Stock Code: 3450

ELITE ADVANCED LASER CORPORATION

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Elite Advanced Laser Corporation:

Opinion

We have audited the accompanying financial statements of Elite Advanced Laser Corporation (the "Company"), which comprise the balances sheets as of December 31, 2023 and 2022, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including material accounting policy information (collectively referred to as the "financial statements") .

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 Statements Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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 for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2023. 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.

Key audit matters of the Company's financial statements for the year ended December 31, 2023 is as follows:

<u>The veracity of the sales revenue of specific customers</u>

The Company's operating income in 2023 was $957,122 thousand, a decrease of 38% from 2022. Among them, customers with transaction of a material amount with on-going growth for 44% of the overall operating income, which has a significant impact on financial statements. Thus, we have considered sales authenticity related to the aforementioned specific customers as a key audit matter in the financial statements in 2023. Please refer to Note 4 (12) of the Financial Statements for the description of the income recognition policy.

<u>The sales authenticity to specific customer of a subsidiary accounted for using the equity method</u>

The operating revenue of subsidiary, GEM Services, Inc., for the year ended December 31, 2023 was $4,418,989 thousand, a decrease by about 15% compared with the year ended December 31, 2022. The total revenue of specific customers with significant sales volume and continuous growth in sales accounted for about 30% of the operating revenue, resulting in significant influence on the financial statements. Thus, we included the authenticity of the sales to the above specific customers as key audit matter for the 2023 financial statements.

Our accounting procedures on the sales revenue of the above-mentioned specific customers and the sales revenue of specific customers of the subsidiary accounted for using the equity method include:

1. By understanding the relevant internal control systems and operating procedures of the sales transaction cycle, we design the internal control auditing procedures according to the veracity of the sales revenue and confirm and evaluate the relevant internal control procedure during the sales transactions for whether the design and implementation are effective.
2. We obtain the list of the above-mentioned customers in 2023, and evaluate whether their relevant background, transaction amount, credit line and company size are reasonable.
3. We select samples from the above-mentioned customer sales details, examine the sales slips, customs declarations, bills of lading, sales invoices, payment collections, and major sales returns after the balance sheet date to confirm the veracity of the sales revenue.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the 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 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

1. Identify and assess the risks of material misstatement of the 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 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 entities or business activities within the Company to express an opinion on the 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 findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement partners on the reviews resulting in this independent auditors’ review report are Keng-Hsi, Chang and Chien-Hsin, Hsieh.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 14, 2024

Notice to Readers

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

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

ELITE ADVANCED LASER CORPORATION

BALANCE SHEETS

DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

		December 31, 2023		December 31, 2022	
Code	ASSETS	Amount	%	Amount	%
	CURRENT ASSETS				
1100	Cash and cash equivalents (Notes 4 and 6)	$ 157,979	3	$ 219,815	4
1140	Current contract assets (Notes 4, 5, 19 and 26)	40,521	1	63,437	1
1150	Notes receivable (Notes 4, 5, 7 and 19)	-	-	-	-
1170	Accounts receivable (Notes 4, 5, 7 and 19)	208,888	5	154,606	3
1180	Accounts receivable due from related parties (Notes 4, 5, 19 and 26)	7,742	-	31,705	1
1200	Other receivables (Notes 4, 5 and 7)	127,410	3	15,142	-
1210	Other receivable due from related parties (Notes 4, 5 and 26)	444	-	-	-
130X	Inventories (Notes 4 and 8)	54,879	1	133,490	3
1410	Prepayments (Note 13)	205,397	4	185,389	4
11XX	Total current assets	803,260	17	803,584	16
	NON-CURRENT ASSETS				
1550	Investments accounted for using equity method (Notes 4 and 9)	2,300,202	48	2,517,612	49
1600	Property, plant and equipment (Notes 4, 10 and 27)	1,545,462	33	1,729,769	33
1755	Right-of-use assets (Notes 4 and 11)	36,425	1	44,001	1
1780	Intangible assets (Notes 4 and 12)	217	-	1,581	-
1840	Deferred tax assets (Notes 4 and 21)	65,993	1	58,023	1
1990	Other non-current assets (Notes 4, 5, 7 and 13)	5,940	-	5,962	-
15XX	Total non-current assets	3,954,239	83	4,356,948	84
1XXX	TOTAL	$ 4,757,499	100	$ 5,160,532	100
Code	LIABILITIES AND EQUITY				
	CURRENT LIABILITIES				
2130	Current contract liabilities (Notes 4 and 19)	$ 7,940	-	$ 4,322	-
2170	Accounts payable	88,958	2	156,886	3
2200	Other payables (Notes 15 and 23)	227,012	5	162,394	3
2220	Other payable due from related parties (Note 26)	630	-	-	-
2230	Current tax liabilities (Notes 4 and 21)	45,730	1	31,973	1
2250	Current provisions (Notes 4 and 16)	7,849	-	6,419	-
2280	Current lease liabilities (Notes 4 and 11)	7,074	-	7,734	-
2300	Other current liabilities (Note 15)	1,729	-	2,038	-
2320	Long-term borrowings due within 1 year (Notes 4, 14 and 27)	24,709	1	37,732	1
21XX	Total current liabilities	411,631	9	409,498	8
	NON-CURRENT LIABILITIES				
2540	Long-term borrowings (Notes 4, 14 and 27)	180,291	4	367,268	7
2570	Deferred tax liabilities (Notes 4 and 21)	297,944	6	345,733	7
2580	Lease liabilities (Notes 4 and 11)	30,016	-	36,773	1
2640	Net defined benefit liabilities (Notes 4 and 17)	32,845	1	31,562	-
2670	Other non-current liabilities (Notes 15 and 26)	20	-	20	-
25XX	Total non-current liabilities	541,116	11	781,356	15
2XXX	Total liabilities	952,747	20	1,190,854	23
	EQUITY (Notes 4 and 18)				
	Capital stock				
3110	Common stock	1,456,814	31	1,456,814	28
3200	Capital surplus	455,236	9	452,294	9
	Retained earnings				
3310	Legal reserve	793,144	17	773,432	15
3320	Special reserve	67,718	1	65,301	1
3350	Unappropriated earnings	1,117,865	24	1,289,555	25
3300	Total retained earnings	1,978,727	42	2,128,288	41
3400	Others	(86,025)	(2)	(67,718)	(1)
3XXX	Total equity	3,804,752	80	3,969,678	77
	TOTAL	$ 4,757,499	100	$ 5,160,532	100

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

ELITE ADVANCED LASER CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Code		2023 Amount	2023 %	2022 Amount	2022 %
	OPERATING REVENUE (Notes 4, 19 and 26)				
4100	Sales revenue	$ 743,164	78	$ 1,295,357	84
4800	Other operating revenue	213,958	22	243,829	16
4000	Total revenue	957,122	100	1,539,186	100
	OPERATING COSTS (Notes 8 and 20)				
5110	Cost of goods sold	(1,005,079)	(105)	(1,470,806)	(96)
5800	Other operating costs	(16,081)	(1)	(31,788)	(2)
5000	Total operating costs	(1,021,160)	(106)	(1,502,594)	(98)
5900	GROSS PROFIT (LOSS)	(64,038)	(6)	36,592	2
	OPERATING EXPENSES (Notes 7, 19, 20 and 26)				
6100	Selling and distribution expense	(20,979)	(2)	(23,756)	(1)
6200	General and administrative expense	(98,579)	(11)	(121,844)	(8)
6300	Research and development	(87,195)	(9)	(88,351)	(6)
6450	Expected credit impairment loss	(943)	-	(28,952)	(2)
6000	Total operating expenses	(207,696)	(22)	(262,903)	(17)
6500	OTHER GAINS AND LOSSES (Notes 4, 10 and 20)	(7,609)	(1)	(31,481)	(2)
6900	LOSS FROM OPERATIONS	(279,343)	(29)	(257,792)	(17)
	NON-OPERATING INCOME AND EXPENSES (Notes 4, 20 and 26)				
7100	Interest income	1,145	-	573	-
7010	Other income	2,510	-	2,659	-
7020	Other gains and losses	(2,320)	-	24,631	2
7050	Finance costs	(5,355)	-	(4,701)	-

(Continued)

(Continued from previous page)

Code		2023 Amount	2023 %	2022 Amount	2022 %
7070	Share of the other comprehensive income of subsidiaries accounted for using equity method	194,341	20	475,919	31
7000	Total non-operating income and expenses	190,321	20	499,081	33
7900	INCOME (LOSS) BEFORE INCOME TAX	(89,022)	(9)	241,289	16
7950	INCOME TAX BENEFIT (EXPENSE) (Notes 4 and 21)	12,866	1	(49,465)	(3)
8200	NET INCOME (LOSS)	(76,156)	(8)	191,824	13
	OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 17, 18 and 21)				
8310	Items that will not be reclassified subsequently to profit or loss:				
8311	Remeasurement of defined benefit obligation	(705)	-	6,615	-
8349	Income tax expense related to item that will not be reclassified subsequently	141	-	(1,323)	-
8360	Items that will not be reclassified subsequently to profit or loss				
8361	Exchange differences arising on translation of foreign operations	(22,884)	(2)	(3,021)	-
8399	Income tax benefit (expense) related to items that will be reclassified subsequently	4,577	-	604	-
8300	Other comprehensive income (loss) for the period, net of income tax	(18,871)	(2)	2,875	-
8500	TOTAL COMPREHENSIVE INCOME	($ 95,027)	(10)	$ 194,699	13
	EARNINGS (LOSS) PER SHARE (Note 22)				
9710	Basic earnings per share	($ 0.52)		$ 1.32	
9810	Diluted earnings per share	($ 0.52)		$ 1.31	

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

ELITE ADVANCED LASER CORPORATION

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

				Retained earnings			Other equity	
Code		Capital stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Foreign currency translation reserve	Total equity
A1	BALANCE AT JANUARY 1, 2022	$ 1,456,814	$ 452,272	$ 736,221	$ 66,339	$ 1,390,838	($ 65,301)	$ 4,037,183
	Distribution of 2021 earnings (Note 18)							
B1	Legal reserve	-	-	37,211	-	(37,211)	-	-
B3	Special reserve	-	-	-	(1,038)	1,038	-	-
B5	Cash dividends to shareholders	-	-	-	-	(262,226)	-	(262,226)
		-	-	37,211	(1,038)	(298,399)	-	(262,226)
N1	Remuneration costs of employee stock options recognized by subsidiary (Note 18)	-	22	-	-	-	-	22
D1	Net income in 2022	-	-	-	-	191,824	-	191,824
D3	Other comprehensive income (loss) in 2022, net of income tax	-	-	-	-	5,292	(2,417)	2,875
D5	Total comprehensive income (loss) in 2022	-	-	-	-	197,116	(2,417)	194,699
Z1	BALANCE AT DECEMBER 31, 2022	1,456,814	452,294	773,432	65,301	1,289,555	(67,718)	3,969,678
	Distribution of 2022 earnings (Note 18)							
B1	Legal reserve	-	-	19,712	-	(19,712)	-	-
B3	Special reserve	-	-	-	2,417	(2,417)	-	-
B5	Cash dividends to shareholders	-	-	-	-	(72,841)	-	(72,841)
		-	-	19,712	2,417	(94,970)	-	(72,841)
M7	Changes in subsidiaries' ownership (Notes 9 and 18)	-	2,734	-	-	-	-	2,734
N1	Remuneration costs of employee stock options recognized by subsidiary (Note 18)	-	208	-	-	-	-	208
D1	Net loss for 2023	-	-	-	-	(76,156)	-	(76,156)
D3	Other comprehensive income (loss) in 2023, net of income tax	-	-	-	-	(564)	(18,307)	(18,871)
D5	Total comprehensive income (loss) in 2023	-	-	-	-	(76,720)	(18,307)	(95,027)
Z1	BALANCE AT DECEMBER 31, 2023	$ 1,456,814	$ 455,236	$ 793,144	$ 67,718	$ 1,117,865	($ 86,025)	$ 3,804,752

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

ELITE ADVANCED LASER CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

Code		2023	2022
	CASH FLOWS FROM OPERATING ACTIVITIES		
A10000	Income (loss) before income tax	($ 89,022)	$ 241,289
A20010	Adjustments for:		
A20100	Depreciation expense	211,811	251,168
A20200	Amortization expense	1,477	1,971
A20300	Expected credit impairment loss	943	28,952
A20900	Finance costs	5,355	4,701
A21200	Interest income	(1,145)	(573)
A22400	Share of the other comprehensive (loss) income of subsidiaries accounted for using the equity method	(194,341)	(475,919)
A23500	Impairment loss on property, plant and equipment	7,609	31,481
A23700	Inventory loss (reversal of write-down of inventories)	26,053	27,211
A24100	Foreign currency exchange (gain) loss	4,400	(13,379)
A29900	Liability provisions	1,430	2,296
A29900	Gains from lease modification	-	(19)
A30000	Changes in operating assets and liabilities		
A31125	Contract assets	21,673	(5,352)
A31130	Notes receivables	-	13,309
A31150	Accounts receivable	(59,718)	172,961
A31160	Accounts receivable due from related parties	23,963	(31,705)
A31180	Other receivables	(115,412)	1,274
A31200	Inventories	52,558	23,069
A31230	Prepayments	(20,008)	(21,833)
A32125	Contract liabilities	3,618	(14,673)
A32150	Accounts payable	(67,826)	(96,778)
A32180	Other payables	72,264	(46,802)
A32190	Other payables - related parties	630	-
A32230	Other current liabilities	(309)	(553)
A32240	Net defined benefit liabilities	578	465
A33000	Net cash generated by operating activities	(113,419)	92,561
A33100	Interest received	1,145	573
A33300	Interest paid	(5,376)	(4,775)
A33500	Income taxes paid	(24,418)	(70,275)
AAAA	Net cash inflow (outflow) from operating activities	(142,068)	18,084

