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Largan Precision Co., Ltd

2022 Annual Report

(Translation)

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This is a translation of the 2022 Annual Report of Largan Precision Co., Ltd. The translation is for reference only. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

Printed April 24th, 2023

Largan Precision Co., Ltd.

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Deputy Spokesperson

Josephine Huang
Manager
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Corporate Headquarters and Factories

Head office: No. 11, Jingke Road, Nantun District, Taichung City, Taiwan	Telephone: 04-36002345
Factories: No. 4, Gongyequ 16th Road, Taichung City, Taiwan	Telephone: 04-36002345
No. 14, Gongyequ 23rd Road, Nantun District, Taichung City, Taiwan	Telephone: 04-36002345
No. 11, Jingke Road, Nantun District, Taichung City, Taiwan	Telephone: 04-36002345
No. 13, Jingke Road, Nantun District, Taichung City, Taiwan	Telephone: 04-36002345
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No.1, Gongyequ 5th Road, Xitun District, Taichung City, Taiwan	Telephone: 04-36002345

Stock Affairs Agent

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Certified Public Accountant (CPA) and accounting firm for the financial statements of the most recent year:

CPA: Shyhhuar Kuo & Chun-Yuan Wu
Company: KPMG Certificated Public Accountants
Address: 68F, No.7, Sec.5, Xinyi Rd., Taipei
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Offshore secondary exchange and disclosure information: Not Applicable

Company Website: <http://www.largan.com.tw>

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Chapter 1. Letter to Shareholders

In 2022, with the increasing penetration rate of smartphones, the growth of the market had started to plateau. The Company's 2022 business results and 2023 business plan are summarized below:

I 2022 Business Report

- (I) Business results: Largan Precision's consolidated revenue for 2022 was NT\$47,675,228 thousand, an increase of 2% from NT\$46,962,402 thousand in 2021; net income after tax was NT\$22,625,049 thousand, an increase of 21% from NT\$18,671,230 thousand in 2021; and net income per share was NT\$169.52.
- (II) Financial performance and profitability: Please refer to the financial statements in the attachment for the financial overview of 2022.
- (III) Research and development: The Company invested a total of NT\$4,153,972 thousand in research and development for the current year, which represented a 15% growth over NT\$3,601,890 thousand in the previous year.

II 2023 Business Plan

- (I) Business strategy: Largan Precision upholds the business philosophy of "innovation, professionalism, speed, and flexibility." All employees continuously pursue discipline and growth in the face of a changing business environment, as they commit themselves to product development and quality improvement to create ongoing profit and growth.
- (II) Production and sales forecast: The Company shall remain focused on the production and sales of mobile phone camera lenses, and actively enhance production technology and output, with the aim of maintaining the Company's advantages in production cost and achieving more competitiveness in the overall production and sales cycle and system.
- (III) Research and development plans: The Company shall continue to conduct research and development in mobile phone camera lenses. We will continue to expand our R&D team, product range, launch new product lines, and improve the scale and quality of products. We shall also commit ourselves to the development of new product applications and improvement of manufacturing capabilities to maintain long-term competitiveness in the industry.

Largan Precision shall continue to work hard and adopt a spirit of constant innovation and in the production of each product. We shall fully develop the Company's core expertise and continue to strengthen the Company's competitiveness in all aspects to respond to the competitive environment and overall business environment. At the same time, the Company complies with regulatory requirements and adopts policies and measures in response to changes in the legal environment. We hereby express our most sincere gratitude for the support of all customers, suppliers, shareholders, and employees.

Chairman: En-Ping Lin

Chapter 2. Company Profile

(I) Date of founding: April 17, 1987

(II) Addresses and telephone numbers of the head office, branch offices, and plants:

Head office: No. 11, Jingke Road, Nantun District, Taichung City, Taiwan Tel: 04~36002345

Branch office: None

Plants:

No. 4, Gongyequ 16th Road, Taichung City, Taiwan Tel: 04~36002345

No. 14, Gongyequ 23rd Road, Nantun District, Taichung City, Taiwan Tel: 04~36002345

No. 11, Jingke Road, Nantun District, Taichung City, Taiwan Tel: 04~36002345

No. 13, Jingke Road, Nantun District, Taichung City, Taiwan Tel: 04~36002345

No. 7, Jingke 2nd Road, Nantun District, Taichung City, Taiwan Tel: 04~36002345

No.1, Gongyequ 5th Road, Xitun District, Taichung City Tel: 04~36002345

(III) Company History

- 1987 Largan Precision Co., Ltd. was founded with a capital of NT\$10 million. The Company specialized in lenses, and viewfinders for scanners, cameras, projectors.
- 1989 Cash capital increase of NT\$500 thousand; paid-up capital increased to NT\$10.5 million.
- 1990 Completed and relocated to new factory in Taichung Industrial Park. Capitalized NT\$60.9 million of earnings; paid-up capital increased to NT\$71.4 million.
- 1991 Leading Taiwanese company to introduce ultra-precision machining for aspherical lenses and developed related manufacturing skills. Successful mass production of the plastic aspherical lens in the same year.
- 1992 Cash capital increase of NT\$12.6 million; paid-up capital increased to NT\$84 million. First in Taiwan to develop hybrid lenses for traditional cameras for mass production.
- 1993 Received the New Leading Product Development Program Gong (82) No. 2 grant from the Industrial Development Bureau Ministry of Economic Affairs. Started the New Leading Product Development Program for "manufacturing development program of cameras fitted with auto-focusing F35-70 mm zoom lenses".
- 1995 Awarded "Top Ten Companies in Industrial Automation in 1995" by the Ministry of Economic Affairs. The former President of R.O.C. visited the Company's headquarters. Invested in Largan (Hong Kong) Limited and new materials processing factory in Dongguan in order to increase productivity, reduce cost, and expand market share.
- 1997 Introduced electrical discharge machining and ultra-precision CNC machining equipment from Japan to improve R&D technology and provide superior products. Capitalized NT\$10 million of earnings and NT\$28 million of capital reserve; paid-up capital increased to NT\$122 million. First in Taiwan to develop hybrid lenses for successful applications in scanners/barcodes. Successfully developed optical components for projectors.
- 1998 Invested in Largan Digital Co., Ltd. to expand into the emerging industry of digital cameras. Capitalized NT\$38 million of earnings; paid-up capital increased to NT\$160 million. Successfully entered mass production of scanner hybrid lenses. First in Taiwan to develop 2X zoom viewfinder for mass production. Successfully developed hybrid lenses for digital cameras. Successfully developed precision optical components for SVCD and VCD.
- 1999 Invested in IBM hardware and Data Systems Consulting ERP system to integrate internal procedures of affiliated companies and subsidiaries and facilitate effective use of comprehensive resource systems. Successfully developed 4000 dpi scanner lens. Successfully developed the world's first 600 dpi scanner hybrid lens. Successfully developed autofocus module for digital camera.

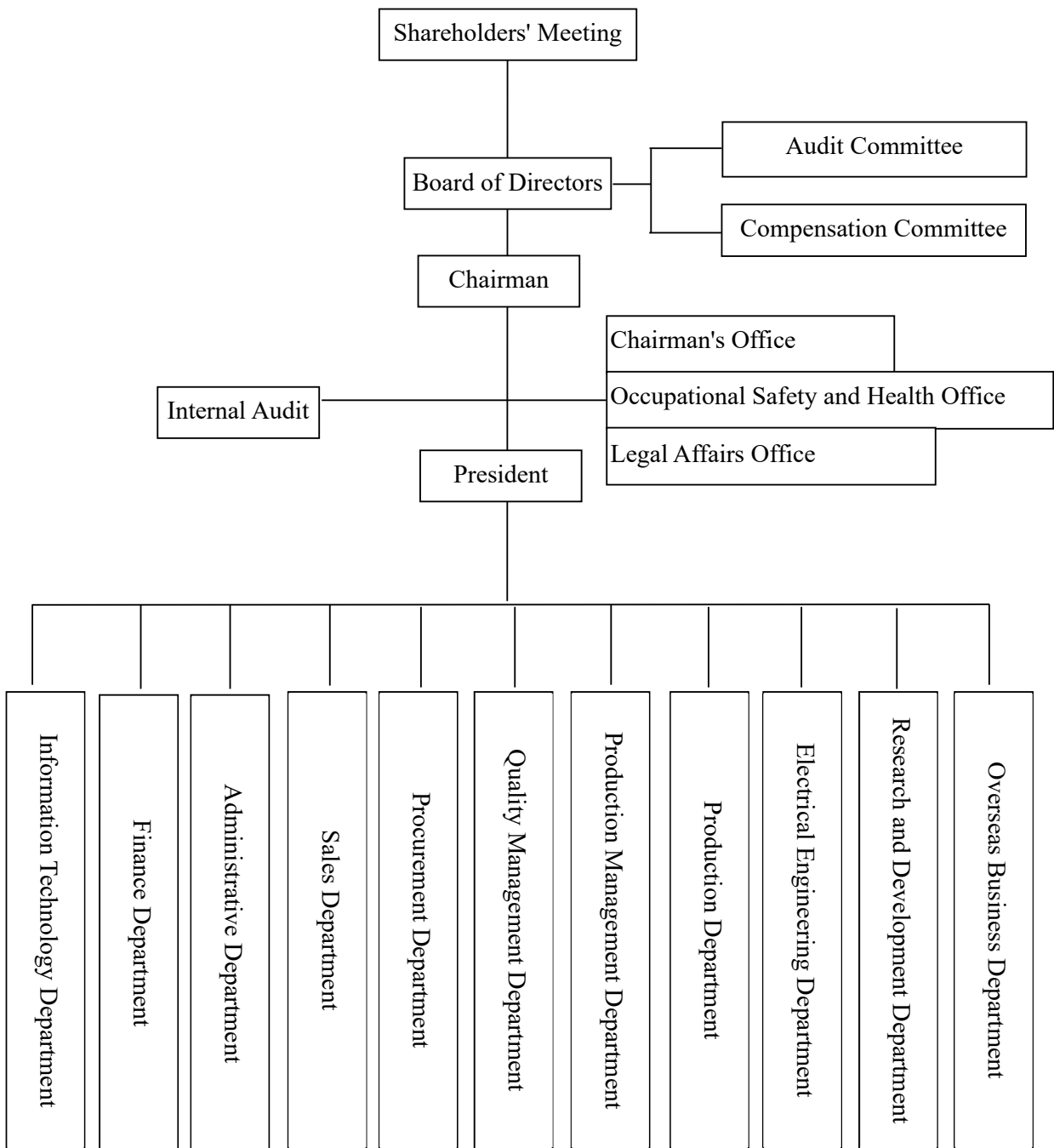
- Successfully developed high-precision optical components and assemblies applied in DVDs.
- 2000 Capitalized NT\$60 million of earnings and NT\$80 million in cash; paid-up capital increased to NT\$300 million.
The Company became publicly listed.
First in Taiwan to develop 4X zoom viewfinder for mass production.
- 2001 Passed ISO 9001 quality certification.
Capitalized NT\$233,434,000 of earnings and employee bonus. Issued new shares through a capital increase to merge Largan Optronic Co., Ltd. to sustain growth and scale to enhance the Company's competitiveness. Paid-up capital increased to NT\$621,621,640.
- 2002 Publicly listed on the Taiwan Stock Exchange (TWSE) on March 11.
Capitalized NT\$233,182,590 of earnings and employee bonus; paid-up capital increased to NT\$854,804,230.
The establishment of the Company's headquarters was approved in September.
Successfully developed zoom lenses for projectors.
Successfully developed camera lenses for mobile phones.
Successfully developed 3.0 megapixels 3x zoom digital camera lens.
- 2003 Capitalized NT\$104,021,920 of earnings and employee bonus; paid-up capital increased to NT\$958,826,150.
Invested in Suzhou Largan Co., Ltd. through NET International Trading Limited to expand production capacity and reduce manufacturing cost.
Successfully developed 3X Zoom lens for digital cameras.
Successfully developed 1.3 megapixels lens for mobile phones.
Expanded floor space in plant #1.
- 2004 Capitalized NT\$115,422,610 of earnings and employee bonus; paid-up capital increased to NT\$1,074,248,760.
Successfully developed 2.0 megapixels autofocus lens for mobile phones.
- 2005 Capitalized NT\$71,902,440 of earnings and employee bonus; paid-up capital increased to NT\$1,146,151,200.
Successfully developed 3.0 megapixels autofocus lens for mobile phones.
Expanded floor space in Plant #2.
- 2006 Capitalized NT\$67,121,210 of earnings and employee bonus; paid-up capital increased to NT\$1,213,272,410.
Completed development of 5.0 megapixels autofocus lens for mobile phones.
- 2007 Capitalized NT\$43,914,470 of earnings and employee bonus; paid-up capital increased to NT\$1,257,186,880.
Entered mass production of 5.0 megapixels lens for mobile phones
- 2008 Capitalized NT\$44,145,930 of earnings and employee bonus; paid-up capital increased to NT\$1,301,332,810.
Completed development of 8.0 megapixels autofocus lens for mobile phones.
- 2009 Capitalized NT\$521,642,998 of earnings and employee bonus; paid-up capital increased to NT\$1,341,401,970.
Inaugurated new plant in the Precision Machinery Innovation Technology Park.
Became the first company to mass produce EDOF lenses for mobile phones.
Entered mass production of 8.0 megapixels lens for mobile phones
Completed development of 12.0 megapixels autofocus lens for mobile phones.
- 2012 Inaugurated new plant in the Precision Machinery Innovation Technology Park. (Plant #5)
- 2014 Obtained industrial land in phase 1 of the Taichung City Precision Machinery Innovation Technology Park.
- 2017 Inaugurated new plant in the Precision Machinery Innovation Technology Park. (Plant #7)
Obtained land in Taichung City, An-He Section, Xitun District

- 2018 Obtained land in Taichung City, Shieh-Cheng Section, Xitun District
- 2019 Obtained land in Taichung City, An-He Section, Xitun District
Obtained land in Taichung City, Wen-Shan Section, Nantun District
- 2020 Obtained ISO 45001 Occupational Health and Safety System certification
- 2022 Obtained land in Taichung City, Wen-Shan Section, Nantun District

Chapter 3. Corporate Governance Report

I. Company Organization

(I) Company Organizational Chart



(II) Responsibilities and Functions of Major Departments

Major Department	Responsibilities and Functions
Chairman's Office	Oversees the planning and execution of the Company's operations and implements continuous supervision and improvement of various internal controls.
Auditing Office	Inspects and evaluates the Company's internal control system and provides analyses and recommendations.
Legal Affairs Office	Ensures compliance with corporate ethical standards, legal compliance (e.g., personal data protection and whistleblower protection), intellectual property, and the Company's confidential information etc.
Occupational Safety and Health Office	Formulates, plans, and promotes safety and health management issues and instructs related departments on its implementation.
Information Technology Department	Responsible for the integration, establishment, and maintenance of the Company's IT system.
Finance Department	Responsible for finances, accounting, shareholder services, and taxation affairs.
Administrative Department	Responsible for human resources, general affairs, employee welfare, and labor relations.
Sales Department	Responsible for product marketing, market research, and customer after-sales services.
Procurement Department	Responsible for procurement of raw materials, equipment, and consumables.
Quality Management Department	Responsible for inspection of raw materials, production, and finished goods, and other quality assurance operations.
Production Management Department	Responsible for production planning, raw materials management, outsourcing, and shipment.
Production Department	Responsible for the production of various optical components.
Electrical Engineering Department	Maintenance and repairs of machinery and inspection equipment.
Research and Development Department	1. New product optical design. 2. Improvement of production technology. 3. Design and development of molding and tooling technology.
Overseas Business Department	Responsible for production, quality assurance, and services for overseas businesses.

II. Information on the Company's Directors, Supervisors, President, Vice President, Associate Managers, and the Supervisors of All the Company's Divisions and Branch Units

(I) Information on Directors

As of April 9, 2022

Title	Nationality or Place of Registration	Name	Gender/ Age	Date Elected	Term	Date First Elected	Shares Held When Elected		Shares Currently Held	Shares Held by Spouse and Minor Children		Shares Held in the Name of Other Persons	Education and Work Experience	Other Position Concurrently Held at the Company and Other Companies			Note (Note 2)	
							Number of Shares	Shareholding ratio		Number of Shares	Shareholding ratio			Title	Name	Relationship		
	Taiwan	Mao Yu Commemorate Co., Ltd.	-	2022.06.08		2019.06.12	18,910,616	14.17%	18,910,616	14.17%	-	-	-	-	-	-	None	
Chairman	Taiwan	Representative: En-Ping Lin	Male Age 61-70	2022.06.08	3 years	2007.6.15	8,000	0.01%	8,000	0.01%	-	6,011,652	4.50%	Director of Langan (Hong Kong) Limited, Director of Langan (Dongguan) Limited, Director Representative of AMTAL, Director Representative of ASTRO, Director Representative of NEST, Chairman of Langan Digital, Chairman of Langan Medical, Director of Alpha & Best, Director of LHT, Director Representative and Director of Langan Health, Director of Mao Yu Commemorate Co., Ltd., Chairman of Langan Industrial Optics	En-Chou Lin	Brothers	None	
Director	Taiwan	Representative: En-Chou Lin	Male Age 61-70	2022.06.08		1987.4.4 Note 1	540	0.00%	540	0.00%	-	7,790,106	5.84%	Director of LHT, Supervisor of Mao Yu Commemorate Co., Ltd.	En-Ping Lin	Brothers	None	
Vice Chairman	Taiwan	You-Chih Huang	Male Age 51-60	2022.06.08		2022.06.08	94,228	0.07%	48,228	0.04%	-	-	-	President of Langan Precision Co., Ltd. Director Representative of Photomicro Technologies Co., Ltd.	-	-	None	
Director	Taiwan	Chung-Jen Liang	Male Age 71-80	2022.06.08	3 years	2004.6.10	2,091,721	1.57%	2,091,721	1.57%	924	11,000	0.01%	Degree in Finance, National Chengchi University	-	-	None	
Director	Taiwan	Ming-Yuan Hsieh	Male Age 41-50	2022.06.08	3 years	1996.10.20	3,606,585	2.70%	3,606,585	2.70%	-	-	-	Degree in Applied Mathematics, Feng Chia University	-	-	None	
Director	Taiwan	Chun-Ming Chen	Male Age 51-60	2022.06.08	3 years	2022.06.08	119,446	0.09%	119,446	0.09%	32,000	-	-	Ph.D. in Computer Science Ohio State University	Manager of Langan Precision Co., Ltd., Director of Langan Digital Co., Ltd.	-	-	None
Independent Director	Taiwan	Shan-Chieh Yen	Male Age 51-60	2022.06.08	3 years	2016.06.08	No shares held	0.00%	No shares held	0.00%	-	-	-	Teaching Industrial High School, Electrical Engineering Assistant Vice President, Langan Precision	-	-	None	
Independent Director	Taiwan	Ming-Hua Peng	Male Age 61-70	2022.06.08	3 years	2016.06.08	56,604	0.04%	56,604	0.04%	-	-	-	Ming-Chi Institute of Technology, Mechanical Engineering Assistant Vice President, Langan Precision	-	-	None	
Independent Director	Taiwan	Chun-I Lu	Male Age 51-60	2022.06.08	3 years	2022.06.08	No shares held	0.00%	No shares held	0.00%	-	-	-	Diploma in telecommunication engineering, Kuang-Hwa Vocational Senior High School of Technology Vice President of Langan Digital Co., Ltd.	-	-	None	

Note 1: En-Chou Lin did not serve as a Director from July 3, 1993 to November 11, 1997.

