheet as follows:				
Deferred tax assets	$57,445			$59,473
Deferred tax liabilities	$-			$(113)

For the year ended 31 December 2023

	Beginning balance as at 1 Jan. 2023	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending Balance as at 31 Dec. 2023
Temporary differences				
Unrealized exchange (gain)	$394	$1,151	$-	$1,545
Allowance for inventory valuatuon and obsolescence losses	27,932	11,697	-	39,629
Allowance for doubtful accounts	-	205	-	205
Tax loss credit	-	15,626	-	15,626
Impairment on property, plant, and equipment	440	-	-	440
Deferred tax income/(expense)		$28,679	$-	
Net deferred tax assets/(liabilities)	$28,766			$57,445
Reflected in balance sheet as follows:				
Deferred tax assets	$28,766			$57,445
Deferred tax liabilities	$-			$-

The following table contains information of the used tax losses of the Company:

Year	Tax losses for the period	Tax losses as at 31 Dec. 2024	Tax losses as at 31 Dec. 2023	Expiration year
2023	$77,873	$77,873	$77,873	2033
2024	130,234	130,234	-	2034
		$208,107	$77,873	

Unrecognised deferred tax assets

As of 31 December 2024 and 2023, the total amount of deferred income assets that the Company did not recognize is NT$26,047 thousand and NT$0 thousand respectively.

The assessment of income tax returns

As of 31 December 2024, the assessment of the income tax returns of the Company is as follows:

	The assessment of income tax returns
The Company	Assessed and approved up to 2022

(21) Earnings (loss) per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	For the years ended 31 Dec.	
	2024	2023
(1) Basic (losses) per share		
(Losses) attributable to ordinary equity holders of the Company (in thousand NT$)	$(137,943)	$(103,355)
Weighted average number of ordinary shares outstanding for basic (losses) per share (in thousands)	38,509	38,509
Basic (losses) per share (NT$)	$(3.58)	$(2.68)
(2) Diluted (losses) per share		
(Losses) attributable to ordinary equity holders of the Company (in thousand NT$)	$(137,943)	$(103,355)
Weighted average number of ordinary shares outstanding for basic (losses) per share (in thousands)	38,509	38,509
Effect of dilution:		
Employee compensation－stock (in thousands)	-	-
Weighted average number of ordinary shares outstanding after dilution (in thousands)	38,509	38,509
Diluted (losses) per share (NT$)	$(3.58)	$(2.68)

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

VII. Related party transactions

Information of related parties that had transactions with the Company during the financial reporting periods is as follows:

Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
Ferrule Precision Co., Ltd.	Subsidiary of the Company

(1) Expenses under rents and utilities incurred due to leasing properties, plants, and offices from related parties are as follows:

	For the years ended 31 Dec.	
	2024	2023
Subsidiary of the Company	$7,379	$7,582

(2) Key management personnel compensation

	For the years ended 31 Dec.	
	2024	2023
Short-term employee benefits	$10,865	$11,578
Post-employment benefits	324	324
Total	$11,189	$11,902

VIII. Assets pledged as security

The Company assets were not pledged as security.

IX. Significant contingencies and unrecognized contractual commitments

None.

X. Losses due to major disasters

None.

XI. Significant subsequent events

The former president of the Company, Blue Lan, retired on 28 February 2025. Subsequently, the Board of the Company appointed Rick Wei as the new president on 11 March 2025.

XII. Other

(1) Categories of financial instruments

Financial assets

	31 Dec. 2024	31 Dec. 2023
Financial assets measured at fair value through other comprehensive income	$5,674	$6,073
Financial assets measured at amortized cost:		
Cash and cash equivalents	216,376	204,598
Financial assets measured at amortized cost	300,000	306,442
Notes receivables	-	159
Trade receivables	99,016	108,155
Subtotal	615,392	619,354
Total	$621,066	$625,427

Financial liabilities

	31 Dec. 2024	31 Dec. 2023
Financial liabilities at fair value through profit or loss:	$25	$-
Financial liabilities at amortized cost:		
Trade and other payables	69,873	$81,817
Leases liabilities	21,952	31,359
Subtotal	91,825	113,176
Total	$91,850	$113,176

(2) Financial risk management objectives and policies

The Company’s principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Company identifies measures and manages the aforementioned risks based on the Company’s policy and risk appetite.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there is usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign subsidiaries.