(Continued)

(Continued from previous page)

Code		2023	2022
	CASH FLOWS FROM INVESTING ACTIVITIES		
B02200	Net cash outflow from acquisition of subsidiary (Note 9)	-	(225,000)
B02300	Net cash inflow from disposal of subsidiaries (Note 9)	55,691	-
B02700	Acquisition of property, plant and equipment	(29,026)	(62,692)
B03700	Increase in refundable deposits	(150)	-
B03800	Decrease in refundable deposits	-	263
B04300	Increase in other receivable due from related parties	(444)	-
B04500	Acquisition of intangible assets	(113)	(758)
B07100	Increase in prepayments for equipment	(1,193)	(3,311)
B07600	Dividends from subsidiaries	382,680	361,952
BBBB	Net cash inflows from investing activities	407,445	70,454
	CASH FLOWS FROM FINANCING ACTIVITIES		
C01600	Long-term borrowing	370,000	405,000
C01700	Repay long-term borrowing	(570,000)	(358,990)
C04020	Repayment of the principal portion of lease liabilities	(7,501)	(7,832)
C04500	Dividends to owners of the Company	(72,841)	(262,226)
C05400	Acquisition of the subsidiaries equity	(46,562)	-
CCCC	Net cash used in financing activities	(326,904)	(224,048)
DDDD	EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS	(309)	12,399
EEEE	NET DECREASE IN CASH AND CASH EQUIVALENTS	(61,836)	(123,111)
E00100	CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	219,815	342,926
E00200	CASH AND CASH EQUIVALENTS, END OF YEAR	$ 157,979	$ 219,815

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

ELITE ADVANCED LASER CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022

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

1. GENERAL

a. Elite Advanced Laser Corporation (hereinafter referred to as "the Company") was established in New Taipei City in September 2000 and started operation in September of the same year. The registered capital of establishment was $5,000 thousand. After years of capital increase and decrease, the current total capital is $1,456,814 thousand. eLaser's business affairs consists of 1. optical information and optical communication products; 2. power semiconductor packaging and testing.

b. The Company's stock has been listed on the Taiwan Stock Exchange since April 2006.

c. The Company has no ultimate parent company due to dispersed shareholding.

d. The financial statements are expressed in New Taiwan Dollars, the Company's functional currency.

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The financial statements were approved by the Company's Board of Directors on March 14, 2024.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING

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

Except as stated below, the application of the amendments to the IFRS Accounting Standards endorsed and issued into effect by the FSC does not have a significant effect on the accounting policies of the Company:

1) Amendments to IAS 1 - Disclosure of Accounting Policies

When this amendment is applied, the Company should determine the material accounting policy information that should be disclosed according to the definition of materiality. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements In addition:

- The Company is not required to disclose accounting policy information related to immaterial transactions, other events or circumstances that is immaterial.
- The Company may judge the relevant accounting policy information to be material due to the nature of the transaction, other event or circumstance, even if the amount is immaterial.
- Not all accounting policies relating to material transactions, other events or conditions are themselves material.

It is likely to be considered material to its financial statements if that accounting policy relates to material transactions, other events or conditions and:

(1) was changed during the reporting period because the entity was required to or chose to change its policy and this change resulted in a material change to the amounts included in the financial statements;

(2) was chosen from one or more alternatives in an IFRS Standard;

(3) was developed in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" in the absence of an IFRS Standard that specifically applies;

(4) relates to an area for which an entity is required to make significant judgments or assumptions in applying an accounting policy; or

(5) applies the requirements of an IFRS Standard in a way that reflects the entity's specific circumstances, for example, by explaining how the requirements of a Standard are applied to the facts and circumstances of a material class of transactions, other events or conditions.

Please refer to Note 4 for the disclosure of relevant accounting policies.

2) Amendments to IAS 8 - Definition of Accounting Estimates

The Company has applied the amendment since January 1, 2023, and under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. When applying accounting policies, the Company may be required to measure financial statement items by monetary amounts that cannot be directly observed but must be estimated, and therefore must use a measurement technique or to develop an accounting estimate for this purpose. The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

b. Applicable FSC - approved IFRSs in 2024

New IFRS	Effective date issued by IASB (Note 1)
Amendments to IFRS 16 - Lease liability in a Sale and Leaseback	January 1, 2024 (Note 2)
Amendments to IAS 1 - Classification of Liabilities as Current or Non-Current	January 1, 2024
Amendments to IAS 1 - Non-current Liabilities with Covenants	January 1, 2024
Amendments to IAS 7 and IFRS 7 - Supplier Finance Arrangements	January 1, 2024 (Note 3)

Note 1: Unless stated otherwise, the above new/revised/amended standards or interpretations are effective for annual reporting periods beginning on their respective effective dates.

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

Note 3: When the amendments apply for the first time, some requirements for disclosure are exempted.

As of the publication date of this financial statement, the Company has concluded that there is no material impact of amendments of above standards and interpretations on the individual financial position and financial performance.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New, revised or amended standards and interpretations	Effective date issued by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	NA
IFRS 17 - Insurance Contracts	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 - Initial Application of IFRS 17 and IFRS 9 - Comparative Information	January 1, 2023
Amendments to IAS 21 - Lack of Exchangeability	January 1, 2025 (Note 2)

Note 1: Unless stated otherwise, the above new/revised/amended standards or interpretations are effective for annual reporting periods beginning on their respective effective dates.

Note 2: The amendments apply to the annual reporting periods beginning on or after January 1, 2025. When the amendments apply for the first time, the effects will be recognized in retained earnings on the initial application date. When the Company adopts a non-functional currency as the presentation currency, the effects will be reclassified as the exchange differences arising from the translation of the financial statements of foreign operations under equity on the initial application date.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

This financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

The financial statements have been prepared on the historical cost basis, except for the net defined benefit liability recognized at the present value of the defined benefit obligation less the fair value of the plan assets.

Fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value is observable and its significance:

1) Level 1 Inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
2) Level 2 Inputs: inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly (including market-corroborated data).
3) Level 3 Inputs: unobservable inputs and are used when relevant observable inputs are not available.

When preparing the financial statements, the Company used the equity method to account for its investments in subsidiaries, associates and joint ventures. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries, associates and joint ventures accounted for using the equity method, the share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method and the related equity items, as appropriate, in these financial statements

c. Criteria for classifying assets and liabilities into current and non-current.

Current assets:

1) Assets held primarily for the purpose of trading;
2) Assets expected to be realized within 12 months after the balance sheet date; and
3) Cash and cash equivalents (unless the asset is to be used for an exchange or to settle a liability, or otherwise remains restricted, at more than 12 months after the balance sheet date).

Current liabilities:

1) Liabilities held primarily for the purpose of trading;
2) Liabilities expected to be settled within 12 months of the balance sheet date, and

3) Liabilities for which does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Current assets or current liabilities other than those stated above are classified as non-current assets or liabilities.

d. Foreign currencies

When preparing the financial statements, transactions in currencies other than the parent company's functional currency (foreign currency) shall be converted into functional currency at the exchange rate on the transaction day.

Monetary items denominated in foreign currencies are translated at the closing rates at each balance sheet date. Exchange differences arising on the settlement of monetary items or on translating monetary items shall be recognized in profit or loss in the period in which they arise.

Non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction; and shall not be re-translated.

For the purpose of presenting financial statements, the assets and liabilities of the domestic and foreign entities (including subsidiaries, associates or branches in other countries that use currencies that are different from the currency of the Company) are translated into the New Taiwan Dollar at the exchange rate on each balance sheet date. Income and expense items are translated at the average exchange rate for the current period, and the exchange differences recognized in profit or loss.

e. Inventories

Inventories include raw materials, supplies and finished goods. Inventories shall be measured at the lower of cost and net realizable value, and the comparison between cost and net realizable value is based on individual items except for inventories of the same category. Net realizable value is the estimated selling price under normal circumstances less the estimated cost to complete the project and the estimated cost to complete the sale. The Company's inventory is recorded at standard cost during daily operation and adjusted to approximate weighted-average cost at the end of the reporting period.

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the share of other equity of subsidiaries.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amount of the subsidiary and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of losses of an associate and a joint venture equals or exceeds its interest in that associate and joint venture (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate and joint venture), the Company continues to recognizing its share of further losses.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the financial statements of the cash-generating unit as whole. When an impairment loss is subsequently reversed, the carrying amount of an asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount (less amortization expenses or depreciation expenses) that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

The unrealized gains and losses from transactions between the Company and its subsidiaries are eliminated in the financial reports. When a Company entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the financial statements only to the extent of interests in the associate that are not related to the Company.

g. Property, plant and equipment

Property, plant and equipment shall be recognized at cost, and subsequent measurement shall be presented at costs subtracted by accumulated depreciation and accumulated impairment losses.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately portion with a straight-line method over their useful lives. The Company shall review the estimated useful life, residual value and depreciation method at least at each financial year-end, and the impact of changes in accounting estimates shall be applied prospectively.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

h. Intangible assets

1) Additions

Intangible assets with a limited useful life acquired separately shall be initially measured at cost, and subsequent measurement shall be presented at costs subtracted by accumulated depreciation and accumulated impairment losses. Intangible assets shall be amortized with a straight-line method within the useful life where the Company shall review the estimated useful life, residual value and amortization method at least at each financial year-end, and the impact of changes in accounting estimates shall be applied prospectively.

2) Derecognition

Any gain or loss arising on the disposal or retirement of an item of intangible assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

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

The Company assess the property, plant and equipment, right-of-use assets, investment property, and intangible assets for whether there is any indication of impairment at the balance sheet date. If there is any indication that an asset may be impaired, the recoverable amount shall be estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Company shall determine the recoverable amount of the cash-generating unit to which the asset belongs. The groups of assets are allocated to the smallest group of cash-generating units that can be allocated on a reasonable and consistent basis.

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

When an impairment loss subsequently reverses, the carrying amount of the asset or a cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

j. Financial instruments

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

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

1) Financial assets

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

(1) Measurement categories

The types of financial assets held by the Company are financial assets at amortized cost.

<u>Financial assets measured at amortized cost</u>

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

(i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes receivable at amortized cost, accounts receivable (including related parties), other receivables (including related parties; excluding income tax refund receivables), overdue receivables and refundable deposit, are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

(i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

(ii) Financial asset that is not credit impaired on purchase or origination but has subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when significant financial difficulty of the issuer or the borrower; breach of contract; it is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or the disappearance of an active market for that financial asset because of financial difficulties.

(2) Impairment of financial assets and contract assets

On each balance sheet date, the Company evaluates the impairment loss of financial assets (including accounts receivable, other receivables and deposits) and contract assets measured at amortized cost based on expected credit losses.

The Company always recognizes lifetime expected credit losses (ECLs) for trade receivables and contract assets. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

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

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

(i) Internal or external information show that the debtor is unlikely to pay its creditors.

(ii) Financial asset is more than 180 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

(3) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

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

2) Financial liabilities

(1) Subsequent measurement

Financial liabilities are measured at amortized cost using the effective interest method, except where the recognition of interest on short-term payables is not material.

(2) Derecognition of financial liabilities

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

k. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

<u>Warranties</u>

The warranty obligation to ensure that the product conforms to the agreed specifications is recognized when the relevant product is recognized as revenue based on the management's best estimate of the expense required to settle the obligations of the Company.

l. Revenue recognition

The Company identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

<u>Operating revenue</u>

1) Service revenue

<u>Revenue from packaging and testing</u>

The Company's packaging service creates or enhances an asset that the customer controls as the asset is created or enhanced; the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs

The relevant revenue will be transferred to the customer with the promised goods or services, and the sales revenue will be recognized when the performance obligations are met over time. The revenue received before meeting the above-mentioned performance obligations are recognized as contract liabilities.

2) Other service revenue

Other service revenue is recognized as revenue when the service contract conditions are met in accordance with the relevant contract when the economic benefits are likely to flow into the Company and the revenue can be measured reliably. The revenue received before meeting the above-mentioned performance obligations are recognized as contract liabilities.

m. Lease

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

1) The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

2) The Company as lessee

Except for leases of low-value assets to which the recognition exemption applies and lease payments for short-term leases, which are recognized as expenses on a straight-line basis over the lease term, other leases are recognized as right-of-use assets and lease liabilities on the lease commencement date.

The right-of-use asset is initially measured at cost (including the original measurement amount of the lease liability), and subsequently measured at the cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Right-of-use assets shall be recognized separately in the balance sheet.

The lessee shall depreciate the right-of-use asset on a straight-line basis 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.