Note 2: Where the chairperson and president or equivalent position (highest level executive officer) is the same person, the spouse, or a first-degree relative, the reason, reasonableness, necessity, and response measures: not applicable.

(II) Major Shareholders of the Corporate Shareholder

April 9, 2023

Name of Corporate Shareholder	Major Shareholder of the Corporate Shareholder
Mao Yu Commemorate Co., Ltd.	Yi Kuan International Co., Ltd. (50%), Shih-An Co., Ltd. (50%)

Name of Corporate Shareholder	Major Shareholder of the Corporate Shareholder
Yi Kuan International Co., Ltd.	Yao-Ying Lin (2.98%), Fang-Chen Kao (82.29%), Fang-Chen Kao Trust Account (14.73%)

Name of Corporate Shareholder	Major Shareholder of the Corporate Shareholder
Shih-An Co., Ltd.	Yao-Ying Lin (14.52%), En-Ping Lin (63.56%), En-Ping Lin Trust Account (21.92%)

(III) Disclosure on the Directors' Professional Qualifications and the Independent Directors' Independence:

Qualifications Name	Professional Qualification and Work Experience	Independence Criteria	Independent Director Positions Concurrently Held at Other Companies
En-Chou Lin (Director)	1. Please refer to Page 7 of the Annual Report for the Directors' professional qualifications and experiences 2. Not under any of the categories stated in Article 30 of the Company Act.	N/A	None
En-Ping Lin (Director)		N/A	None
You-Chih Huang (Director)		N/A	None
Chung-Jen Liang (Director)		N/A	None
Ming-Yuan Hsieh (Director)		N/A	None
Chun-Ming Chen (Director)		N/A	None
Shan-Chieh Yen (Independent Director)		1. Complies with the relevant provisions of Article 14-2 of the Securities and Exchange Act promulgated by the Financial Supervisory Commission and "Regulations on the Establishment of Independent Directors of Public Offering Companies and Matters to be Followed" (Note). 2. The person (or in the name of other persons), his/her spouse and minor children do not hold shares in the Company. 3. There are no incidents in the last two years in which the Company or other affiliates were compensated for business, legal, financial, or accounting services provided by the Company.	None

Ming-Hua Peng (Independent Director)		<ol style="list-style-type: none"> 1. Complies with the relevant provisions of Article 14-2 of the Securities and Exchange Act promulgated by the Financial Supervisory Commission and “Regulations on the Establishment of Independent Directors of Public Offering Companies and Matters to be Followed” (Note). 2. 56,604 shares are held by the person, representing a 0.04% shareholding. 3. There are no incidents in the last two years in which the Company or other affiliates were compensated for business, legal, financial, or accounting services provided by the Company. 	None
Chun-I Lu (Independent Director)		<ol style="list-style-type: none"> 1. Complies with the relevant provisions of Article 14-2 of the Securities and Exchange Act promulgated by the Financial Supervisory Commission and “Regulations on the Establishment of Independent Directors of Public Offering Companies and Matters to be Followed” (Note). 2. The person (or in the name of other persons), his/her spouse and minor children do not hold shares in the Company. 3. There are no incidents in the last two years in which the Company or other affiliates were compensated for business, legal, financial, or accounting services provided by the Company. 	None

Note:

1. Not a governmental or judicial person or a representative thereof as defined in Article 27 of the Company Act.
2. The number of other public companies where the individual concurrently serves as an Independent Director does not exceed three companies.
3. Is not involved in any of the following conditions during the individual’s term of office and two years prior to the date elected:
 - (1) An employee of the Company or any of its affiliates.
 - (2) A director or supervisor of the company or any of its affiliates.
 - (3) A natural-person shareholder who holds shares, together with those held by the person’s spouse, minor children, or held by the person under others’ names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranks as one of its top ten shareholders.
 - (4) Any of the officers listed in (1), or spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons listed in (2) and (3).
 - (5) A director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the Company's outstanding shares, a top five shareholder, or appointed as the Company's director or supervisor in accordance with Article 27 of the Company Act.
 - (6) A director, supervisor, or employee of other companies controlled by the same person with over half of the Company's director seats or shares with voting rights.
 - (7) A director, supervisor, or employee of another company or institution who is the same person or spouse of the Company's chairperson, president or equivalent position.
 - (8) A director, supervisor, or executive officer of a specific company or institution with financial or business dealings with the Company, or shareholder with 5% or more shares of the Company.
 - (9) A professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof. This does not apply to members of the Compensation Committee.

(IV) Diversification and Independence of the Board of Directors:

1. Diversification of the Composition of the Board of Directors: The specific management objectives of the Company's diversification policy is to include diversified academic and professional work experiences (including operational judgments, finance, crisis management, management skills, industry knowledge, international perspective, leadership, and decision-making skills) when considering the composition of the members of the Board of Directors.

The Company focuses on the multi-faceted competencies of its Board members and aims to increase the percentage of directors with at least four competencies to over 50%. This target has been achieved, as more than 78% of the Board members possess at least 4 skills or more out of the 7 skills above.

2. The implementation status of Board member diversity is provided below:

- Ratio of Directors who are concurrent employees of the Company is 44%
- The percentage of independent directors is 33% with one of the independent directors serving for less than 3 years
- Age of Directors: 1 is aged 71-80; 3 are aged 61-70; 3 are aged 51-60; and 2 are below 50.

Diversified core competences are listed below:

Name	Gender	A Concurrent Employee of the Company	Professional background				Professional knowledge and skills						
			Commerce	Technology	Finance and accounting	Industry	Ability to make sound operational judgments	Accounting & financial analysis capability	Business management	Crisis management	Industry knowledge	Understanding of international markets	Leadership ability
En-Chou Lin	Male	v	v	v	v	v	v	v	v	v	v	v	v
En-Ping Lin	Male	v	v	v	v	v	v	v	v	v	v	v	v
You-Chih Huang	Male	v	v	v	v	v	v	v	v	v	v	v	v
Chung-Jen Liang	Male		v		v	v		v			v	v	
Ming-Yuan Hsieh	Male		v		v	v		v			v	v	
Chun-Ming Chen	Male	v	v	v		v		v			v	v	v
Shan-Chieh Yen	Male		v	v	v	v		v			v	v	v
Ming-Hua Peng	Male		v	v	v	v		v			v	v	v
Chun-I Lu	Male		v	v	v	v		v			v	v	v

3. Independence of the Board of Directors: The election of all directors of the Company have complied with the Company's Articles of Incorporation, Rules for Director Elections, Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, Article 14-2 and Article 26-3 of the Securities and Exchange Act. The Board of Directors emphasizes independent operations, and all Directors and Independent Directors function independently in performing their rights and obligations. The nationality of all members of the current term of the Board of Directors is Taiwan R.O.C., and includes 3 seats of Independent Directors. None of the Independent Directors have consecutively served at the Company for more than 3 terms.

(V) Information on the President, Vice Presidents, Assistant Vice Presidents, and Supervisors of Divisions and Branch Units

April 9, 2023

Title	Nationality	Name	Gender	Appointment Date	Shares Held		Shares Held by Spouse & Minor Children		Shares Held in the Name of Other Persons		Major Education and Work Experience	Other Position Concurrently Held at the Company and Other Companies	Other Managerial Roles Held by Spouse or Second-Degree Relative			Note (Note 2)
					Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relationship	
President	Taiwan	You-Chih Huang	Male	2000.01.01	48,228	0.04%	-	-	-	-	Masters in Mechanical Engineering, National Tsing Hua University	Director Representative of Photonicore Technologies	-	-	-	None
Vice President	Taiwan	En-Ping Lin	Male	2007.06.15	8,000	0.01%	-	-	6,011,652	4.50%	Master of Business Administration, Dominican University	Director of Largan (Hong Kong) Limited., Director of Largan (Dongguan) Optronic Ltd., Chairman of Largan Digital Co., Ltd., Chairman of Largan Medical Co., Ltd., Director of Alpha and Beta, Director of LHT, Director representative of Largan Health Technology Co., Ltd., Director of Largan Health AI-Tech Co., Ltd., Director of Mao Yu Commemorate Co., Ltd.	-	-	-	None
Vice President	Taiwan	Chung-Shih Lin	Male	2005.06.01	4,000	0.00%	-	-	-	-	Degree in Industrial Engineering, Tunghai University	Director of Largan (Dongguan) Optronic Ltd., Director representative of Largan Health Technology Co., Ltd., Director of LHT	-	-	-	None
Assistant Vice President	Taiwan	Sheng-Lien Wang	Male	2011.04.01	0	0.00%	-	-	-	-	Degree in Industrial Engineering, Feng Chia University	Chairman of Largan (Dongguan) Optronic Ltd., Director of Largan (Hong Kong) Limited, Director of LHT, Director of Charis	-	-	-	None
Chief Financial Officer	Taiwan	Hsing-Ju Tsaur	Female	2011.05.01	289	0.00%	-	-	-	-	Master in Accounting, National Chengchi University	Accounting Head of Largan Digital Co., Ltd. and Largan Medical Co., Ltd.	-	-	-	None

Note 1: Positions held as of the publication date of the Annual Report

Note 2: Where the chairperson and president or equivalent position (highest level executive officer) is the same person, the spouse, or a first-degree relative, the reason, reasonableness, necessity, and response measures (such as increasing the number of independent director seats and more than half of all directors not concurrently serving as employees or executive officers) must be disclosed.

Table of Compensation Ranges

Compensation Range for Each Supervisor of the Company	Names of Supervisor	
	The Company	Total of (A+B+C) All Companies in the Financial Report
Less than NT\$1,000,000	-	-
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)	-	-
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)	-	-
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)	-	-
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	-	-
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)	-	-
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)	-	-
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)	En-Ping Lin, You-Chih Huang, Chung-Shih Lin	Same as left
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)	-	-
NT\$100,000,000 and above	-	-
Total	3	3

As of December 31, 2022

Name of management to which employees' compensation are distributed, and the status of distribution

Unit: NT\$ thousands

Manager	Title	Name	Stock Amount	Cash Amount	Total	Ratio of total compensations to the net profit after tax (%)
Vice President	En-Ping Lin					
Vice President	Chung-Shih Lin		-	140,500	140,500	0.62%
Assistant Vice President	Sheng-Lien Wang					
Chief Financial Officer	Hsing-Ju Tsaur					

(VII) Comparison of compensation paid by the Company and all the consolidated entities in the last two years to the Company's Directors, Supervisors, President and Vice Presidents as a ratio to the net profit after tax. Explanation on compensation policies, standards and procedures for determining compensation, and association with business performance and future risks:

1. Analysis of compensation to the Company's Directors, Supervisors, President and Vice Presidents as a ratio of net profit after tax in the most recent year

	Ratio of total compensation to net profit after tax (%)		Percentage change
	2022	2021	
Director	2.12%	1.87%	0.25%
President and Vice Presidents	0.43%	0.82%	(0.39%)

Note:

1. The Company's compensation for the Company's Directors, President, and Vice Presidents are determined pursuant to the Company's Articles of Incorporation and Managerial Officer Salary Standards. They are reviewed by the Compensation Committee and authorized by the Board of Directors. There were no material changes in the Company's payment to Director. Total compensation for Directors to net profit after tax increased by 0.25%; Total compensation for the President and Vice Presidents to net profit after tax decreased by 0.39%.
2. The Company's compensation for Directors and Managers is determined pursuant to Article 26 of the Company's Articles of Incorporation. If the Company sustains profit for the current year, it shall contribute 1% to 30% of the employee compensation and not more than 5% as director compensation. With regard to the procedures for determining the amount of compensation, in addition to the overall performance of the Company, the future risks and development trends of the industry, we also take into account the position held by the individual, his or her responsibilities, performance achievement rate and contribution to the Company, as well as his or her participation in the Company's operations. In addition, we shall take into consideration the core values of the Company, including the ability to implement and manage operations (e.g., ethics), leadership and communication skills, and overall management indicators, and provide reasonable compensation. Such performance evaluation and the reasonableness of salary and remuneration are reviewed by the Compensation Committee and the Board of Directors. The remuneration system is also reviewed constantly based on actual business operations and applicable laws.

III. Implementation of Corporate Governance

(I) Operations of the Board of Directors

The Company convened a total of 5 Board of Directors meetings in 2022. The attendance was as follows:

Title	Name	Attendance in Person	Attendance by Proxy	Actual Attendance Rate (%)	Note
Chairman	Mao Yu Commemorate Co., Ltd. Representative: En-Ping Lin	5	0	100%	Re-elected
Director	Mao Yu Commemorate Co., Ltd. Representative: En-Chou Lin	5	0	100%	Re-elected
Director	Mao Yu Commemorate Co., Ltd. Representatives: Yao-Ying Lin	2	0	100%	Formerly elected
Director	Shih-Ching Chen	2	0	100%	Formerly elected
Director	You-Chih Huang	3	0	100%	Newly appointed
Director	Chung-Jen Liang	2	0	67%	Newly appointed
Director	Chun-Ming Chen	3	0	100%	Newly appointed
Director	Ming-Yuan Hsieh	5	0	100%	Re-elected
Independent Director	Shan-Chieh Yen	5	0	100%	Re-elected
Independent Director	Ming-Hua Peng	5	0	100%	Re-elected
Independent Director	Chun-I Lu	3	0	100%	Newly appointed

Other matters to be recorded:

- (1) Matters listed in the Article 14-3 of the Securities and Exchange Act: Article 14-3 of the Securities and Exchange Act is not be applicable because the Company has established the Audit Committee. For relevant information, please refer to the “Operations of the Audit Committee” in this Annual

Report.

(2) Other resolutions of the Board of Directors on which Independent Directors have dissenting or qualified opinions, and that were documented or issued through written statements: None.

(3) Recusals of Directors due to conflicts of interests: The Directors recused themselves from discussion and voting on their salaries and compensation.

Other matters to be recorded:

(4) Evaluation cycle and duration, scope of evaluation, methodology, and evaluation contents of the self (peer) evaluation of the Board of Directors, and implementation of the evaluation of the Board of Directors:

Evaluation Interval	Evaluation Period	Scope	Methodology of Evaluation	Evaluation Contents
Annually	For the Year Ended December 31, 2022	Board of Directors, their individual members, and Functional Committees (including Compensation Committee)	Internal self assessment made by the Board of Directors, their individual members, and Functional Committees (including Audit Committee and Compensation Committee)	<p>The performance assessment of the Board of Directors includes five major aspects: The degree of participation in the Company's operations, the decision-making quality of the Board of Directors, the composition and structure of the Board of Directors, selection and appointment of Directors and continuous education and internal control.</p> <p>The performance assessment of the Board members includes five major aspects: Alignment of the goals and missions of the company, awareness of the duties of a director, participation in the operation of the company, management of internal relationship and communication, the director's professionalism and continuing education and internal control.</p> <p>The performance assessment of the Functional Committee includes five major aspects: The degree of participation in the Company's operations, the decision-making quality of the Functional Committees, the composition and structure of the Functional</p>

				Committee, selection and appointment of Committee members and continuous education and internal control.
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(5) Measures taken to strengthen the functions of the Board and the implementation status during the current and preceding fiscal year: The Company established the 1st Audit Committee and 5th Compensation Committee on June 8, 2022 to assist the Board of Directors to determine the salaries and compensation of directors and managerial officers as well as to regularly review the performance of directors and managerial officers and the Company's compensation policies, systems, standards, and structure.

(II) Operations of the Audit Committee

A total of 2 Audit Committee meetings were held in the most recent year. The attendance was as follows:

Title	Name	Attendance in Person	Rate of Attendance in Person (%)	Note
Independent Director	Shan-Chieh Yen	2	100%	Newly appointed
Independent Director	Ming-Hua Peng	2	100%	Newly appointed
Independent Director	Chun-I Lu	2	100%	Newly appointed

Other matters to be recorded:

I. (I) Matters listed in the Article 14-5 of the Securities and Exchange Act:

The 1st meeting of 1st Audit Committee on July 25, 2022:

- Business Report for the First Half of 2022 and Consolidated Financial Statements for the Second Quarter of 2022
- Distribution of Cash Dividends from the First Half of 2022 Earnings
- Distribution of Earnings for the First Half of the Year 2022

The 2nd meeting of 1st Audit Committee on October 17, 2022:

- Internal audit plan for 2023
- Proposed investment in the shares of Solid-tech Co., Ltd.
- Consolidated Financial Statements for the Third Quarter of 2022

Independent directors' dissenting opinions, reservations or significant recommendations: None.

