Stock Code:5312

FORMOSA OPTICAL TECHNOLOGY CORPORATION

Parent Company Only Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2023 and 2022

Address: 16F., No. 97, Sec. 1, Xintai 5th Rd., Xizhi Dist., New Taipei City
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The independent auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and parent company only financial statements, the Chinese version shall prevail.

Table of contents

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Independent Auditors' Report

To the Board of Directors of Formosa Optical Technology Corporation:

Opinion

We have audited the financial statements of Formosa Optical Technology Corporation("the Company"), which comprise the balance sheet as of December 31, 2023 and 2022, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matter to be communicated in our report.

1. Valuation of inventories

   Please refer to note 4(g) "Inventories" to the financial statements for accounting policies on inventory valuation, note 5(a) for the uncertainties over accounting estimation and assumption regarding to inventory valuation, and note 6(f) for details of inventories.

   Description of the key audit matter:

   Inventories of the Company were measured at the lower of costs or net realizable values. Market competition leads to rapid changes in product prices, and the products may not meet market demand and thus become obsolete. As a result, estimation of net realizable value may involve management's subjective judgment. Therefore, we considered inventory valuation to be a key audit matter in our audit.

How the matter was addressed in our audit:

Our principle audit procedures in this area included assessing the reasonableness of the Company's policies on loss allowances for inventory write downs or obsolescence and whether the aforementioned loss allowances have been recognized pursuant to relevant standards; through reviewing inventory aging reports, obtaining an inventory aging analysis and sampling to verify whether inventories are classified in the appropriate age range; and performing net realizable value tests on inventories to assess the reasonableness of the recognition of write-down of inventories.

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

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

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor' s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Hsu, Yu-Feng and Ko, Hui-Chih.

KPMG

Taipei, Taiwan (Republic of China)
March 12, 2024

Notes to Readers

The accompanying parent company only financial statements are intended only to present the statement of financial position, financial performance and its cash flows in accordance with the 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 parent company only financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

FORMOSA OPTICAL TECHNOLOGY CORPORATION

Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2023 Amount	%	December 31, 2022 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 77,152	1	56,662	1
1110	Current financial assets at fair value through profit or loss (note 6(b))	17,144	-	13,798	-
1120	Current financial assets at fair value through other comprehensive income (notes 6(c) and 8)	1,097,128	17	798,465	14
1136	Current financial assets at amortized cost (note 6(d))	10,000	-	10,000	-
1170	Accounts receivable (notes 6(e) and (t))	21,098	-	14,288	-
1200	Other receivables (including related parties) (note 7)	47,691	1	15,017	-
130X	Inventories (note 6(f))	442,463	7	402,775	8
1410	Other current assets	45,798	1	15,269	-
	Total current assets	1,758,474	27	1,326,274	23
	Non-current assets:				
1517	Non-current financial assets at fair value through other comprehensive income (note 6(c))	73,243	1	38,162	1
1535	Non-current financial assets at amortized cost (note 6(d))	4,878	-	103,159	2
1550	Investments accounted for using equity method (note 6(g))	2,711,408	42	2,536,750	44
1600	Property, plant and equipment (note 6(h))	1,075,171	17	998,166	17
1755	Right-of-use assets (note 6(i))	717,097	11	567,655	10
1760	Investment property, net (notes 6(j) and 8)	78,638	1	79,165	2
1780	Intangible assets	14,956	-	18,558	-
1840	Deferred tax assets (note 6(q))	8,777	-	8,224	-
1920	Refundable deposits (note 6(o))	56,250	1	54,944	1
1975	Net defined benefit asset, non-current (note 6(p))	21,974	-	20,319	-
	Total non-current assets	4,762,392	73	4,425,102	77
	Total assets	$ 6,520,866	100	5,751,376	100

	Liabilities and Equity	December 31, 2023 Amount	%	December 31, 2022 Amount	%
	Current liabilities:				
2100	Short-term borrowings (note 6(k))	$ 1,098,500	17	972,000	17
2150	Notes payable	11,195	-	3,772	-
2160	Notes payable to related parties (note 7)	291,915	5	217,502	4
2170	Accounts payable	109,599	2	106,930	2
2200	Other payables (including related parties) (notes 6(l) and 7)	320,253	5	262,484	4
2230	Current tax liabilities	70,323	1	56,872	1
2280	Current lease liabilities (note 6(o))	219,407	3	214,628	4
2320	Long-term liabilities, current portion (note 6(m))	27,359	-	27,061	-
2300	Other current liabilities	41,546	1	37,917	1
	Total current liabilities	2,190,097	34	1,899,166	33
	Non-Current liabilities:				
2540	Long-term borrowings (note 6(m))	337,656	5	364,859	6
2550	Non-current provisions	17,198	-	13,807	-
2570	Deferred tax liabilities (note 6(q))	309,881	5	316,700	6
2580	Non-current lease liabilities (note 6(o))	507,274	8	357,743	6
2645	Guarantee deposits received (note 6(n))	201,069	3	206,191	4
	Total non-current liabilities	1,373,078	21	1,259,300	22
	Total liabilities	3,563,175	55	3,158,466	55
	Equity(note 6(r)):				
3110	Ordinary share	600,599	9	600,599	11
3200	Capital surplus	474,688	7	477,975	8
	Retained earnings:				
3310	Legal reserve	503,073	8	485,462	8
3320	Special reserve	226,095	3	257,342	4
3350	Unappropriated retained earnings	1,277,610	20	997,627	18
	Total retained earnings	2,006,778	31	1,740,431	30
3400	Other equity	(124,374)	(2)	(226,095)	(4)
	Total equity	2,957,691	45	2,592,910	45
	Total liabilities and equity	$ 6,520,866	100	5,751,376	100

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

FORMOSA OPTICAL TECHNOLOGY CORPORATION

Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		2023		2022	
		Amount	%	Amount	%
4000	**Operating revenue (note 6(t))**	$ 2,837,002	100	2,429,194	100
5000	**Operating costs(note 6(f))**	1,067,897	38	925,572	38
	Gross profit from operations	1,769,105	62	1,503,622	62
	Operating expenses (notes 6(h), (i) and 7):				
6100	Selling expenses	1,392,327	49	1,223,097	50
6200	Administrative expenses	94,842	3	89,082	4
	Total operating expenses	1,487,169	52	1,312,179	54
	Net operating income	281,936	10	191,443	8
	Non-operating income and expenses (notes 6(v) and 7):				
7100	Interest income	14,371	-	9,116	-
7010	Other income	90,181	3	62,233	3
7020	Other gains and losses	3,736	-	4,024	-
7050	Finance costs	(32,595)	(1)	(21,028)	(1)
7070	Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method	130,250	5	(43,448)	(2)
	Total non-operating income and expenses	205,943	7	10,897	-
7900	**Profit before income tax**	487,879	17	202,340	8
7950	Less: Income tax expenses (note 6(q))	69,937	2	32,154	1
8200	**Profit**	417,942	15	170,186	7
8300	**Other comprehensive income:**				
8310	**Items that may not be reclassified to profit or loss**				
8311	Gains on remeasurements of defined benefit plans	1,159	-	3,470	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	177,057	6	(4,908)	-
8330	Share of other comprehensive income of associates accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	57,813	2	32,109	1
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	232	-	694	-
		235,797	8	29,977	1
8360	**Items that may be reclassified to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	(34,015)	(1)	9,001	-
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	(6,803)	-	1,800	-
	Total components of other comprehensive income (loss) that will be reclassified to profit or loss	(27,212)	(1)	7,201	-
8300	**Other comprehensive income (loss)**	208,585	7	37,178	1
8500	**Total comprehensive income (loss)**	**$ 626,527**	**22**	**207,364**	**8**
	Earnings per share (dollar) (note 6(s))				
9750	**Basic earnings per share**	**$**	**6.96**		**2.83**
9850	**Diluted earnings per share**	**$**	**6.94**		**2.83**

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

FORMOSA OPTICAL TECHNOLOGY CORPORATION

Statements of Changes in Equity

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

			Retained earnings				Total other equity			
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total other equity interest	Total equity
Balance at January 1, 2022	$ 600,599	481,505	456,305	254,666	1,111,601	1,822,572	(150,286)	(107,056)	(257,342)	2,647,334
Profit	-	-	-	-	170,186	170,186	-	-	-	170,186
Other comprehensive income (loss)	-	-	-	-	3,625	3,625	7,201	26,352	33,553	37,178
Total comprehensive income (loss)	-	-	-	-	173,811	173,811	7,201	26,352	33,553	207,364
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	29,157	-	(29,157)	-	-	-	-	-
Special reserve	-	-	-	2,676	(2,676)	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(258,258)	(258,258)	-	-	-	(258,258)
Changes in equity of associates accounted for using equity method	-	(3,530)	-	-	-	-	-	-	-	(3,530)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	2,306	2,306	-	(2,306)	(2,306)	-
Balance at December 31, 2022	600,599	477,975	485,462	257,342	997,627	1,740,431	(143,085)	(83,010)	(226,095)	2,592,910
Profit	-	-	-	-	417,942	417,942	-	-	-	417,942
Other comprehensive income (loss)	-	-	-	-	991	991	(27,212)	234,806	207,594	208,585
Total comprehensive income (loss)	-	-	-	-	418,933	418,933	(27,212)	234,806	207,594	626,527
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	17,611	-	(17,611)	-	-	-	-	-
Special reserve	-	-	-	(31,247)	31,247	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(258,258)	(258,258)	-	-	-	(258,258)
Changes in equity of associates and joint ventures accounted for using equity method	-	(3,287)	-	-	-	-	(201)	-	(201)	(3,488)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	105,672	105,672	-	(105,672)	(105,672)	-
Balance at December 31, 2023	**$ 600,599**	**474,688**	**503,073**	**226,095**	**1,277,610**	**2,006,778**	**(170,498)**	**46,124**	**(124,374)**	**2,957,691**