The Company has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Company also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Company.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Company's foreign currency risk is mainly related to the volatility in the exchange rates for US dollars. The information of the sensitivity analysis is as follows:

When NTD strengthens/weakens against USD by 1%, the profit for the years ended 31 December 2024 and 2023 is increased/decreased by NT$1,876 thousand and NT$3,144 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's debt instrument investments at variable interest rates, bank borrowings with variable interest rates.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for the years ended 31 December 2024 and 2023 to increase/decreased by NT$153 thousand and NT$194 thousand, respectively.

Equity price risk

The fair value of the Company's unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company's unlisted equity securities are classified under financial assets measured at fair value through other comprehensive income. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's board of directors reviews and approves all equity investment decisions.

(4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The company is exposed to credit risk from operating activities (primarily for contract assets, trade and notes receivables and lease receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As of 31 December 2024 and 2023, contract assets and trade receivables from top ten customers represented 70% and 83% of the total contract assets and trade receivables of the Company, respectively. The credit concentration risk of other contract assets and trade receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Company's treasury in accordance with the Company's policy. The Company only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating. Consequently, there is no significant credit risk for these counter parties.

(5) Liquidity risk management

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments, bank borrowings, convertible bonds and finance leases. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial liabilities

	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	>4 years	Total
As at 31 Dec. 2024						
Trade and other payables	$69,873	$-	$-	$-	$-	$69,873
Lease liabilities (Note)	9,821	9,821	132	132	2,977	22,883
As at 31 Dec. 2023						
Trade and other payables	$81,817	$-	$-	$-	$-	$81,817
Lease liabilities	9,821	9,821	9,821	132	3,108	32,703

Notes: Information about the maturities of lease liabilities is provided in the table below:

Lease liabilities	Maturities					
	Less than 1 year	1 to 5 years	6 to 10 years	11 to 15 years	>16 years	Total
As at 31 Dec. 2024	$9,821	$10,218	$661	$661	$1,522	$22,883
As at 31 Dec. 2023	$9,821	$19,906	$661	$661	$1,654	$32,703

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended 31 December 2024:

	Leases liabilities	Total liabilities from financing activities
As at 1 Jan. 2024	$31,359	$31,359
Cash flows	(9,821)	(9,821)
Non-cash changes	414	414
As at 31 Dec. 2024	$21,952	$21,952

Reconciliation of liabilities for the year ended 31 December 2023:

	Leases liabilities	Total liabilities from financing activities
As at 1 Jan. 2023	$40,623	$40,623
Cash flows	(9,821)	(9,821)
Non-cash changes	557	557
As at 31 Dec. 2023	$31,359	$31,359

(7) Fair values of financial instruments

(a) The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

a. The carrying amount of cash and cash equivalents, trade receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.
b. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.
c. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market method transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

d. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the GreTai Securities Market, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

e. The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

(b) Fair value of financial instruments measured at amortized cost

The carrying amount of the Company's financial instruments measured at amortized cost is a reasonable approximation of fair value.

(8) Derivative instrument

The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as at 31 December 2024 and 2023 is as follows:

<u>Forward currency contracts</u>

The Company entered into forward currency contracts to manage its exposure to financial risk, but these contracts are not designated as hedging instruments. The table below lists the information related to forward currency contracts:

Items (by contract)	Notional Amount	Contract Period
As at 31 Dec. 2024		
Forward currency contract	Sell foreign currency USD 200 thousand	From 19 December 2024 to 3 February 2025
As at 31 Dec. 2023		
None		

With regard to the forward foreign exchange contracts, as they have been entered into to hedge the foreign currency risk of net assets or net liabilities, and there will be corresponding cash inflow or outflows upon maturity and the Company has sufficient operating funds, the cash flow risk is insignificant.

(9) Fair value measurement hierarchy

(a) Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(b) Fair value measurement hierarchy of the Company's assets and liabilities

The Company does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Company's assets and liabilities measured at fair value on a recurring basis was as follows:

As at 31 December 2024

	Level 1	Level 2	Level 3	Total
Financial assets at fair value:				
Equity instrument measured at fair value through other comprehensive income				
Stocks	$-	$-	$5,674	$5,674
Financial liabilities at fair value:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contract	-	25	-	25

As at 31 December 2023

	Level 1	Level 2	Level 3	Total
Financial assets at fair value:				
Equity instrument measured at fair value through other comprehensive income				
Stocks	$-	$-	$6,073	$6,073

Transfers between Level 1 and Level 2 during the period

During the years ended 31 December 2024 and 2023, there were no transfers between Level 1 and Level 2 fair value measurements.