Resolution of the Audit Committee and the Company's response to the Audit Committee's Opinion

The members of the Audit Committee unanimously approved all the resolutions, and the Board of Directors approved all such resolutions recommended by the Audit Committee.

(II) Resolutions not approved by the Audit Committee and approved by two-thirds or more of all directors: None.

II. Recusals of Independent Directors due to conflicts of interests: The Independent Directors, Shan-Chieh Yen, Ming-Hua Peng and Chun-I Lu, recused themselves from discussion and voting on their salaries and compensation.

III. Independent Directors' communication with internal auditor manager and CPAs (shall include communication over the Company's financial and business status, the methods and results, etc.):

1. The Audit Committee is composed of all independent directors. The Audit Committee meets at least quarterly, and the head of internal audit holds a discussion meeting with the independent directors at least once a year, and the communication is good.
2. The Audit Committee meets with the Company's CPAs annually, and discuss the findings of the financial audit as well as relevant regulations.

Summary of communication between the Independent Directors and CPA:

Date	Communication	Recommendations and Results
October 17, 2022:	1. Audit Plan for the year 2. Important regulatory matters	Fully informed

3. In addition to the audit reports received by the independent directors on a monthly basis, the audit manager also provides the independent directors with a report on the significant operations of the Company and its subsidiaries at each meeting of the independent directors. Communication on the implementation and effectiveness of the audited operations is adequate.

Summary of each communication between the Independent Directors and the Head of Internal Audit:		
Date	Communication	Recommendations and Results
October 17, 2022	1. Audit report delivery in August and September 2022 2. Audit Plan for 2022 Q4	Fully informed
July 25, 2022	1. Audit report delivery in June and July 2022 2. Audit Plan for 2022 Q3 3. Project Audit (individual meeting)	Fully informed
February 21, 2022	4. Audit report delivery in January and February 2022 5. Audit Plan for 2022 Q1 and Q2 6. Project Audit 7. Description of the matters to be declared to the competent authority	Fully informed

(III) Implementation of corporate governance, deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and the reasons for the said deviations

Assessment Item	Implementation status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
I. Does the Company stipulate and disclose best practice principles for corporate governance according to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?	v		The Company has established the "Corporate Governance Best Practice Principles" and disclosed them on the Company's website.	No deviation
II. Shareholding structure & shareholders' rights				
(I) Does the Company establish an internal procedure for handling shareholder proposals, inquiries, disputes, and litigations? Are such matters handled according to internal procedure?	v		(I) The Company has established a spokesperson and acting spokesperson system to ensure prompt disclosure of information that may affect shareholders' decision-making. The Company has also established a dedicated mailbox to process shareholders' suggestions or disputes.	No deviation
(II) Does the Company maintain a register of major shareholders with controlling power as well as a register of persons exercising ultimate control over those of major shareholders?	v		(II) The Company reports changes in the number of shares held by insiders (Directors, managers, and major shareholders holding more than 10% of the shares) monthly in accordance with applicable laws.	No deviation
(III) Does the Company establish and enforce risk control and firewall systems with its affiliated companies?	v		(III) The Company has established the Subsidiary Company Management Regulations to enforce risk control and firewall systems with affiliated companies.	No deviation
(IV) Does the Company have internal regulations in place to prevent its internal staff from trading securities based on information yet to be public on the market?	v		(IV) The Company has established the "Procedures for Handling Material Inside Information" as the basis for handling and disclosing the Company's material information. The Procedures have been disclosed on the Company's website.	No deviation
III. Composition and responsibilities of the Board of Directors				
(I) Has the Board of Directors formulated a diversification policy, specific management objectives and implemented accordingly?	v		(I) Please refer to the descriptions on Page 10 of this Annual Report.	No deviation
(II) In addition to the Compensation Committee and Audit Committee established according to law, does the Company voluntarily establish other functional committees?	v		(II) The Company has established an Audit Committee and a Compensation Committee, and other corporate governance operations are assigned to other units based on their responsibilities. Going forward, the Company shall establish other functional committees in accordance	No other Functional Committees established currently.

Assessment Item	Implementation status		Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	
(III) Does the Company establish standards and methods to evaluate the performance of the Board of Directors, conduct the evaluation annually and regularly, report the results of evaluations to the Board of Directors, and use them as a reference for individual Directors' remuneration and nomination and renewal?	v		<p>with regulations.</p> <p>(III) On October 28, 2019, the Board of Directors passed the "Rules for Board of Directors Performance Assessments", and established that the Company must conduct internal evaluations on the performance of the Board of Directors at least once a year, and submit the evaluation results to the Board. The aforesaid results will be used as a basis for determining the compensation and nomination of Directors.</p> <p>1. Internal performance evaluations: Annual internal performance evaluations of the Board of Directors and the Compensation Committee are conducted by the Board members, the Functional Committee members and the relevant department. The scope of assessment for the Board of Directors include five aspects: The level of participation in Company operations, improvement of the quality of the Board's decision making, composition and structure of the Board, nomination and continuing education of the directors as well as internal control. The scope of self-assessment for the Board members include five aspects: Alignment of the goals and missions of the Company, awareness of the duties of a director, participation in the operation of the Company, management of internal relationship and communication, the director's professionalism and continuing education, and internal control. The scope of assessment for the functional committee will also include five aspects: Participation in the operation of the company, awareness of the duties of the functional committee, improvement of quality of decisions, makeup of the functional committee and election of its members and internal control.</p> <p>The annual performance evaluations were completed and reported to the Board on February, 20, 2023. The results were as follows:</p> <p>(1) The self-evaluations for the Board of the Directors and Board members for the year ended 2022 were 100% completed, and the results were "Good". Overall, the performance of the Board of Directors and its members are effective.</p> <p>(2) The evaluations for the Audit Committee and Compensation Committee were 100% completed for the year ended 2022, and the results were "Good". Overall, the performance of the Compensation Committee is effective.</p> <p>2. The Company's Compensation Committee establishes and regularly reviews Director and manager performance as well as compensation policies, systems, standards, and structures. It also submits recommendations to the Board of Directors for discussion.</p>
(IV) Does the company regularly evaluate the independence of the CPAs?	v		<p>(IV) The Company's Board of Directors periodically evaluates the independence and competency of CPAs and obtain the CPAs' Statement of Independence. The Company verifies that the contents include compliance of all CPA personnel with the independence policy and prohibits any personnel from conducting insider trading and disseminating internal information. The evaluation standards are provided in Note 1 and the results of the evaluation was reported to the Board of Directors on February 20, 2023.</p>
IV. Does the Company have a suitable number of competent corporate governance personnel, and has it appointed a corporate governance supervisor responsible for corporate governance matters (including but not limited to providing information	v		<p>The Board has approved the appointment of a dedicated corporate governance supervisor, whose qualifications meet the regulations of Paragraph 1 of Article 3-1 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies. The main duties of the</p>

Assessment Item	Implementation status		Summary	Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No		
for directors and supervisors to perform their duties, assisting directors and supervisors with regulatory compliance, handling matters related to Board meetings and shareholders' meetings, and preparing proceedings for Board meetings and shareholders' meetings)?			corporate governance supervisor include: Providing information required by directors, assisting directors in complying with regulations, to convene Board meetings and shareholders' meetings in compliance with the law, and to assist directors in their continuing education. Key corporate governance implementations in 2022 include the following: 1. Five Board meetings were held in 2022. 2. One Annual General Meeting was held in 2022. 3. Two Audit Committee meetings were held in 2022. 4. Liability insurance filed for directors and the insurance renewal was reported to the Board of Directors. 5. Assisted the Independent Directors in completing at least 6 hours of continuing education. 6. The corporate governance supervisor completed 12 hours of training in 2022, and the information was disclosed on the Market Observation Post System. For the information on course completion, please refer to Note 2.	
V. Does the Company set up channels of communication for stakeholders, dedicate a section of the Company's website for stakeholder affairs and adequately respond to stakeholders' inquiries on significant corporate social responsibility issues?	v		The Company has established a spokesperson system and a dedicated Stakeholders Section on the Company's website to provide the Company's latest information and important corporate social responsibility issues.	No deviation
VI. Does the Company commission a professional stock affair agency to manage shareholders' meetings and other relevant affairs?	v		The Company has appointed the Shareholder Service Department of Taishin Securities as the Company's stockaffair agency to manage affairs related to shareholders' meetings.	No deviation
VII. Information disclosure (I) Does the Company establish a website to disclose information on financial operations and corporate governance? (II) Does the Company adopt other means of information disclosure (such as establishing an English language website, delegating a professional to collect and disclose company information, implement a spokesperson system, and disclosing the process of investor conferences on the company website)? (III) Does the Company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly sales results, before the prescribed time limit?	v v v		(I) The Company has established a website in Chinese and English and regularly updates the financial, business, and corporate governance information. (II) The Company has assigned dedicated personnel to serve as the point of contact for investors. Investors can also download financial information from previous years and audio recordings of investor conferences from the website. The Company's website also discloses company information through links to the Market Observation Post System. (III) The Company has announced 2022 consolidated and parent financial statements on February 20, 2023. The 2022 Q1, Q2, and Q3 financial statements, as well as monthly sales results, have all been announced before the prescribed time limit.	No deviation No deviation No deviation
VIII. Does the Company disclose other information to facilitate a better understanding of its corporate governance (including but not limited to employee's rights, employee care, investor relations, supplier relations, stakeholders' rights, further studies of directors and supervisors, implementation of risk management policies and measurement standards, implementation of customer policies and purchase of liability insurance for the directors and supervisors of the Company)?	v		1. The Company has established various benefit measures and formed an Employee Welfare Committee which provides benefits, allowances, and emergency relief funds for employees. 2. The Company provides the Directors and Supervisors with necessary legal information at all times. 3. The attendance of the Directors and Supervisors at the Company's Board of Directors meetings is satisfactory and they provide opinions on business operations when required. 4. The Company takes out liability insurance for the Directors and Supervisors each year. 5. The Company has set up an Investor Relations section and regularly updates related information for investors' reference. 6. The Company has a spokesperson, website, and established multiple channels to communicate and provide the Company's latest information.	No deviation
IX. Improvements made in the most recent fiscal year in response to the results of corporate governance	v		The Company has established an Audit Committee, and no more than one third of the directors are corporate	Executed in accordance with

Assessment Item	Implementation status		Summary	Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No		
evaluation conducted by the Corporate Governance Center of the Taiwan Stock Exchange Corporation, and improvement measures and plans for items yet to be improved.			directors. Further improvements will be made if necessary, currently no material weaknesses have been noted.	related regulations of the competent authority

Note 1:

Evaluation item for the independence of CPAs	Evaluation results	Meet independence criteria
1. Direct or indirect material financial interests between the CPAs and the Company?	No	Yes
2. Financing or endorsements with the Company 's Directors?	No	Yes
3. Close business relations with the Company?	No	Yes
4. Provide non-audit services that may directly impact auditing tasks?	No	Yes
5. Serve as the Company's defense counsel or represent the Company in mediating conflicts with third parties?	No	Yes
6. Are family members or relatives of the Company's Directors, Supervisors, or other individuals in positions that could seriously impact the audit?	No	Yes
7. Employed by the Company or the Company's affiliated companies?	No	Yes

Note 2:

Date	Course Name	Hours	Organizer
October 14, 2022	Subsidiary Audit Practice	6	The Institute of Internal Auditors-Taiwan
November 25, 2022	Case Studies on Trade Secrets Law and Prohibition of Competition	6	The Institute of Internal Auditors-Taiwan

(IV) If the Company has set up a Compensation Committee, its composition, responsibilities and operations should be disclosed:

1. Information on the members of the Compensation Committee

December 31, 2022

Criteria		Professional Qualification and Work Experience	Independence Criteria	Number of other public companies in which the member is also serving as a member of their compensation committee
Name	Title			
Independent Director/ Convener	Shan-Chieh Yen	<p>1. Please refer to Page 7 of the Annual Report for the Directors' Professional Qualifications and Experiences</p> <p>2. Not under any of the categories stated in Article 30 of the Company Act.</p>	<p>1. Complies with all regulations stipulated by Article 14-6 of the Securities and Exchange Act and "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange" as decreed by the Financial Supervisory Commission (FSC) (Note).</p> <p>2. Does not hold any of the Company's shares under his/her own name, or the person's spouse, minor children, or held by the person under others' names.</p> <p>3. Has not received any compensation for provision of commercial, legal, financial, accounting or related services to the Company or any of its affiliate in the past 2 years.</p>	None
Independent Director	Ming-Hua Peng	<p>1. Please refer to Page 7 of the Annual Report for the Directors' Professional Qualifications and Experiences</p> <p>2. Not under any of the categories stated in Article 30 of the Company Act.</p>	<p>1. Complies with all regulations stipulated by Article 14-6 of the Securities and Exchange Act and "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange" as decreed by the Financial Supervisory Commission (FSC) (Note).</p> <p>2. Holds 56,604 shares of the Company (shareholding ratio 0.04%) under his own name.</p> <p>3. Has not received any compensation for provision of commercial, legal, financial, accounting or related services to the Company or any of its affiliate in the past 2 years.</p>	None

Independent Director	Chun-I Lu	1. Please refer to P.7 of this annual report for professional qualifications and experience of directors. 2. Not having any of the situations set forth in Article 30 of the Company Act of the R.O.C.	1. Complies with all regulations stipulated by Article 14-6 of the Securities and Exchange Act and “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange” as decreed by the Financial Supervisory Commission (FSC) (Note). 2. Does not hold any of the Company’s shares under his/her own name, or the person’s spouse, minor children, or held by the person under others’ names. 3. Has not received any compensation for provision of commercial, legal, financial, accounting or related services to the Company or any of its affiliate in the past 2 years.	None
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Note: During the two years before being elected or during the term of office, an independent director of a public company may not have been or be any of the following:

- (1) An employee of the Company or any of its affiliates.
 - (2) A director or supervisor of the Company or any of its affiliates.
 - (3) A natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.
 - (4) A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding 1 subparagraph, or of any of the persons in the preceding three subparagraphs
 - (5) A director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the Company's outstanding shares, a top five shareholder, or appointed as the Company's director or supervisor in accordance with Article 27 of the Company Act.
 - (6) A director, supervisor, or employee of other companies controlled by the same person with over half of the Company's director seats or shares with voting rights.
 - (7) A director, supervisor, or employee of another company or institution who is the same person or spouse of the Company's chairperson, president or equivalent position.
 - (8) A director, supervisor, or executive officer of a specific company or institution with financial or business dealings with the Company, or shareholder with 5% or more shares of the Company.
 - (9) A professional individual who, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that audited or provided commercial, legal, financial, or accounting services for total compensation not exceeding NT\$500,000 in the most recent two years to the Company or to any affiliate of the Company, or a spouse thereof.
- This does not apply to members of the Compensation Committee.

2. Operations of the Compensation Committee

- (1) The Company's Compensation Committee consists of 3 members.
- (2) Term of office for the current members of the Compensation Committee: June 8, 2022 to June 7, 2025. A total of 2 meetings were convened in 2022 and the attendance of the members was as follows:

Title	Name	Attendance in Person	Attendance by Proxy	Actual Attendance Rate (%)	Note
Convener	Shan-Chieh Yen	2	0	100%	Re-elected
Member	Ming-Hua Peng	2	0	100%	Re-elected
Member	Chun-I Lu	1	0	100%	Newly appointed
Member	Sun-Yuan Chien	1	0	100%	Formerly appointed

Other matters to be recorded:

I. If the Board of Directors chooses not to adopt or amend the recommendations made by the Compensation Committee, the date and session of the Board of Directors' meeting, resolutions, voting results and handling of opinions of the Compensation Committee by the Company should be disclosed (if the compensation approved by the Board of Directors is better than that of the Compensation Committee, the discrepancies and related reasons should be stated): None.

II. If the members of the Compensation Committee have any dissenting or qualified opinions on the resolutions of the Compensation Committee, where such opinions are documented or issued through written statements, the date and session of the meeting of the Compensation Committee, resolutions, all the members' opinions and handling of these opinions should be stated: None.

III. Discussions and results of resolutions of the Compensation Committee and the Company's handling of opinions of the committee members:

First meeting of the Compensation Committee on February 8, 2022:

(I) Reviewed the Company's proposal for compensation distribution for employees, Directors, and Supervisors for 2021. The chair of the Compensation Committee consulted all committee members in attendance. The proposal was passed unanimously and submitted for discussion in the Board meeting where it was approved by all Directors in attendance.

(II) Reviewed the Company's salary and remuneration for Directors, Supervisors and Managers and the distribution of compensation to Directors and Supervisors in 2021.

Besides the individual members who did not participate in discussion or voting due to conflict of interests, the proposal was passed by the remaining members and submitted for discussion in the Board meeting where it was approved by all Directors in attendance.

Second meeting of the Compensation Committee on July 13, 2022:

(I) Reviewed the Company's proposal for compensation distribution for managerial officers for 2021. The chair of the Compensation Committee consulted all committee members in attendance. The proposal was passed unanimously and submitted for discussion in the Board meeting where it was approved by all Directors in attendance.

(II) Reviewed the Company's proposal for compensation distribution for employees, Directors, and Supervisors for the first half of 2022. The chair of the Compensation Committee consulted all committee members in attendance. The proposal was passed unanimously and submitted for discussion in the Board meeting where it was approved by all Directors in attendance.