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

FORMOSA OPTICAL TECHNOLOGY CORPORATION

Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

		2023	2022
Cash flows from (used in) operating activities:			
Profit before tax	$	487,879	202,340
Adjustments:			
Adjustments to reconcile profit (loss):			
Depreciation expense		351,842	337,100
Amortization expense		7,688	7,086
Net loss (gain) on financial assets at fair value through profit or loss		(3,346)	6,202
Interest expense		32,595	21,028
Interest income		(14,371)	(9,116)
Dividend income		(49,689)	(19,277)
Share of loss (profit) of associates accounted for using equity method		(130,250)	43,448
Gain on disposal of property, plan and equipment		(12)	(483)
Loss (gain) on lease modification		(456)	287
Total adjustments to reconcile profit (loss)		194,001	386,275
Changes in operating assets and liabilities:			
Decrease in notes receivable		-	198
Increase in accounts receivable		(6,810)	(1,649)
Decrease (increase) in other receivable		(32,674)	12,009
Increase in inventories		(39,688)	(4,606)
Decrease (increase) in other current assets		(30,529)	1,991
Increase in net defined benefit assets		(496)	(364)
Increase (decrease) in notes payable		7,423	(641)
Increase (decrease) in notes payable to related parties		74,413	(65,143)
Increase in accounts payable		2,669	68,062
Increase (decrease) in other payable		57,769	(18,297)
Increase in other current liabilities		6,145	7,925
Total changes in operating assets and liabilities		38,222	(515)
Total adjustments		232,223	385,760
Cash inflow generated from operations		720,102	588,100
Interest received		14,371	9,116
Dividends received from subsidiaries and associates		15,902	134,025
Interest paid		(31,720)	(20,667)
Income taxes paid		(57,287)	(39,006)
Net cash flows from operating activities		661,368	671,568
Cash flows from (used in) investing activities:			
Acquisition of financial assets at fair value through other comprehensive income		(546,683)	(644,995)
Proceeds from disposal of financial assets at fair value through other comprehensive income		389,996	11,810
Acquisition of financial assets at amortized cost		98,281	(11,624)
Acquisition of investments accounted for using equity method		(40,000)	(96,322)
Acquisition of property, plant and equipment		(179,055)	(63,355)
Proceeds from disposal of property, plant and equipment		28	490
Decrease (increase) in refundable deposits		(1,306)	285
Acquisition of intangible assets		(4,086)	(9,533)
Dividends received		49,689	19,277
Net cash flows used in investing activities		(233,136)	(793,967)
Cash flows from (used in) financing activities:			
Increase in short-term borrowings		126,500	618,500
Repayments of long-term borrowings		(26,905)	(27,278)
Increase in guarantee deposits received		(5,122)	(1,838)
Payment of lease liabilities		(243,957)	(236,628)
Cash dividends paid		(258,258)	(258,258)
Net cash flows (used in) from financing activities		(407,742)	94,498
Net increase (decrease) in cash and cash equivalents		20,490	(27,901)
Cash and cash equivalents at beginning of period		56,662	84,563
Cash and cash equivalents at end of period	$	**77,152**	**56,662**

See accompanying notes to parent company only financial statements.

(1) Company history

FORMOSA OPTICAL TECHNOLOGY CORPORATION (the "Company") was established on November 9, 1989 under the Company Act of the Republic of China. The registered address is 16F., No. 97, Sec. 1, Xintai 5th Rd., Xizhi Dist., New Taipei City. The Company's share have been listed on the Taipei Exchange (TPEx) Mainboard since May 25, 1996. The Company is mainly engaged in eyewear business, including optometry service and retail business selling contact lens and eye drops.

(2) Approval date and procedures of the financial statements:

The financial statements were authorized for issue by the Board of Directors on March 6, 2024.

(3) New standards, amendments and interpretations adopted:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2023:

- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"
- Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The Company has initially adopted the new amendment, which do not have a significant impact on its financial statements, from May 23, 2023:

- Amendments to IAS 12 "International Tax Reform—Pillar Two Model Rules"

(b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its financial statements:

- Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"
- Amendments to IAS 1 "Non-current Liabilities with Covenants"
- Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"
- Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"

(Continued)

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Company does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS21 “Lack of Exchangeability”

(4) Summary of material accounting policies:

The material accounting policies presented in the financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the financial statements.

(a) Statement of compliance

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”).

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the financial statements have been prepared on a historical cost basis:

1) Financial assets at fair value through profit or loss are measured at fair value;

2) Financial assets at fair value through other comprehensive income are measured at fair value;

3) The defined benefit assets are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in note 4(q).

(ii) Functional and presentation currency

The functional currency of each Company entity is determined based on the primary economic environment in which the entity operates. The financial statements are presented in New Taiwan Dollar (NTD), which is the Company’s functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

FORMOSA OPTICAL TECHNOLOGY CORPORATION
Notes to the Financial Statements

(c) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Company entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

1) an investment in equity securities designated as at fair value through other comprehensive income;

2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

3) qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to noncontrolling interests. When the Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as noncurrent.

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or a 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.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

(Continued)

FORMOSA OPTICAL TECHNOLOGY CORPORATION
Notes to the Financial Statements

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

· it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

· its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above (e.g. financial assets held for trading and those that are managed and whose performance is evaluated on a fair value basis) are measured at FVTPL, including derivative financial assets. Trade receivables that the Company intends to sell immediately or in the near term are measured at FVTPL; however, they are included in the 'trade receivables' line item. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

(Continued)

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and trade receivables, other receivable, leases receivable, guarantee deposit paid and other financial assets).

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

· debt securities that are determined to have low credit risk at the reporting date; and

· other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company’ s historical experience and informed credit assessment as well as forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

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FORMOSA OPTICAL TECHNOLOGY CORPORATION
Notes to the Financial Statements

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

· significant financial difficulty of the borrower or issuer;

· a breach of contract such as a default or being past due;

· the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

· it is probable that the borrower will enter bankruptcy or other financial reorganization; or

· the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company’s procedures for recovery of amounts due.

5) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method based on individual item, except the inventories with identical categories.

(Continued)

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

(h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The financial statements include the Company's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases. The Company recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual proportionate share.

Gains and losses resulting from transactions between the Company and an associate are recognized only to the extent of unrelated Company's interests in the associate.

When the Company's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest 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.

When the Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Company's proportionate interest in the net assets of the associate. The Company records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. The aforesaid adjustment should first be adjusted under capital surplus. If the capital surplus resulting from changes in ownership interest is not sufficient, the remaining difference is debited to retained earnings. If the Company's ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

(i) Investment in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries when preparing the financial statements. Under the equity method, the net income, other comprehensive and equity in the financial statements' s are the same as those attributable to owners of the parent in the consolidated financial statements.

The changes in ownership of the subsidiaries that not causing losing controls, are recognized as equity transaction.

(j) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

1)	buildings	20～50 years
2)	office equipment	3～10 years
3)	transportation equipment	5 years
4)	decoration equipment	3～10 years

(Continued)

FORMOSA OPTICAL TECHNOLOGY CORPORATION
Notes to the Financial Statements

5) leasehold improvement 10～20 years

6) other equipment 5～10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(l) Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of the identified asset for a period of time in exchange for consideration.

(i) As a leasee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method 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. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

1) fixed payments, including in-substance fixed payments;

2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

3) amounts expected to be payable under a residual value guarantee; and

4) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

1) there is a change in future lease payments arising from the change in an index or rate; or

2) there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or

(Continued)

3) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or

4) there is a change of its assessment on whether it will exercise a extension or termination option; or

5) there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets, including office equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a practical expedient, the Company elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

1) the rent concessions occurring as a direct consequence of the COVID-19 pandemic;

2) the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

3) any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2022; and

4) there is no substantive change in other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

(ii) As a leasor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

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FORMOSA OPTICAL TECHNOLOGY CORPORATION
Notes to the Financial Statements

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as 'rental income'.

(m) Intangible assets

(i) Recognition and measurement

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

1)	Computer software	1～3 years
2)	Transfer fee of shopping area	5 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(n) Impairment of non financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

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The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(o) Provisions

A provision is recognized if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(p) Revenue recognitioin

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer.

Revenue of the Company comes from sales of eyewear supplies. The Company recognizes revenue when the goods or services are delivered to the customer in accordance with the sales contract, and the customer has full discretion to use and dispose of the goods.

(q) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

(Continued)

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(r) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

(i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(Continued)

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(s) Organizational restructuring

The newly established company is set up for the purpose of the organizational restructuring by the original substantial controlling shareholders of the acquired company. If the control is not substantially transferred, it is a merger of individuals or businesses under common control circumstance, and the newly established company cannot be the acquirer for accounting purposes, but should adopt the book value method, and the difference between the total investment and the consideration paid should be regarded as equity items, and the prior period comparative financial statements shall be restated as if the merger had been effected from the beginning. The accounting method of the newly established company under an organizational reorganization should be handled in the same manner as that of the existing company, without the restriction on the date of establishment.

(t) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares.

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FORMOSA OPTICAL TECHNOLOGY CORPORATION
Notes to the Financial Statements

(u) Operating segments

The Company discloses its information on operating segments in its consolidated financial statements, so it need not to disclose such information in the parent company only financial statements.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

The preparation of the financial statements requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

There are no critical judgments in applying accounting policies that have significant effect on the amounts recognized in the financial statements. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows:

(a) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the reporting date, and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to the future demand for products within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to note 6(f) for further description of the valuation of inventories.

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand	$ 15,558	13,799
Demand deposits	61,594	42,863
	$ 77,152	**56,662**

Please refer to note 6(w) for the interest rate risk and sensitivity analysis of the financial assets and liabilities of the Company.

(b) Financial assets at fair value through profit or loss

	December 31, 2023	December 31, 2022
Mandatorily measured at fair value through profit or loss:		
Domestic mutual funds	$ 17,144	13,798
Total	**$ 17,144**	**13,798**

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

	December 31, 2023	December 31, 2022
Equity investments at fair value through other comprehensive income:		
Current		
Domestic listed ordinary shares	$ 1,065,298	758,580
Domestic listed preferred shares	31,830	39,885
	$ 1,097,128	**798,465**
Non-current		
Domestic listed ordinary shares－private ordinary shares	$ 17,447	-
Domestic unlisted ordinary shares	55,796	38,162
	$ 73,243	**38,162**

The Company designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for the long term strategic purposes.

For the years ended December 31, 2023 and 2022, the Company has sold its shares as a result of consideration of the investment strategy. The shares sold had a fair value of $389,996 thousand and $11,810 thousand, respectively, and the Company realized a gain of $68,514 thousand and $2,306 thousand, respectively. The gain has been transferred to retain earnings from other equity. Besides, for the year ended December 31, 2023, the subsidiaries has sold their shares as a result of consideration of the investment strategy. The shares sold had a fair value of $50,679 thousand, and the subsidiaries realized a gain of $37,158 thousand. The gain has been transferred to retain earnings from other equity.

The financial assets of the Company had been pledged as collateral for its long term borrowings and credit line. Please refer to note 8.

FORMOSA OPTICAL TECHNOLOGY CORPORATION
Notes to the Financial Statements

(d) Financial assets measured at amortized cost

		December 31, 2023	December 31, 2022
Current			
Time deposits with original maturity of more than 3 months	$	10,000	10,000
Non-current			
Repatriated offshore funds	$	4,878	103,159

The Company has assessed that these financial assets are held-to-maturity to collect contractual cash flows, which consist solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost.

Since the Company is subject to Regulations Governing the Management, Utilization, and Taxation of Repatriated Offshore Funds, which restricts the use of repatriated funds, the Company classified the funds as financial assets at amortized cost- non-current. This investment plan expires on December 31, 2023, and will be withdrawn in installments to unrestricted accounts in accordance with regulations.