Lease liabilities are measured at the present value of the lease payments including fixed payments and variable lease payments which depend on an index or a rate. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

Subsequently, the lease liability is measured on an amortized cost basis using the effective interest method, and the interest expense is amortized over the lease term. When there is a change in a lease term, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities shall be recognized separately in the balance sheet.

n. Borrowing costs

Borrowing costs are recognized in profit or loss in the period in which they are incurred.

o. Employee benefits

1) Short-term employee benefits

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

2) Post-employment benefits

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

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

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company's defined benefit plans. Net defined benefit assets cannot exceed present value of the plan's returned contributions or possible decrease in future contributions.

p. Income tax

Income tax expense is the sum of current income tax and deferred income tax.

1) Current income tax

The Company determines the current income (loss) in accordance with the laws and regulations formulated by the income tax reporting jurisdiction, and calculates the payable (recoverable) income tax accordingly.

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

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

2) Deferred income tax

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and such temporary differences are expected to reverse in the foreseeable future.

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

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

3) Current and deferred tax

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

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

When consolidated company adopts accounting policies, the management must make relevant judgments, estimates and assumptions based on experience and other relevant factors for the information that is not easily obtained from other sources. Actual results may differ from estimates.

The Company will take the possible impact on the economic environment, inflation, and market interest rate fluctuations into consideration when making major accounting estimates such as cash flow estimates, growth rates, discount rates, and profitability. The management will continue to review the estimates and the basic assumptions.

Main sources of uncertainty in estimates and assumptions

Estimated impairment of financial assets and contract assets

The estimated impairment of notes receivables, account receivables, uncollectible receivables, other receivables and contract assets is based on the Company's assumptions about the loss given default and probability of default. The Company takes experience, current market conditions and forward-looking information into account to develop assumptions and inputs for impairment assessments. Please refer to Note 7 and Note 19 for the key assumptions and inputs used. If the actual future cash flow is less than the Company's expectations, there may be significant impairment losses.

6. CASH AND CASH EQUIVALENTS

	December 31, 2023	December 31, 2022
Cash on hand and working fund	$ 100	$ 100
Demand deposit in banks	157,879	219,715
	$ 157,979	$ 219,815

As of December 31, 2023 and 2022, the interest rate ranges for bank deposits were 0.001% to 1.45%, and 0.001% to 1.15%, respectively.

7. NOTES RECEIVABLES, ACCOUNT RECEIVABLES, UNCOLLECTIBLE RECEIVABLES AND OTHER RECEIVABLES

	December 31, 2023	December 31, 2022
Notes receivables		
At amortized cost		
Total amount	$ -	$ -
Less: Loss allowances	-	-
	$ -	$ -
Accounts receivable		
At amortized cost		
Total amount	$ 209,467	$ 154,613
Less: Loss allowances	(579)	(7)
	$ 208,888	$ 154,606
Uncollectible receivables		
At amortized cost		
Total amount	$ 6,936	$ 6,936
Less: Loss allowances	(6,936)	(6,936)
	$ -	$ -

Other receivables		
OEM collection and payment	$ 112,786	$ 5,255
Income tax refund receivable	14,186	9,579
Others	438	308
	$ 127,410	$ 15,142

a. Notes receivables

When determining the recoverability of notes receivable, the Company considers any changes in the quality of notes receivable from the original credit date to the balance sheet date. The Company continues to monitor and refer to the counterparty's past default records and analyze its current financial position to assess whether the credit risk of the notes receivables has increased significantly since the original recognition and to measure expected credit losses. In 2022, due to the default of the customer, uSenlight Corporation, the Company set its expected credit loss ratio at 100%. As of December 31, 2022, the Company recognized an allowance for all losses on the customer's notes receivable in the amount of $6,936 thousand and reclassified all notes receivable in default as overdue notes receivable (accounted for under other non-current assets).

Movement of the loss allowance for notes receivable

	2023	2022
Opening balance	$ -	$ -
Impairment losses for the current period	-	6,936
Uncollectible receivable transferred	-	(6,936)
Ending balance	$ -	$ -

b. Accounts receivable

The Company's average credit period for commodity sales is 30 to 90 days, and the collection policy does not add interest to overdue accounts receivable. When determining the recoverability of accounts receivable, the Company considers any changes in the quality of notes receivable from the original credit date to the balance sheet date. Experience shows that most accounts receivable are recovered well.

To mitigate credit risk, the management of the Company performs credit limit determination, credit approval and other monitoring procedures for each counterparty to ensure appropriate actions have been taken to recover overdue accounts receivable. In addition, the Company will review the recoverable amount of accounts receivable one by one on the balance sheet date to ensure the unrecoverable accounts receivable are recognized as impairment losses. Accordingly, the management of the Company believes that the credit risk of the Company has been significantly reduced.

The Company recognizes loss allowance for accounts receivable based on lifetime expected credit losses. Lifetime expected credit losses are calculated using a provision matrix, which considers experience, current market conditions and business outlook. As the Company's credit loss experience shows that there is no significant difference in the provision matrix of different customer groups, the provision matrix does not further differentiate customer groups, and only sets the expected credit loss rate based on the number of days overdue for accounts receivable.

If there is evidence that the counterparty is facing serious financial difficulties and the Company cannot reasonably expect the recoverable amount, the Company will write off the relevant accounts receivable, but will continue to pursue account recovery, and the amount recovered due to pursuit and recovery will be recognized in profit or loss.

The Company measures the loss allowance of accounts receivable according to the provision matrix as follows:

December 31, 2023

	Not past due	Past due within 60 days	Past due 61~90 days	Past due 91~120 days	Past due over 120 days	Total
Expected credit loss rate	0.07%	2.11%~7.74%	20.85%	41.60%	100%	
Total amount	$ 198,005	$ 11,462	$ -	$ -	$ -	$ 209,467
Loss allowance (lifetime expected credit losses)	(175)	(404)	-	-	-	(579)
Amortized cost	$ 197,830	$ 11,058	$ -	$ -	$ -	$ 208,888

December 31, 2022

	Not past due	Past due within 60 days	Past due 61~90 days	Past due 91~120 days	Past due over 120 days	Total
Expected credit loss rate	0.0022%	0.06%~0.19%	0.49%	1.52%	7.29%~100%	
Total amount	$ 135,627	$ 18,876	$ 110	$ -	$ -	$ 154,613
Loss allowance (lifetime expected credit losses)	-	(5)	(2)	-	-	(7)
Amortized cost	$ 135,627	$ 18,871	$ 108	$ -	$ -	$ 154,606

Movements of the loss allowance for accounts receivable

	2023	2022
Opening balance	$ 7	$ 6,202
Impairment losses for the current period	572	-
Reversal	-	(6,195)
Ending balance	$ 579	$ 7

Uncollectible receivables

The Company recognizes loss allowance for uncollectible receivable based on lifetime expected credit losses. Lifetime expected credit losses considers experience, current market conditions and business outlook. As of December 31, 2023 and 2022, the expected credit loss ratio for overdue notes receivable was 100%.

Movements of the loss allowance for uncollectible receivable

	2023	2022
Opening balance	$ 6,936	$ -
Transferred from notes receivable in the current period	-	6,936
Ending balance	$ 6,936	$ 6,936

c. Other receivables

The Company accounts for other receivables such as OEM collection and payment and income tax refund receivable. The Company's policy is to only conduct business with customers with good credit. The Company continues to track and refer to the past default records of the counterparty and analyze its current financial position to assess whether the credit risk of other receivables has increased significantly since the original recognition and to measure the expected credit loss. If there is evidence that the counterparty has signs of default or the recoverable amount cannot be reasonably expected due to termination of the contract, the Company will write off the relevant other receivables, but will continue to pursue recovery where the amount recovered will be recognized in profit or loss. As of December 31, 2023 and 2022, the Company assessed other receivables without the need to report expected credit losses.

8. INVENTORIES

	December 31, 2023	December 31, 2022
Finished goods	$ 2	$ -
Raw materials	53,464	127,892
Inventory in transit	1,413	5,598
	$ 54,879	$ 133,490

The nature of cost of goods sold is as follows:

	2023	2022
Cost of inventories sold	$ 979,026	$ 1,443,595
Inventory loss (reversal of write-down of inventories)	26,053	27,211
	$ 1,005,079	$ 1,470,806

9. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31, 2023	December 31, 2022
Investments in subsidiaries		
eLaser Technologies Co., Ltd.	$ -	$ 76,573
Centera Photonics Inc.	181,167	225,855
GEM Services, Inc.	2,119,035	2,215,184
	$ 2,300,202	$ 2,517,612

	Proportion of Ownership and Voting Rights	
	December 31, 2023	December 31, 2022
eLaser Technologies Co., Ltd.	- (Note 1)	100%
Centera Photonics Inc.	56.41% (Notes 3 and 4)	57.97% (Note 2)
GEM Services, Inc.	51%	51%

Note 1: The Board of Directors, on December 22, 2022, approved subsidiary, eLaser Technologies Co., Ltd.'s dissolution and liquidation by resolution (on behalf of the shareholders' meeting), and the liquidation of the company was completed on August 10, 2023. The Company received $55,691 thousand, capital refunded from the capital reduction and a dividend of $20,728 thousand from the liquidation.

Note 2: The Company's Board of Directors approved on December 22, 2022, and purchased 57.97% of the shares of Centera Photonics Inc. for $225,000 thousand, a total of 22,500,000 shares. The reference date of the share exchange is December 24, 2022. Please refer to Note 30 to the Company's 2023 consolidated financial statement.

Note 3: Centera Photonics Inc. issued 330,000 new shares on May 9, 2023 due to the exercise of stock options by its employees, causing the Company's shareholding in the subsidiary to fall from 57.97% to 57.48%. As the aforementioned transaction did not change the Company's control over this subsidiary, the change is treated as an equity transaction. The effect recognized by the Company for 2023 due to the aforementioned transaction was for the adjustment of the capital surplus by $566 thousand. Please refer to Note 31 to the consolidated financial statements for details of equity transactions with non-controlling interests.

Note 4: In November 2023, the Company did not participate in the cash capital increase of 46,562 thousand yuan of its subsidiary Centera Photonics Inc. in proportion to its shareholding, causing the Company's shareholding in the subsidiary to fall from 57.48% to 56.41%. As the aforementioned transaction did not change the Company's control over this subsidiary, the change is treated as an equity transaction. The effect recognized by the Company for 2023 due to the aforementioned transaction was for the adjustment of the capital surplus by $2,168 thousand. Please refer to Note 31 to the consolidated financial statements for details of equity transactions with non-controlling interests.

For the details of the investments indirectly held by the Company, please refer to Tables 3 and 4.

The calculation of the investments accounted for using the equity method and the share of profit or loss and other comprehensive income of the investments were based on the subsidiaries' audited financial statements in 2023 and 2022.

10. PROPERTY, PLANT AND EQUIPMENT

Assets used by the Company

	Self-owned land	Buildings	Machinery and equipment	Office equipment	Leasehold improvements	Total
Cost						
Balance at January 1, 2023	$ 743,384	$ 493,242	$1,276,636	$ 12,055	$ 105,177	$2,630,494
Additions	-	6,373	16,708	3,007	-	26,088
Reclassification (Note)	-	-	1,365	-	-	1,365
Disposal	-	-	(182,049)	(787)	(5,000)	(187,836)
Balance at December 31, 2023	$ 743,384	$ 499,615	$1,112,660	$ 14,275	$ 100,177	$2,470,111
Accumulated depreciation and impairment						
Balance at January 1, 2023	$ -	$ 142,500	$ 679,803	$ 4,469	$ 73,953	$ 900,725
Disposal	-	-	(182,049)	(787)	(5,000)	(187,836)
Impairment losses	-	-	7,609	-	-	7,609
Depreciation expense	-	25,520	164,767	3,473	10,391	204,151
Balance at December 31, 2023	$ -	$ 168,020	$ 670,130	$ 7,155	$ 79,344	$ 924,649
Carrying amount at December 31, 2023	$ 743,384	$ 331,595	$ 442,530	$ 7,120	$ 20,833	$1,545,462
Cost						
Balance at January 1, 2022	$ 743,384	$ 486,920	$1,437,991	$ 10,720	$ 105,177	$2,784,192
Additions	-	13,119	31,382	2,800	-	47,301
Reclassification (Note)	-	-	31,840	-	-	31,840
Disposal	-	(6,797)	(224,577)	(1,465)	-	(232,839)
Balance at December 31, 2022	$ 743,384	$ 493,242	$1,276,636	$ 12,055	$ 105,177	$2,630,494

Accumulated depreciation and impairment						
Balance at January 1, 2022	$ -	$124,816	$ 667,697	$ 3,197	$ 63,202	$ 858,912
Disposal	-	(6,797)	(224,577)	(1,465)	-	(232,839)
Impairment losses	-	-	31,481	-	-	31,481
Depreciation expense	-	24,481	205,202	2,737	10,751	243,171
Balance at December 31, 2022	$ -	$142,500	$ 679,803	$ 4,469	$ 73,953	$ 900,725
Carrying amount at December 31, 2022	$743,384	$350,742	$ 596,833	$ 7,586	$ 31,224	$1,729,769

Note: It was transferred from other non-current assets - prepaid equipment.