(V) Implementation Status of Sustainable Development and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof:

Item	Implementation status (Note 1)		Summary description	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No		
I. Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the board of directors authorized senior management to handle related matters under the supervision of the board?	v		<p>1. The ESG Sustainability Committee was established with the top executive management as the chairman, and the heads of relevant departments as members of the Corporate Governance Group, Economic Group (including Supply Chain), Environmental Group, and Social Group, while the deputy chairman, Head of Environmental Safety and Health, also serves as the Sustainable Development and Risk Management Group.</p> <p>2. The committee is responsible for: Establishing ESG Sustainability Year Planning strategic direction, planning activities, tracking and reviewing implementation and direction, and making decisions on other ESG-related matters.</p> <p>3. Yearly review meetings are held to jointly plan related issues and business, and report to the Board of Directors on the results of the year's implementation. These results are compiled in the Company's Sustainability Report, certified by a third party, and uploaded on the Company's website in September.</p>	No deviation
(II) Does the company conduct risk assessments of environmental, social and corporate governance (ESG)	v		1. The ESG Sustainability Committee convened a meeting of all committee members and resolved to adjust the material and minor issues of concern for 2021 as the disposal of material issues for continuous improvement and	No deviation

<p>issues related to the company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?</p>		<p>disclosure in 2022.</p> <p>2. Significant issues and management strategies</p> <ul style="list-style-type: none"> • Corporate governance side/economic side <p>2.1 Corporate Governance: Establishment of Articles of Incorporation, specifying shareholder dividend distribution practices</p> <p>2.2 Risk Management: Regularly control risks that may negatively impact operations. Active measures are taken and policy adjustments made in response to climate risk.</p> <p>2.3 Operating Performance:</p> <p>I. Keeping abreast of the economic situation and controlling costs and expenses.</p> <p>II. Develop customers and control costs</p> <p>2.4 Ethics: Formulate the "Ethical Corporate Management Best Practice Principles and Reporting and Complaint Regulations".</p> <p>2.5 Supply Chain Management: Formulate supply chain management methods, establish mutual trust and stable partnership with suppliers, grow together, and build sustainable supplier relationships.</p> <ul style="list-style-type: none"> • Environment <p>2.6 Water Resources: According to the characteristics of the water consumed, the wastewater recycling is divided into categories such as cooling water tower, process wastewater and water for people's livelihood.</p> <p>2.7 Waste: Established "Business Waste Management Procedures", and in accordance with ISO 14001 environmental management, wastewater testing is in compliance, and waste is</p>	
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		<p>sorted and handled legally.</p> <p>2.8 Energy Saving and Carbon Reduction: The Company continues to implement energy-saving and carbon-reduction measures in accordance with the results of the initial greenhouse gas inventory to be conducted in 2020.</p> <ul style="list-style-type: none"> • Society <p>2.9 Labor Relations: We offer an industry-competitive total compensation strategy and a statutory retirement system to build employee loyalty.</p> <p>2.10 Human Rights Protection: Establish a code of conduct for the protection of labor rights and regularly assess the risk of forced labor.</p> <p>2.11 Legal Compliance: The "Corporate Governance Best Practice Principles" has been established for employees to follow and for stakeholders to better understand the company's ethical standards.</p> <p>2.12 Safety and Health: Develop occupational safety and health codes of practice and establish hazard identification and safety practice standards.</p> <p>2.13 Salary and Welfare: Establish "Salary Management Regulations" for all levels of management to follow</p> <p>2.14 Promotion Pipeline: Each year, all levels of management shall recommend employees with excellent performance for promotion to supervisory or grade positions.</p> <p>Please see below and the Company's Sustainability Report for implementation details.</p>	
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<p>III. Environmental Issues</p> <p>(I) Has the Company set an environmental management system designed to industry characteristics?</p>	v	<p>1. The Company has obtained ISO 14001:2015 certification and aims to reduce pollution and improve on environmental management to lower negative impacts to the environment.</p> <p>2. The Company has also obtained the OHSAS 18001 occupational health and safety certification, and carries out occupational hazard control to minimize the risk of accidents and to protect worker safety.</p> <p>3. The Company has established an environmental management system suitable for the industry and set up a dedicated team responsible for environmental management and protection.</p>	No deviation
<p>(II) Does the Company endeavor to use energy more efficiently and to use renewable materials with low environmental impact?</p>	v	<p>1. In response to environmental threats, the Company is committed to enhancing the recycling of various resources and has completed the reuse of a total of 3,000 metric tons in 2022, surpassing last year.</p> <p>The 2022 recovery ratio reached a record high of 96.77%, which is higher than the original target of 6.7%.</p> <p>2. The Company recycles waste from manufacturing, and requests suppliers to recycle reusable products to reduce resource waste; around 96.77% of waste that was incinerated is now recycled instead.</p> <p>3. Conversion of Waste to Energy: From 2021, we actively promote the conversion of product waste from incineration to auxiliary fuel rods, and the improvement is evident, reaching 546.02 metric tons in 2022.</p>	No deviation
<p>(III) Has the Company evaluated the potential risks and opportunities posed by climate change for its business now</p>	v	<p>In response to climate change, the Company has evaluated risks brought by climate change (e.g. fire, typhoons, electricity outage, etc), and continues to control risks that may negatively impact operations. Active measures are taken</p>	No deviation

<p>and in the future and adopted relevant measures to address them?</p>		<p>and policy adjustments made in response to climate risk.</p>	
<p>(IV) Did the company collect data for the past two years on greenhouse gas emissions, volume of water consumption, and the total weight of waste, and establish policies for greenhouse gas reduction, reduction of water consumption, or management of other wastes?</p>		<p>v 1. Energy Saving and Carbon Reduction: Through plant greening, equipment improvement (such as inductive lighting, LED lighting, etc.), the installation of inverter devices, and the construction of solar energy devices in new plants, we expect to effectively save electricity and control carbon emissions.</p> <p>2. Water Consumption Target: The annual water recycling rate is over 98%. Measures: Rainwater and condensate collection and reuse. The water quality of the scrubber tower is dosed to increase the concentration, which has reduced the emission. The waste water is effectively diverted and treated, and the process discharge waste water is recycled. Water Consumption: 904.9 million liters in 2021; 931.1 million liters in 2022.</p> <p>3. Waste Target: Under "Resource Recycling", the total weight of recycled materials reached 3,114 metric tons. Measures: The Company recycles waste from manufacturing, and requests suppliers to recycle reusable products to reduce resource waste; around 96.77% of waste that was incinerated is now recycled instead.</p> <p>Total Weight: In 2021, 2,472 metric tons of general business waste and 25 metric tons of hazardous business waste are generated. In 2022, 3,185 metric tons of general</p>	<p>Greenhouse gas Emissions data collection shall be carried out in accordance with the provisions of the law.</p>

		business waste and 32.6 metric tons of hazardous business waste are generated.	
IV. Social Issues (I) Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?	v	The Company has established "Prevention of Non-Voluntary Labor", "Occupational Maternity Protection", "Sexual Harassment Prevention", "Prevention of Unlawful Violation in the Performance of Duties" and "Complaint Management Procedures" in accordance with the International Bill of Human Rights, the RBA and Taiwan labor regulations. The contents include working hours, wages, humanitarian treatment, non-discrimination, freedom of association, and anti-bullying regulations.	No deviation
(II) Has the Company established and implemented reasonable employee welfare measures (include salary/compensation, leave, and other benefits), and are business performance or results appropriately reflected in employee salary/compensation?	v	1. Salary In addition to the salary adjustment for promotion, we also make appropriate salary adjustment in the range of 3% per year according to individual performance to maintain the overall competitiveness of the company's salary, and allocate 1% to 30% of the operating profit performance as employee compensation (long-term bonus) in accordance with the company's articles of incorporation, in the hope of attracting outstanding talents and rewarding employees for their contribution to achieve morale and promotion. Employee compensation structure, including: Salary, allowance, special holiday bonus, quarterly bonuses and longevity bonuses. 2. Benefits 2.1 Healthcare: In accordance with the law, we employ nurses in the plant to provide the most immediate nursing resources to our employees every week.	No deviation

		<p>In case of need, employees can apply for proactive telephone care for injured and sick employees. We provide free labor health checkups once a year to ensure the health status of employees and provide special eye examinations for employees' family members.</p> <p>2.2 Social Childcare Measures: Nursing (collection) rooms are set up in each plant, special parking spaces are available for pregnant employees, and 22 nearby childcare facilities have signed special contracts to provide employees with multiple childcare options.</p> <p>2.3 Emergency Aid: The Company has established emergency relief guidelines to allow employees to apply for an emergency relief fund to maintain basic needs in the event of a major illness, long-term care required in the family, or damage to real estate that prevents the employee from attending work and family difficulties.</p> <p>In 2021, the Company had provided financial aid amounting to NT\$559,529 for up to six employees who could not attend work due to major injuries and experienced family difficulties.</p> <p>In 2022, the Company had provided financial aid amounting to NT\$333,733 for up to two employees who could not attend work due to major injuries and experienced family difficulties.</p> <p>3. Allowances: The welfare committee provides subsidies for gatherings, trips, births, weddings, birthdays, hospitalizations, funerals...etc.</p> <p>4. Other Benefits: Family days, meal subsidies, free parking, supermarket</p>	
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		discounts, discounted contact lenses, free masks.													
(III) Does the Company provide employees with a safe and healthy working environment, and implement regular safety and health education for employees?	v	<p>1. The Company is committed to providing employees with a safe, healthy and quality workplace, and at the same time maintaining the safety of contractors and visitors. In accordance with the "ISO 45001 Occupational Safety and Health Management System" and the "Occupational Safety and Health Act", we have established a code of practice for occupational safety and health to assist departments in identifying operational hazards, establishing safe operational standards, and preventing the occurrence of various potential hazards.</p> <p>2. Evaluate, improve or control risks and opportunities to improve occupational safety and health performance towards the goal of "zero accidents". In 2020, we completed the ISO 45001 system conversion and obtained the third-party verification, and will continue to monitor the occupational safety and health audit and implement the occupational safety and health policy.</p> <p>Through the cycle of Plan, Do, Check and Action, we are constantly improving the performance of safety and health management.</p> <p>3. 17 job disaster reports in 2022, FR=1.18, SR=18, FSI=0.14</p> <table border="1"> <thead> <tr> <th>Occupational Injury Ratio/Index</th> <th>2021</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>Number of Reports</td> <td>32</td> <td>17</td> </tr> <tr> <td>Disabling Frequency Rate (FR)</td> <td>2.25</td> <td>1.18</td> </tr> <tr> <td>Disabling Injury</td> <td>27</td> <td>18</td> </tr> </tbody> </table>	Occupational Injury Ratio/Index	2021	2022	Number of Reports	32	17	Disabling Frequency Rate (FR)	2.25	1.18	Disabling Injury	27	18	No deviation
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		<table border="1"> <tr> <td>Severity Rate (SR)</td> <td></td> <td></td> </tr> <tr> <td>Frequency-Severity Indicator (FSI)</td> <td>0.25</td> <td>0.14</td> </tr> <tr> <td>Death Rate from Occupational Injuries</td> <td>0</td> <td>0</td> </tr> </table> <p>Note: Occupational Disaster Statistics Excluding Traffic Accidents Disabling injury frequency (FR) = Total Number of Disabling Injuries/Working Hours × 1,000,000 Disabling Injury Severity Rate (SR) = Total Number of Days Lost to Disabling Injury (excluding Fatalities)/Working Hours x 1,000,000 Death Rate from Occupational Injuries = Number of Deaths from Occupational Injuries/Working Hours x 1,000,000</p> <p>4. In order to enable personnel to implement internal automatic inspection of machinery, equipment and safety and hygiene items to eliminate potential operational hazards, the safety and hygiene office conducts five key audits on the daily operations of each unit, including chemicals, machinery and equipment, site environment, fire-fighting equipment and waste disposal. In 2022, a total of 41 deficiencies were identified in 17 on-site departments, and the top three categories were analyzed in the following order: Chemicals 36.5%, Other 21.9% and Machinery and Equipment 17.0%. At the same time, the unit was counseled to review and improve to avoid the recurrence of similar cases.</p>	Severity Rate (SR)			Frequency-Severity Indicator (FSI)	0.25	0.14	Death Rate from Occupational Injuries	0	0	
Severity Rate (SR)												
Frequency-Severity Indicator (FSI)	0.25	0.14										
Death Rate from Occupational Injuries	0	0										
(IV) Has the Company established effective career development training programs for	v	The Company provides multiple internal and external education and training programs and appoint professional instructors to give lectures from time to	No deviation									

employees?		<p>time on professional skills and technology.</p> <p>1. New Staff Training: The number of new staff should be assessed in 2022 was 878 (the number of Taiwanese new staff), and a total of 715 people participated in the annual performance assessment.</p> <p>2. Professional Continuing Education: The total number of participants in employee training was 17,638, with 37,084 hours of training, for a total average of 5.22 hours of training per person per year.</p> <p>3. Promotion Assessment: The number of promotions was 1,664, accounting for 41.8% of technical positions, 5.7% of administrative positions, and 52.5% of direct personnel.</p>	
(V) Does the company comply with the relevant laws and international standards with regards to customer health and safety, customer privacy, and marketing and labeling of products and services, and implement consumer protection and grievance policies?	v	All of the Company’s products comply with relevant regulations and international standards, and the Company has established protection policies and a channel for complaints to protect customers’ or other stakeholders’ rights, health and safety. The Company processes and provides feedback internally regarding any complaints received.	No deviation
(VI) Has the company formulated supplier management policies requiring suppliers to comply with relevant regulations on issues such as environmental	v	1. The Company has established a supplier code of conduct, requiring suppliers to pass product quality certification, and to comply with “RBA Principles”, “Anti-Slavery Agreement”, “Prohibit Use of Conflict Minerals”, “Regulations on the Safety Management of Hazardous Chemicals”,	No deviation

<p>protection, occupational safety and health, or labor rights, and what is the status of their implementation?</p>		<p>and “Ethical Management Principles. 2. The Company has provided social responsibility self-assessment forms to its major raw material suppliers, all of which have been submitted to evaluate their positive and specific regulations on environmental protection, safety or hygiene, in order to assess the suppliers' practice of corporate social responsibility. For details please refer to the Company’s ESG Report 2022.</p>	
<p>V. Does the company refer to international reporting standards or guidelines when preparing its sustainability report and other reports disclosing non-financial information? Does the company obtain third party assurance or certification for the reports above?</p>	<p>v</p>	<p>The Company will publish a Sustainability Report according to GRI standards by July 2023, which will disclose non-financial information of the Company. Third party verification for the report will be acquired, and disclosed on the Company’s website.</p>	<p>No deviation</p>
<p>If the Company has adopted its own sustainable development best practice principles based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviation from the principles in the Company’s operations: None.</p>			
<p>Other important information to facilitate better understanding of the company’s promotion of sustainable development: (I) The Company's ESG Sustainability Committee is a cross-departmental communication platform responsible for planning and implementing and controlling various action plans, integrating and monitoring the progress and effectiveness of the implementation of the four major aspects of corporate governance, economic, social, environmental, sustainability and risk groups, ensuring the effectiveness of the organization's horizontal and vertical communication, and practicing sustainable development. (II) The direction of ESG's operation and promotion measures in social welfare activities: Industrial and academic collaboration: The Company donates equipment and regularly provides scholarships to improve students’ practical skills.. The Company also arranges corporate lecturers to communicate with teachers and students in schools to enhance interactions and connections</p>			

between the industry and academia.

Social welfare: The Company provides donations for disaster relief or necessary resources for major disasters.

Occupational training and job matching: The Company organizes related professional courses with the Taichung-Changhua-Nantou Regional Branch of the Workforce Development Agency and courses include training for unemployed laborers, youth occupational training, and on-the-job training for employees. After completion of training, the Company may employ these students through job matching mechanisms.

(III) ESG implementation results:

1. 29 campus seminars were held in 2022, with 2,100 participants.

2. 19 students were employed in vocational training and matchmaking in 2022; 14 students were employed in self-run industrial training classes.