(e) Notes receivable and accounts receivable

		December 31, 2023	December 31, 2022
Accounts receivable	$	21,206	14,396
Less: Loss allowance		108	108
	$	21,098	14,288

The primary accounts receivable were receivables of credit cards from National Credit Card Center of the ROC, electronic payment platform, department stores and malls. The Company adopted a policy of only dealing with entities that are rated the equivalents of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as the incorporated forward looking information. The loss allowance provisions were determined as follows:

	December 31, 2023		
	Gross carrying amount	Weighted-average expected credit loss rate	Loss allowance provision
Less than 30 days past due	$ 21,206	- %	108

FORMOSA OPTICAL TECHNOLOGY CORPORATION
Notes to the Financial Statements

	December 31, 2022		
	Gross carrying amount	Weighted-average expected credit loss rate	Loss allowance provision
Less than 30 days past due	$ 14,396	-%	108

The movements in the allowance for notes receivable and accounts receivable were as follows:

	2023	2022
Opening balance (as closing balance)	$ 108	108

(f) Inventories

	December 31, 2023	December 31, 2022
Merchandise	$ 442,463	402,775

The details of operating cost were as follows:

	2023	2022
Inventory that has been sold	$ 1,065,579	922,778
Write-down of inventories (Reversal of write-downs)	82	(3,680)
Scrapped inventories	1,970	6,214
Loss on physical count	266	260
Total	$ 1,067,897	925,572

As of December 31, 2023 and 2022, the Company did not provide any inventories as collateral for its loans.

(g) Investments accounted for using equity method

A summary of the Company's financial information for investments accounted for using the equity method at the reporting date is as follows:

	December 31, 2023	December 31, 2022
Subsidiaries	$ 2,607,283	2,427,655
Associates	104,125	109,095
	$ 2,711,408	2,536,750

FORMOSA OPTICAL TECHNOLOGY CORPORATION
Notes to the Financial Statements

(i) Subsidiaries

Please refer to the consolidated financial statements for the year ended December 31, 2023,

(ii) Associates

The information of associates which are material to the Company was as follows:

Name of Associates	Proportion of shareholding and voting rights December 31, 2023	Proportion of shareholding and voting rights December 31, 2022
Polylite Taiwan Co., Ltd.	13.44 %	13.44 %

	December 31, 2023	December 31, 2022
Polylite Taiwan Co., Ltd.	$ 104,125	109,095

(iii) Polylite Taiwan Co., Ltd.

	December 31, 2023	December 31, 2022
Current assets	$ 415,049	490,373
Non-current assets	632,366	647,155
Current liabilities	(262,523)	(290,405)
Non-current liabilities	(14,034)	(25,388)
Net assets	**$ 770,858**	**821,735**
Net asset contributed to non-controlling interests	**$ (4,093)**	**9,796**
Net assets attributable to investee's shareholders	**$ 774,951**	**811,939**
Ending balance of the equity of the associate attributable to the Company	**$ 104,125**	**109,095**

	2023	2022
Operating revenue	**$ 360,452**	**362,052**
Net loss	$ (4,350)	(9,788)
Other comprehensive income (loss)	1,093	13,284
Total comprehensive income (loss)	**$ (3,257)**	**3,496**
Comprehensive loss attributable to non-controlling interests	**$ (15,551)**	**(14,357)**
Comprehensive income (loss) attributable to investee's owners	**$ 12,294**	**17,853**
Total comprehensive income (loss) attributable to the Company	**$ 1,652**	**2,399**

(Continued)

FORMOSA OPTICAL TECHNOLOGY CORPORATION
Notes to the Financial Statements

(h) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Company were as follows:

	Land	Buildings and construction	Office equipment	Transportation equipment	Decoration equipment	Leasehold improvement	Other equipment	Total
Cost:								
Balance on January 1, 2023	$ 288,993	495,066	447,788	2,902	657,047	11,573	224	1,903,593
Additions	-	-	120,879	-	55,400	2,516	260	179,055
Disposal	-	-	(11,800)	-	(16,728)	-	-	(28,528)
Reclassification to investment properties	-	-	(52)	-	-	-	-	(52)
Balance on December 31, 2023	**$ 288,993**	**495,066**	**556,815**	**2,902**	**695,719**	**14,089**	**484**	**2,054,068**
Balance on January 1, 2022	$ 288,993	495,066	435,312	4,104	622,186	12,608	224	1,858,493
Additions	-	-	19,935	-	43,420	-	-	63,355
Disposal	-	-	(7,459)	(1,202)	(8,559)	-	-	(17,220)
Write-off	-	-	-	-	-	(1,035)	-	(1,035)
Balance on December 31, 2022	**$ 288,993**	**495,066**	**447,788**	**2,902**	**657,047**	**11,573**	**224**	**1,903,593**
Depreciation:								
Balance on January 1, 2023	$ -	77,012	289,141	2,429	534,477	2,179	189	905,427
Depreciation for the year	-	11,310	34,028	389	55,061	1,157	44	101,989
Disposal	-	-	(11,784)	-	(16,728)	-	-	(28,512)
Reclassification to investment properties	-	-	(7)	-	-	-	-	(7)
Balance on December 31, 2023	**$ -**	**88,322**	**311,378**	**2,818**	**572,810**	**3,336**	**233**	**978,897**
Balance on January 1, 2022	$ -	65,702	262,569	2,909	492,154	1,833	168	825,335
Depreciation for the year	-	11,310	34,024	722	50,882	346	21	97,305
Disposal	-	-	(7,452)	(1,202)	(8,559)	-	-	(17,213)
Balance on December 31, 2022	**$ -**	**77,012**	**289,141**	**2,429**	**534,477**	**2,179**	**189**	**905,427**
Carrying amounts:								
Balance on December 31, 2023	**$ 288,993**	**406,744**	**245,437**	**84**	**122,909**	**10,753**	**251**	**1,075,171**
Balance on January 1, 2022	**$ 288,993**	**429,364**	**172,743**	**1,195**	**130,032**	**10,775**	**56**	**1,033,158**
Balance on December 31, 2022	**$ 288,993**	**418,054**	**158,647**	**473**	**122,570**	**9,394**	**35**	**998,166**

The property, plant and equipment of the Company had been pledged as collateral for borrowings; please refer to note 8.

FORMOSA OPTICAL TECHNOLOGY CORPORATION
Notes to the Financial Statements

(i) Right-of-use assets

	Buildings and construction
Cost:	
Balance at January 1, 2023	$ 881,374
Additions	455,468
Disposal	(191,205)
Balance at December 31, 2023	**$ 1,145,637**
Balance at January 1, 2022	$ 626,823
Additions	317,633
Disposal	(63,082)
Balance at December 31, 2022	**$ 881,374**
Accumulated depreciation:	
Balance at January 1, 2023	$ 313,719
Depreciation for the year	249,281
Disposal	(134,460)
Balance at December 31, 2023	**$ 428,540**
Balance at January 1, 2022	$ 126,334
Depreciation for the year	239,215
Disposal	(51,830)
Balance at December 31,2022	**$ 313,719**
Carry amount:	
Balance at December 31, 2023	**$ 717,097**
Balance on January 1, 2022	**$ 500,489**
Balance at December 31, 2022	**$ 567,655**

(j) Investment property

	Land and improvements	Buildings and construction	Total
Cost:			
Balance at January 1, 2023	$ 64,056	34,331	98,387
Reclassification from property, plant and equipment	-	52	52
Balance at December 31, 2023	**$ 64,056**	**34,383**	**98,439**
Balance at December 31, 2022 (as opening balance)	**$ 64,056**	**34,331**	**98,387**
Accumulated depreciation:			
Balance at January 1, 2023	$ -	19,222	19,222
Depreciation for the year	-	572	572
Reclassification from property, plant and equipment	-	7	7
Balance at December 31, 2023	**$ -**	**19,801**	**19,801**

(Continued)

FORMOSA OPTICAL TECHNOLOGY CORPORATION
Notes to the Financial Statements

	Land and improvements	Buildings and construction	Total
Balance at January 1, 2022	$ -	18,642	18,642
Depreciation for the year	-	580	580
Balance at December 31, 2022	**$ -**	**19,222**	**19,222**
Carrying amount:			
Balance at December 31, 2023	**$ 64,056**	**14,582**	**78,638**
Balance at January 1, 2022	**$ 64,056**	**15,689**	**79,745**
Balance at December 31, 2022	**$ 64,056**	**15,109**	**79,165**

The fair value of investment properties was not based on a valuation by a qualified independent appraiser. The management of the Company used the valuation model that market participants would use in determining the fair value, and the fair value was measured by using Level 3 inputs. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

	December 31, 2023	December 31, 2022
Fair value	**$ 248,615**	**245,934**

The Company leased investment property to related party in 2023 and 2022; please refer to note 7.

As of December 31, 2023 and 2022, the investment property of the Company had been pledged as collateral for borrowings; please refer to note 8.

(k) Short-term borrowings

	December 31, 2023	December 31, 2022
Unsecured bank loans	$ 272,000	278,000
Secured bank loans	826,500	694,000
	$ 1,098,500	**972,000**
Unused credit lines	**$ 565,000**	**354,800**
Range of interest rates	**1.6%~1.75%**	**1.45%~1.73%**

For the collateral for bank loans, please refer to note 8.

(l) Other payables

	December 31, 2023	December 31, 2022
Payables for salaries and bonus	$ 182,605	158,988
Payables for annual leave	16,864	15,334
Payables for insurance expense	11,620	10,574
Payables for purchase of equipment	25,698	12,133
Payables for sales tax	13,470	12,278
Others	69,996	53,177
	$ 320,253	**262,484**

(Continued)

FORMOSA OPTICAL TECHNOLOGY CORPORATION
Notes to the Financial Statements

(m) Long-term borrowings

	December 31, 2023	December 31, 2022
Secured bank loans	$ 365,015	391,920
Less: current portion	(27,359)	(27,061)
Total	**$ 337,656**	**364,859**
Unused long-term credit lines	**$ 160,965**	**134,059**
Range of interest rates	**1.89%**	**1.77%**

For the collateral for bank borrowings, please refer to note 8.

(n) Guarantee deposits received

	December 31, 2023	December 31, 2022
Guarantee deposits for consigned operation	$ 200,369	205,491
Others	700	700
	$ 201,069	**206,191**

(o) Lease liabilities

	December 31, 2023	December 31, 2022
Current	**$ 219,407**	**214,628**
Non-current	**$ 507,274**	**357,743**

For the maturity analysis, please refer to note 6(w).

The amounts recognized in profit or loss was as follows:

	2023	2022
Interest on lease liabilities	**$ 8,650**	**8,172**
Expenses relating to leases of low-value assets, including short-term leases of low-value assets	**$ 1,913**	**1,119**

The amounts recognized in the statement of cash flows were as follows:

	2023	2022
Total cash outflow for leases	**$ 254,520**	**245,919**

The Company leases buildings and construction for the use of retail stores with lease term of 1 to 12 years. The Company does not have bargain purchase options to acquire the leasehold buildings at the end of the lease term. In addition, the Company is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

As of December 31, 2023 and 2022, the Company leased part of the warehouse, office and business premises from the lessor, and paid deposits of $56,250 thousand and $54,944 thousand, respectively.

FORMOSA OPTICAL TECHNOLOGY CORPORATION
Notes to the Financial Statements

(p) Employee benefits

(i) Defined benefit plans

		December 31, 2023	December 31, 2022
Present value of the defined benefit obligations	$	17,895	18,484
Fair value of plan assets		(39,869)	(38,803)
Net defined benefit assets	**$**	**(21,974)**	**(20,319)**

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two year time deposits with interest rates offered by local banks.