Details of Changes in Level 3 Fair Value Measurements for Recurring Fair Value Measurements

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

	At fair value through other comprehensive income
	Stocks
Beginning balance as at 1 January 2024	$6,073
Total gains and losses recognized for the year ended 31 December 2024:	
Amount recognized in OCI (presented in "Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	(399)
Ending balance as at 31 December 2024	$5,674

	At fair value through other comprehensive income
	Stocks
Beginning balance as at 1 January 2023	$1,498
Total gains and losses recognized for the year ended 31 December 2023:	7,500
Acquisition/issues for the year ended 31 December 2023	
Amount recognized in OCI (presented in "Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	(2,925)
Ending balance as at 31 December 2023	$6,073

Total gains and losses recognized in profit or loss for the years ended 31 December 2024 and 2023 in the table above contain gains and losses related to assets on hand as at 31 December 2024 and 2023 both in the amount of NT$0 thousand.

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As at 31 December 2024

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
At fair value through other comprehensive income: Stocks	Market Approach	discount for lack of liquidity	25%	The higher the discount for lack of liquidity, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of liquidity would result in increase (decrease) in the Company's equity by NT$757 thousand.

As at 31 December 2023

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
At fair value through other comprehensive income: Stocks	Market Approach	discount for lack of liquidity	25%	The higher the discount for lack of liquidity, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of liquidity would result in increase (decrease) in the Company's equity by NT$810 thousand.

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Company's financial department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies at each reporting date.

(10) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

Unit: thousands

	As at 31 December 2024		
	Foreign currencies	Foreign exchange rate	NTD
Financial assets			
Monetary items:：			
USD	$6,049	32.785	$198,316
JPY	62,594	0.2099	13,138
CNY	1,933	4.478	8,656
EUR	261	34.14	8,911
Financial liabilities			
Monetary items:：			
USD	327	32.785	10,721
JPY	742	0.2099	156
CNY	73	4.478	327

	As at 31 December 2023		
	Foreign currencies	Foreign exchange rate	NTD
Financial assets			
Monetary items:：			
USD	$10,244	30.705	$314,542
JPY	72,133	0.2172	15,667
CNY	1,888	4.327	8,169
EUR	249	33.98	8,461
Financial liabilities			
Monetary items:：			
USD	6	30.705	184
JPY	7,642	0.2172	1,660

Due to the wide variety of functional currencies of the Company, it cannot disclose by foreign currencies the exchange gains and losses of monetary financial assets and financial liabilities that have a significant impact. The foreign currency exchange profit and (loss) of the Company for the years ended 31 December 2024 and 2023 were NT$19,535 thousand and NT$(1,379)thousand, respectively.

(11) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

(12) Others

Furthermore, for the convenience of comparison in financial statements, certain accounts in the previously prepared financial statements have been reclassified.

XIII. Other disclosure

(1) Information at significant transactions：

(a) Financing provided to others for the year ended 31 December 2024: Please refer to Attachment 1.
(b) Endorsement/Guarantee provided to others for the year ended 31 December 2024: Please refer to Attachment 2.
(c) Securities held as of 31 December 2024 (excluding subsidiaries, associates and joint venture): Please refer to Attachment 3.
(d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended 31 December 2024: None.
(e) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended 31 December 2024: None.
(f) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended 31 December 2024: None.
(g) Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20 percent of the capital stock for the year ended 31 December 2024: None.
(h) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of the capital stock as of 31 December 2024: None.
(i) Financial instruments and derivative transactions: Note XII.

(2) Information on investees：

(a) Names, locations, main businesses and products, original investment amount, investment as of 31 December 2024, net income (loss) of investee company and investment income (loss) recognized as of 31 December 2024: (Excluding investment in Mainland China): Please refer to Attachment 4.
(b) Those who have direct or indirect control over the investee company must disclose the relevant information about the transactions of items a to i of the preceding paragraph by the investee company, but if the total assets or operating income of the investee company has not reached the issuance 10% of the amount of each person, or who directly or indirectly controls their personnel, finances or business, may only disclose the relevant information about the first item to the fourth item transaction: None.

(3) Investment in Mainland China: None.

(4) Information on major shareholders: Please refer to Attachment 5.