3. 2021~2022 donation details:

Year	Month	Donation Details	Amount (NT\$)
2021	April	Thesis Scholarship, Department of Chemical Engineering, National Taiwan University	50,000
	July	Donated 5000PCS of N95 masks to Taichung Veterans General Hospital	375,000
		Donated 5000PCS of protective clothing to T-Taichung Veterans General Hospital	1,300,000
	September	2021 National Chung Hsing University Scholarship	100,000
2022	January	Donation to the Department of Motivation of National Tsing Hua University for handicraft scholarship	1,000,000
	April	Donation to the graduation thesis exhibition of the Department of Chemical Engineering, National Taiwan University	50,000
	June	Donation to the Department of Mechanical Engineering of National Cheng Kung University for handicraft scholarship	876,000
	August	2022 National Chung Hsing University Scholarship	100,000
	November	Donation to the Department of Mechanical Engineering of National Tsing Hua University for handicraft scholarship	1,000,000

(VI) Implementation Status of Ethical Corporate Management and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof

Evaluation Item	Implementation status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary	
I. Establishment of ethical corporate management policies and programs				
(I) Does the Company establish the ethical corporate management policies approved by the Board of Directors and declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its Board to implement the policies?	v		(I) The Company has formulated a dedicated unit under the Board of Directors to promote ethical corporate management. The ethical corporate management promotional unit is formed by the Legal Affairs and Audit departments, which jointly amend and supervise the implementations of the ethical corporate management policy and preventive programs, and report the implementation status to the Board of Directors every six months. To prevent conflicts of interest and to provide proper grievances channels, the "Ethical Corporate Management Best Practice principles and Reporting and Complaint Policy" was formulated in 2016. For details please refer to the Company's Sustainability Report.	No deviation
(II) Does the Company establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within its business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, which shall at least include those specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?	v		(II) The Company has set out internal policies regarding unethical conduct, and has disclosed the "Ethical Corporate Management Best Practice Principles and Reporting and Complaint Policy" on the Company website. To prevent unethical behavior, new recruit training includes protection of intellectual property and industry secrets. The Company requires suppliers, contractors, and other partners to sign written statements that they shall not conduct any illegal business activities or provide inappropriate benefits or bribes to the Company's employees. The Company has established a whistleblower system to provide personnel with channels to report any inappropriate conduct.	No deviation
(III) Does the Company specify in its prevention programs the operating procedures, guidelines, punishments for violations, and a grievance system and implement them and review the prevention programs on a regular basis?	v		(III) The Company's "Ethical Corporate Management Best Practice Principles and Reporting and Complaint Policy" sets out procedures, guidelines for conduct for directors and employees. The Company has set up an internal complaint mailbox and a dedicated section to report unethical conduct. A dedicated team is responsible for investigating the truth of allegations. Incentives are given to whistleblowers, and identities are kept confidential to prevent inappropriate treatment. For details please refer to the Company's Sustainability Report.	No deviation
II. Implementing ethical corporate management				
(I) Does the Company assess the integrity records of its business partners, and specify ethical business policy in contracts signed with the counterparties?	v		(I) The Company requires all stakeholders with business transactions with the Company such as suppliers, contractors, and other partners to abide by the same ethical standards as the	No deviation

Evaluation Item	Implementation status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary	
(II) Does the Company establish a dedicated (part-time) unit under the Board of Directors for promoting ethical corporate management? Does the said unit regularly report (at least once a year) to the Board of Directors on the state of its activities?	v		(II) The ethical corporate management promotional unit is formed by the Legal Affairs and Audit departments, which jointly amend and supervise the implementations of the ethical corporate management policy and preventive programs, and report the implementation status to the Board of Directors every six months.	No deviation
(III) Does the Company establish policies to prevent conflicts of interest, provide appropriate communication channels, and implement them accordingly?	v		(III) The Company has established an internal grievance mailbox and provides a report section on the Company's website.	No deviation
(IV) Does the Company establish effective accounting systems and internal control systems to implement ethical corporate management, with the internal audit unit being responsible for devising relevant audit plans based on the results of assessment of any unethical conduct risk, examining accordingly the compliance with the prevention programs, or engaging a certified public accountant to carry out the audit?	v		(IV) The Company has established effective accounting and internal control systems to ensure the implementation of ethical management. The audit unit establishes annual audit plans for inspections based on risk assessment results. It also prepares an audit report for the Board of Directors.	No deviation
(V) Does the Company regularly organize internal and external training on ethical corporate management?	v		(V) New employees are required to sign the Integrity Rules and Guideline to ensure they understand the Company's integrity policies and available channels to report inappropriate conduct. For details please refer to the Company's Sustainability Report.	No deviation
III. Status for enforcing whistleblowing systems in the Company				
(I) Does the Company establish a specific whistleblowing and reward system, set up convenient whistleblowing channels, and designate appropriate personnel to handle the investigations, depending on the identity of the person being reported?	v		The Company has established work rules and requires employees and partners to sign written statements regarding ethics, and has also established a whistleblowing system to provide employees or related personnel with channels for reporting any inappropriate conduct. The reports are processed personally by senior management designated by the Company. The Company has also established confidentiality and protection systems for whistleblowers to protect them from inappropriate treatment for their reports. Any violation of the Company's professional ethical standards are punished in accordance with the Rewards and Penalties Regulations. For details please refer to the Company's Sustainability Report.	No deviation
(II) Does the Company establish standard investigation operation and procedure for whistleblowing matters and relevant protective mechanisms?	v			
(III) Does the Company provide protection for whistleblowers against receiving improper treatment?	v			
IV. Enhancing information disclosure				
(I) Does the Company disclose the contents of its best practices for ethical corporate management and the effectiveness of relevant activities on its official website or MOPS?	v		The Company has disclosed related contents of the "Ethical Corporate Management Best Practice Principles and Reporting and Complaint Regulations" on the company website.	No deviation
V. If the Company has established its own ethical corporate management principles based on the Ethical Corporate Management Best				

Evaluation Item	Implementation status		Summary	Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No		
Practice Principles for TWSE/TPEX Listed Companies, please describe the implementation and any deviations from the Principles: None.				
VI. Is there any other important information to facilitate a better understanding of the Company's ethical corporate management practices? (such as review and amendment of the Company's Ethical Corporate Management Best Practice Principles): No managerial officer or employee has violated the ethical corporate management principles in 2022.				

(VII) Method for Inquiring into the "Corporate Governance Best-practice Principles" and relevant regulations: The Company's corporate website is available at: <http://www.largan.com.tw>.

(VIII) Other material information that can enhance the understanding of the state of corporate governance at the Company: Please refer to the Company's 2022 Sustainability Report on the Company's website. (Publication expected in July 2023)

(IX) The following matters regarding the internal control system implementation status shall be disclosed:

1. Statement on Internal Control

Largan Precision Co., Ltd.
Internal Control System Statement

Date: February 20, 2023

- I. The Company acknowledges that it is the responsibility of the Board of Directors and managerial officers to establish, implement, and maintain the established internal control system. The objectives of internal control system include obtaining business benefits and efficiency (including profitability, performance, and protection of assets and safety); ensuring the reliability, timeliness, transparency, and regulatory compliance of reporting; and providing reasonable assurance.
- II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its 3 stated objectives above. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond control. Nevertheless, the Company's internal control system contains self-monitoring mechanisms and the Company takes immediate remedial actions in response to any identified deficiencies.
- III. The Company uses the assessment items specified in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations") to determine whether the design and implementation of the internal control system are effective. The criteria adopted by the Governing Regulations are divided into 5 components in accordance with the procedure s of management control: 1. Control Environment; 2. Risk Assessment; 3. Control Activities; 4. Information and Communication; and 5. Monitoring Activities. Each constituent element includes a number of categories. Please refer to "Governing Regulations" for details.
- IV. The Company has evaluated the design and operating effectiveness of the internal control system according to the Regulations.
- V. Based on the results of the determination in the preceding paragraph, the Company is of the opinion that, as of December 31, 2022, the internal control system (including the supervision and management of subsidiaries), including the design and implementation of the internal control system relating to the effectiveness and efficiency of the operations, reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations, are effective and can reasonably assure the achievement of the foregoing goals.
- VI. This statement is an integral part of the Company's annual report and prospectus and will be made public. Falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This Statement was approved by the Board on February 20, 2023 where 0 of the 8 attending directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

Largan Precision Co., Ltd.

Chairman: En-Ping Lin

President: You-Chih Huang

2. Where CPAs are commissioned to audit the Company's internal control systems, the audit report prepared by the CPAs shall be disclosed: None.
- (X) From the most recent fiscal year up until the date of publication of the Annual Report, explain any legal penalty against the company or its internal personnel, or any disciplinary actions by the company against its personnel for violation of the internal control system, where the result of such penalty could have a material effect on shareholder equity or securities prices, the penalty, material deficiencies, and condition of improvement shall be disclosed
- (XI) Material resolutions adopted by the Shareholders' Meetings and the Board meetings in the most recent fiscal year up to the publication date of this Annual Report:
1. Material resolutions adopted in the 2022 Shareholders' Meeting and implementation status
- Adoption of the 2021 Business Report and Financial Statements
Implementation status: Resolution passed.
 - Adoption of 2021 Earnings Distribution Proposal
Implementation status: The ex-dividend base dates are set as January 18, 2022 and March 21, 2022, and the payout dates are February 10, 2022 and April 15, 2022.
(Cash dividend per share was NT\$70.15608212.)
 - Amendment to the "Articles of Incorporation".
Implementation status: On June 29, 2022, the registration was approved by the competent authority.
 - The "Procedures for Acquisition or Disposal of Assets", "Procedures for Derivative Transactions", "Procedures for Lending Funds" and "Procedures for Endorsement and Guarantee" are amended.
Implementation status: The resolution was adopted, and the amended regulations are effective as of June 8, 2022.
 - Election of the 18th-term of Directors
Implementation status: The elected directors are En-Ping Lin and En-Chou Lin the representatives of Mao Yu Commemorate Co., Ltd., You-Chih Huang, Chung-Jen Liang, Ming-Yuan Hsieh, Chun-Ming Chen, Shan-Chieh Yen (independent director), Ming-Hua Peng (independent director) and Chun-I Lu (independent director). The term of office is from June 8, 2022 to June 7, 2025.
 - Approval of Release of Directors from Restrictions on Competition
Implementation status: The resolution was adopted to release En-Ping Lin and En-Chou Lin, the representatives of Mao Yu Commemorate Co., Ltd., You-Chih Huang and Chung-Jen Liang.

2. Important resolutions of the Board of Directors

Date of Meeting	Material Resolutions
February 21, 2022	<ul style="list-style-type: none"> ● Approved matters related to the convening of the 2022 General Shareholders' Meeting. ● Approved the compensation distribution for employees, directors, and supervisors for 2021. ● Approved the Company's salary and remuneration for directors, supervisors, and managerial officers and the distribution of compensation to directors and Supervisors for 2021. ● Approved the 2021 Business Report and Financial Statements. ● Approved the Second Half 2021 cash dividend distribution. ● Approved the 2021 earnings distribution proposal. ● Approved the amendment to the "Articles of Incorporation". ● Approved the amendment of the "Procedures for Acquisition or Disposal of Assets", "Procedures for Derivative Transactions", "Procedures for Lending Funds" and "Procedures for Endorsement and Guarantee". ● Establish the " Audit Committee Charter" of the Company. ● Election of the 18th-term of Directors. ● Approved the amendment to the Company's "Rules and Procedures for Board of Directors' Meeting". ● To eliminate the first buyback of treasury stock in 2021, the base date for capital reduction is set. ● Approved the Internal Control System Statement. ● Evaluation of the independence of CPAs.
April 25, 2022	<ul style="list-style-type: none"> ● Nomination of candidates for director (including independent director) ● Proposal of the release of newly elected directors from non-compete restrictions.
June 8, 2022	<ul style="list-style-type: none"> ● Election of Chairman and Vice Chairman. ● Appointment of President ● Appointment of Compensation Committee Members.
July 25, 2022	<ul style="list-style-type: none"> ● Approved the 2021 compensation distribution proposal for managerial officers reviewed by the Compensation Committee. ● Approved the compensation distribution for employees, Directors, and Supervisors for first half of 2022. ● Approved the Business Report for the First Half of 2022 and Consolidated Financial Statements for the Second Quarter of 2022. ● Approved the cash dividend distribution proposal for the first half of 2022. ● Approved the earnings distribution proposal for the first half of 2022. ● Determined the ex-dividend date for the distribution of cash dividends.

October 17, 2022	<ul style="list-style-type: none"> ● Approved the 2023 Business Plan. ● Approved the 2023 Audit Plan. ● Approved the amendment to the "Procedures for Handling Material Inside Information". ● Approved the proposal of investment in the shares of Solid-tech Co., Ltd.
February 20, 2023	<ul style="list-style-type: none"> ● Approved matters related to the convening of the 2023 General Shareholders' Meeting. ● Approved the compensation distribution for employees and directors for 2022. ● Approved the Company's salary and remuneration for directors and managerial officers and the distribution of compensation to directors for 2022. ● Approved the 2022 Business Report and Financial Statements. ● Approved the cash dividend and earnings distribution proposal for the second half of 2022. ● Approved the 2022 earnings distribution proposal. ● Determined the ex-dividend date for the distribution of cash dividends. ● Approved the Internal Control System Statement. ● Evaluation of the independence of CPAs. ● Establish the general principles of the Company's pre-approved non-confirmation service policy.

(XII) Major contents of any dissenting opinions on record or stated in a written statement made by Directors or Supervisors regarding key resolutions of the Board of Directors' meeting in the most recent year up to the publication date of the Annual Report: None.

(XIII) Summary of the resignation and dismissal of the Company's Chairman, President, Accounting Manager, Finance Manager, Head of Internal Audit and Head of Research and Development in the most recent fiscal year up to the publication date of the Annual Report: None.

IV. Information on CPA Professional Fees

(I) Information on CPA Professional Fees

Unit: NT\$ thousands

Name of the CPA Firm	Name of CPA	Audit period	Audit fees	Non-audit fees	Total	Note
KPMG Taiwan	Shyhhuar Kuo Chun-Yuan Wu	From Jan. 01, 2022 to Dec. 31, 2022	2,775	1,083	3,858	TP report, repatriation of funds report, tax consultancy, tax return, review of Annual Report for Shareholders' Meeting, and commercial registration totaling NT\$1,083 thousand.

- (II) When the Company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year: None.
- (III) When audit fees are 15% less than the previous year, the reduction in audit fee, ratio, and reason thereof shall be disclosed: None.

V. Information on Replacement of CPAs:

(I) Former CPA

Date of Replacement	January 31, 2020		
Replacement reasons and explanations	January 31, 2020: Due to internal adjustments of duties in the certifying accounting firm, CPAs Tzu-Hsin Chang and Shyhhuar Kuo are replaced by CPAs Shyhhuar Kuo and Chun-Yuan Wu.		
State whether the client or the CPAs have terminated the engagement or whether the client or the CPAs have rejected the engagement	Status	Principle	Client
	Termination initiated by the client	Not applicable.	
	CPA declined to accept (continue) the engagement		
Opinion and reason for the issuance of audit reports containing opinions other than unqualified opinions in the most recent two fiscal years	Not applicable.		
Different opinions from the issuer	Yes	Accounting principles or practices	
		Disclosure of financial statements	
		Audit scope or procedures	
		Others	
	None	v	
Explanation			
Other disclosures (Matters that should be disclosed in accordance with Item 1-4 to 1-7, Subparagraph 6, Article 10 of the Regulations)	Not applicable.		

(II) Regarding the succeeding CPAs

Name of CPA Firm	KPMG Taiwan
Name of CPA	CPAs Shyhhuar Kuo and Chun-Yuan Wu
Date of appointment	January 31, 2020
Subjects and outcomes of consultation on the accounting treatment of or application of accounting principles to specific transactions, or opinions that may be included on financial statements before the appointment of new CPAs	Not applicable.
The succeeding accountant's opinions in written form in response to the former accountant's opinions	Not applicable.

(III) The former CPA's response for items specified in Article 10, Subparagraph 6, Item 1 and Item 2-3 of the Accounting Standards: Not applicable.

VI. The Company's Chairman, President, or any managerial officer in charge of finance or accounting matters who has, in the most recent year, held a position at the accounting firm of its CPA or at an affiliated company: None.

VII. Equity transfer or changes in equity pledged by the Company's Directors, Supervisors, managerial officers or shareholders with shareholding percentage exceeding 10% in the most recent fiscal year up to the publication date of the Annual Report:

(I) Changes to shares held by Directors, managerial officers, and shareholders holding more than 10% of shares:

Title	Name	2022		As of April 9, 2023		Note
		Increase (decrease) in number of shares held	Increase (decrease) in number of shares pledged	Increase (decrease) in number of shares held	Increase (decrease) in number of shares pledged	
Corporate Director/Major Shareholder	Mao Yu Commemorate Co., Ltd.	0	0	0	0	
Chairman Representative	En-Ping Lin	0	0	0	0	
Director Representative	En-Chou Lin	0	0	0	0	
Director	You-Chih Huang	(46,000)	0	0	0	
Director	Chung-Jen Liang	0	0	0	0	
Director	Ming-Yuan Hsieh	0	0	0	0	
Director	Chun-Ming Chen	0	0	0	0	
Independent Director	Shan-Chieh Yen	0	0	0	0	
Independent Director	Ming-Hua Peng	0	0	0	0	
Independent Director	Chun-I Lu	0	0	0	0	
Vice President	Chung-Shih Lin	0	0	0	0	
Assistant Vice President	Sheng-Lien Wang	0	0	0	0	
Chief Financial Officer	Hsing-Ju Tsaur	0	0	0	0	

(II) Where the counterparty in the transfer of shares is a related party: None.

Name	Reason for transfer	Date of transaction	Counterparty	Relationship between the counterparty and the Company, its Directors, Supervisors, managerial officers and shareholders with shareholding percentage of over 10%[Number of shares	Transaction price
You-Chih Huang	Trust	July 6, 2022	E.SUN Commercial Bank Trust Account	None.	46,000	-

(III) Where the counterparty in the pledge of shares is a related party: None.