The Company' s Bank of Taiwan labor pension reserve account balance amounted to $39,869 thousand as of December 31, 2023. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

		2023	2022
Defined benefit obligations at January 1	$	18,484	19,077
Current service costs and interest cost		231	143
－Actuarial losses arising from change in financial assumptions		-	(770)
Experience adjustments		(820)	34
Defined benefit obligations at December 31	**$**	**17,895**	**18,484**

FORMOSA OPTICAL TECHNOLOGY CORPORATION
Notes to the Financial Statements

3) Movements of defined benefit plan asset

The movements in the fair value of the Company's defined benefit plan assets were as follow:

		2023	2022
Fair value of plan assets at January 1	$	38,803	35,562
Interest income		487	267
Return on plan assets excluding interest income		339	2,734
Contributions paid by the employer		240	240
Fair value of plan assets at December 31	**$**	**39,869**	**38,803**

4) Expense recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follow:

		2023	2022
Net interest of net liabilities (assets) for defined benefit obligation	**$**	**(255)**	**(124)**

5) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	2023.12.31	2022.12.31
Discount rate	1.25 %	1.25 %
Future salary increase rate	2.00 %	2.00 %

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is $240 thousand.

The weighted average lifetime of the defined benefit plans is 7.3 years and 8.1 years for the years ended 2023 and 2022, respectively.

6) Sensitivity analysis

As of December 31, 2023 and 2022, if the actuarial assumptions had changed, the impact on the present value present value of the defined benefit obligation shall be as follows.

	Influences of defined benefit obligations	
	Increase	**Decrease**
December 31, 2023		
Discount rate (change of 0.25%)	$ (327)	336
Future salary increasing rate (change of 1.00%)	1,367	(1,257)
December 31, 2022		
Discount rate (change of 0.25%)	$ (369)	380
Future salary increasing rate (change of 1.00%)	1,549	(1,415)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of the pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2023 and 2022.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to $33,089 thousand and $29,622 thousand for the years ended December 31, 2023 and 2022, respectively.

(q) Income taxes

(i) The components of income tax were as follows:

	2023	**2022**
Current tax expense		
Current period	$ 70,737	57,234
Deferred tax expense	(800)	(25,080)
Income tax expense	**$ 69,937**	**32,154**

(Continued)

FORMOSA OPTICAL TECHNOLOGY CORPORATION
Notes to the Financial Statements

Reconciliation of income tax and profit before tax is as follows.

	2023	2022
Profit excluding income tax	$ 487,879	202,340
Income tax using the Company's domestic tax rate	$ 97,576	40,468
Non-deductible expenses	177	3,553
Tax-exempt income	(19,871)	(4,063)
Realized investment losses	(8,000)	(8,000)
Change in provision in prior periods	55	122
Additional tax on undistributed earnings	-	74
Income tax	$ 69,937	32,154

(ii) Deferred tax assets and liabilities

1) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and labilities were as follows:

Deferred tax assets:

	Unrealized loss on inventories	Payables for annual leave	Unrealized exchange losses	Others	Total
Balance at January 1, 2023	$ 1,925	3,067	369	2,863	8,224
Recognized in profit or loss	17	306	(176)	406	553
Balance at December 31, 2023	**$ 1,942**	**3,373**	**193**	**3,269**	**8,777**
Balance at January 1, 2022	$ 2,661	2,889	2,375	2,721	10,646
Recognized in profit or loss	(736)	178	(2,006)	142	(2,422)
Balance at December 31, 2022	**$ 1,925**	**3,067**	**369**	**2,863**	**8,224**

Deferred tax liabilities

	Associates	Defined benefit plan	Total
Balance at January 1, 2023	$ 310,505	6,195	316,700
Recognized in profit or loss	(347)	99	(248)
Recognized in other comprehensive income	(6,803)	232	(6,571)
Balance at December 31, 2023	**$ 303,355**	**6,526**	**309,881**
Balance at January 1, 2022	$ 336,280	5,428	341,708
Recognized in profit or loss	(27,575)	73	(27,502)
Recognized in other comprehensive income	1,800	694	2,494
Balance at December 31, 2022	**$ 310,505**	**6,195**	**316,700**

(Continued)

FORMOSA OPTICAL TECHNOLOGY CORPORATION
Notes to the Financial Statements

(iii) Uncertainty over income tax treatments

For all income tax declarations that have not been assessed, the Company evaluates relevant factors including relevant regulations and historical experiences; consequently, the Company considers the estimate of income tax liabilities to be adequate.

(iv) Assessment of tax

The Company's tax returns for the years through 2021 were assessed by the tax authority.

(r) Capital and other equity

(i) Ordinary shares

As of December 31, 2023 and 2022, the Company authorized share capital amounted to $850,000 thousand with a par value of $10 per share; the number of issued shares were 60,060 thousand, amounting to $600,599 thousand.

(ii) Capital surplus

The balances of capital surplus of the Company were as follows:

	December 31, 2023	December 31, 2022
Treasury share transactions	$ 502	502
Changes in ownership interests in associates under equity method	474,004	477,291
Other	182	182
	$ 474,688	**477,975**

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Retained earnings

The Company's article of incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

(Continued)

FORMOSA OPTICAL TECHNOLOGY CORPORATION
Notes to the Financial Statements

The Company's dividend policy is designed to meet the current and future development plans, and to take into consideration the investment environment, funding requirements, and foreign and domestic competition while simultaneously meeting the interests of shareholders. The Company shall distributed dividends at no less than 20% of available earnings to shareholders each year, provided that if the accumulated available earnings are less than 70% of the paid-in capital, no dividends shall be distributed. The dividends could be distributed either through cash or shares, and cash dividends shall not be less than 10% of the total dividends.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with the rules issued by the FSC, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special reserve during earnings appropriation. The amount to be reclassified shall be equal to the total net reduction of current-period of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods.

3) Earnings distribution

On March 6, 2024, the Company's Board of Directors resolved to appropriate the 2023 earnings. The earnings were appropriated as follows:

	2023	
	Amount per share	**Amount**
Dividends distributed to ordinary shareholders		
Cash	6.00	$ **360,359**

Earnings distribution for 2022 and 2021 was decided by the resolution adopted, at the general meeting of shareholders held on June 30, 2023 and June 27, 2022, respectively. The relevant dividend distributions to shareholders were as follows:

	2022		2021	
	Amount per share	**Amount**	**Amount per share**	**Amount**
Dividends distributed to ordinary shareholders:				
Cash	4.30	$ **258,258**	4.30	**258,258**

(Continued)

FORMOSA OPTICAL TECHNOLOGY CORPORATION
Notes to the Financial Statements

(s) Earnings per share

(i) Basic earnings per share

	2023	2022
Profit attributable to ordinary shareholders of the Company	417,942	170,186
Weighted average number of ordinary shares (in thousand)	$ 60,060	60,060
Basic earnings per share (dollar)	$ 6.96	2.83

(ii) Diluted earnings per share

	2023	2022
Profit attributable to ordinary shareholders of the Company	$ 417,942	170,186
Weighted average number of ordinary shares (in thousand)	60,060	60,060
Compensation of employees	177	124
Weighted average number of ordinary shares (diluted) (in thousand)	60,237	60,184
Diluted earnings per share (dollars)	$ 6.94	2.83

(t) Revenue from contracts with customers

(i) Disaggregation of revenue

	2023	2022
Primary geographical markets		
Taiwan	$ 2,837,002	2,429,194
Major products/services lines		
Sales of optical glasses	$ 2,837,002	2,429,194

(ii) Contract balances

	December 31, 2023	December 31, 2022	January 1, 2022
Notes receivable and accounts receivable	$ 21,206	14,396	12,945
Less: allowance for impairment	108	108	108
Total	$ 21,098	14,288	12,837

Please refer to note 6(e) for the disclosure of notes receivable and accounts receivable and their impairment.

FORMOSA OPTICAL TECHNOLOGY CORPORATION
Notes to the Financial Statements

(u) Employee compensation and directors' remuneration

In accordance with the articles of incorporation the Company should contribute no less than 1% of the profit as employee compensation and less than 3% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2023 and 2022, the Company estimated its employee remuneration amounting to $14,352 thousand and $5,242 thousand, and directors' remuneration amounting to $5,741 thousand and $2,097 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating expenses during 2023 and 2022. Related information would be available at the Market Observation Post System website. The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2023 and 2022.

(v) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

		2023	2022
Interest income from bank deposits	$	329	91
Interest income from financial assets measured at amortized cost		3,599	2,489
Discounted bills		8,924	6,508
Interest income from mutual fund		1,480	28
Other interest income		39	-
Total interest income	$	**14,371**	**9,116**

(ii) Other income

The details of other income were as follows:

		2023	2022
Rental income	$	20,856	20,784
Dividend income		49,689	19,227
Others		19,636	22,222
	$	**90,181**	**62,233**

(Continued)

FORMOSA OPTICAL TECHNOLOGY CORPORATION
Notes to the Financial Statements

(iii) Other gains and losses

The details of other gains and losses were as follows:

	2023	2022
Gain on disposals of property, plant and equipment	$ 12	483
Gain (loss) on lease modification	456	(287)
Foreign exchange gain	879	10,030
Gain (loss) on financial assets at fair value through profit or loss	3,346	(6,202)
Others	(957)	-
	$ 3,736	**4,024**

(iv) Finance costs

The details of finance costs were as follows:

	2023	2022
Interest on loans	$ 23,058	12,483
Interest on leases liabilities	8,650	8,172
Other finance costs	887	373
	$ 32,595	**21,028**

(w) Financial instruments

(i) Credit risk

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

(ii) Liquidity risks

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within 1 year	1-5 years	Over 5 years
December 31, 2023					
Short-term borrowings	$ 1,098,500	1,104,460	1,104,460	-	-
Notes payable (including related parties)	303,110	303,110	303,110	-	-
Accounts payable	109,599	109,599	109,599	-	-
Other payables (including related parties)	320,253	320,253	320,253	-	-
Lease liabilities	726,681	751,071	227,785	432,820	90,466
Long-term borrowings (including current portion)	365,015	408,257	34,021	136,086	238,150
	$ 2,923,158	**2,996,750**	**2,099,228**	**568,906**	**328,616**

FORMOSA OPTICAL TECHNOLOGY CORPORATION
Notes to the Financial Statements

	Carrying amount	Contractual cash flows	Within 1 year	1-5 years	Over 5 years
December 31, 2022					
Short-term borrowings	$ 972,000	973,726	973,726	-	-
Notes payable (including related parties)	221,274	221,274	221,274	-	-
Accounts payable	106,930	106,930	106,930	-	-
Other payables (including related parties)	262,484	262,484	262,484	-	-
Lease liabilities	572,371	606,414	222,583	351,334	32,497
Long-term borrowings	391,920	438,889	33,761	135,043	270,085
	$ 2,526,979	**2,609,717**	**1,820,758**	**486,377**	**302,582**

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to foreign currency risk

The Company’s significant exposure to foreign currency risk were as follows:

	December 31, 2023			**December 31, 2022**		
	Foreign currency	**Exchange rate**	**TWD**	**Foreign currency**	**Exchange rate**	**TWD**
Financial assets						
Monetary items						
USD	163	30.71	5,005	3,363	30.71	103,378
Non-Monetary items						
USD	71,939	30.71	2,209,247	70,263	30.71	2,157,772

2) Sensitivity analysis

The Company’ s exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalent that are denominated in foreign currency. Assuming other variables remain the same, a strengthening (weakening) of 5% of NTD against USD as of December 31, 2023 and 2022, would have increased or decreased the profit before income tax by $250 thousand and $5,169 thousand, respectively. The analysis is performed on the same basis for both periods.