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Stated)

ATTACHMENT 1

Financing provided to others:

No (Note 1)	Lender	Counterparty	Financial statement account	Related party	Maximum balance for the period	Ending Balance	Actual amount provided	Interest Rates (%)	Nature of financing (Note 2)	Amount of sales to (purchases from) counter party	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit of financing amount for individual counterparty (Note 3)	Limit of total financing amount (Note 4)
													Item	Value		
0	Apogee Optocom Co., Ltd.	Ferrule Precision Co., Ltd.	Other receivables	Y	$20,000	$20,000	-	Short-term rate+0.1%	Short-term financing	-	Working capital	-	-	$-	$95,756	$383,025

Note 1: The financial information of the parent company and its subsidiaries are coded as follows:

(1)The Company is coded "0".

(2)The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Nature of financing should be business contacts or short-term financing.

Note 3: Limit of financing amount for individual company:

(1) Business contacts: Limit of financing amount for individual counterparty shall not exceed the amount required for operation as of the most recent year but shall not exceed 20% of the lender's net value stated in the financial report as of 31 December 2024.

(2) When short-term financing is necessary: The amount of financing shall not exceed 20% of the Company's net worth. Individual financing shall exceed 10% of the Company's net worth. The amount of financing shall refer to the accumulated balance of the Company's short-term financing.

(3) Financing between the Company and foreign companies of which the Company directly and indirectly holds 100% voting shares right is not subject to the requirements under the second paragraph.

Note 4: The maximum amount of financing to subsidiaries fully owned by the Company is 40% of the Company's net value.

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Stated)

ATTACHMENT 2

Endorsement/Guarantee provided to others:

No (Note 1)	Company name	Receiving Party		Limit of guarantee/ endorsement amount for receiving party (Note 3)	Maximum Balance for the period	Ending Balance	Actual amount provided	Amount of Endorsement/ Guarantee collateralized	Percentage of Accumulated Endorsement/ Guarantee to Net Equity per latest Financial statements	Limit on the Endorsement/ Guarantee Amount (Note 4)	Parent company's guarantee/ endorsement amount to subsidiaries	Subsidiaries' guarantee/ endorsement amount to parent company	Guarantee/ endorsement amount to company in Mainland China
		Company name	Relationship (Note 2)										
0	Apogee Optocom Co., Ltd.	Ferrule Precision Co., Ltd.	2	$287,269	$30,000	$10,000	$7,500	None	1.04%	$383,025	Y	N	N

Note 1: The financial information of the parent company and its subsidiaries are coded as follows:

(1)The Company is coded "0".

(2)The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: According to the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" issued by the R.O.C. Securities and Futures Bureau, the receiving parties shall be disclosed as one of the following:

(1) A company with which it does business.

(2) A subsidiary company directly holds more than 50% of the common shares.

(3) An investment company that the parent company and subsidiary jointly hold more than 50 % of the voting shares.

(4) A parent company that directly or indirectly through a subsidiary holds more than 50% of the common shares.

(5) A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.

(6) A company that all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages.

Note 3: Limit of guarantee/endorsement amount for a single entity is 30% of the net worth of the Company’s financial report reviewed by the certified public accountants.

Note 4: Limit of total guarantee/ endorsement amount is 40% of the net worth of the Company’s financial report reviewed by the certified public accountants as of 31 December 2024.

ATTACHMENT 3

Securities held as of 31 December 2024 (excluding subsidiaries, associates and joint venture):

Holding Company	Type and name of securities	Relationship with Securities Issuers	Financial Statement Account	As of 31 December 2024				Note
				Shares (thousand)	Book value (thousands)	Percentage of ownership (%)	Fair Value	
Apogee Optocom Co., Ltd.	Stock- Opulence Optronics Co., Ltd.	-	Financial assets measured at fair value through other comprehensive gains and losses - non-current	1,508 thousand shares	$5,674	13.68%	$5,674	-

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Stated)

ATTACHMENT 4

Names, locations, main businesses and products, original investment amount, investment as of 31 December 2024, net income (loss) of investee company and investment income (loss) recognized as of 31 December 2024: (Excluding investment in Mainland China)

Investor	Investees	Address	Main business and products	Initial Investment		Investment as of 31 December 2024			Net income (loss) of investee company	Investment income (loss) recognized	Note
				Ending Balance	Beginning balance	Number of shares	Percentage of ownership (%)	Carrying amount			
Apogee Optocom Co., Ltd.	Ferrule Precision Co., Ltd.	2nd Floor, No. 16, Lane 31, Section 1, Huandong Road, Xinshi District, Tainan City	Mainly engaged in manufacturing of wired and wireless communication equipment	$5,720	$5,720	700	100%	$(6,974)	$156	$156	