VIII. Information on the relationship between the top 10 shareholders of the Company:

Name	Personal shareholding		Spouse & Minor Shareholding		Shares held in the name of other persons		Familial relationships between top 10 shareholders who are either related parties, spouses, or relatives within the second degree of kinship, his/her/its title (or name) and relationships		Note
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Title (or name)	Relationship	
Mao Yu Commemorate Co., Ltd. Representative: Yao-Ying Lin	18,910,616	14.17%	-	-	-	-	-	-	-
Shih-Ching Chen	6,756,831	5.06%	6,593,569	4.94%	-	-	Tsui-Ying Chiang	Spouse	-
Tsui-Ying Chiang	6,593,569	4.94%	6,756,831	5.06%	-	-	Shih-Ching Chen	Spouse	-
Government of Singapore Investment Corp. under the custody of Citibank (Taiwan) Limited	3,943,383	2.95%	-	-	-	-	-	-	-
Ming-Yuan Hsieh	3,606,585	2.70%	-	-	-	-	-	-	-
Silchester International Investors International Value Equity Trust under the custody of HSBC Bank	2,448,000	1.83%	-	-	-	-	-	-	-
Cathay Life Insurance Co., Ltd. Representative: Tiao-Kuei Huang	2,418,154	1.81%	-	-	-	-	-	-	-
Chung-Jen Liang	2,091,721	1.57%	924	0%	11,000	0.01%	-	-	-
State Street Global Advisors, an external manager appointed by Bank of Saudi Arabia, was entrusted by JPMorgan Chase Bank, Taipei Branch with the custody of the investment account.	1,928,186	1.44%	-	-	-	-	-	-	-
Nanshan Life Insurance Co., Ltd. Representative: Chung-Yao Yin	1,846,000	1.38%	-	-	-	-	-	-	-

IX. Information on the number of shares of the companies invested by the Company, its Directors, Supervisors and managerial officers or a company directly or indirectly controlled by the Company and consolidated percentage of shareholding:

As of December 31, 2022 Unit: 1,000 shares; %

Investee	Investment by the Company		Investments of Directors, Supervisors, managerial officers and directly or indirectly controlled businesses		Combined investment	
	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio
Largan Digital Co., Ltd.	26,636	49.37	3,341	6.19	29,977	55.56

Chapter 4. Funding Status

I. Company capital and issuance of shares

(I) Source of Capital

Unit: Share; NT\$

Year/month	Issuance price	Authorized capital		Paid-in capital		Note		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Subscriptions paid with property other than cash	Others
2009.7	10	200,000,000	2,000,000,000	134,140,197	1,341,401,970	Transfer of capital from surplus 2,602,665 shares Employee bonus 1,404,251 shares Total new shares issued 4,006,916 shares	None.	Note 1
2022.5	10	200,000,000	2,000,000,000	133,468,197	1,334,681,970	Cancellation of 672,000 shares of first treasury stock purchase	None.	Note 2

Note: Jin-Guan-Zheng-I No. 0980034271 dated July 9, 2009
 Note: Jin-Shou-Shang No. 11101077140 dated May 30, 2022

April 9, 2023; unit: Share

Type	Capital Stock	Authorized capital			Note
		Outstanding shares	Unissued shares	Total	
Registered common shares		133,468,197	66,531,803	200,000,000	-

(II) Shareholder Structure

April 9, 2023

Shareholder structure	Government institutions	Financial Institutions	Other legal persons	Individuals	Foreign institutions and foreigners	Total
Quantity						
Number of people	6	169	282	73,062	1,051	74,570
Number of shares held	2,667,718	12,565,653	22,896,862	46,334,094	49,003,870	133,468,197
Shareholding ratio	2.00%	9.41%	17.16%	34.72%	36.71%	100%

(III) Distribution of equity ownership

The nominal value is NT\$10 per share

April 9, 2023

Shareholding classification	Number of shareholders	Number of shares held	Shareholding ratio
1 to 999	66,396	3,746,895	2.81%
1,000 to 5,000	6,928	11,623,605	8.71%
5,001 to 10,000	477	3,566,495	2.67%
10,001 to 15,000	196	2,477,019	1.86%
15,001 to 20,000	106	1,890,045	1.42%
20,001 to 30,000	114	2,821,519	2.11%
30,001 to 40,000	46	1,619,997	1.21%
40,001 to 50,000	48	2,186,258	1.64%
50,001 to 100,000	112	7,915,964	5.93%
100,001 to 200,000	65	9,200,960	6.89%
200,001 to 400,000	34	9,551,690	7.16%
400,001 to 600,000	21	10,612,764	7.95%
600,001 to 800,000	7	4,497,604	3.37%
800,001 to 1,000,000	4	3,345,000	2.51%
1,000,001 to 999,999,999	16	58,412,382	43.76%
Total	74,570	133,468,197	100.00%

(IV) List of major shareholders: Please refer to Page 48 of the Annual Report.

(V) Market price, net value, earnings, and dividends per share in the past two years

Item		Year	2021	2022	As of April 9, 2023
Market value per share (Note 1)	Highest		3,590	2,710	2,500
	Lowest		1,960	1,525	1,955
	Average		2,750.02	1,935.94	2,239.82
Net asset value per share (Note 2)	Before distribution		1,061.98	1,162.14	1,144.89
	After distribution		1,022.98	1,116.14 (Note 8)	-
Earnings per Share	Weighted average shares		134,055,738	133,468,197	133,468,197
	Earnings Per Share (Note 3)	Before adjustment	139.28	169.52	24.64
		After adjustment	139.28	169.52	-
Dividends per share	Cash dividends		70.15608212	85.5	-
	Stock dividends	Stock dividends from retained earnings	-	-	-
		Stock dividends from capital surplus	-	-	-
	Cumulative undistributed dividends (Note 4)		-	-	-
Return on Investment Analysis	Price-to-earnings ratio (Note 5)		19.74	11.42	-
	Price-to-dividend ratio (Note 6)		39.20	22.64	-
	Cash dividend yield (Note 7)		2.55%	4.42%	-

Note 1: The highest and lowest market price of the shares for each fiscal year are listed and the average market price for each fiscal year is calculated based on trading value and volume in each fiscal year.

Note 2: Please fill these rows based on the number of shares issued at the end of the fiscal year and the distribution plan approved by the Board of Directors or at the shareholders' meeting in the subsequent fiscal year.

Note 3: If there are any retroactive adjustments needed due to stock grants, earnings per share before and after the adjustment should be listed.

Note 4: If there are any conditions in issuing equity securities that allow for unpaid dividends for the year to be accumulated to subsequent years in which there is profit, the Company should separately disclose the accumulated unpaid dividends up to that year.

Note 5: Price/earnings ratio = Average closing price per share for the current fiscal year / earnings per share.

Note 6: Price/dividend ratio = Average closing price per share of the year/Cash dividends per share.

Note 7: Cash dividend yield = cash dividend per share / current year average per share closing price.

Note 8: Includes the amount of dividends for the second half of 2022 as resolved by the board of directors on February 20, 2023.

(VI) Dividend policy and implementation status

1. Current Articles of Incorporation:

As the Company experiences constant changes in the business environment and is at a stage of stable growth, the Company's dividend policy depends on factors such as future fund requirements, long-term financial plans, future capital expenditures and maximization of shareholder interests. The Company may retain a portion of earnings based on operational requirements and the remaining amount shall be distributed in cash and stock dividends. The amount of dividends distributed to shareholders shall be no less than 10% of distributable earnings of the current year, and no less than 30% of the shareholders' dividends shall be in the form of cash.

2. The proposal for dividends distribution at the Shareholders' Meeting this year

Unit: NT\$ thousands

Shareholder dividends (cash)	11,411,531
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(VII) The impacts of issuing stock dividends in this Shareholder's Meeting on the Company's operational performance and earnings per share: Not applicable.

(VIII) Compensation of employees and directors:

1. Quantity or scope of compensation for employees and directors as stipulated by the Articles of Incorporation:

In the event the Company makes profits (i.e. profit before tax and before compensation distribution to the employees and directors) in any fiscal year, it shall set aside 1% to 30% of the profits as employee compensation and no higher than 5% of the profits as directors compensation. If there are cumulative losses, the Company shall reserve a sufficient amount to offset such losses. Employees and directors compensation shall be resolved by a majority vote at a Board of Director meeting attended by two thirds of the total number of directors and shall be reported to the Shareholders' Meeting. The Board of Directors may resolve to distribute employee compensation in stocks or cash and the recipients may include employees of subsidiaries of the Company meeting certain requirements set by the Board of Directors.

2. The basis for estimating the amount of employees and directors compensation, for calculating the number of shares to be distributed as employees' compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

The Company's compensation for employees and directors for 2022 are NT\$4,071,461 thousand and NT\$305,360 thousand, respectively. The amounts are calculated based on the profit before tax, net the compensation for employees and directors, and multiplied by the percentage set for employee and directors compensation in the Articles of Incorporation. They are listed as operating cost or operating expenses for 2022. The appropriated employees' compensation and remuneration for directors determined in the resolution of the Board Meeting are consistent with the recognized amount in the Company's 2022 Consolidated Financial Report.

3. Compensation proposal approved by the Board of Directors

- (1) Information on the distribution of compensation for employees and directors passed by the Board of Directors on February 20, 2023:

Distribution status	(Unit: NT\$ thousands)
Employee compensation - cash	\$4,071,461
Director compensation - cash	\$305,360

The aforementioned estimate is the same as the expenses recognized for the year.

(2) The amount of employees' compensation to be paid in stocks out of the current parent company only or individual financial report in terms of the sum of net profit after tax and employee compensation: Not applicable.

4. Actual distribution of compensation for employees, directors, and supervisors and where there were discrepancies the recognized compensations for employees, directors, and supervisors, the difference, cause, and treatment of the discrepancy shall be described:

(1) Distribution status (Unit: NT\$ thousands)

Employee compensation - cash	\$3,363,086
Director and Supervisor compensation - cash	\$252,052

(2) No discrepancy between the actual distribution and the recognized amount

(IX) Company share repurchase status: None.

II. Issuance of corporate bonds: None.

III. Preferred Shares None.

IV. Overseas depository receipt: None.

V. Issuance of employee stock options: None.

VI. Restrictions on employee shares and status of New Share Issuance in Connection with Mergers and Acquisitions: None.

VII. The following items are required for the implementation status of the capital utilization plan:

(I) Plan:

As of one quarter before the publication date of this Annual Report, previous issuance or private placement of marketable securities that have not been completed or completed but are yet to record any benefit within the past three fiscal years: None.

(II) Implementation status:

The implementation status of previous plans as of one quarter before the publication date of this Annual Report: Not applicable.

Chapter 5. Operational Highlights

I. Business Activities

(I) Business Scope

The Company's businesses include the research and development, design, production, sales and after-sales technical services for various optical lens modules and optoelectronic components. Products include the design, production, processing, and sales of lenses and optoelectronic components for notebooks, smartphones, 3D structured light, ToF, in-display optical fingerprint recognition, drones, tablets, IP cameras, smart TVs, AR/VR lenses, IoT lenses, wearable devices, iris recognition lenses, medical instruments, and automobile lenses.

(II) Main Businesses

- I. CE01010 Photographic and optical equipment manufacturing.
- II. CQ01010 Die manufacturing.
- III. F601010 Intellectual property
- IV. F113030 Wholesale of precision instruments
- V. F401010 International trade.
- VI. I501010 Product designing
- VII. CF01011 Medical materials and equipment manufacturing.
- VIII. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

(III) Major product lines and their sales ratio

Unit: NT\$ thousands

Products	2020		2021		2022	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Optical Components	55,769,861	99.69%	45,820,230	97.57%	47,052,195	98.69%
Others	174,628	0.31%	1,142,172	2.43%	623,033	1.31%
Total	55,944,489	100%	46,962,402	100%	47,675,228	100%

(IV) Current Products

Main products	Usage/functions
Optical lenses	Mainly used in mobile phone lenses, drone camera lenses, mobile 3D structured light lenses, tablets, motion-controlled gaming systems, laptop computer lenses, smart TV lenses, IP camera lenses, and automobile lenses.

(V) New Products Planned and Under Development

The Company shall invest approximately 5% to 10% of revenue in R&D expenditures for 2023. However, spending shall be adjusted based on global market conditions and the Company's actual operations.

Future research and development will focus on improving the specifications of existing products, as well as actively developing the following mainstream products: automobile imaging lenses, lenses for medical use, security surveillance lenses, large aperture/wide angle lenses, full-focus lenses, iris recognition lenses, lenses for sports cameras, lenses for drones, low-pixel size lenses, lenses with lower Z height, ToF lenses, under display optical fingerprint recognition lenses, freeform lenses, AR/VR lenses, IoT lenses, variable aperture lenses, narrow-frame lenses for notebooks, molding glass lenses, folded tele lenses, etc.

(VI) Industry Overview

Current status and development of the industry: In the past, the optical components industry had maintained stable growth due to the development of products such as cameras, telescopes, and microscopes. However, the development of digital cameras and mobile phones in recent years has now led to rapid growth of optical components and lenses. This mainly began with the global digital camera market which took off in 2000 and led a new wave of imaging revolution. Growth exceeded market expectations and caused a continuous shortage of supply for optical components such as lenses over many years. The introduction and popularity of camera phones further intensified the need for lenses, and the development of multiple lenses on handheld devices has escalated this demand. Besides this imaging market, the optical industry has also expanded to automobiles and drones and as such, the industry is expected to continue to expand in the next few years.

Correlation with upstream, midstream, and downstream sections of the industry:

	Industry	Product
Optical materials (Upstream industries)	Optical glass industry	Optical glass blocks and pressed blanks
	Optical plastic industry	Plastic pellets such as PC, CR-39, and PMMA
Optical	Optical components industry	Lenses, prisms, mirrors, filters, absorbing glass, and various lenses

Components (Midstream industries)		
Optical application products (Downstream industries)	Traditional optical equipment	Glasses, cameras, telescopes, microscopes, projectors, vehicle lights
	Traditional imaging products	Photocopiers, fax machines, cameras
	Consumer digital products	Digital cameras, digital video cameras, projectors, camera phones, tablet computers, wearable devices, sports cameras, drone cameras, notebooks
	Consumer optical storage products	CD players, DVD players
	Computer peripheral digital products	Laser printers, image scanners, PC cameras, data projectors
	Computer peripheral optical storage devices	DVD-ROM drive
	Optical equipment industry	Spectrometers, optical spectrometers, interferometers
	Measurement equipment industry	Range finders, theodolites, tachymeter
	Medical, industrial, and commercial products	Medical lasers, laser processors, barcode scanners
	Others	Exposure equipment, ultraviolet curing equipment, lighting equipment, military night vision goggles
Peripheral industries	Coating materials industry, coating equipment industry, vacuum equipment industry, abrasive materials industry, grinding equipment industry, mold manufacturing industry, molding equipment industry, inspection equipment industry, photographic equipment industry, photographic processing industry	

Source: PIDA

Trends in product development: Optical products require a wide range of optical components including glass lenses, plastic lenses, spheric lenses, and aspheric lenses for different levels of precision and product applications. Due to requirements for smaller photoelectric imaging products, optical lenses have become increasingly miniaturized and moved toward mass production, higher quality, and lower prices. Meanwhile, consumer demand for high-resolution, wide angle, large aperture, and more lens pieces per camera have risen.

Competition: Consumer optical component manufacturers are mostly concentrated in Asia such as Japan, Korea, Mainland China, and Taiwan. Competitors differ in their product application and production technology. The Company believes that the only way to maintain long-term competitiveness is to continue to invest in research and development and expand production capacity.

(VII) Overview of Technology and R&D

1. Research and development (R&D) expense in the most recent year as of the publication date of the Annual Report

Unit: NT\$ thousands

	2022	Q1 2023
R&D expense	4,153,972	913,153
Operating revenue	47,675,228	9,136,021
Percentage of expense to revenue	8.71%	10.00%

2. Successfully Developed Technologies and Products

Technology and products successfully developed by the Company in the most recent year and as of the printing of the Annual Report

Item	Successfully developed technology and products
Phone Camera	Development of new 6P 21M AF mobile phone lens Development of new 6P 23M AF mobile phone lens Development of new 4P 13M AF mobile phone lens Development of new 6P 8M AF mobile phone lens Development of new 6P 24M AF mobile phone lens Development of new 5P 24M AF mobile phone lens Development of new 5P 20M AF mobile phone lens Development of new 5P 32M AF mobile phone lens Development of new 6P 48M AF mobile phone lens Development of new 6P 13M freeform mobile phone lens Development of new 6P 108M AF mobile phone lens Development of new 7P 40M AF mobile phone lens Development of new 7P 50M AF mobile phone lens Development of new 7P 50M freeform mobile phone lens Development of new 7P 200M AF mobile phone lens Development of new 8P 108M AF mobile phone lens Development of new 8P 50M AF mobile phone lens Development of new 1WLG7P 1" AF mobile phone lens Development of new type 2 group periscope mobile phone lens
Automobile rear view imaging lenses	Development of new 3P3G VGA wide angle design Development of new 6G 1.3M AF wide angle design Development of new 6G VGA wide angle design Development of new 8G VGA narrow angle design Development of the new 1G4P wide angle design Development of the new 2G2P wide angle design Development of new 4G1P 1M wide angle design Development of new 2G3P 1M wide angle design

Item	Successfully developed technology and products
	Development of new 1G5P 1M wide angle design Development of new 2G4P 1M wide angle design Development of new 4G3P 5M wide angle design Development of new 7G1MG 3M wide angle design

(VIII) Short-term and Long-term Business Development Plans

1. Short-term plans

(1) Production strategies

- A. Use existing production equipment to improve manufacturing technologies and yield to maximize output.
- B. Control and manage raw materials and finished products to prevent waste and loss.
- C. Fully implement ISO 9001 and ISO 14000 and achieve quality goals.
- D. Use the Taiwan headquarters as a base to effectively use the advantages on both sides of the strait to provide customers with flexibility in applications, reduce costs, and strengthen market mobility and competitiveness

(2) Sales strategies

- A. Existing customers: Provide more competitive products and services and continue to cultivate key existing customers while developing and establishing long-term partnerships to increase market share in existing customers.
- B. Potential new customers: Use existing optical technology as the basis to actively develop potential customers for optical applications. Introduce and collaborate with customers' new product development projects to expand the market value of optical products, diversify operations, and avoid risks of excessive concentration in certain products.
- C. Products' end users Connect directly with end users to encourage system manufacturers to use the Company's products.

(3) R&D strategies

- A. Gain insight into future product development trends and jointly develop product specifications and participate in customers' preliminary product R&D plans. Respond to customers product demands to gain opportunities in the market.
- B. Actively invest in R&D of the latest optical/mechanical designs and expand development for all product applications.

(4) Business strategies

- A. Streamline the organization and strengthen project based organizational structure to improve efficiency of decision-making and operating performance.
- B. Talents are the foundation of the Company's competitiveness. The Company actively recruits outstanding talent, and conducts on-the-job training for employees internally to

enhance the Company's competitive advantage

C. Strengthen internal information systems to manage use and timeliness of information .

(5) Finance strategies

A. Maintain a healthy financial structure to provide strong support for sales, production, and R&D.

B. Plan short-term and long-term capital utilizations to maximize returns under the prudence principle.

2. Long-term plans

(1) Production strategies

A. Implement the international division of labor and flexible production to enhance business performance.

B. Strengthen management by objectives and reduce inventory to improve the inventory turnover rate.

C. Continue to enhance production technology to reduce production cost and improve yield and competitiveness.

D. Continue to invest in automation and expand production capacity to alleviate rising labor costs and stabilize product quality.

E. Continue to expand production capacity to satisfy market and customer demands.

F. Enter different markets and obtain TS16949 certification.

(2) Sales strategies

A. Consolidate marketing advantages and grasp opportunities in the market. Expand niche competitiveness and promote global marketing strategies and international market expansion.

B. Seek major international manufacturers and form upstream and downstream strategic alliances. Commit to using the Company's strengths to satisfy customer demands and form partnerships to prevent destructive competition.

C. Actively obtain long-term orders from international companies and stabilize revenue growth. Leverage opportunities to obtain key technology cooperation and new product development.