FORMOSA OPTICAL TECHNOLOGY CORPORATION
Notes to the Financial Statements

3) Foreign exchange gain and loss on monetary items

The amounts of (realized and unrealized) foreign exchange gains (losses) on the Company’s monetary items converted into functional currencies as well as the exchange rate information about conversion into the parent’s functional currencies, NTD (the Company’s presentation currency), were as follows:

	2023		2022	
	Foreign exchange gain and loss	**Average exchange rate**	**Foreign exchange gain and loss**	**Average exchange rate**
USD	879	31.15	10,030	30.71

(iv) Other price risks

If the equity price changes, the impact of equity price change to other comprehensive income will be as follows, assuming the analysis is based on the same basis for both years and assuming that all other variables considered in the analysis remain the same:

	2023		2022	
Prices of securities at the reporting date	**Other comprehensive income before tax**	**Profit before income tax**	**Other comprehensive income before tax**	**Profit before income tax**
Increasing 1%	$ 11,704	171	8,366	138
Decreasing 1%	$ (11,704)	(171)	(8,366)	(138)

(v) Fair value of financial instruments

1) Fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss, and financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Company’s financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required :

	December 31, 2023				
	Carrying amount	**Fair value**			
		Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss	$ 17,144	-	17,144	-	17,144
Financial assets at fair value through other comprehensive income	1,170,371	1,097,128	-	73,243	1,170,371

FORMOSA OPTICAL TECHNOLOGY CORPORATION
Notes to the Financial Statements

	December 31, 2023				
	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents (excluding petty cash and revolving funds)	$ 61,594	-	-	-	-
Accounts receivable	21,098	-	-	-	-
Other receivables	47,691	-	-	-	-
Refundable deposits	56,250	-	-	-	-
Subtotal	186,633	-	-	-	-
Total	**$ 1,374,148**	**1,097,128**	**17,144**	**73,243**	**1,187,515**
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 1,098,500	-	-	-	-
Notes payable (including related parties)	303,110	-	-	-	-
Accounts payable	109,599	-	-	-	-
Other payables	320,253	-	-	-	-
Long-term borrowings (including current portion)	365,015	-	-	-	-
Lease liabilities	726,681	-	-	-	-
Total	**$ 2,923,158**	**-**	**-**	**-**	**-**

	December 31, 2022				
	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	$ 13,798	-	13,798	-	13,798
Financial assets at fair value through other comprehensive income	836,627	798,465	-	38,162	836,627
Financial assets measured at amortized cost					
Cash and cash equivalents (excluding petty cash and revolving funds)	42,863	-	-	-	-
Accounts receivable	14,288	-	-	-	-
Other receivables	15,017	-	-	-	-
Refundable deposits	54,944	-	-	-	-
Subtotal	127,112	-	-	-	-
Total	**$ 977,537**	**798,465**	**13,798**	**38,162**	**850,425**

(Continued)

FORMOSA OPTICAL TECHNOLOGY CORPORATION
Notes to the Financial Statements

	December 31, 2022				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 972,000	-	-	-	-
Notes payable (including related parties)	221,274	-	-	-	-
fAccounts payable(including related parties)	106,930	-	-	-	-
Other payables	262,484	-	-	-	-
Long-term borrowings (including current portion)	391,920	-	-	-	-
Lease liabilities	572,371	-	-	-	-
Subtotal	2,526,979	-	-	-	-
Total	**$ 2,526,979**	**-**	**-**	**-**	**-**

2) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

Fair values of financial instruments were measured based on quoted market prices if these prices were available in active markets. The quoted price of a financial instrument obtained from main exchanges and on the run bonds from Taipei Exchange can be used as the basis to determine the fair value of the listed companies' equity instrument and debt instrument with active market quotations.

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. Whether transactions are taking place ‘regularly’ is a matter of judgment and depends on the facts and circumstances of the market for the instrument. Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

The categories and nature of the fair value of the Company's financial instruments which have an active market are presented as follows:

- Shares in public companies are financial assets with standard terms and conditions and are traded in active markets, and their fair values are determined with reference to quoted market prices.

FORMOSA OPTICAL TECHNOLOGY CORPORATION
Notes to the Financial Statements

Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the reporting date.

The categories and nature of the fair value for the Company's financial instruments which do not have an active market are presented as follows:

- Unquoted equity instruments: The measurement was based on the investee's net value and the price multiples derived from the market price of comparable listed companies. The estimates have adjusted the discount of lack of market liquidity on equity securities.

b) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow or option pricing models. Fair value of forward currency is usually determined by the forward currency exchange rate.

3) Transfers between level 1 and level 3

The Company holds an investment in equity shares of Sunder Biomedical Tech. Co., Ltd., which is classified as fair value through other comprehensive income, with a fair value of $106,914 thousand and $125,748 thousand as of December 31, 2023 and 2022, respectively. In August, 2022, Sunder Biomedical Tech. Co., Ltd., listed its equity shares on an exchange and they are currently actively traded in that market. Because the equity shares now have a published price quotation in an active market, the fair value measurement was transferred from Level 3 to Level 1 of the fair value hierarchy.

4) Reconciliation of level 3 fair values

	Fair value through other comprehensive income
	Unquoted equity instruments
Opening balance, January 1, 2023	$ 38,162
Total gains and losses recognized	
In other comprehensive income	(9,469)
Purchased	44,550
Ending balance, December 31, 2023	**$ 73,243**
Opening balance, January 1, 2022	107,086
Total gains and losses recognized	
In other comprehensive income	128
Purchased	38,034
Transfer out of level 3	(107,086)
Ending balance, December 31, 2022	**$ 38,162**

(Continued)

5) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company's financial instruments that use Level 3 inputs to measure fair value include"fair value through other comprehensive income – equity investments".

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Interrelationship between significant unobservable inputs and fair value
Financial assets at FVTOCI– equity investments without an active market	The guideline public company method	· Market liquidity discount rate (2023.12.31:75%~85% and 2022.12.31:85%) · Price to book ratio (2023.12.31:2.35~4.52 and 2022.12.31:4.24)	· The estimated fair value would decrease if liquidity discount was higher · The estimated fair value would increase if P/B ratio was higher

6) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The Company's measurement on the fair value of financial instruments is deemed reasonable despite the fact that different valuation models or parameters may lead to different results. For fair value measurements in Level 3, changing one or more of the assumptions would have the following effects on profit or loss and other comprehensive income for the period:

	Inputs	Upward or downward movement	Profit or loss		Other comprehensive income	
			Favourable	Unfavourable	Favourable	Unfavourable
December 31, 2023						
Financial assets fair value through other comprehensive income						
Equity investment without an active market	P/B ratio	5%	-	-	3,662	(3,662)
	Market liquidity discount	5%	-	-	4,749	(4,749)
December 31, 2022						
Financial assets fair value through other comprehensive income						
Equity investment without an active market	P/B ratio	5%	-	-	1,909	(1,909)
	Market liquidity discount	5%	-	-	2,246	(2,246)

(Continued)

FORMOSA OPTICAL TECHNOLOGY CORPORATION
Notes to the Financial Statements

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

(x) Financial risk management

(i) Overview

The Company have exposures to the following risks from its financial instruments:

1) credit risk

2) liquidity risk

3) market risk

The following likewise discusses the Company' s objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying parent company only financial statements.

(ii) Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Chairman of the Board and the president are responsible for developing and monitoring the Company's risk management policies, and reporting regularly to the Board of Directors on its operations.

The objective of the Company's financial risk management is to manage the above mentioned risks associated with operating activities and the use of financial instruments. To mitigate relevant financial risks, the Company' s important financial activities are reported to and approved by the Board of Directors in accordance with the internal control system; during the implementation period of the financial plan, financial activities must be in compliance with operating procedures for segregation of duties and scope of authority. The Company's Audit Committee oversees how management monitors compliance with the Company' s risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's Audit Committee is assisted in its oversight role by internal auditors. Internal auditors undertake both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's investment in securities.

(Continued)

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Company's finance department. The Company only deals with financial institutions with good credit rating. The Company does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

As of December 31, 2023 and 2022, the Company's unused credit line were amounted to $725,965 thousand and $488,859 thousand, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Company's operating activities denominated in foreign currencies expose it to currency risks.

2) Interest rate risk

The Company's interest rate risk arises mainly from the short-term and long-term bank borrowings with floating interest rates. Future cash flow will be affected by a change in effective interest rate.

3) Other market price risk

The financial instruments held by the Company are mainly mutual funds and equity securities; all significant equity instrument investments are subject to approval by the Company's Board of Directors.

(y) Capital management

The Company's objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

(Continued)

FORMOSA OPTICAL TECHNOLOGY CORPORATION
Notes to the Financial Statements

The Company's debt-to-equity ratio at the end of the reporting periods as of is as follows:

	December 31, 2023	December 31, 2022
Total liabilities	$ 3,563,175	3,158,466
Less: Cash and cash equivalents	77,152	56,662
Less: Financial assets at amortized cost	14,878	113,159
Net debt	**$ 3,471,145**	**2,988,645**
Total equity	**$ 2,957,691**	**2,592,910**
Debt-to-equity ratio	**117 %**	**115 %**

As of December 31, 2023, the Company's capital management strategy is consistent with the prior year.

(z) Investing and financing activities not affecting current cash flow

The Company's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2023 and 2022, were as follows:

(i) For right-of-use assets under leases, please refer to note 6(i).

(ii) Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2023	Cash flows	Non-cash change: Changes in lease payments	December 31, 2023
Long-term borrowings (including current portion)	$ 391,920	(26,905)	-	365,015
Short-term borrowings	972,000	126,500	-	1,098,500
Lease liabilities	572,371	(243,957)	398,267	726,681
Total liabilities from financing activities	**$ 1,936,291**	**(144,362)**	**398,267**	**2,190,196**

	January 1, 2022	Cash flows	Non-cash change: Changes in lease payments	December 31, 2022
Long-term borrowings (including current portion)	$ 419,198	(27,278)	-	391,920
Short-term borrowings	353,500	618,500	-	972,000
Lease liabilities	502,330	(236,628)	306,669	572,371
Total liabilities from financing activities	**$ 1,275,028**	**354,594**	**306,669**	**1,936,291**

FORMOSA OPTICAL TECHNOLOGY CORPORATION
Notes to the Financial Statements

(7) Related-party transactions

(a) Names and relationship with the Company

The followings are entities that have had transactions with related party during the periods covered in the financial statements.