ATTACHMENT 5

Information on major shareholders:

shareholdings / major shareholder name	Number of Shares (thousand)	Percentage of ownership
Dingfeng Investment Co., Ltd.	6,344,472	16.47%
Shenglin Investment Co., Ltd.	5,489,146	14.25%

Remarks:

(1) The major shareholders in this table are shareholders holding more than 5% of the common and preference shares that have completed delivery of non-physical registration (including treasury shares) on the last business day of each quarter calculated by the Taiwan Depository & Clearing Corporation. However, the share capital recorded in the Company's financial report and the number of shares actually delivered by the Company without physical registration may differ due to calculation basis.

(2) For shares that are entrusted by the shareholders, the information thereto shall be based on the shares disclosed by the individual trust account opened by the trustees. For information on shareholders, who are required to declare to be insiders holding of more than 10% of shares in accordance with the Securities and Exchange Act, and their own equity interest including trusted shares and ownership that has the right to make decisions on trust property, please refer to MOPS.

APOGEE OPTOCOM CO., LTD.

1. STATEMENT OF CASH AND CASH EQUIVALENTS

As at 31 December 2024

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Item	Description		Amount	Note
Petty cash and cash on hand			$878	1. US dollar exchange for NTD
				Exchange Rate: 32.785
Saving account－NTD			79,263	2. Japanese yen exchange for NTD
	(Amounts in dollars of Foreign Currencies)			Exchange Rate: 0.2099
Saving account－Foreign currency	USD	1,765,766	57,891	3. Chinese yuan exchange for NTD
	JPY	61,986,868	13,011	Exchange Rate: 4.478
	CNY	147,388	660	4. Euro exchange for NTD
	EUR	56,634	1,933	Exchange Rate: 34.14
Subtotal			152,758	
Bank Deposits-NT Dollars				
Bank Deposits-Foreign currency	USD	1,500,000	49,177	
	CNY	1,700,000	7,613	
	EUR	200,000	6,828	
Subtotal			63,618	
Total			$217,254	

APOGEE OPTOCOM CO., LTD.

2. STATEMENT OF ACCOUNTS RECEIVABLE

As at 31 December 2024

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Client	Description		Amount	Note
	(Amounts in dollars of Foreign Currencies)			1. The amount of individual client
Client A	USD	629,427	$20,636	in others does not exceed 5%
Client B	USD	463,526	15,197	of the account balance.
Client C	USD	227,699	7,465	2. US dollar exchange for NTD
Client D	USD	193,469	6,343	Exchange Rate: 32.785
Others			50,346	
Subtotal			99,987	
Less: loss allowance			(971)	
Total			$99,016	

APOGEE OPTOCOM CO., LTD.

3. STATEMENT OF INVENTORIES

As at 31 December 2024

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Items	Description	Amount		Note
		Cost	Market price	
Raw materials		$70,601	$71,719	Market price refers to net realized value.
Work in progress		76,355	76,355	
Finished goods		156,330	226,946	
Merchandise		57	55	
Total		303,343	$375,075	
Less: Allowance for inventory valuation losses		(217,264)		
Total		$86,079		

APOGEE OPTOCOM CO., LTD.

4. STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED

For the year ended 31 December 2024

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee Company	Beginning balance			Additions		Decrease		Ending balance			Fair value/Net assets value		Collateral	Note
	Shares(In thousands)	Shareholding Ratio	Amount	Shares(In thousands)	Amount	Shares(In thousands)	Amount	Shares(In thousands)	Shareholding Ratio	Amount	Unit price (NTD) (NTD)	Total Amount		
Ferrule Precision Co., Ltd.	700	100%	$(7,130)	-	(Note 1) $156	-	$-	700	100%	(Note 2) $(6,974)	$(9.96)	$(6,974)	None	
Total			$(7,130)		$156		$-			$(6,974)				

Note 1: investments accounted profits for using the equity method

Note 2: The credit balance of investment accounted for using the equity method is recognized as a non-current liability.

APOGEE OPTOCOM CO., LTD.

5. STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS

For the year ended 31 December 2024

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Items	Beginning balance	Addition	Decrease	Ending balance	Note
Land	$3,383	$-	$-	$3,383	
Buildings	72,751	-	-	72,751	
Total	$76,134	$-	$-	$76,134	

APOGEE OPTOCOM CO., LTD.

6. STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION—RIGHT-OF-USE ASSETS

For the year ended 31 December 2024

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Item	Beginning balance	Additions	Decrease	Ending balance	Note
Land	$637	$100	$-	$737	
Buildings	44,796	9,318	-	54,114	
Total	$45,433	$9,418	$-	$54,851	

APOGEE OPTOCOM CO., LTD.

7. STATEMENT OF ACCOUNTS PAYABLE

As at 31 December 2024

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Client	Description		Amount	Note
	(Amounts in dollars of Foreign Currencies)			
Client A			$3,637	1. The amount of individual client
Client B	USD	96,320	3,158	in others does not exceed 5%
Client C	USD	81,000	2,656	of the account balance.
Client D	USD	59,700	1,957	2. US dollar exchange for NTD
Client E	USD	37,575	1,232	Exchange Rate: 32.785
Client F			1,166	
Others			2,918	
Total			$16,724	

APOGEE OPTOCOM CO., LTD.

8. STATEMENT OF OTHER PAYABLES

As at 31 December 2024

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Item	Description	Amount	Note
Salaries and bonus payable		$28,081	
Payable bonus for unused vacation		2,812	
Utilities payable		4,203	
Labor and health insurance and pension payable		2,166	
Others		15,863	
Total		$53,125	

APOGEE OPTOCOM CO., LTD.

9. STATEMENT OF LEASE LIABILITIES

As at 31 December 2024

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Item	Description	Leasing Period	Discount Rate	Ending balance	Note
Land	For land usage	One year	1.53%	$2,880	
Buildings	For plant usage	One year	1.53%	19,072	
Total				$21,952	

Note: Contracts for lease objects are renewed annually. The carrying amount of lease liabilities is calculated based on the remaining useful life of the properties.

APOGEE OPTOCOM CO., LTD.

10. STATEMENT OF OPERATING REVENUES

For the year ended 31 December 2024

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Item	Amount	Note
Optical filters and coatings	$329,274	
Others	277	
Total	$329,551	

APOGEE OPTOCOM CO., LTD.

11. STATEMENT OF OPERATING COSTS

For the year ended 31 December 2024

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Item	Amount	Note
Cost of Goods Sold of Self-made Products		
Direct material		
Direct material: beginning of year	$85,068	
Add: Raw material purchased	33,015	
Transfer from work in progress	5,007	
Less: ending balance	(70,601)	
Loss on physical count	(46)	
Transfer to other account title	(10,256)	
Direct material used	42,187	
Direct labor	53,313	
Factory overheads	228,222	
Manufacturing cost	323,722	
Add: Work in process, beginning of year	82,286	
Transfer from merchandise and finished goods	22,867	
Less: Work in process, end of year	(76,355)	
Transfer to raw materials	(5,007)	
Loss on physical count	(1,184)	
Transfer to other account title	(9,029)	
Cost of finished goods	337,300	
Add: Work in process, beginning of year	151,210	
Less: Finished goods, end of year	(156,330)	
Loss on physical count	(2,694)	
Transfer to other account title	(25,622)	
Cost of Goods Sold of Self-made Product	303,864	
Cost of Goods Sold of Merchandise		
Merchandise:Beginning of year	66	
Add: Merchandise purchased	251	
Less:Merchandise, end of year	(57)	
Loss on physical count	(47)	
Cost of Goods Sold of Merchandise	213	
Other operating costs		
Loss on physical count	3,971	
Inventory write-off and obsolescent loss	19,119	
Others	183	
Total operating costs	$327,350	

APOGEE OPTOCOM CO., LTD.

12. STATEMENT OF OPERATING EXPENSES

For the year ended 31 December 2024

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Item	Advertisement expenses	General and Administrative Expenses	Research and development Expenses	Total
Payroll expense	$7,082	$30,284	$24,085	$61,451
Travel expense	1,055	142	74	1,271
Freight expense	1,120	6	-	1,126
Insurance expense	550	4,827	1,928	7,305
Depreciation	286	3,843	44,975	49,104
Sample charge	2,758	-	-	2,758
Professional service fees	-	5,816	46	5,862
Research and development expense	-	-	16,900	16,900
Other expense (Note)	1,578	19,472	8,510	29,560
Total	$14,429	$64,390	$96,518	$175,337

Note：The amount of individual account title in others does not exceed 5% of the of the account balance.