(3) R&D strategies

A. Collaborate with major international companies in new technology to gain experience, develop talents, and strengthen R&D capacity.

B. Monitor market product development trends and develop various miniature optoelectronic components and strengthen capabilities to improve product appearances and various mechanical designs.

C. Actively seek out applications for the development of new materials for optoelectronic components to expand end applications and reduce costs.

D. Apply for domestic and foreign patents in new technology to protect intellectual

property rights and widen the technological lead.

E. Actively develop new products for different sectors.

(4) Business strategies

A. Monitor international business development trends and establish cross-border management organizations and structures to ensure the Company's international competitiveness.

B. Consolidate upstream and downstream information systems and connect closely with upstream suppliers and downstream customers so that all three parties benefit.

(5) Finance strategies

A. Strengthen capital risk management.

B. Execute sound financial planning in line with the Company's business objectives and development plans to strengthen business performance and improve overall competitiveness.

II. Overview of the Market and Production and Sales

(I) Market Analysis

1. Sales regions for major products

Unit: NT\$ thousands

Region \ Year	2021		2022	
	Amount	Percentage	Amount	Percentage
Asia	46,207,536	98.39%	47,151,474	98.90%
Americas	658,524	1.40%	522,621	1.10%
Europe	96,342	0.21%	1,133	0%
Total	46,962,402	100.00%	47,675,228	100.00%

2. Market supply and demand and market growth in the future

(1) With continuous innovation in information technology, essentially all image output/input requires the use of various types of optical lenses or modules. These include digital cameras, telescopes, microscopes, photocopiers, fax machines, laser printers, scanners, barcode scanners, computer cameras, video cameras, surveillance cameras, televisions, projectors and video phones. Disc drives (CD/DVD players and CD/DVD-ROM drives) and optical communication components also require optical lenses. The products with the largest volume in 2023 is expected to be high-end lenses for mobile phones.

(2) Optical components are mainly used in products such as disc drives, digital cameras, and mobile phones. According to various market research, mobile phones is one product with the largest need for optical components. As demand for mobile phone cameras has increased, lens specifications have also continued to migrate while getting smaller at the same time. The key to success for manufacturers will depend on their ability to improve product precision and take advantage of opportunities in the market.

3. Competitive niches, favorable and unfavorable factors for long-term growth and countermeasures

Item	Competitive Niches and Favorable Factors	Unfavorable Factors	Countermeasures
I. Main businesses and development outlook	Our current products encompass new optical products and the continuous migration of consumer optoelectronic	The Company faces competition from other related industries, and competitors in the	The Company shall adopt pricing strategies based on the characteristic of different markets and

Item	Competitive Niches and Favorable Factors	Unfavorable Factors	Countermeasures
	products helps the Company's development and expansion into a broader market.	optical industry are now producing low-end products with quality similar to that of the Company's products. Moreover, the significant price hike in semiconductor products in recent years have also led to reduced opportunities in phone camera upgrades.	products to reduce the price disparity for low-end products and provide customers with added value to improve competitiveness in the low-end market.
II. Position in the industry	The Company's fully-staffed and experienced R&D team and production quality have received wide acclaim from customers. The Company offers comprehensive product lines and provide customized lenses based on customers' demands.	Low-price competition from Mainland China and competitors have gradually reduced product cycles.	The Company shall develop the most advanced technologies, improve existing quality control, and maintain strong relationships with customers to maintain leadership. The Company shall also develop a wide portfolio of lenses to satisfy customer demands at various price points and accelerate the speed of development to gain market opportunities.
III. Supply situation of main raw materials	The Company maintains long-term relationships with raw materials suppliers which consist	Market prices are controlled by major international manufacturers.	The Company invests in diverse materials for product development to meet changing

Item	Competitive Niches and Favorable Factors	Unfavorable Factors	Countermeasures
	entirely of major domestic and foreign manufacturers, and as such have maintained stable relationships and regular supplies.		demands in the market and reduce the supply risks of individual materials.
IV. Status of sales of main products	The Company's main products are lenses for mobile phones, followed by lenses for tablet computers. Customers consist entirely of major domestic and international companies and the Company has thus achieved stable growth in sales orders.	Shipment of mobile phone lenses account for a high proportion of shipments and it is difficult to diversify market and product risks.	The Company shall focus on the design and development of new products and expand into new sectors and applications for other optical products to increase product range and reduce risks.
V. Labor status of main production	Highly automated production equipment.	Labor cost has increased along with citizens' income, economic structure, and wages and benefits for entry-level workers in recent years.	The Company hires foreign workers to replenish manpower. The Company shall increase the level of automation to reduce demand for labor, and transfer labor-intensive and low-value-added products and processes to overseas regions with low labor costs.

(II) Major applications and production process of primary products

1. Major applications of primary products

(1) Optical lenses

Main applications:

Scanners, multifunction printers, mobile phones, drones, wearable devices, tablet computers, and smart TVs.

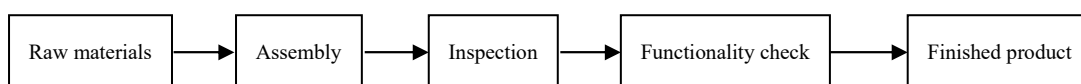
(2) Optical lens products

Main applications:

DVD readers and optical mouse.

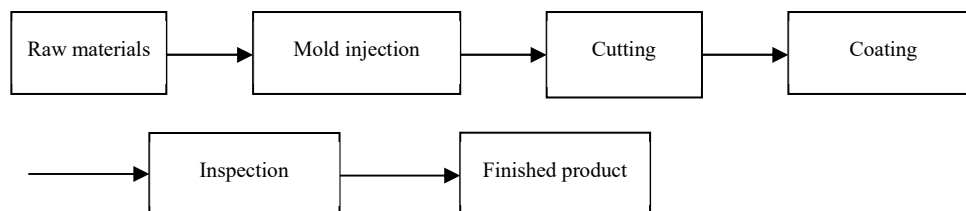
2. Manufacturing process of primary products

(1) Optical lenses

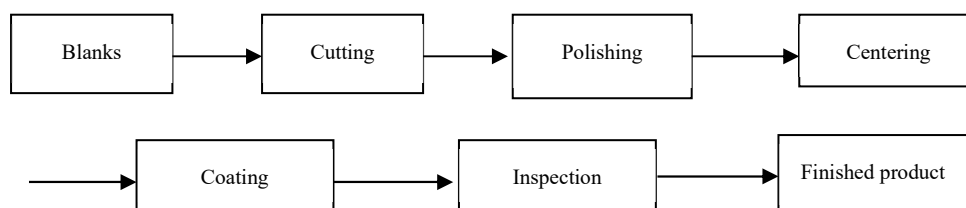


(2) Optical lens products

A. Plastics



B. Glass products



(III) Supply status of major raw materials

Name of raw material	Supplier	Country	Supplier status
Engineering plastic	110185	Taiwan	All suppliers are renowned world-class companies with high quality, large volume and stable supply.
	110059	Taiwan	
	110181	Taiwan	

- (IV) A list of customers accounting for more than 10% of sales for any given year within the last two years, their purchase amount and percentage, and explanation for changes (increase or decrease) in sales.

1. Information on customers accounting for 10% or more of the Company's total sales in either of the 2 most recent years:

Unit: NT\$ thousands

Item	2021				2022				2023 up to end of the first quarter			
	Name	Amount	Percentage of net sales for the entire year (%)	Relationship with the Company	Name	Amount	Percentage of net sales for the entire year (%)	Relationship with the Company	Name	Amount	Percentage of net sales up to the previous quarter (%)	Relationship with the Company
1	653021	7,852,296	17	-	653021	8,665,494	18	-	653021	1,843,745	20	-
2	643006	5,796,143	12	-	643006	6,454,758	14	-	643006	1,330,801	15	-
3	-	-	-	-	622020	5,962,965	12	-	653003	1,072,669	12	-
	Others	33,313,963	71	-	Others	26,592,011	56	-	Others	4,888,806	53	-
	Net sales	46,962,402	100	-	Net sales	47,675,228	100	-	Net sales	9,136,021	100	-

Reasons for change: Mainly due to an increase in revenues of the Consolidated Company in 2022.

2. Information on suppliers accounting for 10% or more of the Company's total purchases in either of the 2 most recent years:

Unit: NT\$ thousands

Item	2021				2022				2023 up to end of the first quarter			
	Name	Amount	Percentage of annual net purchase (%)	Relationship with the Company	Name	Amount	Percentage of annual net purchase (%)	Relationship with the Company	Name	Amount	Percentage of net purchase up to the previous quarter (%)	Relationship with the Company
1	110185	1,110,266	14	-	110031	1,386,118	19	Subsidiary	110031	453,399	25	Subsidiary
2	110031	837,267	11	-	100830	806,524	11	-	110185	357,339	20	-
3	110059	831,202	10	-	-	-	-	-	-	-	-	-

Reasons for change: Mainly due to a change in customer demand.

(V) Table of production volume in the two most recent years Unit: 1,000 units; NT\$ thousands

Year Production Quantity and Value of Primary Products	2021			2022		
	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Optical component	29,993,943	27,929,328	29,331,602	31,700,726	25,576,849	29,743,857

Note: Substitutable production capacity may be included in the production capacity.

(VI) Table of sales volume in the two most recent years Unit: 1,000 units; NT\$ thousands

Year Sales Volume and Value of Main products	2021				2022			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Optical Components	209,051	166,084	8,497,759	45,654,146	188,531	136,560	8,374,989	46,915,635
Others	-	1,049,056	-	93,116	-	477,127	-	145,906

III. Number of employees for the two most recent years

Year		2021	2022	As of April 9, 2023
Number of employees	Production	4,975	5,021	4,944
	Management	1505	1,504	1,488
	R&D	1157	1,275	1,272
	Total	7,637	7,800	7,704
Average age		32.00	32.10	32.14
Average years of services		5.29	5.47	5.62
Educational background distribution %	Ph.D.	0.10%	0.14%	0.14%
	Masters	5.73%	6.15%	6.20%
	University (college)	43.05%	42.69%	42.61%
	Senior high school	44.46%	45.68%	46.60%
	Below senior high school	6.65%	5.34%	4.45%

IV. Disbursements for Environmental Protection

Any losses suffered by the company in the most recent fiscal year and up to the Annual Report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclose an estimate of possible expenses that could be incurred

currently and in the future and measures being or to be taken. If a reasonable estimation cannot be made, provide the explanation: None.

V. Labor Relations

(I) The Company's employee benefits for studying, training, pension systems and its implementation status as well as labor agreements and measures for preserving employee rights and interests

1. Benefits and implementation

1.1 The Company established the Employee Welfare Committee on April 1, 2000 in accordance with the "Employee Welfare Fund Act" to be responsible for allocating employee welfare funds and benefits.

1.2 The Company has subscribed to labor insurance and health insurance in accordance with relevant regulations and added group insurance to provide employees with various insurance payment privileges.

1.3 Where the Company generates profits at the end of the year, the Company shall pay taxes, make up for losses, and set aside dividends and surplus reserve. The Company shall distribute year-end bonuses to employees who have not committed acts of negligence in the entire year.

2. Allowances:

Allowances	Other benefits
<ul style="list-style-type: none"> ● Gatherings and travel allowances ● Childbirth allowance and wedding allowance ● Birthdays, traditional holiday bonuses, and Labor Day bonus ● Hospitalization and funeral allowance 	<ul style="list-style-type: none"> ● Family Day and meal allowance ● Convenience store discounts & special contract stores ● Free parking ● Discounts on contact lenses ● Free face masks

3. Childcare measures:

3.1 In addition to distributing maternity benefits, the Company has established nursing (pumping) rooms in all plants and set up dedicated parking spaces for pregnant employees for prioritized use.

3.2 The Company has signed contracts with 22 childcare agencies in the vicinity to provide diverse childcare programs to the employees.

3.3 In 2022, 139 employees applied for unpaid parental leave.

4. Health and Medical Care:

Superior to statutory requirements, the Company provides free health examination and special health examination for employees who engage in environments with increased health hazards in each year. Statistical analysis is conducted on the results of the health examinations to find factors that could potentially lead to illnesses, and tiered health risk management is conducted to monitor the health conditions of those with increased risks. In addition, the Company also promotes workplace health promotional and occupational disease prevention activities in order to provide comprehensive medical care for our employees.

4.1 A regular onsite physician actively arranges professional medical consultation for those with abnormal health examination results, pregnant female workers, personnel with abnormal workload, and occupational hazards, and the physician will comprehensively evaluate the health conditions and the nature of work of individuals placed in Level 2 health risks or above in order to arrange proper roles and functions for such individuals within their departments. A total of 560 individuals have participated in the health consultations throughout the year.

4.2 The Company has signed contracts with 15 medical care units as well as a special agreement with professional medical institution to provide discounted medical fees and comprehensive medical services to our employees. This will help our employees to receive proper care and relieve their stress/burden as well as help them to maintain positive doctor-patient relations.

5. Emergency aid:

In line with the emergency relief guidelines set up by the Company, current employees can apply for an emergency relief fund to maintain basic needs in the event of a major illness, long-term care required in the family, or damage to real estate that prevents the employee from attending work and family difficulties.

In 2021, the Company had provided financial aid amounting to NT\$559,529 for up to six employees who could not attend work due to major injuries and experienced family difficulties

In 2022, the Company had provided financial aid amounting to NT\$333,733 for up to two employees who could not attend work due to major injuries and experienced family difficulties

6. Retirement system and implementation status

To protect the employees' rights and interests in applying for pension in the future, the retirement system is planned in accordance with the Labor Standards Act and the Labor Pension Act.

Criteria for retirement include the following:

An employee may apply for voluntary retirement in the event of any of the following conditions:

- (1) The employee has provided services for more than 15 years and is 55 years old or older.
- (2) The employee has provided services for 25 years or more.

The Company may subject an employee to compulsory retirement in the event of any of the following conditions:

- (1) The employee is 65 years old or older.
- (2) The employee is mentally incapable or physically disabled and cannot continue to work.

- Pension payment standard (under the previous pension scheme):

Employees who have provided services for less than 15 years are given two base points for every full year of service. Employees who have provided services for more than 15 years are given one base points for every full year of service. The total number of base units shall be limited to 45. Less than half a year of service is considered half a year and less than a full year but more than half a year of service is considered a full year. Where the employee subject to compulsory retirement is mentally incapable or physically disabled due to the performance of duties, the employee shall receive an additional 20% of pension in accordance with the two preceding subparagraphs.

- Calculations of the pension base unit (under the previous pension scheme):

The average monthly salary of an employee over the six months prior to his/her retirement shall be adopted as the standards for calculating employee pension base unit.

- Payout time:

Where a retiree meets requirements for voluntary retirement, the Company shall pay the total pension within 30 days of his/her retirement.

Where the pension cannot be paid in full, the Company may report to the competent authority for approval and pay in installments.

- Other rules:

Voluntary retirees shall be required to fill out a retirement application which shall be implemented after approval. For employees subject to compulsory retirement, the units shall report to obtain approval and notify the retiree to complete procedures.

- Employees' right to request pension shall start in the month after retirement and it shall be extinguished if not exercised within five years.
- Appropriations under the new pension scheme:
The Company appropriates 6% of the employee's salary to the dedicated personal pension account at the Bureau of Labor Insurance in accordance with the personal salary appropriation classification table.
- Number of employees who have applied for retirement in the most recent two years:
Number of employees who have applied for retirement in 2021: 3.
Number of employees who have applied for retirement in 2022: 1.

7. Environmental Safety and Health & Employee Protection

Largan Precision Co., Ltd. commits to providing a safe and healthy workplace to employees and maintains the safety of all contractors and visitors. Occupational Safety and Health Work Rules have been formulated in accordance with ISO 45001 Occupational Safety and Health Management system and the Occupational Safety and Health Act to assist departments in identifying operating hazards and building safe operating standards, as well as preventing various potential hazards and incidents.

The Company assesses, improves, or controls risks and opportunities and enhances occupational safety and health performance while striving toward a goal of zero incident. ISO 45001 system version update and third-party assurance has been completed in 2020, and we will continue to supervise the execution of occupational safety and health verifications and implement the occupational safety and health policy. The Company aims to continuously enhance safety and health management performance through the PDCA (Plan/Do/Check/Action) cycle..

Prior to building a new plant or refurbishing certain areas of an existing plant, the production, management, information, and safety and health units will conduct safety and health risk assessments. Occupational Safety and Health Office

License of the professional safety and health personnel	Number of people
Occupational safety management specialist	7
Occupational safety and health management personnel (Class B)	12

certified technician)	
Licensed practical nurse	7
Class A Manager of Occupational Safety and Health Affairs	21
Fire Fighting Management Personnel	9
First Aid Personnel	151

Statistics on employees' safety and health training in 2021:

Type of Training	Batch No.	Number of people	Training Hours	Total Training Hours
New employees' safety and health training	81	1162	8	9296
Current employees' safety and health training	3	27	1	27
Safety and health internal auditors' training	10	217	1	217

8. Safety and Health Committee

The Company has established a Safety and Health Committee and has elected employee representatives in accordance with laws to provide an official channel for face-to-face communications regarding environmental, safety, and health issues with employees.

Besides convening quarterly meetings to discuss environmental protection, safety, and health topics, monthly meetings are also convened by departmental heads to discuss environmental, safety, and health issues in response to the increase in scale of new plants to fulfill ESH management.

In 2022, a total of 77 employee and management representatives participated in the routine Safety and Health Committee meetings.

9. Emergency response and drills

To reduce the impacts of disasters, all plants have set up self-defense fire safety groups and arrange for fire and chemical spill simulation evacuation and response drills in each year. In addition, firefighting squads in the districts are invited to give lectures and to observe the effectiveness of the emergency response measures, for which deficiencies are discussed and reviewed to enhance the level of employee participation and familiarity, thereby minimizing the impacts of disasters on employees and the Company.

The emergency response center is equipped with the following facilities:

- Emergency response information: The layout of the plant, layout of the equipment, and

response procedure diagrams.