Name of related party	Relationship with the Group
Yung Sheng Optical Co., Ltd.	Other related party
Pao Lien Optical Co., Ltd.	Other related party
New Path International Co., Ltd.	Subsidiary
Bao Wei Optical Co., Ltd.	Subsidiary
Milanno Optical Co., Ltd.	Subsidiary
Bao Xiang Optical Co., Ltd.	Subsidiary
Bao An Shi Technology Co., Ltd.	Subsidiary
Horien Biochemical Technology Co., Ltd.	Other related party
Horien Interational Co., Ltd.	Other related party

(b) Significant transactions with related parties

(i) Purchases

The amounts of purchases by the Company from related parties were as follows:

Relationship/Name	2023	2022
Other related party- Pao Lien	**$ 691,290**	**656,016**

The types of goods purchased by the Company from the above companies are different from those of other suppliers; therefore, the purchase prices and payment terms are not comparable.

(ii) Receivables from related parties

The details of the Company's receivables from related parties were as follows:

Account	Relationship/Name	December 31, 2023	December 31, 2022
Other receivables	Other related party- Pao Lien	$ 30,786	13,736
	Subsidiary- Bao Wei	583	633
	Subsidiary- Bao Xiang	-	568
		$ 31,369	**14,937**

The other receivables to related parties mainly comprise advertising expenses and apportionment of related office expenses.

FORMOSA OPTICAL TECHNOLOGY CORPORATION
Notes to the Financial Statements

(iii) Payables to related parties

The details of the Company's payables to related parties were as follows:

Account	Relationship/Name	December 31, 2023	December 31, 2022
Notes payable	Other related party- Pao Lien	$ 291,915	217,502
Other payables	Other related party- Pao Lien	2,559	1,327
		$ **294,474**	**218,829**

(iv) Other transaction with related parties

1) Rental income

Relationship/Name	2023	2022
Other related party- Yung Sheng	$ 5,143	5,143
Other related party- Pao Lien	14,454	14,447
Subsidiary- Bao Wei	60	60
Subsidiary- Bao Xiang	60	60
Subsidiary- Bao An Shi	60	-
	$ **19,777**	**19,710**

Rental income is negotiated by both parties and collected on a monthly basis.

The Group leases offices, branches and warehouses to Pao Lien Optical Co., Ltd. The average monthly rent is $1,200 thousand and charge by demand check monthly.

The Company leases buildings to Yung Sheng Optical Co., Ltd. the average monthly rent was $429 thousand and charge by demand check monthly.

2) Other income

Relationship/Name	2023	2022
Other related party- Pao Lien	$ 941	3,341
Subsidiary- Bao Wei	6,740	6,829
Subsidiary- Bao Xiang	-	38
	$ **7,681**	**10,208**

3) Other expenditures

Relationship/Name	2023	2022
Other related party- Pao Lien	$ **12,290**	**11,452**

FORMOSA OPTICAL TECHNOLOGY CORPORATION
Notes to the Financial Statements

4) Equity transaction

In 2023, the Company acquired 2,700,000 shares of related party-Horien International Co., Ltd. amounted to $27,000 thousand. The cumulative percentage of ownership was 7.11%.

In 2022, the Company acquired 2,113,000 shares of related party-Horien Biochemical Technology Co., Ltd. amounted to $38,034 thousand. The cumulative percentage of ownership was 5.79%.

5) Guarantee

As of December 31, 2023 and 2022, New Path International Co., Ltd. had provided a guarantee for bank loans taken out by the Company. The credit limit of the guarantee was both $940,000 thousand. The Company actual used the credit limit amount was $701,500 thousand and $582,000 thousand, respectively.

6) Others

Milanno Optical Co., Ltd., in fiscal year 2023, a capital reduction of $40,000 thousand was processed to cover the loss and a cash capital increase of $40,000 thousand was processed during the same period, and the related shares were fully subscribed by the Company.

Bao Xiang Optical Co., Ltd., in fiscal year 2022, a capital reduction of $40,000 thousand was processed to cover the loss, and a cash capital increase of $40,000 thousand was processed during the same period, and the related shares were fully subscribed by the Company.

The Company provided management support services to its subsidiary, Bao An Shi Technology Co., Ltd., for which no amount has been charged for the year ended December 31, 2023.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	2023	2022
Short-term employee benefits	$ 15,862	10,612
Post-employment benefits	270	260
	$ 16,132	**10,872**

FORMOSA OPTICAL TECHNOLOGY CORPORATION
Notes to the Financial Statements

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Object		December 31, 2023	December 31, 2022
Financial assets at FVTOCI	Bank loans	$	31,830	39,885
Property, plant and equipment	Bank loans		588,925	585,866
Investment properties	Bank loans		78,638	79,165
		$	699,393	704,916

(9) Commitments and contingencies: None

(10) Losses due to major disasters: None

(11) Subsequent events: None

(12) Other:

(a) A summary of employee benefits, depreciation, and amortization, by function, is as follows:

By function / By item	2023			2022		
	Cost of sale	Operating expense	Total	Cost of sale	Operating expense	Total
Employee benefits						
Salary	-	784,660	784,660	-	667,958	667,958
Labor and health insurance	-	68,147	68,147	-	61,291	61,291
Pension	-	32,834	32,834	-	29,498	29,498
Remuneration of directors	-	5,741	5,741	-	2,097	2,097
Others	-	26,527	26,527	-	26,704	26,704
Depreciation	-	351,842	351,842	-	337,100	337,100
Amortization	-	7,688	7,688	-	7,086	7,086

For the years end December 31, 2023 and 2022, the supplemental information of the numbers of employees and employee benefit expense of the Company was as follows:

		2023	2022
Number of employees		951	868
Number of directors were not employees		4	4
The average employee benefit	$	963	909
The average salaries and wages	$	829	773
Adjustment of the average salaries and wages		7.24 %	11.87 %
Remuneration of supervisors	$	-	-

(Continued)

FORMOSA OPTICAL TECHNOLOGY CORPORATION
Notes to the Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company:

(i) Loans to other parties: None

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement: Name	Counter-party of guarantee and endorsement: Relationship with the Company	Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
1	New Path International Co., Ltd.	Formosa Optical Technology Corporation	3	2,157,421	940,000	940,000	701,500	940,000	33.54 %	2,157,421	N	Y	N

Note 1: The number represents the following:

1. The parent company is coded “0”.
2. Subsidiaries are coded consecutively beginning from “1”.

(iii) Securities held as of December 31, 2023 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Accounttitle	Ending balance: Shares/Units (thousand)	Ending balance: Carrying value	Ending balance: Percenatge of ownership(%)	Ending balance: Fair calue	Note
The Company	Jih Sun Global Smart Car Fund (TWD A)	None	Financial assets at FVTPL - current	1,142	17,144	- %	17,144	
The Company	Shin Kong Financial Holding Co., Ltd. Preferred Shares B	〃	Financial assets at FVTOCI - current	1,111	31,830	0.37 %	31,830	
The Company	Largan Precision Co., Ltd.	〃	〃	15	43,050	- %	43,050	
The Company	I Sheng Electric Wire & Cable Co., Ltd.	〃	〃	117	5,400	- %	5,400	
The Company	United Microelectronics Corporation	〃	〃	300	15,780	- %	15,780	
The Company	Yuanta Taiwan Dividend Plus ETF	〃	〃	2,700	100,980	- %	100,980	
The Company	Cathay MSCI Taiwan ESG Sustain Hi DivYield ETF	〃	〃	4,800	104,640	- %	104,640	
The Company	Taiwan Semiconductor Manufacturing Co., Ltd.	〃	〃	190	112,670	- %	112,670	
The Company	Test Research , Inc.	〃	〃	20	1,254	- %	1,254	
The Company	Acter Group Co., Ltd.	〃	〃	260	46,150	- %	46,150	
The Company	Hon Hai Precision Industry Co., Ltd.	〃	〃	480	50,160	- %	50,160	
The Company	United Integrated Services Co., Ltd.	None	Financial assets at FVTOCI - current	240	63,480	- %	63,480	
The Company	BizLinkHolding Inc.	〃	〃	227	60,634	- %	60,634	
The Company	Chai lease Finance Co., Ltd.	〃	〃	418	80,635	- %	80,635	
The Company	Ruentex Industries Co., Ltd.	〃	Financial assets at FVTOCI - Non-current	680	43,724	- %	43,724	
The Company	Yuanta Taiwan High Dividend Low Volatility ETF	〃	Financial assets at FVTOCI - current	500	25,200	- %	25,200	
The Company	Mediatek Inc.	〃	〃	40	40,600	- %	40,600	
The Company	Yuanta US 20+ Year?AAA-A Corporate Bond ETF	〃	Financial assets at FVTPL - current	2,000	70,660	- %	70,660	
The Company	CTBC Banking Senior 10+ Year Bond ETF	〃	〃	2,100	77,154	- %	77,154	
The Company	Advancetek Enterprice Co., Ltd.	〃	〃	420	16,212	- %	16,212	
The Company	Toplus Globol Co., Ltd.	〃	Financial assets at FVTOCI - non-current	1,500	17,447	0.02 %	17,447	
The Company	Sunder Biomedical Tech. Co., Ltd.	Related Party	Financial assets at FVTOCI - current	7,080	106,914	0.12 %	106,914	
The Company	Everest Technology Inc.	None	〃	1,305	-	0.02 %	-	
The Company	Horien Biochemical Technology Co., Ltd.	Related Party	Financial assets at FVTOCI - non-current	2,113	38,849	0.06 %	38,849	
The Company	Horien International Co., Ltd.	Related Party	〃	2,700	16,947	0.07 %	16,947	

(Continued)