Due to the influence of the industry and market environment, the Company's sales failed to meet the expected target. It was assessed that future cash inflows would be reduced, resulting in its recoverable amount being less than the carrying amount. Therefore, impairment losses of $7,609 thousand and $31,481 thousand were recognized for 2023 and 2022, respectively. The impairment loss has been accounted for under other income and expenses and losses in the statement of comprehensive income. The Company adopts value in use as the recoverable amount of such machinery and equipment, and the discount rates used were 18.33% and 17.16%, respectively.

Depreciation expense is accrued on a straight-line basis for the following economic life:

Buildings	
Factory main building	50 years
Building improvement	5 to 10 years
Machinery and equipment	3 to 10 years
Office equipment	3 years
Leasehold improvements	9 to 10 years

Please refer to Note 27 for the amount of property, plant and equipment pledged as collateral.

11. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31, 2023	December 31, 2022
Carrying amount		
Buildings	$ 32,984	$ 39,825
Office equipment	3,441	4,176
	$ 36,425	$ 44,001

	2023	2022
Addition of right-of-use assets	$ 288	$ 13,683

	2023	2022
Depreciation of right-of-use assets		
Buildings	$ 6,925	$ 7,183
Office equipment	735	814
	$ 7,660	$ 7,997

No impairment losses were recognized or reversed for 2023 and 2022.

b. Lease liabilities

	December 31, 2023	December 31, 2022
Carrying amounts		
Current	$ 7,074	$ 7,734
Non-current	$ 30,016	$ 36,773

Ranges of discount rates for lease liabilities are as follows:

	December 31, 2023	December 31, 2022
Buildings	0.99%~1.74%	0.99%~1.23%
Office equipment	1.36%	0.99%~1.36%

c. Important lease activities and terms

The lease period of the buildings and office equipment leased by the Company is 3 to 10 years. Among them, the rent of the building is adjusted according to the fluctuation of the price indices and the terms are reviewed during the lease period. At the end of the lease period, the Company has no bargain purchase price option to purchase the leased buildings and office equipment.

d. Other lease information

	2023	2022
Expense relating to short-term leases	$ 383	$ 95
Total cash outflow for leases	($ 8,448)	($ 8,402)

The Company has chosen to apply the recognition exemption to building leases that qualify as short-term leases and will not recognize the related right-of-use assets and lease liabilities.

12. INTANGIBLE ASSETS

	Computer Software
Cost	
Balance at January 1, 2023	$ 3,598
Additions	113
Disposal	(2,952)
Balance at December 31, 2023	$ 759
Accumulated amortization and impairment	
Balance at January 1, 2023	$ 2,017
Amortization expense	1,477
Disposal	(2,952)
Balance at December 31, 2023	$ 542
Carrying amount at December 31, 2023	$ 217
Cost	
Balance at January 1, 2022	$ 3,912
Additions	758
Disposal	(1,072)
Balance at December 31, 2022	$ 3,598
Accumulated amortization and impairment	
Balance at January 1, 2022	$ 1,118
Amortization expense	1,971
Disposal	(1,072)
Balance at December 31, 2022	$ 2,017
Carrying amount at December 31, 2022	$ 1,581

Amortization expenses are accrued on a straight-line basis over the economic life:

Computer Software	2 years

13. OTHER ASSETS

	December 31, 2023	December 31, 2022
Current		
Prepayments		
Tax credit	$ 187,590	$ 175,501
Others	17,807	9,888
	$ 205,397	$ 185,389

Non-current		
Prepayments for equipment	$ 4,575	$ 4,747
Refundable deposits paid (Note)	1,365	1,215
Uncollectible receivables (Note 7)	6,936	6,936
	12,876	12,898
Less: Loss allowances	(6,936)	(6,936)
	$ 5,940	$ 5,962

Note: The Company considers the debtor's historical record, current market conditions and business outlook to measure the 12-month expected credit loss or lifetime expected credit loss of the refundable deposit paid. As of December 31, 2023 and 2022, the Company assessed that it was not necessary to report expected credit losses for refundable deposits paid.

14. BORROWINGS

Long-term bank borrowings

	December 31, 2023	December 31, 2022
Secured borrowings (Note 27)		
Bank borrowings	$ 205,000	$ 405,000
Less: Current portion	(24,709)	(37,732)
Long-term bank borrowings	$ 180,291	$ 367,268

The borrowings of the Company include:

			December 31, 2023		December 31, 2022	
	Due date	Material terms	Amount	Effective rate %	Amount	Effective rate %
Floating rate borrowing						
Taiwan Cooperative Bank						
Machinery and equipment secured borrowings	October 20, 2026	The borrowing amount of $80,000 thousand is divided into 36 monthly installments starting November 2023 where the interest is paid monthly in the first year, and the principal and interest are amortized monthly starting November 2024.	$ 80,000	1.74	$ -	-
Machinery and equipment secured borrowings	October 20, 2026	The borrowing amount of $20,000 thousand is divided into 36 monthly installments starting November 2023 where the interest is paid monthly in the first year, and the principal and interest are amortized monthly starting November 2024.	20,000	1.74	-	-
Secured borrowings for land and buildings	March 20, 2030	The borrowing amount of $135,000 thousand is divided into 84 monthly installments starting April 2023 where the interest is paid monthly in the first year, and the principal and interest are amortized monthly starting April 2024. (An amount of $30,000 was repaid for the principal in advance in September 2023).	105,000	1.74	-	-

	Due date	Material terms	December 31, 2023 Amount	Effective rate %	December 31, 2022 Amount	Effective rate %
Secured borrowings for land and buildings	January 26, 2029	The borrowing amount of $135,000 thousand is divided into 84 monthly installments starting February 2022 where the interest is paid monthly in the first year, and the principal and interest are amortized monthly starting February 2023. (Early repayment in February 2023).	-	-	135,000	1.49
Secured borrowings for land and buildings	February 25, 2029	The borrowing amount of $135,000 thousand is divided into 84 monthly installments starting March 2022 where the interest is paid monthly in the first year, and the principal and interest are amortized monthly starting March 2023. (Early repayment in March 2023).	-	-	135,000	1.49
Secured borrowings for land and buildings	December 19, 2029	The borrowing amount of $135,000 thousand is divided into 84 monthly installments starting January 2023 where the interest is paid monthly in the first year, and the principal and interest are amortized monthly starting January 2024. (Early repayment in July 2023).	-	-	135,000	1.49
			205,000		405,000	
Less: Current portion			(24,709)		(37,732)	
Balance of long-term bank borrowings			$ 180,291		$ 367,268	

15. OTHER LIABILITIES

	December 31, 2023	December 31, 2022
Current		
Other payables		
OEM collection and payment	$ 115,065	$ 6,497
Salaries payable and bonus	62,528	108,461
Payable for equipment (Note 23)	9,731	12,669
Insurance premium	6,779	7,710
Repair and maintenance expense	5,861	6,080
Pension	3,837	4,396
Professional service fee	3,517	3,743
Interest	117	138
Others	19,577	12,700
	$ 227,012	$ 162,394
Other liabilities		
Receipts under custody	$ 1,729	$ 2,032
Temporary receipts	-	6
	$ 1,729	$ 2,038
Non-current		
Other liabilities		
Guarantee deposits (Note 26)	$ 20	$ 20

16. PROVISIONS

	December 31, 2023	December 31, 2022
Current		
Warranties	$ 7,849	$ 6,419

	2023	2022
Opening balance	$ 6,419	$ 4,123
Additions	1,430	2,296
Ending balance	$ 7,849	$ 6,419

The warranties provision for liabilities is the present value of the best estimate of the future economic outflows due to the warranties obligations by the management of the Company according to the contract for the sale of goods. This estimate is based on historical warranties and adjusted by taking into account new raw materials, changes in the process or other factors that affect product quality.

17. RETIREMENT BENEFIT PLANS

a. Determined contribution plans

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

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the "Labor Standards Act" is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the Supervisory Committee of Business Entities' Labor Retirement Reserve. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, if the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, Elite Advanced Laser Corporation is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor; the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31, 2023	December 31, 2022
Present value of defined benefit obligation	$ 48,385	$ 52,193
Fair value of plan assets	(15,540)	(20,631)
Deficit	32,845	31,562
Net defined benefit liabilities	$ 32,845	$ 31,562

Movements in net defined benefit liabilities (asset) were as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (asset)
January 1, 2023	$ 52,193	($ 20,631)	$ 31,562
Service cost			
Current service cost	618	-	618
Interest expense (income)	586	(234)	352
Recognized in profit or loss	1,204	(234)	970
Remeasurement			
Return on plan assets (excluding the amounts included in net interest)	$ -	($ 179)	($ 179)
Actuarial (profit) loss - changes in financial assumptions	(419)	-	(419)
Actuarial (profit) loss - experience adjustment	1,303	-	1,303
Recognized in other comprehensive income	884	(179)	705
Contributions from the employer	-	(392)	(392)
Benefits paid	(5,896)	5,896	-
December 31, 2023	$ 48,385	($ 15,540)	$ 32,845
January 1, 2022	$ 56,783	($ 19,071)	$ 37,712
Service cost			
Current service cost	623	-	623
Interest expense (income)	356	(122)	234
Recognized in profit or loss	979	(122)	857
Remeasurement			
Return on plan assets (excluding the amounts included in net interest)	-	(1,494)	(1,494)

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (asset)
Actuarial (profit) loss - changes in financial assumptions	(1,773)	-	(1,773)
Actuarial (profit) loss - experience adjustment	(3,348)	-	(3,348)
Recognized in other comprehensive income	(5,121)	(1,494)	(6,615)
Contributions from the employer	-	(392)	(392)
Benefits paid	(448)	448	-
December 31, 2022	$ 52,193	($ 20,631)	$ 31,562

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

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

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

	December 31, 2023	December 31, 2022
Discount rate	1.250%	1.125%
Expected rates of salary increase	3.00%	3.00%

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

	December 31, 2023	December 31, 2022
Discount rate		
Increase by 0.25%	($ 818)	($ 843)
Decrease by 0.25%	$ 845	$ 871
Expected rates of salary increase		
Increase by 0.25%	$ 819	$ 844
Decrease by 0.25%	($ 797)	($ 821)

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

	December 31, 2023	December 31, 2022
Expected contributions to the plan for the next year	$ 392	$ 392
Average duration of the defined benefit obligation	6.8 years	6.5 years

18. EQUITY

a. Capital stock

Common stock

	December 31, 2023	December 31, 2022
Authorized shares (in thousands)	300,000	300,000
Authorized capital (NTD in thousand)	$ 3,000,000	$ 3,000,000
Issued and paid shares (in thousands)	145,681	145,681
Issued capital (NTD in thousand)	$ 1,456,814	$ 1,456,814

The authorized shares include 10,000 thousand shares allocated for the exercise of employee stock options.

A holder of issued common shares with par value of $10 per share is entitled to vote and to receive dividends.

b. Capital surplus

	December 31, 2023	December 31, 2022
May be used to offset a deficit, distributed as cash dividends or transferred to capital (Note 1)		
Additional paid-in capital	$ 322,130	$ 322,130
Treasury stocks	6,420	6,420
	$ 328,550	$ 328,550
May only be used to offset a deficit		
From share of changes in equities of subsidiaries (Note 2)	$ 126,686	$ 123,744

Note 1: Such capital surplus can be used to offset a deficit, in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or stock dividends up to a certain percentage of eLaser's paid-in capital.

Note 2: This capital surplus is the amount of equity transaction impact recognized due to changes in the Company's equity when the Company does not subscribe to the subsidiary's equity in proportion to its shareholding, or the adjusted amount recognized by eLaser using the equity method to recognize the subsidiary's capital surplus.

c. Retained earnings and dividend policy

On June 29, 2022, the Company's shareholders' meeting approved a resolution to amend the earnings distribution policy of the Articles of Association.

In accordance with the Company's earnings distribution policy in the revised Articles of Association, if there is a surplus after the annual financial report, eLaser will pay taxes and make up for previous annual deficit and add items other than the after-tax net profit to the undistributed earnings for the current period. Also, 10% of legal reserve shall be set aside and if necessary, the special reserve shall be set aside in accordance with relevant laws or regulations, and the accumulated undistributed earnings of the previous year shall be added as the distributable surplus, which shall be reserved by the Board of Directors according to operation capital demand and distributed in accordance with the earnings distribution proposal submitted to the shareholder's meeting for resolution. When the net amount of other equity deductions accumulated in the previous period is set aside as a special reserve, if the undistributed earnings in the previous period is insufficient to be set aside, items other than after-tax net profit plus after-tax net profit for the current period are included in the undistributed earnings for the current period. the Company's dividend policy is to evaluate the eLaser's future capital needs, financial structure, and earnings. As the Company is in the growth stage with the industry outlook and development trend changing rapidly, continuous investment, R&D and a sound financial structure are required to create a competitive advantage. Future earnings will be appropriately distributed in the form of stock dividends or cash dividends, depending on eLaser's operation. The total amount of dividends shall be at least 5% of the distributable earnings for the current year, of which cash dividends shall not be less than 20% of the total dividends.

According to the provisions of the earnings distribution policy of the Company's Articles of Association before the amendment, if there is a surplus after the annual final accounts, the tax shall be paid according to the law and the losses of the previous years shall be made up, and then 10% of the statutory surplus reserve shall be allocated. When necessary, the special reserve shall be withdrawn or reversed in accordance with the law. The accumulated undistributed earnings of the previous year are added as distributable surplus, which is reserved by the Board of Directors according to operational needs, and a surplus distribution proposal is drawn up and submitted to the shareholders' meeting for distribution. the Company's dividend policy is to evaluate the eLaser's future capital needs, financial structure, and earnings. As the Company is in the growth stage with the industry outlook and development trend changing rapidly, continuous investment, R&D and a sound financial structure are required to create a competitive advantage. Future earnings will be appropriately distributed in the form of stock dividends or cash dividends, depending on eLaser's operation. The total amount of dividends shall be at least 5% of the distributable earnings for the current year, of which cash dividends shall not be less than 20% of the total dividends.

Please refer to Note 20 (8) Employee Remuneration and Director Remuneration for the employees and directors remuneration policy stipulated in the Articles of Association of the Company.

According to Article 237 of eLaser Act of the Republic of China, Act, when allocating surplus profits after having paid all taxes and dues, shall first set aside 10% of said profits as legal reserve. Where such legal reserve amounts to the total paid-in capital, this provision shall not apply. The legal reserve can be used to make up for losses. When the Company has no losses, the portion of the legal reserve exceeding 25% of the total paid-in capital can be allocated in cash in addition to being accounted as share capital.

The Company set aside the special reserve in accordance with the Official Letter Chin-Kuan-Cheng-Fa-Tzu No. 1090150022 and "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs".

The Company held regular shareholders' meetings on June 6, 2023 and June 29, 2022, and the resolutions were passed respectively to approve the 2022 and 2021 annual earnings distribution proposals as shown below:

	2022	2021
Legal reserve	$ 19,712	$ 37,211
Special reserve	$ 2,417	($ 1,038)
Cash dividends	$ 72,841	$262,226
Cash dividend per share (NT$)	$ 0.5	$ 1.8

On March 12, 2024, the Company's Board of Directors put forth a 2023 loss compensation proposal. The details are as follows:

	2023
Legal reserve	$ -
Special reserve	$ 18,307
Cash dividends	$ -
Cash dividend per share (NT$)	$ -

The 2023 loss compensation proposal is still pending resolution by the general shareholders' meeting scheduled to be held on June 7, 2024.

d. Special reserve

	2023	2022
Opening balance	$ 65,301	$ 66,339
Appropriations in respect of debits to other equity items	2,417	-
(Reversal of) Reduction of other equity items	-	(1,038)
Ending balance	$ 67,718	$ 65,301

e. Others

Exchange differences on translation of foreign financial statements:

	2023	2022
Opening balance	($ 67,718)	($ 65,301)
Recognized in the current period		
Foreign operations – foreign currency translation differences	(22,884)	(3,021)
Related tax	4,577	604
Other comprehensive income	(18,307)	(2,417)
Ending balance	($ 86,025)	($ 67,718)

19. REVENUE

	2023	2022
Revenue from contracts with customers		
Packaging and testing (Note 26)	$ 743,164	$ 1,295,357
Other operating revenue		
Others (Note 26)	213,958	243,829
	$ 957,122	$ 1,539,186

a. Detail of customer contracts

1) Packaging and testing

The customer contract signed by the Company includes two performance obligations of packaging and testing services. The customer pays the contract transaction price after obtaining the packaged or tested product. Since the time interval between the transfer of labor services and the customer's payment is less than a year, the significant financial component of the contract transaction price will not be adjusted. The stand-alone selling prices for packaging and testing services are determined using the expected cost plus a margin approach and are used to allocate the transaction price to each performance obligation.

2) Lease and other services

Other service contracts signed by the Company are from the customers contracting the Company to install and test its production equipment, and the transaction price of the services is negotiated in accordance with the contract.

b. Contract balance

	December 31, 2023	December 31, 2022	January 1, 2022
Notes receivable (Note 7)	$ -	$ -	$ 20,245
Accounts receivable (Note 7)	208,888	154,606	321,809
Accounts receivable due from related parties	7,742	31,705	-
	$ 216,630	$ 186,311	$ 342,054
Contract liabilities (including related parties) (Note 26)			
Packaging and testing	$ 69,803	$ 92,348	$ 84,511
Less: Loss allowances	(29,282)	(28,911)	(700)
Current contract assets	$ 40,521	$ 63,437	$ 83,811
Contract liabilities			
Packaging and testing	$ 7,940	$ 4,322	$ 18,995

Changes in contract assets and contract liabilities are due to the difference between the timing of meeting performance obligations and the timing of payment. Other major changes are as follows:

	2023	2022
Contract assets		
Balance at beginning of the period transfers to accounts receivable	($ 62,879)	($ 84,473)

The Company recognizes loss allowance for contract assets based on lifetime expected credit losses. The average process duration of the packaging and testing service contracts signed by the Company is 20 to 30 days. When determining the possibility of obtaining an unconditional right of payment for contract assets in the future, the policy adopted by the Company refers to the historical experience of the counterparty’s relevant contract assets, current market conditions and business outlook, considers the contracts that are still under obligations on the balance sheet date, examines each contract for stagnation, and recognizes the loss allowance for contract assets according to the expected credit losses during the duration. If there is evidence that the obligation of the contract have been stagnant for more than 30 days, the Company will recognize the loss allowance at full amount, but will continue to pursuit the stagnation of the contract, and carry out the obligation when the stagnation has been eliminated. If there is evidence that the counterparty has signs of breach of contract or is facing serious debt difficulties where the recoverable amount cannot be reasonably estimated, the Company will directly write off the relevant contract assets and loss allowance, but will continue to pursue for recovery. The amount recovered by the pursuit will be recognized in profit or loss

	December 31, 2023	December 31, 2022
Expected credit loss rate	42%	31%
Total amount	$ 69,803	$ 92,348
Loss allowance (lifetime expected credit losses)	(29,282)	(28,911)
	$ 40,521	$ 63,437

Movements of the loss allowance for contract assets

	2023	2022
Opening balance	$ 28,911	$ 700
Impairment losses for the current period	371	28,211
Ending balance	$ 29,282	$ 28,911

The amount recognized as revenue in the current year from the contract liabilities at the beginning of the period and the performance obligations that have been satisfied in the previous period is as follows:

	2023	2022
Contract liabilities at the beginning of the period	$ 3,506	$ 16,666

20. NET PROFIT FROM CONTINUING OPERATION

a. Other income and (losses)

	2023	2022
Impairment loss on property, plant and equipment	($ 7,609)	($ 31,481)

b. Interest income

	2023	2022
Bank deposit	$ 1,145	$ 573

c. Other income

	2023	2022
Lease revenue (Note 26)	$ 187	$ 162
Others (Note 26)	2,323	2,497
	$ 2,510	$ 2,659

d. Other gains and losses

	2023	2022
Foreign exchange gains(losses)	($ 2,056)	$ 25,059
Gains from lease modification	-	19
Others	(264)	(447)
	($ 2,320)	$ 24,631

e. Finance costs

	2023	2022
Bank borrowings interest	$ 4,791	$ 4,226
Interest expense on lease liability	564	475
	$ 5,355	$ 4,701

f. Depreciation and amortization

	2023	2022
Depreciation expenses summarized by function		
Cost of revenue	$ 193,363	$ 233,432
Operating expenses	18,448	17,736
	$ 211,811	$ 251,168
Amortization expenses summarized by function		
Cost of revenue	$ 78	$ 416
General and administrative expense	1,286	1,475
Research and development expense	113	80
	$ 1,477	$ 1,971

g. Employee benefits expenses

	2023	2022
Post-employment benefits		
Determined contribution plans	$ 14,369	$ 17,001

Defined benefit plans (Note 17)	970	857
	15,339	17,858
Others	378,831	487,924
Total employee benefits expenses	$ 394,170	$ 505,782
Summarized by function		
Cost of revenue	$ 251,268	$ 340,837
Operating expenses	142,902	164,945
	$ 394,170	$ 505,782

h. Remuneration to the employees and directors

According to the Articles of Association, the Company allocates 8% to 15% of the employee's remuneration and no more than 3% of the director's remuneration according to the pre-tax profit before deducting the employee' and director's remuneration in the current year.

The Company's 2023 performance was in net loss before tax, so employee remuneration and director remuneration were not estimated. The estimated employee remuneration and director remuneration for 2022 as resolved by the Board of Directors on March 23, 2023 are as follows:

Estimated ratio

	2022
Remuneration to employees	12%
Compensation to directors	2.82%

Amount

	2022
	Cash
Remuneration to employees	$ 34,000
Compensation to directors	$ 8,000

If there is still a change in the amount after the annual financial statement is approved, it will be treated as a change in accounting estimates and adjusted and recorded in the following year.

There is no significant difference between the aforementioned approved amounts and the amounts charged against earnings of 2022 and 2021, respectively.

The information about the appropriations of the Company's remuneration to employees and directors in 2023 and 2022 is available at the Market Observation Post System website.

i. Gain (loss) on foreign exchange

	2023	2022
Foreign currency exchange gains	$ 24,185	$ 60,492
Foreign currency exchange losses	(26,241)	(35,433)
Net gains (losses)	($ 2,056)	$ 25,059

21. INCOME TAX

a. Income tax expense recognized in profit or loss

Income tax (profit) expense consisted of the following:

	2023	2022
Current income tax		
Recognized in the current period	$ 52,367	$ 41,191
Levied undistributed surplus earnings	5,107	3,686
Income tax adjustments on prior years	(19,299)	(3,445)
	38,175	41,432
Deferred income tax		
Recognized in the current period	(51,041)	8,033
Income tax (profit) expense recognized in profit or loss	($ 12,866)	$ 49,465

A reconciliation of accounting profit and income tax (profit) expenses is as follows:

	2023	2022
Net profit (loss) before tax of continuing operations	($ 89,022)	$ 241,289
Income tax (profit) expense calculated at the statutory rate	($ 17,804)	$ 48,258
Nondeductible expenses in determining taxable income	19,130	1,264
Tax exempt income	-	(298)
Levied undistributed surplus earnings	5,107	3,686
Adjustments for prior years' tax	(19,299)	(3,445)
Income tax (profit) expense recognized in profit or loss	($ 12,866)	$ 49,465

b. Income tax recognized in other comprehensive income

	2023	2022
Deferred income tax		
Recognized in the current period		
- Remeasurement of defined benefit plans	($ 141)	$ 1,323
- Foreign operations – foreign currency translation differences	(4,577)	(604)
	($ 4,718)	$ 719

c. Current tax liabilities

	December 31, 2023	December 31, 2022
Current tax liabilities		
Income tax payable	$ 45,730	$ 31,973

d. Deferred tax assets and liabilities

Changes in deferred tax assets and liabilities are as follows:

2023

	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Deferred tax assets				
Temporary difference				
Inventory loss (reversal of write-down of inventories)	$ 8,299	$ 416	$ -	$ 8,715
Defined benefit retirement plan	4,543	-	141	4,684
Unrealized exchange loss	844	1,374	-	2,218
Allowance for losses - accounts receivable	3,130	53	-	3,183
Unrealized pension expense	1,016	116	-	1,132
Impairment loss on property, plant and equipment	6,296	932	-	7,228
Difference between consideration and carrying amount of subsidiaries acquired or disposed	9,900	-	-	9,900
Exchange differences on translating the financial statements of foreign operations	16,929	-	4,577	21,506
Allowance for losses - contract assets	5,782	75	-	5,857
Others	1,284	286	-	1,570
	$ 58,023	$ 3,252	$ 4,718	$ 65,993
Deferred tax liabilities				
Temporary difference				
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	$ 315,516	($ 48,338)	$ -	$ 267,178
Changes in subsidiaries' ownership	28,482	-	-	28,482
Unrealized exchange profit	1,735	549	-	2,284
	$ 345,733	($ 47,789)	$ -	$ 297,944

2022

Deferred tax assets	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary difference				
Inventory loss (reversal of write-down of inventories)	$ 6,153	$ 2,146	$ -	$ 8,299
Defined benefit retirement plan	5,866	-	(1,323)	4,543
Unrealized exchange loss	313	531	-	844
Allowance for losses - accounts receivable	2,672	458	-	3,130
Unrealized pension expense	923	93	-	1,016
Impairment loss on property, plant and equipment	-	6,296	-	6,296
Difference between consideration and carrying amount of subsidiaries acquired or disposed	9,900	-	-	9,900
Exchange differences on translating the financial statements of foreign operations	16,325	-	604	16,929
Allowance for losses - contract assets	140	5,642	-	5,782
Others	825	459	-	1,284
	$ 43,117	$ 15,625	($ 719)	$ 58,023
Deferred tax liabilities				
Temporary difference				
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	$ 293,021	$ 22,495	$ -	$ 315,516
Changes in subsidiaries’ ownership	28,482	-	-	28,482
Unrealized exchange profit	572	1,163	-	1,735
	$ 322,075	$ 23,658	$ -	$ 345,733

e. Income tax examination

The filings of the Company’s profit-seeking enterprise income tax up to 2021 were approved by the tax collection authority and there is no significant difference between the approved number and the filed number. The Company had no pending tax litigation as of December 31, 2023.