FORMOSA OPTICAL TECHNOLOGY CORPORATION
Notes to the Financial Statements

Name of holder	Category and name of security	Relationship with company	Accounttitle	Ending balance Shares/Units (thousand)	Carrying value	Percenatge of ownership(%)	Fair calue	Note
Bao Wei Optical Co., Ltd.	Union Bank of Taiwan Preferred Stock A	None	Financial assets at FVTOCI - current	600	30,780	- %	30,780	
Bao Wei Optical Co., Ltd.	Sunmax Biotechnology Co.,Ltd.	〃	〃	452	92,208	- %	92,208	
Bao Wei Optical Co., Ltd.	Toplus Globol Co., Ltd.	〃	〃	434	9,635	- %	9,635	
Bao Wei Optical Co., Ltd.	Fuh Hwa Ruihwa Fund	〃	Financial assets at FVTPL - current	1,727	20,223	- %	20,223	
Bao Wei Optical Co., Ltd.	Fuh Hwa Legend Fund	〃	〃	900	19,411	- %	19,411	
Bao Wei Optical Co., Ltd.	Taishin 1699 Money Market Fund	〃	〃	1,435	20,013	- %	20,013	
Bao Wei Optical Co., Ltd.	7441 Sinopac Money Market Fund	〃	〃	1,399	20,013	- %	20,013	
New Path	JPM USD Liquidity LVNAV w (DIST.) Fund	〃	〃	3,986	122,386	- %	122,386	
New Path	Pimco Income Fund USD Inc INV Fund	〃	〃	104	30,352	- %	30,352	
New Path	JPMORGAN FUNDS	〃	〃	11	29,499	- %	29,499	
New Path	JPMORGAN CHASE BOND	〃	〃	1,000	30,736	- %	30,736	
New Path	MITSUBISHI UFJ FIN GRP FRN BOND	None	〃	400	12,224	- %	12,224	
New Path	UBS GROUP AG BOND	〃	〃	1,000	30,238	- %	30,238	
New Path	HSBC HOLDINGS PLC FRN BOND	〃	〃	1,600	49,118	- %	49,118	
New Path	BARCLAYS PLC BOND	〃	〃	400	12,234	- %	12,234	
New Path	APPLE INC BOND	〃	〃	2,500	56,239	- %	56,239	
New Path	CLOVERIE PLC ZURICH INS FRN BOND	〃	Financial assets at FVTPL - current	500	15,061	- %	15,061	
New Path	ALPHABET INC BOND	〃	〃	1,500	28,685	- %	28,685	
New Path	AIRPORT AUTHORITY HK FRN PERP BOND	〃	〃	1,000	27,214	- %	27,214	
New Path	JPMORGAN CHASE&CO FRN BOND	〃	〃	2,000	63,596	- %	63,596	
New Path	NIPPON LIFE INSURANCE FRN REG-S BOND	〃	〃	400	11,990	- %	11,990	
New Path	TENCENT HOLDINGS LTD SERIES REGS BOND	〃	〃	200	5,240	- %	5,240	
New Path	BARCLAYS PLC BOND	〃	〃	3,000	92,253	- %	92,253	
New Path	The Home Depot Inc. Bond	〃	〃	1,000	30,068	- %	30,068	
New Path	The Coca-Cola Co.?Bond	〃	〃	1,000	21,343	- %	21,343	
New Path	Macquarie Bank Ltd.?Bond	〃	〃	2,000	62,144	- %	62,144	
New Path	Microsoft Corp. Bond	〃	〃	1,500	31,709	- %	31,709	
New Path	HP Inc. Bond	〃	〃	1,000	30,757	- %	30,757	
New Path	Exxon Mobil Corp Bond	〃	〃	500	12,362	- %	12,362	
Bao Xiang Optical Corporation Ltd.	Taishin 1699 Money Market Fund	〃	〃	646	9,010	- %	9,010	
Bao Xiang Optical Corporation Ltd.	7441 Sinopac Money Market Fund	〃	〃	280	4,001	- %	4,001	
Milanno Optical Co., Ltd.	Fuh Hwa OMNI Fund	〃	〃	503	10,065	- %	10,065	
Milanno Optical Co., Ltd.	Taishin 1699 Money Market Fund	〃	〃	897	12,512	- %	12,512	
Milanno Optical Co., Ltd.	7441 Sinopac Money Market Fund	〃	〃	105	1,501	- %	1,501	
Bao An Shi Technology Co., Ltd.	7441 Sinopac Money Market Fund	〃	〃	700	10,011	- %	10,011	
Bao An Shi Technology Co., Ltd.	Taishin 1699 Money Market Fund	〃	〃	718	10,011	- %	10,011	
Bao An Shi Technology Co., Ltd.	Jih Sun Money Market Fund	〃	〃	656	10,011	- %	10,011	

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance Shares	Beginning Balance Amount	Purchases Shares	Purchases Amount	Sales Shares	Sales Price	Sales Cost	Sales Gain (loss) on disposal	Ending Balance Shares	Ending Balance Amount
New Path	ICBCAS	Financial assets at FVTPL - current	-	-	1	307,131	-	-	1	307,131	307,131	-	-	-

(Continued)

FORMOSA OPTICAL TECHNOLOGY CORPORATION
Notes to the Financial Statements

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

			Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		
Name of company	Related party	Nature of relationship	Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	Note
The Company	Pao Lien Optical Co., Ltd.	Associate	Purchase	691,290	46.84%	120 days	-	120 days	(291,915)	(70.73)%	

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:None

(ix) Trading in derivative instruments: None

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2023 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2023			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2023	December 31, 2022	Shares (thousands)	Percentage of ownership	Carrying value			
Formosa Optical Technology Corporation	Polylite Taiwan Corporation Limited	Taiwan	Manufacturing, processing, importing, exporting and selling all kinds of glasses, frames, optical equipment, eye contact and eye solution	37,798	37,798	6,266	13.44 %	104,125	11,198	1,504	
Formosa Optical Technology Corporation	New Path International Co., Ltd.	Mauritius	Investment activities	123,682	123,682	-	100.00 %	2,208,895	85,222	85,222	
Formosa Optical Technology Corporation	Milanno Optical Co., Ltd.	Taiwan	Sell optical glasses, frames and eye care solution, office machinery and equipment, and retail sale of telecom instruments	90,212	50,212	5,000	100.00 %	37,891	(12,879)	(12,879)	Note 1
Formosa Optical Technology Corporation	Bao Wei Optical Co., Ltd.	Taiwan	Sell optical glasses, frames and eye care solution	100,000	100,000	10,000	100.00 %	272,257	56,575	56,575	
Formosa Optical Technology Corporation	Bao Xiang Optical Co., Ltd.	Taiwan	Sell optical glasses, frames and eye care solution	84,322	84,322	6,000	100.00 %	34,676	217	217	
Formosa Optical Technology Corporation	Bao An Shi Technology Co., Ltd.	Taiwan	Sell medical consumable goods	54,000	54,000	5,400	90.00 %	53,564	(432)	(389)	
New Path International Co., Ltd.	Glamor Vision Ltd.	Cayman	Investment activities	USD 121,241	USD 121,241	2	18.39 %	USD 9,971	(66,918)	(12,305)	
Glamor Vision Ltd.	Ginko International Co., Ltd.	Cayman	Investment activities	USD 944,130	USD 944,130	-	100.00 %	USD184,279	701,920	-	
Ginko International Co., Ltd.	Prosper Link International Limited (BVI)	British Virgin Islands	Investment activities	USD 2,760	USD 2,760	-	100.00 %	17,172,468	936,889	-	
Ginko International Co., Ltd.	Yung Sheng Optical Corporation Limited	Taiwan	Merchandise and sale of contact lenses and care solution	1,600,000	1,600,000	80,000	100.00 %	3,942,487	239,827	-	
Prosper Link International Limited (BVI)	Haichang International Limited.	Hong Kong	Investment activities	USD 2,089	USD 2,089	-	100.00 %	17,374,214	936,797	-	
Haichang Contact Lens Corporation Limited	Gain Bless Management Ltd.	British Virgin Islands	Investment activities	USD 3,150	USD 1,150	3,150	100.00 %	24,666	(2,878)	-	
Gain Bless Management Ltd.	Horien Optic (Malaysia) Sdn.Bhd.	Malaysia	Merchandise and sale of contact lenses and care solution	USD 971	USD 971	2,500	100.00 %	19,703	(2,887)	-	
Yung Sheng Optical Corporation Limited	Master Harvest Global Ltd.	Anguilla	Investment activities	USD 10,000	USD 10,000	10,000	100.00 %	104,559	(19,217)	-	
Yung Sheng Optical Corporation Limited	Asiastar Co, Ltd.	Taiwan	Merchandise and sale of contact lenses and care solution	32,000	32,000	100	100.00 %	(7,062)	(7,913)	-	
Master Harvest Global Ltd.	Eishou Optical Co., Ltd	Japan	Merchandise and sale of contact lenses and care solution	JPY 140,700	JPY 140,700	20,300	88.26 %	(10,884)	2,032	-	
Master Harvest Global Ltd.	Uni-Beauty Co.,Ltd.	Japan	Merchandise and sale of contact lenses and care solution	JPY 710,000	JPY 410,000	410,000	100.00 %	58,067	(19,420)	-	

Note 1: Milanno Optical Co., Ltd., in fiscal year 2023, a capital reduction of $40,000 thousand was recorded to cover the loss and a cash capital increase of $40,000 thousand was recorded during the same period, and the related shares were fully subscribed by the Company.

FORMOSA OPTICAL TECHNOLOGY CORPORATION
Notes to the Financial Statements

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2023	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2023	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (note 2)	Book value (note 3)	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Haichang Contact Lens Co., Ltd.	Merchandise and sale of contact lenses and care solution	2,189,850 (USD71,319)	(Note 1)	64,143 (USD2,089)	-	-	64,143 (USD2,089)	849,376 (RMB193,242)	18.39%	156,200	12,813,303	177,832 (USD5,708)
Jiangsu Horien Contact LensCo., Ltd.	Merchandise and sale of contact lenses and care solution	64,905 (RMB15,000)	(Note 1)	4,022 (USD131)	-	-	4,022 (USD131)	526,111 (RMB16,887)	18.39%	96,752	5,293,524	-
Shanghai Keben Optics Co., Ltd.	Sale of contact lenses 、care solution and eye drop	6,478 (RMB1,497)	(Note 1)	1,228 (USD40)		-	1,228 (USD40)	(4,591) (RMB1,044)	18.39%	(844)	(1,847)	-
Shanghai Horien Contact Lens Optics Co.	Sale of contact lenses, care solution and eye drop	324,525 (RMB75,000)	(Note 1)	-	-	-	-	(2,888) (RMB(657))	18.39%	(531)	(155,440)	-
Shanghai Foresight Contact Lens Co., Ltd.	Sale of contact lenses, care solution and eye drop	108,175 (USD25,000)	(Note 1 _	-	-	-	-	(52,156) (RMB(7,135))	18.39%	(9,591)	145,567	-
Heilongjiang Province DingtaiPharmaceutical Co., Ltd.	Manufacture tablet, capsule, powder and granule	78,029 (USD18,033)	(Note 1)	6,325 (USD206)	-	-	6,325 (USD206)	(5,318) (RMB(1,210))	9.09%	-	(1,842) (USD(60))	-
Heilongjiang HaichangBiological Technology Co., Ltd.	Regular operation subjects: manufacturehealth care products, providetechnologyconsultant, technology service. Provision onoperation subjects:R&D and manufacture bottlewater, water spray, medical adhesivetape,artificial skin, disinfectant, preservative,bio-antibacterial, whey protein andother medical material and products (with related effective provision)	322,403 (USD10,500)	(Note 1)	69,209 (USD2,254)	-	-	69,209 (USD2,254)	(15,476) (RMB(3,521))	11.36%	-	(11,914) (USD(388))	-

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
144,951 (USD4,720)	565,985 (USD18,430)	1,778,186

Note 1: Indirect investment in mainland China through holding companies.

Note 2: The financial statements that were used as basis for calculating the investments were audited by the independent auditors.

Note 3: The investment is transferred to the subsidiary which was 100% owned by the Group. The book value of the investment at the end of the period is the book value of the equity recognized by Ginko International Co., Ltd., which is accounted for using the equity method.