22. EARNINGS (LOSS) PER SHARE

	2023	2022
Basic earnings (loss) per share	($ 0.52)	$ 1.32
Diluted earnings (loss) per share	($ 0.52)	$ 1.31

Earnings (loss) and the weighted average number of ordinary shares used to calculate earnings (loss) per share are as follows:

Net profit (loss) for the year

	2023	2022
Net profit (loss) for the year	($ 76,156)	$ 191,824
Net profit (loss) used to calculate basic earnings (loss) per share	($ 76,156)	$ 191,824
Effects of all dilutive potential common shares:		
Subsidiaries' stock option	-	-
Net profit (loss) used to calculate diluted earnings (loss) per share	($ 76,156)	$ 191,824

Common shares

Unit: thousand shares

	2023	2022
Weighted average number of common shares used to calculate basic EPS	145,681	145,681
Effects of all dilutive potential common shares:		
Remuneration to employees	-	1,175
Weighted average number of common shares used to calculate diluted EPS	145,681	146,856

If the Company can choose to pay employee remuneration in shares or cash, when calculating diluted EPS, assumed that employee remuneration will be issued in shares, the weighted average number of outstanding shares shall be included in the potentially dilutive common shares to calculate the diluted EPS. When calculating the diluted EPS before deciding on the number of shares for employee remuneration in the following year, the potentially dilutive common shares will also be considered.

23. CASH FLOW INFORMATION

a. Non-cash transaction

The Company conducted the following non-cash investment activities in 2023 and 2022:

As of December 31, 2023 and 2022, the purchase price of unpaid properties, plant and equipment acquired by the Company were $9,731 thousand and $12,669 thousand respectively, and were accounted as other payables.

b. Reconciliation of liabilities arising from financing activities

2023

	January 1, 2023	Cash flow	Non-cash changes: Lease addition	Lease modification	Finance costs	Others	December 31, 2023
Long-term bank borrowings	$ 405,000	($ 200,000)	$ -	$ -	$ -	$ -	$ 205,000
Guarantee deposits and margins received	20	-	-	-	-	-	20
Lease liabilities	44,507	(7,501)	288	(204)	564	(564)	37,090
	$ 449,527	($ 207,501)	$ 288	($ 204)	$ 564	($ 564)	$ 242,110

2022

	January 1, 2022	Cash flow	Non-cash changes: Lease addition	Lease modification	Finance costs	Others	December 31, 2022
Long-term bank borrowings	$ 358,990	$ 46,010	$ -	$ -	$ -	$ -	$ 405,000
Guarantee deposits and margins received	20	-	-	-	-	-	20
Lease liabilities	39,660	(7,832)	13,683	(1,004)	475	(475)	44,507
	$ 398,670	$ 38,178	$ 13,683	($ 1,004)	$ 475	($ 475)	$ 449,527

24. CAPITAL RISK MANAGEMENT

The Company conducts capital management to ensure it continues to operate, and maximizes shareholder returns with the best mix of debt and equity.

The Company’s capital structure consists of net debt (i.e., borrowings minus cash and cash equivalents) and equity (i.e., share capital, capital surplus, retained earnings and other equity items).

The Company is not subject to any externally imposed capital requirements.

25. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

The management of the Company considers that the carrying amounts of financial instruments in the consolidated financial statements that are not measured at fair value approximate their fair values.

b. Categories of financial instruments

	December 31, 2023	December 31, 2022
Financial assets		
Financial assets measured at amortized cost (Note 1)	$ 489,642	$ 412,904
Financial liabilities		
Amortized cost (Note 2)	448,476	603,733

Note 1: Including cash and cash equivalents, note receivable, accounts receivable (including related parties), other receivables (including related parties; excluding income tax refund receivable), uncollectible receivables and refundable deposits and other financial assets.

Note 2: Including financial liabilities measured at amortized cost such as accounts payable, other payables (including related parties; excluding salaries payable and bonuses, insurance premium payable, pension payable), long-term borrowings and guarantee deposit.

c. Financial risk management objectives and policies

The major financial instruments of the Company include cash and cash equivalents, receivables, payables, lease liabilities and borrowings. Among the financial instruments held by the Company, financial risks related to operations include market risk (including exchange rate risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

The main financial risks borne by the Company's operating activities are the exchange rate risk (see 1) below) and the interest rate risk (see 2) below).

(1) Foreign currency risk

The Company is engaged in foreign currency-denominated sales and purchase transactions, thus causing the Company to be exposed to exchange rate risk. The Company regularly evaluates the net risk position of the sales amount and cost amount denominated in non-functional currency, and adjusts the cash holding position of the non-functional currency accordingly to achieve hedging.

For the carrying amounts of monetary assets and liabilities of the Company denominated in non-functional currencies on the balance sheet date, please refer to Note 29.

<u>Sensitivity analysis</u>

The Company is mainly affected by fluctuations in the exchange rates of USD and JPY.

The table below details the sensitivity analysis when the exchange rate of each functional currency (NTD) of each entity against each relevant foreign currency increases/decreases by 1%. 1% is the sensitivity rate used when reporting exchange rate risk within the Company to key management, and also represents management's assessment of the reasonably possible range of changes in foreign currency exchange rates. Sensitivity analysis only includes foreign currency monetary items in circulation which is translated at the end of the period with a 1% exchange rate adjustment.

When foreign currency monetary items are net assets, a positive number in the table below means that when the NTD depreciates by 1% relative to each related currency (mainly USD and JPY), the pre-tax net profit or equity will increase by a number of the same amount; when the NTD appreciates by 1% relative to each relevant currency, its impact on pre-tax net profit or equity will be a negative number of the same amount.

	The impact of USD		The impact of JPY	
	2023	2022	2023	2022
Gains or (losses)	$ 1,068 (i)	$ 1,048 (i)	$ 105 (ii)	$ 3 (ii)

(i) Mainly from the Company’s USD-denominated cash and cash equivalents, receivables, and payables that were in circulation on the balance sheet date without cash flow hedging.

The Company's sensitivity to USD exchange rates did not changed significantly this year compared with last year.

(ii) Mainly from the Company’s JPY-denominated cash and cash equivalents, receivables, and payables that were in circulation on the balance sheet date without cash flow hedging.

The Company's sensitivity to JPY exchange rates increased this year, mainly due to an increase in its bank deposits in JPY.

(2) Interest rate risk

Interest rate risk exposure is incurred due to the bank deposits, lease liabilities and borrowings within the Company include fixed and floating interest rates.

The carrying amounts of financial assets and financial liabilities of the Company subject to interest rate risk exposure on the balance sheet date are as follows:

	December 31, 2023	December 31, 2022
Fair value interest rate risk		
- Financial assets	$ -	$ -
- Financial liabilities	37,090	44,507
Cash flow interest rate risk		
- Financial assets	157,879	219,715
- Financial liabilities	205,000	405,000

Sensitivity analysis

The sensitivity analysis below is based on the interest rate exposure of non-derivative instruments at the balance sheet date. The analysis for floating rate liabilities assumes that the amounts of the liabilities outstanding at the balance sheet date were all outstanding during the reporting period. The rate of change used in reporting interest rates within the Company to key management is a 1% increase or decrease in interest rates, which represents management's assessment of the reasonably possible range of changes in interest rates.

If interest rates increased/decreased by 1% when all other variables are held constant, the Company's profit before tax in 2023 and 2022 will increase/decrease by $471 thousand and $1,853 thousand respectively, mainly due to the risk of interest rate changes arising from the interest-bearing bank deposits and bank borrowings at floating rates.

The Company's sensitivity to interest rates decreased in the current period, which is due to the decreased in net liabilities with floating interest rates.

2) Credit risk

Credit risk refers to the risk that the counterparty defaults on its contractual obligations resulting in financial losses to the Company. As of the balance sheet date, the maximum credit risk exposure of the Company that may result in financial losses due to the counterparty's failure to perform its obligations is from the carrying amount of financial assets recognized in the balance sheet.

The policy adopted by the Company is to transact with reputable counterparties and to obtain adequate guarantees to mitigate the risk of financial loss due to default when necessary. The Company rates major customers by creating complete customer profiles, using publicly available financial and non-financial information, and referring to past transaction records with the Company. The Company continuously monitors the credit exposure and the credit rating of the counterparty and controls the credit exposure through the counterparty's credit limit which is reviewed and approved annually by the responsible supervisor.

The Company continuously evaluates the financial status of customers with accounts receivable and contract assets and reviews the recoverable amounts of accounts receivable and contract assets to ensure that unrecoverable accounts receivable and contract assets have been properly set aside for impairment losses. When necessary, receipts in advance will be adopted as a transaction term to reduce credit risk. Thus, the credit risk on accounts receivable and contract assets is expected to be limited.

The credit risk of the Company is concentrated in the top five customers. As of December 31, 2023 and 2022, the ratio for the total amount of accounts receivable and total contract assets came from the top five customers were 52% and 57%, respectively.

3) Liquidity risk

The Company manages and maintains a sufficient position of cash and cash equivalents to support the operations and mitigate the impact of fluctuations in cash flow. The management of the Company supervises the use of the bank's financing amount and ensures compliance with the terms of the borrowing agreement.

Bank borrowings are an important source of liquidity for the Company. Please refer to the description of 2) Financing amount for the unused financing amount of the Company as of December 31, 2023 and 2022.

(1) Liquidity and Interest Rate Risk for Non-Derivative Financial Liabilities

The analysis of the remaining contractual maturity of non-derivative financial liabilities is based on the earliest date on which the Company may be required to repay, and is prepared based on the undiscounted cash flows of financial liabilities (including principal and estimated interest). The maturity analysis of other non-derivative financial liabilities is prepared according to the agreed repayment date.

For interest cash flows paid at floating rates, the undiscounted interest amount is derived based on the average borrowing rate on the balance sheet date.

December 31, 2023

	Less than 1 month	1 - 3 months	3 - 12 months	1 - 5 years	More than 5 years
Non-derivative financial liabilities					
Non-interest bearing liabilities	$ 66,095	$ 115,262	$ 62,099	$ 20	$ -
Floating rate instrument	298	596	27,288	164,975	22,070
Lease liabilities	653	1,307	5,628	24,897	6,280
	$ 67,046	$ 117,165	$ 95,015	$ 189,892	$ 28,350

December 31, 2022

	Less than 1 month	1 - 3 months	3 - 12 months	1 - 5 years	More than 5 years
Non-derivative financial liabilities					
Non-interest bearing liabilities	$ 84,941	$ 87,467	$ 26,305	$ 20	$ -
Floating rate instrument	504	6,365	36,678	283,619	103,261
Lease liabilities	685	1,371	6,122	27,161	11,406
	$ 86,130	$ 95,203	$ 69,105	$ 310,800	$ 114,667

(2) Financing amount

	December 31, 2023	December 31, 2022
Unsecured borrowings		
- Utilized	$ -	$ -
- Unutilized	630,000	630,000
	$ 630,000	$ 630,000
Secured borrowings		
- Utilized	$ 205,000	$ 405,000
- Unutilized	350,000	150,000
	$ 555,000	$ 555,000

26. RELATED PARTY TRANSACTIONS

Unless disclosed in other notes, the transactions between the Company and other related parties are as follows.

a. Related party name and categories

Related party name	Relationship
eLaser Technologies Co., Ltd.	Subsidiary company
GEM Services, Inc.	Subsidiary company
GEM Tech Ltd., Taiwan Branch	Subsidiary company
Centera Photonics Inc.	Subsidiary (starting from December 24, 2022)

b. Operating revenue

Item	Related party categories	2023	2022
Sales revenue (Note)	Subsidiary company	$ 10,422	$ 165
Other operating revenue - other service revenue	Subsidiary company	$ 4,457	$ -

Note: The sales to subsidiary, Centera Photonics Inc., during 2022 totaled $41,228 thousand, of which the amount occurred from the Company's acquisition date through December 31, 2022 was $165 thousand.

The Company's transaction terms for sales transactions with related parties and other service revenue are cost-plus pricing and T/T 30-60 days payment where the price is not significantly different from general sales.

c. Contract assets

Related party categories	December 31, 2023	December 31, 2022
Subsidiary company	$ 581	$ 2,285

At the end of the period, the contract performance obligations of the contract asset related parties have not stagnated for more than 30 days. In 2023 and 2022, the contract assets generated by related parties were not provisioned for losses.

d. Receivables from related parties

Item	Categories/ Related party	December 31, 2023	December 31, 2022
Accounts receivable due from related parties	Subsidiary company		
	Centera Photonics Inc.	$ 7,742	$ 31,705
Other receivables - related parties	Subsidiary company	$ 444	$ -

The outstanding receivables from related parties are not overdue, and no guarantee has been received. The amount receivable from related parties in 2023 and 2022 has not been recognized as loss provision.

e. Payables to related parties (excluding borrowings from related parties)

Item	Related party categories	December 31, 2023	December 31, 2022
Other payables - related parties	Subsidiary company	$ 630	$ -

The outstanding payables to related parties were unsecured.

f. Lease agreement

Assets subject to operating leases

The Company leased out the right to use the buildings and parking spaces it owns to its subsidiary, Taiwan Branch of GEM Tech Limited under an operating lease over a lease term of one year. At the end of the lease period, the lessee will not have the purchase price option to acquire the real estate. As of December 31, 2023 and 2022, the total lease payments to be received in the future are $115 thousand and $108 thousand respectively. The lease income recognized in 2023 and 2022 was $187 thousand and $162 thousand respectively.

g. Other related party transactions

Item	Categories/ Related party	December 31, 2023	December 31, 2022
Guarantee deposits and margins received	Subsidiary company		
	GEM Tech Ltd., Taiwan Branch	$ 20	$ 20

Item	Categories/ Related party	2023	2022
Research - consumables cost	Subsidiary company	$ 600	$ -
Other income - other	Subsidiary company		
(Compensation to directors)	GEM Services, Inc.	$ 1,921	$ 1,500

h. Remuneration for key managerial officers

	2023	2022
Short-term employee benefits	$ 25,540	$ 38,747
Post-employment benefits	432	432
	$ 25,972	$ 39,179

The remuneration of directors and other key managerial officers is determined by the Remuneration Committee in accordance with performance and market trends.

27. PLEDGED ASSETS

The following assets have been provided as collateral for financing:

	December 31, 2023	December 31, 2022
Self-owned land	$ 358,403	$ 358,403
Net amount of property and building	105,235	107,746
Net amount of machinery and equipment	212,873	-
	$ 676,511	$ 466,149

28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The unrecognized commitments of the Company are as follows:

Unit: Foreign currency (In thousands)

	December 31, 2023	December 31, 2022
Acquisition of property, plant and equipment		
NTD	$ 12,884	$ 3,188
USD	$ -	$ 57

29. EXCHANGE RATE INFORMATION OF FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

The following information was summarized according to the foreign currencies other than the functional currency of the Company. The exchange rates disclosed were used to translate the foreign currencies into the functional currency. The significant financial assets and liabilities denominated in foreign currencies were as follows:

December 31, 2023

	Foreign currencies (in thousands)	Exchange rate		Carrying amount
Foreign currency assets				
Monetary items				
USD	$ 11,129	30.705	(USD: NTD)	$ 341,716
JPY	189,845	0.2172	(JPY: NTD)	41,234
Foreign currency liabilities				
Monetary items				
USD	7,652	30.705	(USD: NTD)	234,944
JPY	141,414	0.2172	(JPY: NTD)	30,715

December 31, 2022

	Foreign currencies (in thousands)	Exchange rate		Carrying amount
Foreign currency assets				
Monetary items				
USD	$ 7,627	30.710	(USD: NTD)	$ 234,240
JPY	125,795	0.2324	(JPY: NTD)	29,235
Foreign currency liabilities				
Monetary items				
USD	4,215	30.710	(USD: NTD)	129,441
JPY	124,576	0.2324	(JPY: NTD)	28,951

The significant (realized and unrealized) foreign exchange gains (losses) were as follows:

	2023			2022		
Foreign currencies	Exchange rate		Net exchange gains (losses)	Exchange rate		Net exchange gains (losses)
USD	31.155	(USD: NTD)	($ 3,396)	29.805	(USD: NTD)	$ 20,019
JPY	0.2221	(JPY: NTD)	1,366	0.2275	(JPY: NTD)	5,020
			($ 2,030)			$ 25,039

30. ADDITIONAL DISCLOSURES

a. Following are the additional disclosures required by the Securities and Futures Bureau for the Company:

1) Financings provided: None
2) Endorsement/guarantee provided: None
3) Marketable securities held (excluding investments in subsidiaries and associates): None
4) Marketable securities acquired and disposed of at costs or prices of at least $300 million or 20% of the paid-in capital: None
5) Acquisition of individual real estate properties at costs of at least $300 million or 20% of the paid-in capital: None
6) Disposal of individual real estate properties at prices of at least $300 million or 20% of the paid-in capital: None
7) Total purchases from or sales to related parties of at least $100 million or 20% of the paid-in capital: See Table 1 attached
8) Receivables from related parties amounting to at least $100 million or 20% of the paid-in capital: See Table 2 attached
9) Information about the derivative financial instruments transaction: None

b. Information on investees (excluding information on investment in Mainland China): See Table 3 attached

c. Information on investment in mainland China:

1) Name of the investee company in Mainland China, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, income (losses) of the investee and share of profits/losses of investee for the current period, carrying amount of investee at the end of the period, repatriated investment gains and the investment limit in Mainland China. See Table 4 attached
2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gains or losses, and other related information which is helpful to understand the impact of investment in mainland China on financial reports:
   (1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: See Table 1 attached
   (2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: None
   (3) The amount of property transactions and the amount of the resultant gains or losses: None

(4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None

(5) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: None

(6) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: None

d. Information on major shareholders: List of all shareholders with ownership of 5 percent or greater showing the names and the number of shares and percentage of ownership held by each shareholder: See Table 5 attached.

ELITE ADVANCED LASER CORPORATION

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2023

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Table 1

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction		Notes/ Accounts Payable or Receivable		Remark
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
GEM Electronics (Shanghai) Co., Ltd.	GEM Tech Ltd., Taiwan Branch	Subsidiary to subsidiary	Sales	($ 1,303,906)	(62%)	Net 90 days from invoice date	—	—	$ 423,412	78%	Notes 1 and 2
GEM Tech Ltd., Taiwan Branch	GEM Electronics (Shanghai) Co., Ltd.	〃	Purchase	1,303,906	55%	〃	—	—	(423,412)	(71%)	Notes 1 and 2
	GEM Electronics (Hefei) Co., Ltd.	〃	Purchase	1,049,106	45%	〃	—	—	(172,462)	(29%)	Notes 1 and 2
GEM Electronics (Hefei) Co., Ltd.	GEM Tech Ltd., Taiwan Branch	〃	Sales	(1,049,106)	(70%)	〃	—	—	172,462	78%	Notes 1 and 2
	Mitsubishi Electric GEM Power Device (Hefei) Co., Ltd.	Subsidiaries to affiliates	Sales	(151,892)	(10%)	Electroplating services: monthly T/T 45 days; Lease and other services: collected on a monthly basis.	—	—	9,885	4%	Notes 2 and 3

Note 1: The transaction price is determined by the cost-plus pricing.

Note 2: There is no unrealized profit or loss for this period.

Note 3: The income from electroplating services is determined by the cost-plus method; the lease income is based on the contract signed according to the general market conditions; the income from other services is based on the content of the contract.

ELITE ADVANCED LASER CORPORATION

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

DECEMBER 31, 2023

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Table 2

Company Name	Related Party	Nature of Relationships	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period (Note 1)	Allowance for Bad Debts
					Amount	Action Taken		
GEM Electronics (Shanghai) Co., Ltd.	GEM Tech Ltd., Taiwan Branch	Subsidiary to subsidiary	Accounts receivable $ 423,412	2.86	$ -	—	$ 215,249	$ -
GEM Electronics (Hefei) Co., Ltd.	GEM Tech Ltd., Taiwan Branch	Subsidiary to subsidiary	Accounts receivable 172,462	8.11	-	—	172,462	-

Note 1: Amount recovered from January 1 to March 14, 2024.

ELITE ADVANCED LASER CORPORATION

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)FOR THE YEAR ENDED DECEMBER 31, 2023

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Table 3

Investment Company	Investee	Location	Main Business	Original Investment Amount (Note 1)		Holding of Investment at the End of the Period Balance as of December 31, 2023			Net Income (Losses) of the Investee	Share of Profits/Losses (Note 4)	Remark
				December 31, 2023	December 31, 2022	Common shares	Percentage of Ownership (Note 3)	Carrying Amount (Note 3)			
The Company	eLaser Technologies Co., Ltd.	Taiwan	Manufacture and sales of electronic parts	$ -	$ 81,996	-	-	$ -	($ 154)	($ 154)	Notes 2 and 6
	Centera Photonics Inc.	Taiwan	Manufacture and sales of electronic parts	271,562	225,000	27,156,217	56.41%	181,167	(163,642)	(94,192)	Notes 2 and 7
	GEM Services, Inc.	Cayman Islands	Holding company business	568,965	568,965	65,809,451	51%	2,119,035	566,094	288,687	Note 2
GEM Services, Inc.	GEM Electronics Company Limited	British Virgin Islands	Holding company business	-	-	100	51%	1,391,429	244,965	124,923	Note 2
	GEM Tech Ltd.	Samoa	Sales of electronic parts	18,202	18,202	606,091	51%	719,783	348,072	177,504	Note 2

Note 1: The original investment amount does not include the investment amount of the investee company before the date of acquisition.

Note 2: The relevant investment profit and loss recognition are based on the financial statements of the investee company audited by accountants during the same period.

Note 3: The carrying amount held at the end of the period is based on the shareholding ratio of the Company at the end of the period.

Note 4: The investment profit (loss) recognized in the current period is based on the weighted average shareholding ratio of the Company.

Note 5: Please refer to Table 4 for relevant information on investment in Mainland China.

Note 6: The Board of Directors, on December 22, 2022, approved eLaser Technologies Co., Ltd.'s dissolution and liquidation by resolution (on behalf of the shareholders' meeting), and the liquidation of the company was completed on August 10, 2023.

Note 7: The cost of the Company acquiring the subsidiary, Centera Photonics Inc., higher than the net value of the identifiable assets and liabilities assumed on the date of acquisition is recognized in goodwill of $32,577 thousand.

ELITE ADVANCED LASER CORPORATION

INFORMATION ON INVESTMENT IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 31, 2023

(Amounts in Thousands of New Taiwan Dollars/ foreign currency)

Table 4

1. Name of the investee company in Mainland China, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, current profit or loss, recognized investment gains or losses, carrying amount of the investment, and repatriated investment gains:

Investee Company in China	Main Business	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	Percentage of Ownership%	Net Income(Losses) of the Investee Company	Share of Profits/Losses	Carrying Amount as of December 31, 2023	Accumulated Inward Remittance of Earnings as of December 31, 2023
					Outflow	Inflow						
GEM Electronics (Shanghai) Co., Ltd.	Manufacture and sales of electronic parts	$ 2,118,645 (USD 69,000) (Note 4)	Reinvested by GEM Electronics Company Limited (Note 1(2))	$ -	$ -	$ -	$ -	51%	$ 244,965	$ 124,923 (Note 2(2) 2.)	$ 1,391,429	$ -
GEM Electronics (Hefei) Co., Ltd.	Manufacture and sales of electronic parts, factory leasing	1,892,367 (RMB 436,511)	Reinvested by GEM Electronics (Shanghai) Co., Ltd. (Note 1(3))	-	-	-	-	51%	154,655	78,868 (Note 2(2) 2.)	608,130	-
Mitsubishi Electric GEM Power Device (Hefei) Co., Ltd.	Production, design, packaging and testing of power management electronic accessories	153,525 (USD 5,000)	Reinvested by GEM Electronics (Shanghai) Co., Ltd. (Note 1(3))	-	-	-	-	10.2%	108,250	11,041 (Note 2(2) 1.)	59,515	-

Note 1: There are three types of investment methods, and they indicated below:

(1) Directly conduct investment in China.

(2) Reinvestment in Mainland China through a third regional company (GEM Electronics Company Limited).

(3) Other methods. (reinvestment through GEM Electronics (Shanghai) Co., Ltd.).

Note 2: Share of Profits/Losses

(1) It shall be indicated If it is under preparation without investment profit or loss.

(2) The basis for recognition of investment gains and losses is divided into the following three types, which should be indicated.

1. Financial statements audited by an international accounting firm that has a cooperative relationship with an accounting firm of Republic of China.
2. Financial statements audited by the certified accounting firm by the parent company in Taiwan.
3. Based on the financial statements of the invested company that have not been audited by accountants during the same period.

Note 3: Relevant figures in this table should be denominated in New Taiwan Dollars.

Note 4: Part of it is reinvested with surplus funds from the third region.

2. Upper limit 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
$ - (USD -)	$ -	$ 3,573,485

Note 1: The Company originally applied for an investment case of indirectly investing USD 9,000 thousand in GEM Electronics (Shanghai) Co., Ltd. in Mainland China according to the Official Letter Ching-Shen-Erh-Tzu No. 10100160030 dated May 16, 2012, and later, on August 15, 2013, the investment purpose of the case was changed to an overseas investment, which was approved by Official Letter Ching-Shen-Erh-Tzu No. 10200310550.

Note 2: The Company originally applied for an indirect investment of USD 2,750 thousand in GEM Electronics (Hefei) Co., Ltd. in Mainland China according to the Official Letter Ching-Shen-Erh-Tzu No. 10100160040 dated May 16, 2012, and later, on August 15, 2013, the investment purpose of the case was changed to an overseas investment, which was approved by Official Letter Ching-Shen-Erh-Tzu No. 10200310550.

ELITE ADVANCED LASER CORPORATION

INFORMATION ON MAJOR SHAREHOLDERS

DECEMBER 31, 2023

Table 5

Shareholders	Shares	
	Total Shares Owned	Ownership Percentage
Chu-Liang, Cheng	8,650,747	5.94%

Note: Major shareholders are defined as shareholders with more than 5% collective holding interest in common and preferred shares that have been delivered via book entry (including treasury stocks), as shown in the records of TDCC on the final business day of the current quarter. Share capital, as shown in the financial statements, may differ from the number of shares that have been delivered via book entry due to differences in the preparation basis.