Note 4: According to the "Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China", the cumulative amount of investment in the Mainland China shall not exceed 60% of the net value or the combined net value, whichever is higher.

(iii) Significant transactions:

For details of significant direct or indirect transactions between the Company and its investees in Mainland China in fiscal year 2023, please refer to "Information on Significant Transactions".

FORMOSA OPTICAL TECHNOLOGY CORPORATION
Notes to the Financial Statements

(d) Major shareholders:None

Shareholding Shareholder's Name	Shares	Percentage
Chieh Fu International Co., Ltd.	10,785,057	17.95 %
Chi Sheng Co., Ltd.	5,745,025	9.56 %
Chen, Zhi-Yong	3,204,558	5.33 %

(14) Segment information:

Please refer to the consolidated financial statements in 2023.

Formosa Optical Technology Corporation

Statement of cash and cash equivalents

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Items	Description	Amount
Cash on hand and petty cash		$ 15,558
Bank deposit	USD 4 thousand, exchange rate 30.71	61,594
Total		**$ 77,152**

Formosa Optical Technology Corporation

Statement of financial assets measured at fair value through other comprehensive income

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

	January, 1		Acquisition		Disposal		December, 31			
Name	Number of shares (in thousands)	Fair value	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Fair value	Guarantee or pledge	Note
Shin Kong Financial Holding Co., Ltd. Preferred Shares B	1,111	$ 39,885	-	-	-	-	1,111	31,830	Yes	
Largan Precision Co., Ltd.	15	30,600	-	-	-	-	15	43,050	None	
I Sheng Electric Wire & Cable Co., Ltd.	117	4,937	-	-	-	-	117	5,400	〃	
Taiwan Secom Co., Ltd.	56	5,600	-	-	56	4,934	-	-	〃	
WPG Holding Co., Ltd.	111	5,339	-	-	111	5,012	-	-	〃	
United Microelectronics Corporation	300	12,210	-	-	-	-	300	15,780	〃	
Yuanta Taiwan Dividend Plus ETF	3,300	83,820	600	21,129	1,200	34,440	2,700	100,980	〃	
Cathay MSCI Taiwan ESG Sustain Hi DivYield ETF	5,200	84,084	-	-	400	6,760	4,800	104,640	〃	
Taiwan Semiconductor Manufacturing Co., Ltd.	200	89,700	80	45,036	90	44,299	190	112,670	〃	
Test Research , Inc.	181	11,530	-	-	161	9,518	20	1,254	〃	
AURAS Technology Co.,Ltd.	200	29,600	-	-	200	29,403	-	-	〃	
ACTER GROUP CORPORATION LIMITED	320	32,480	119	19,575	179	18,759	260	46,150	〃	
Phison Electronics Corp.	140	44,100	-	-	140	40,317	-	-	〃	
ASX-ASE Technology Holding Co., Ltd.	280	26,292	-	-	280	24,377	-	-	〃	
Hon Hai Precision Industry Co., Ltd.	300	29,970	180	17,573	-	-	480	50,160	〃	
United Integrated Services Co., Ltd.	250	45,750	70	14,430	80	13,497	240	63,480	〃	
BizLinkHolding Inc.-KY	180	42,570	47	10,732	-	-	227	60,634	〃	
Chai lease Finance Co., Ltd.-KY	250	54,250	168	32,136	-	-	418	80,636	〃	
Sunder Biomedical Tech. Co., Ltd.	7,080	125,748	-	-	-	-	7,080	106,914	〃	
Horien Biochemical Technology Co., Ltd.	2,113	38,162	-	-	-	-	2,113	38,849	〃	
Everest Technology Inc.	1,305	-	-	-	-	-	1,305	-	〃	Note1
Ruentex Industries Limited	-	-	680	40,070	-	-	680	43,724	〃	
Sunmax Biotechnology Co.,Ltd.	-	-	50	7,146	50	7,146	-	-	〃	
Yuanta Taiwan High Dividend Low Volatility ETF	-	-	500	19,452	-	-	500	25,200	〃	
Mediatek Inc.	-	-	160	117,972	120	83,020	40	40,600	〃	
Yuanta Financial Holding Co., Ltd.	-	-	2,000	67,414	-	-	2,000	70,660	〃	
CTBC Banking Senior 10+ Year Bond ETF	-	-	2,100	73,755	-	-	2,100	77,154	〃	
Advancetek Enterprice Co., Ltd.	-	-	420	15,503	-	-	420	16,212	〃	
Toplus Globol Co., Ltd.	-	-	1,500	17,550	-	-	1,500	17,447	〃	
Horien International Co., Ltd.	-	-	2,700	27,000	-	-	2,700	16,947	〃	
		$ 836,627		546,473		321,482		1,170,371		

Note1: Since the company is loss-making and its shares are lack of liquidity, its carrying amount are fully impaired.

Formosa Optical Technology Corporation

Statement of inventories

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Items	Amount	
	Cost	Net realizable value
Merchandise	$ 452,172	**811,845**
	452,172	
Less: Allowance for inventory write-downs and obsolescence (Note)	9,709	
Total	**$ 442,463**	

Note: Estimation of the allowance is based on the lower of the cost and the net realizable value, and the inventory aging analysis.

Formosa Optical Technology Corporation

Statement of changes in investments accounted for using the equity method

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

	Opening balance		Addition		Decrease		Ending balance			Market value or net asset value (note 11)		collateral or guarantee
Name of investee	shares	Amount	shares	Amount	shares	Amount	shares	Percentage of ownership	Amount	Unit price	Total price	
Polylite Taiwan Corporation Limited	6,266	$ 109,095	-	2,078 (note 1)	-	7,048 (note 2)	6,266	13.44	104,125	21	130,335	None
New Path International Co., Ltd.		2,157,772	-	85,222 (note 3)	-	34,099 (note 4)	-	100	2,208,895	-	2,208,895	None
Milanno Optical Co., Ltd	5,000	10,770	4,000	40,000 (note 5)	4,000	12,879 (note 6)	5,000	100.00	37,891	-	37,891	None
Bao Wei Optical Co., Ltd	10,000	170,701	-	114,325 (note 7)	-	12,769 (note 8)	10,000	100.00	272,257	-	272,257	None
Bao Xiang Optical Co.,Ltd	6,000	34,459	-	217 (note 9)	-	-	6,000	100.00	34,676	-	34,676	None
Bao An Shi Technology Co., Ltd	5,400	53,953	-	-	-	389 (note 10)	5,400	90.00	53,564	-	53,564	None
		$ 2,536,750		241,842		67,184			2,711,408		2,737,618	

Note 1: The increase was due to the adoption of the equity method of accounting for the gain of $1,504 thousand, the recognition of capital surplus of subsidiaries - Long-term investments of $510 thousand, and the proportionate share of pension gains and losses of affiliated companies of $64 thousand.

Note 2: The decrease was due to the cash dividends paid by the investee company of $3,133 thousand, the debit balance of exchange differences of $118 thousand in the financial statements of foreign operations, and the adjustment of $3,797 thousand for the proportionate share of equity in subsidiaries acquired by affiliated companies.

Note 3: The increase was recognized as a gain of $85,222 thousand using the equity method.

Note 4: The decrease was due to the debit balance of exchange differences on the translation of financial statements of foreign operations of $34,099 thousand.

Note 5: The increase was due to the increase in cash.

Note 6: The decrease was attributable to the recovery of losses from equity-method investees and the adoption of the equity method of accounting for losses of $12,879 thousand.

Note 7: The increase was due to the adoption of the equity method of accounting for $56,575 thousand and the proportional recognition of financial instruments as realized gains or losses of $57,750 thousand.

Note 8: The decrease was due to the cash dividends from investees of $12,769 thousand.

Note 9: The increase was recognized as a gain of $217 thousand using the equity method.

Note 10: The decrease was recognized as a loss of $389 thousand using the equity method.

Note 11: If the fair value is not traded on the open market, the fair value cannot be estimated in practice and is presented as net value.

Formosa Optical Technology Corporation

Statement of changes in property, plant and equipment

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Please refer to note 6(h).

Statement of changes in accumulated depreciation of property, plant and equipment

Please refer to note 6(h).

Statement of changes in right-of-use assets

Please refer to note 6(i).

Statement of changes in accumulated depreciation of right-of-use assets

Please refer to note 6(i).

Formosa Optical Technology Corporation

Statement of short-term borrowings

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Creditor	Ending balance	Contract period	Range of interest rates	Credit lines	Mortgage or collateral
Taiwan Cooperative Bank	$ 369,500	2023.12.26~2024.07.04	1.653%	500,000	Yes
Taiwan Cooperative Bank	34,000	2023.11.10~2024.11.10	1.733%	150,000	Yes
Taiwan Cooperative Bank	45,000	2023.12.08~2024.12.08	1.733%	Share with the above amount	Yes
Taiwan Cooperative Bank	46,000	2023.11.08~2024.11.08	1.733%	Share with the above amount	Yes
Taiwan Cooperative Bank	22,000	2023.12.08~2024.12.08	1.733%	Share with the above amount	Yes
Cathay United Bank	100,000	2023.12.06~2024.03.05	1.71%	500,000	Yes
Cathay United Bank	332,000	2023.12.06~2024.01.05	1.6%	100,000	None
Yuanta Bank	100,000	2023.12.07~2024.03.07	1.7%	150,000	Yes
Yuanta Bank	50,000	2023.12.07~2024.03.07	1.7%	Share with the above amount	Yes
	$ 1,098,500				

Statement of lease liabilities

Please refer to note 6(o).

Formosa Optical Technology Corporation

Statement of long-term borrowings

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Creditor	Amount	Contract period	Rate(%)	Mortgages or collateral
Taiwan Business Bank	$ 365,015	2015.12.23~2035.12.23	1.89	Land, Buildings and construction
Less: Current portion	(27,359)		-	
	$ 337,656			

Statement of deferred tax liabilities

December 31, 2023

Please refer to note 6(q).

Statement of operating revenue

For the year ended December 31, 2023

Please refer to note 6(t).

Formosa Optical Technology Corporation

Statement of operating costs

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Items		Amount
Beginning balance of inventory	$	412,401
Add: Purchases		1,110,426
Less: closing balance of inventory		(452,172)
Others		(5,076)
subtotal		1,065,579
Add: Loss on scrapped inventory and loss on physical inventory		2,236
Add: Write-down of inventory		82
Total operating cost	**$**	**1,067,897**

Statement of selling expenses

Items		Amount
Salary expense	$	703,910
Depreciation expense		337,229
Insurance expense		66,494
Advertisement expense		53,505
Pension		32,834
Other (Each amount was less than 5% of the account)		198,355
	$	**1,392,327**

Formosa Optical Technology Corporation

Statement of administrative expenses

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Items	Amount
Salary expense	$ 53,567
Depreciation expense	14,613
Entertainment expense	7,039
Tax expense	4,424
Insurance expense	4,235
Other (Each amount was less than 5% of the account)	10,964
	$ 94,842