§TABLE OF CONTENTS OF STATEMENTS OF SIGNIFICANT ACCOUNTING TITLES§

ITEM	STATEMENT INDEX
Major accounting items in assets, liabilities and equity	
Statement of cash and cash equivalents	Statement 1
Statement of contract assets - current	Statement 2
Statement of accounts receivable	Statement 3
Statement of other receivables	Note 7
Statement of inventories	Statement 4
Statement of changes in investments accounted for using equity method	Statement 5
Statement of changes in property, plant and equipment	Note 10
Statement of change in property, plant and equipment	Note 10
Statement of changes in right-of-use assets	Statement 6
Statement of changes in accumulated depreciation of right-of-use assets	Statement 6
Statement of changes in intangible assets	Note 12
Statement of deferred income tax asset	Note 21
Statement of other non-current assets	Statement 7
Statement of contract liabilities - current	Statement 8
Statement of accounts payable	Statement 9
Statement of provision for liabilities - current	Note 16
Statement of other payables	Note 15
Statement of other current liabilities	Note 15
Statement of long-term borrowings	Note 14
Statement of lease liabilities	Statement 10
Statement of deferred tax liabilities	Note 21
Statement of other non-current liabilities	Note 15
Major accounting items in profit or loss	
Statement of operating revenue	Statement 11
Statement of cost of revenue	Statement 12
Statement of operating expenses	Statement 13
Statement of the net amount of other revenues and gains and expenses and losses	Note 20
Statement of finance costs	Note 20
Statement of labor, depreciation and amortization by function	Statement 14

ELITE ADVANCED LASER CORPORATION

STATEMENT OF CASH AND CASH EQUIVALENTS

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Statement 1

Item	Description	Amount
Petty cash		$ 100
Bank deposit		
Demand deposits	Including USD 2,204 thousand, @30.705; JPY 123,781 thousand, @0.2172	157,879
		$ 157,979

ELITE ADVANCED LASER CORPORATION

STATEMENT OF CONTRACT ASSETS - CURRENT

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars) Statement 2

Name	Description	Amount
Unrelated party		
Customer W	Purchases	$ 28,860
Customer AAT	〃	15,431
Customer AAG	〃	7,266
Customer Z	〃	7,100
Customer AAE	〃	4,101
Others (Note)	〃	6,464
Total		69,222
Less: Loss allowances		(29,282)
Related party		
Centera Photonics Inc.	Purchases	581
		$ 40,521

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

ELITE ADVANCED LASER CORPORATION

STATEMENT OF ACCOUNTS RECEIVABLE

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars) Statement 3

Name	Description	Amount
Unrelated party		
Customer X	Purchases	$ 58,737
Customer Z	〃	24,890
Customer AAE	〃	23,678
Customer AAT	〃	19,643
Customer AAG	〃	14,031
Customer AAS	〃	11,053
Others (Note)	〃	57,435
Total		209,467
Less: Loss allowances		(579)
Related party		
Centera Photonics Inc.	Purchases	7,742
		$216,630

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

ELITE ADVANCED LASER CORPORATION

STATEMENT OF INVENTORIES

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars) Statement 4

Item	Cost	Net realizable value (Note)
Finished goods	$ 2	$ 2
Raw materials	97,040	53,464
Inventory in transit	1,413	1,413
	98,455	$ 54,879
Less: allowance for inventory valuation and obsolescence losses	(43,576)	
	$ 54,879	

Note: Net realizable value is the estimated selling price under normal circumstances less the estimated cost to complete the project and the estimated cost to complete the sale. (including inventory valuation and obsolescence losses)

ELITE ADVANCED LASER CORPORATION

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

FOR THE YEAR ENDED DECEMBER 31, 2023

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

Statement 5

	Opening Balance		Increase this Year		Decrease this Year		Recognized for using equity method		Ending Balance			Market Price or Net Equity Value		Guarantee or Pledges
	Common Shares	Amount	Common Shares	Amount	Common Shares	Amount	Share of other Comprehensive Income of Subsidiaries, Associates and Joint Ventures Accounted for Using Equity Method	Foreign Currency Translation Reserve	Common Shares	Ratio of Shareholding (%)	Amount	Unit Price (NT$)	Total	
eLaser Technologies Co., Ltd.	5,432,242	$ 76,573	-	$ -	5,432,242	$ 76,419 (Note 1)	($ 154)	$ -	-	-	$ -	- (Note 4)	$ -	None
Centera Photonics Inc.	22,500,000	225,855	4,656,217 (Note 2)	49,504	-	-	(94,192)	-	27,156,217	56.41	181,167	5.5 (Note 4)	148,590	None
GEM Services, Inc.	65,809,451	2,215,184	-	-	-	361,952 (Note 3)	288,687	(22,884)	65,809,451	51	2,119,035	68.4 (Note 5)	4,501,366	None
		$ 2,517,612		$ 49,504		$ 438,371	$ 194,341	($ 22,884)			$ 2,300,202		$ 4,649,956	

Note 1: The Board of Directors, on December 22, 2022, approved subsidiary, eLaser Technologies Co., Ltd.'s dissolution and liquidation by resolution (on behalf of the shareholders' meeting), and the liquidation of the company was completed on August 10, 2023. The Company received $55,691 thousand, capital refunded from the capital reduction and a dividend of $20,728 thousand from the liquidation.

Note 2: In November 2023, the Company did not participate in the cash capital increase of $46,562 thousand by subsidiary, Centera Photonics Inc., in proportion to its shareholding and recognized an adjustment to the capital surplus of subsidiary, Centera Photonics Inc., in the amount of $2,942 thousand.

Note 3: Subsidiary GEM Services, Inc. resolved to distribute cash dividends at the shareholders' meeting on May 31, 2023. The Company received a cash dividend of $361,952 thousand in accordance with its shareholding ratio.

Note 4: Refers to the net value per share.

Note 5: Refers to the closing price.

ELITE ADVANCED LASER CORPORATION

STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2023

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

Statement 6

Item	Buildings	Office Equipment	Total
Cost			
Opening balance	$ 55,205	$ 4,640	$ 59,845
Increase for this period	288	-	288
Decrease for this period	(789)	(341)	(1,130)
Ending balance	$ 54,704	$ 4,299	$ 59,003
Accumulated depreciation			
Opening balance	$ 15,380	$ 464	$ 15,844
Increase for this period	6,925	735	7,660
Decrease for this period	(585)	(341)	(926)
Ending balance	$ 21,720	$ 858	$ 22,578
Balance, end of year	$ 32,984	$ 3,441	$ 36,425

ELITE ADVANCED LASER CORPORATION

STATEMENT OF OTHER NON-CURRENT ASSETS

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Statement 7

Item	Description	Amount
Prepayments for equipment	Prepayments for machinery and equipment	$ 4,575
Refundable deposits paid	Factory lease deposit	1,365
Uncollectible receivables		6,936
Total		12,876
Less: Loss allowances		(6,936)
		$ 5,940

ELITE ADVANCED LASER CORPORATION

STATEMENT OF CONTRACT LIABILITIES - CURRENT

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars) Statement 8

Name	Description	Amount
Customer X	Purchases	$ 5,371
Customer AAG	〃	1,029
Customer AAU	〃	412
Others (Note)	〃	1,128
		$ 7,940

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

ELITE ADVANCED LASER CORPORATION

STATEMENT OF ACCOUNTS PAYABLE

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars) Statement 9

Name	Description	Amount
Supplier AD	Purchases	$ 26,709
Supplier AF	〃	7,091
Supplier AK	〃	6,476
Supplier AO	〃	5,364
Others (Note)	〃	43,318
		$ 88,958

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

ELITE ADVANCED LASER CORPORATION

STATEMENT OF LEASE LIABILITIES

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Statement 10

Item	Description	Lease period	Discount rate	Balance, end of period
Buildings	Factory buildings and office	June 1, 2014- June 30, 2030	0.99%~1.74%	$ 33,618
Office equipment	Photocopiers and IT security equipment	August 20, 2022- August 19, 2030	1.36%	3,472
Total				37,090
Less: current portion of lease liabilities				(7,074)
				$ 30,016

ELITE ADVANCED LASER CORPORATION

STATEMENT OF OPERATING REVENUE

FOR THE YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars, except for the quantity)

Statement 11

Item	Quantities	Amount
Sales revenue		
Optical communication	8,639 thousand unit	$ 449,607
Optical information	6,159 thousand unit	247,948
Others	3,618 thousand unit	46,442
		743,997
Sales allowance		(833)
Total		743,164
Other operating revenue		213,958
Operating revenue		$ 957,122

ELITE ADVANCED LASER CORPORATION

STATEMENT OF COST OF REVENUE

FOR THE YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars) Statement 12

Item	Amount
Raw materials used	
Balance, beginning of year	$ 174,982
Add: Raw material purchased	394,211
Less: Raw materials, end of year (including inventory in transit)	(98,453)
Transferred to manufacturing or operating expenses	(12,746)
	457,994
Direct labor	203,373
Manufacturing expenses	342,376
Manufacturing cost	1,003,743
Cost of finished goods	1,003,743
Finished goods, beginning of year	-
Less: Finished goods, end of year	(2)
Sales cost	1,003,741
Provision of loss for market price decline and for obsolete and slow-moving inventories	26,053
Sales write-offs of provision of loss for market price decline and for obsolete and slow-moving inventories	(23,969)
Income from scraps	(746)
Cost of goods sold	1,005,079
Other operating costs	16,081
Cost of revenue	$ 1,021,160

ELITE ADVANCED LASER CORPORATION

STATEMENT OF OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise) Statement 13

Item	Selling and Distribution Expense	General and Administrative Expense	Research and Development	Expected Credit Impairment Loss
Salary expense (Note 1)	$ 9,252	$ 42,731	$ 62,659	$ -
Depreciation expense	78	15,508	2,862	-
Insurance premium	1,046	9,058	7,231	-
Food expenses	280	5,756	2,290	-
Import and export fees	1,568	-	-	-
Expected credit impairment loss	-	-	-	943
Others (Note 2)	8,755	25,526	12,153	-
	$ 20,979	$ 98,579	$ 87,195	$ 943

Note 1: It included wages and salaries and director remuneration.

Note 2: The amount of individual suppliers in others does not exceed 5% of the total account balance.

ELITE ADVANCED LASER CORPORATION

SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, DEPLETION AND AMORTIZATION EXPENSES BY FUNCTION

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars) Statement 14

	2023			2022		
Function / Classification	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Salary expenses	$178,219	$102,407	$280,626	$236,722	$108,787	$345,509
Labor and national health insurance expenses	24,454	10,448	34,902	32,505	9,664	42,169
Pension expenses	10,203	5,136	15,339	13,185	4,673	17,858
Remuneration to Directors	-	12,235	12,235	-	26,990	26,990
Other employee benefits expenses	38,392	12,676	51,068	58,425	14,831	73,256
Total employee benefits expenses	$251,268	$142,902	$394,170	$340,837	$164,945	$505,782
Depreciation expense	$193,363	$ 18,448	$211,811	$233,432	$ 17,736	$251,168
Amortization expense	$ 78	$ 1,399	$ 1,477	$ 416	$ 1,555	$ 1,971

Note:

1. The number of the Company's employees in this year and the prior year was 533 and 627, respectively, of which the number of directors who did not concurrently serve as employees was five in both 2023 and 2022. The basis for calculation is the same as that for employee benefit expenses.
2. (1) The average employee benefits expenses were $723 thousand for the year. ([Total employee benefit expenses for the current year - Total directors' remuneration] / [Number of employees for the current year - Number of directors who do not serve as employees])

   The average employee benefits expenses were $770 thousand for the prior year. ([Total employee benefit expenses for the previous year - Total directors' remuneration] / [Number of employees for the previous year - Number of directors who do not serve as employees])

   (2) The average employees' salary expenses were $531 thousand for the year. (Total employee salary expenses for the current year / [Number of employees for the current year - Number of directors who do not serve as employees])

   The average employees' salary expenses were $555 thousand for the prior year. (Total employee salary expenses for the previous year / [Number of employees for the previous year - Number of directors who do not serve as employees])

   (3) The change in the average employees' salary expenses was (-4%). ([The average employee salary expense for the current year - The average employee salary expense for the previous year] / The average employee salary expense for the previous year)

   (4) Remuneration of supervisors; not applicable, the Company has established an Audit Committee on June 6, 2016.

   (5) Remuneration for independent directors: Travel allowances are paid according to the actual

attendance of the Board of Directors, Remuneration Committee and Audit Committee, and the remuneration is paid based on the degree of their involvement in the Company's operation and value of contribution.

(6) Amount and distribution method of directors' remuneration: The Company's directors' remuneration shall not exceed 3% based on the Articles of Association. The remuneration of directors who execute the business, the remuneration committee reviews degree of their involvement in the Company's operation and value of contribution, linkage to the reasonableness and fairness of performance risks with the remuneration received, and makes recommendations to the Board of Directors after considering the Company's operating performance and general standard in the same industries.

(7) Managerial personnel and employee remuneration: The Company's remuneration policy for managerial personnel and employees includes salary, various bonuses, and employee remuneration. The salary is determined based on the evaluation of Taiwan's human resources market, standards in the same industries, and the Company's remuneration and benefit policies; employee remuneration is allocated at 8% to 15% in accordance with the Articles of Association; year-end bonuses are issued based on the Company's operating performance and individual employee performance .