- Fire safety and life preservation monitoring: Fire safety system, gas monitoring system, emergency smoke ventilation system, key area surveillance and video recording system, gas and chemical supply emergency cut-off system, and broadcast systems.
- Response equipment: Protective clothing, personal protective equipment, portable personal air breathing apparatus, portable detector, leakage treatment equipment, and warning equipment.
- Emergency aid equipment: The Company has set up AEDs, emergency shower equipment, eyewash equipment, and emergency backpacks and chemical disaster response packs at work sites in accordance with emergency aid practices.

10. Human-factor hazards assessment and management

The Company provides employees training and education on engineering to establish correct safety awareness with regards to moving and designing machinery on the production lines. The Company has also implemented human-factor assessment and improvements for machinery maintenance and repairs that include cranes, lifting trolleys, and jigs for replacing components. Discuss the feasibility of reducing operational hazard by using fully automated and semi-automated auxiliary equipment. Deploy MES signs to arrange schedules and manage the fatigue level among employees by rotating shifts.

To prevent repetitive tasks from causing sores and pains, health service staff plan annual health checks and issue questionnaires to all employees regarding their discomforts and how it may affect their work. High-risk groups are identified and management measures are carried out. They also report to occupational safety and environmental protection units to implement human-factor identification and formulate improvement solutions.

11. Maternity health protection and management

To prevent the exposure of female employees to workplaces that may cause health hazards to mothers, the health center has established maternity health protection and management procedures. In addition to providing qualitative and quantitative risk assessments for operations that may pose health risks to mothers, the Company considers the different conditions of individuals and assign contracted specialist doctors to conduct comprehensive assessments. The Company then implements tiered management and onsite improvement measures to ensure the health of pregnant employees.

Besides offering 7 days of prenatal examination leave, 8 weeks of maternity leave and paternity leave in accordance with the Act of Gender Equality in Employment, both female and male workers are eligible to apply for unpaid childcare leave. At the same time, in line with the laws, the Company has also set up nursing (pumping) rooms for the nursing mothers who have returned to work. Mothers can place the pumped milk in the refrigerators and collect it for their infants before going home.

Furthermore, the Company has provided parking spaces for pregnant women and signed contracts with related stores for maternity needs. Questionnaires are distributed regularly and information provided regarding pregnancy and childrearing before pregnant employees take their maternity leave.

12. Corporate disease prevention plans for new contagious diseases

The Company's dedicated unit continues to monitor the occurrence of new contagious diseases across the world, evaluate their subsequent development, and formulate response plans for disease prevention in the workplace. For instance, the emerging infectious disease Covid-19 has posed potential threats to the workplace, and the Company strives to minimize the risk of infection through specific actions:

Setting up body temperature measurement stations and placing sanitizing alcohol for employees.

Setting up partitions in the cafeteria to prevent droplet infection.

Setting up more partitions inside offices and staggering employee shifts.

Requiring all persons entering the plants (including suppliers and visitors) to wear masks at all times.

Establishing an epidemic prevention reporting system to immediately report and follow up on epidemic development.

Visitors are required to register online to understand their contact history and travel history

Those with respiratory infections are given three days of paid leave to reduce the risk of infection

Video conferencing equipment is purchased for meeting rooms to reduce the risk of physical contact

Free face masks are regularly distributed

1.3 Continuous focus on seasonal influenza and other contagious diseases

The Company carefully responds to risks of outbreaks of seasonal influenza (H1N1, H3N2, A

virus or B virus) each year and continue to manage occupational risks for various contagious diseases (e.g. tuberculosis and typhoid fever). Experience is accumulated from measures taken to avoid overreacting or insufficient preparation. Disease prevention information is announced on bulletin boards in every plant for employee reference and disease prevention.

(II) Losses suffered by the Company in the most recent fiscal year and up to the publication date of the Annual Report due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclose an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken:

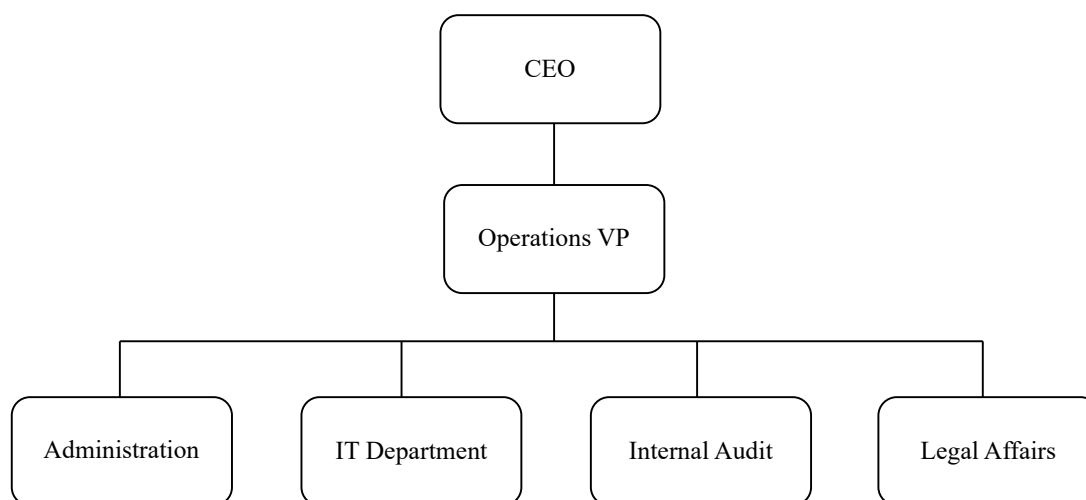
The Company has adopted a people-centric management, and harmonious relations between labor and management have been established. There were no labor disputes or losses in the most recent year and up to the publication date of the Annual Report.

VI. Information and Communications Security Management

(I) Information and Communications Security Management Structure, Information and Communications Security Policy, Specific Management Proposals, and Resources Invested in Information and Communications Security Management

Information and Communications Security Management Structure

The Company has set up an information security governance organization that is coordinated by the Operations VP and consists of the Administrations Department, IT Department, Internal Audit Office, and Legal Affairs Office. The organization examines various security management tasks, coordinates information, and proposes improvements, and the Operations VP forms decisions over various security management policies and submits them to the Board of Directors and the CEO, who will designate dedicated personnel to promote and execute various policies.



Information Security Policy:

1. Evaluate risk of information security by examining whether the system structure, internet safety, resource management, software and hardware authorization comply with the Company's use and requirement, and make adjustments or incorporate into the Company's improvement plans according to related risks.

2. Promote awareness of confidentiality policy and data protection, manage and track files, manage devices and limit access to data. The Company's internal audit and legal department tracks and examines irregularities to lower the risk of data leakage and to protect the Company's important assets and competitiveness.

3. Promote understanding of information security in line with current conditions and increase employee awareness to ensure knowledge of security is integrated in employees' day to day operations.

4. Collaborate with third-party security firms to pinpoint security vulnerabilities, taking preventative measures to investigate and resolve information security issues early on.

Implementation Measures:

*Various layers of protection from external to internal, and between internal units

- Multiple layers of firewall from different vendors have been set up to take advantage of their respective strengths, advanced detection technologies are used to monitor traffic, identify programs, and analyze unknown malware to block unknown connections and penetrations in advance.
- Prevent virus and attacks from spreading to different plants by implementing cross-department or cross-machine network controls and setting up firewalls between the plants.
- Setting up multiple layers of mail defense gateways and initiating functions including Attachment Defense and real-time URL detection, BEC fraud, online phishing, and ransomware protection to block advanced threats and attacks using multi-dimensional detection, anti-evasion detection, and preventive advanced email penetrations.

*Endpoint protection

- One or more types of protective software is installed based on the types of computers. Besides strengthening their basic antivirus protection, a new generation of endpoint protection against advanced persistent threats (APT), which utilizes behavioral detection to implement real-time surveillance over abnormal operating behavior, has been deployed. This will immediately block and delete malware and reduce the risk of horizontal infections. Moreover, fileless malware and RAM attacks are also prevented through

machine learning and behavioral analysis.

- Intrusion prevention system (IPS) has been purchased to provide real-time alert and feedback to prevent large-scale invasions.
- Machinery input inspection mechanism has been established to prevent malware from entering the plants along with system loopholes.
- Terminal device management - the use of portable storage equipment or wireless equipment is prohibited.
- Online behavior control and isolated protection - document processing and browsing of external websites are done in separate operating environments to reduce the risk of accidentally clicking on phishing sites and downloading malware to personal computers. This will help to block external hackers' latent attacks on the internal system.

*Information security protection and standards

- Document encryption system is deployed to restrict personnel access and storage; document behavior authorization is enforced and document operation is recorded to prevent information leaks.
- Photocopier and scanner control - unauthorized use is prohibited, and printing record storage software is deployed so that all access and operation of photocopier and scanner will be kept in electronic files.
- Mail control - for both external/internal recipients.
- Cloud storage access control.
- Information backup system is deployed, and backup mechanism and offline storage are established.
- All personal computers and terminal devices are set up with accounts and passwords with different levels of authority over the access of important information. Accounts and passwords cannot be shared with others without the approval from a supervisor, and those who violate this rule will be penalized based on the level of the offense.
- The use of infringing software is prohibited: All software used by the Computer shall be legal, and without legal authorization, all software installed in: Company computers or personal computers brought to the Company, are violations of the intellectual property law.
- Employees are prohibited from using the Company's resources to use intrusion, password mining, password theft, or any other method to achieve unauthorized access to

other person's website, data, other accounts, or computer systems, or to use unauthorized software to obtain information and computer/software access while performing their duties by using the aforementioned conduct.

- Any trade secret and confidential information that an employee becomes aware of due to his/her duties and responsibilities or are in charge of, shall be protected using appropriate measures, which may include the following:
 - 1) Confidentiality agreement should be signed before authorized disclosure to third parties.
 - 2) Compliance to labor contracts and other relevant confidential management standards.
 - 3) Adopt necessary and reasonable measures to prevent unauthorized contact of any confidential information or acquisition of trade secret or confidential information.
- Principle of Information Disclosure: An employee is prohibited from disclosing any of the Company's assets, including information, business, technical data, and any trade secret or confidential information, whether in tangible or intangible form, to any third-party.

Information security and cyber risk control

The Company continues to advance over time and maintains close partnership with all information security vendors and continues to understand the protection of information security products, as well as new types of cyber attack and defense technologies. We evaluate the feasibility of various defensive products and continue to sign warranty for maintenance and equipment update and upgrade contracts, so as to ensure that our equipment can obtain even more comprehensive virus patterns, malware traffic classifications, and the latest defense and detection functions in order to identify new types of threats and to automatically initiate protection policies.

We regularly advocate our information security information, and employees who accidentally trigger information security warnings are reported to their supervisors, and either dedicated personnel will be assigned to strengthen their response or their authority of access will be forfeited.

Emergency response plan, including response organization, personnel reporting, physical safety, technology and emergency operating procedures, have been formulated.

Resources invested in information and communications security management : Mail protection equipment, next-generation firewall, and endpoint protection software

Risk management organization:

During day-to-day operations, the Company's internal audit periodically checks on the status of compliance and submits internal audit reports to management to ensure policy implementation and improvements on existing mechanisms.

During an emergency, the Operations VP will act as the commander while his/her subordinate units will serve as meeting conveners in convening an inter-departmental meeting to understand the extent and reach of the risk, and to coordinate all departments in flexible productions, to monitor the status of the emergency and its handling, as well as to regularly announce the latest updates.

(II) Any losses incurred as a result of major information and communications safety incident in the most recent fiscal year and current fiscal year up to the publication date of the Annual Report, and an estimate of possible expenses that could be incurred currently and in the future and countermeasures being or to be taken shall be disclosed. If a reasonable estimate cannot be made, an explanation shall be provided: None.

VII. Important Contracts:

Nature of the Contract	Principal	Contract Start/End Date	Major Contents	Restrictive Terms
Construction contract	Te Chang Construction Co., Ltd.	2020.1	New Plant Construction Project of Plant 3 in Taichung Industrial Park.	-
Construction contract	Te Chang Construction Co., Ltd.	2020.11	New Plant Construction Project of Plant 4 in Taichung Industrial Park.	
Construction contract	Lee Ming Construction Co., Ltd.	2020.11	New Plant Construction Project of Plant 9 in Taichung Industrial Park.	
Construction contract	Yankey Engineering Co., Ltd.	2020.8	New Construction of Clean Room Air Conditioning for Plant 3 in Taichung Industrial Park	
Construction contract	Yankey Engineering Co., Ltd.	2021.10	New Plant Construction Project of Plant 4 in Taichung Industrial Park.	
Construction contract	Yankey Engineering Co., Ltd.	2021.10	New Plant Construction Project of Plant 9 in Taichung Industrial Park.	
Construction contract	Chung Jui Engineering Co., Ltd.	2020.8	New E&M Project of Plant 3 in Taichung Industrial Park.	
Construction contract	Chung Yuang Electrical Consulting	2021.10	New E&M Project of Plant 4 in Taichung Industrial Park.	
Construction contract	Acter Co., Ltd.	2021.10	New E&M Project of Plant 9 in Taichung Industrial Park.	

Chapter 6. Financial Highlights

I. Condensed Balance Sheet and Condensed Consolidated Income Statement for the Last Five Years

(I) International Financial Reporting Standards (IFRS)

Condensed Consolidated Balance Sheet

Unit: NT\$ thousands

Year		Financial data for the last five years (Note 1)					Financial analysis in the current year, as of March 31, 2023
		2022	2021	2020	2019	2018	
Item							
Current assets		129,202,046	124,336,880	119,399,271	111,630,060	101,306,345	132,610,142
Investments accounted for using the equity method		760,100	439,212	272,601	229,512	209,445	802,575
Property, plant and equipment		37,831,252	34,914,941	33,790,608	32,573,230	27,850,051	38,336,727
Intangible assets		149,131	69,799	112,794	101,741	80,566	135,665
Other assets		17,027,837	14,950,048	17,700,956	9,287,055	3,202,017	17,690,919
Total assets		184,970,366	174,710,880	171,276,230	153,821,598	132,648,424	189,576,028
Current Liabilities	Before distribution	29,387,923	32,733,346	30,229,181	27,150,157	24,930,979	36,438,884
	After distribution (Note 2)	35,527,460	37,938,606	42,503,009	37,747,233	34,052,512	Note 3
Non-current liabilities		473,343	237,812	244,891	277,530	117,874	330,266
Total Liabilities	Before distribution	29,861,266	32,971,158	30,474,072	27,427,687	25,048,853	36,769,150
	After distribution (Note 2)	36,000,803	38,176,418	42,747,900	38,024,763	34,170,386	Note 3
Equity attributable to owners of the parent company		155,109,100	141,739,722	140,802,158	126,393,911	107,599,571	152,806,878
Capital stock		1,334,682	1,341,402	1,341,402	1,341,402	1,341,402	1,334,682
Capital surplus		1,555,120	1,562,914	1,560,586	1,558,058	1,557,011	1,555,120
Retained Earnings	Before distribution	152,651,936	141,877,661	139,645,983	125,636,027	106,503,622	149,801,347
	After distribution (Note 2)	146,512,399	136,672,401	127,372,155	115,038,951	97,382,089	Note 3
Other equity		(432,638)	(1,641,270)	(1,745,813)	(2,141,576)	(1,802,464)	115,729
Treasury shares		-	(1,400,985)	-	-	-	-
Total Equity	Before distribution	155,109,100	141,739,722	140,802,158	126,393,911	107,599,571	152,806,878
	After distribution (Note 2)	148,969,563	136,534,462	128,528,330	115,796,835	98,478,038	Note 3

Note 1: The financial data of the last five years have been audited and certified by CPAs.

Note 2: The 2022 earnings distribution has been approved by the Board of Directors.

Note 3: Earnings distribution is subject to the approval of the Board of Directors.

Condensed Consolidated Statement of Comprehensive Income

Unit: NT\$ thousands

Item	Year	Financial analysis for the last five years (Note)					Financial analysis in the current year, as of March 31, 2023
		2022	2021	2020	2019	2018	
Operating revenue		47,675,228	46,962,402	55,944,489	60,745,008	49,952,158	9,136,021
Gross profit		26,082,674	28,149,651	37,472,234	41,940,620	34,351,475	4,512,693
Operating income		20,384,119	23,148,121	32,032,118	36,499,337	29,611,940	3,269,093
Non-operating income and expenses		7,442,583	(121,511)	(338,351)	79,518	1,583,931	640,058
Profit before tax		27,826,702	23,026,610	31,693,767	36,578,855	31,195,871	3,909,151
Net income from continuing operations for the period		22,625,049	18,671,230	24,534,131	28,263,082	24,369,534	3,288,948
Net profit (loss) for the period		22,625,049	18,671,230	24,534,131	28,263,082	24,369,534	3,288,948
Other comprehensive income (loss) for the period (net of tax)		1,221,583	97,165	468,664	(348,256)	557,347	548,367
Total comprehensive income for the period		23,846,632	18,768,395	25,002,795	27,914,826	24,926,881	3,837,315
Earnings Per Share		169.52	139.28	182.90	210.70	181.67	24.64

Note: The financial data of the last five years have been audited and certified by CPAs.

Condensed Parent Company Only Balance Sheet

Unit: NT\$ thousands

Item	Year	Financial data for the last five years (Note 1)				
		2022	2021	2020	2019	2018
Current assets		116,571,756	111,146,621	106,462,765	92,358,323	72,191,515
Investments accounted for using the equity method		14,248,006	14,453,422	13,802,157	20,309,368	30,107,282
Property, plant and equipment		37,541,071	34,650,808	33,542,417	32,286,239	27,487,598
Intangible assets		145,269	69,799	112,794	101,741	80,345
Other assets		16,975,285	14,922,199	17,688,537	9,271,574	3,175,080
Total assets		185,481,387	175,242,849	171,608,670	154,327,245	133,041,820
Current Liabilities	Before distribution	29,906,434	33,276,349	30,561,621	27,655,804	25,324,375
	After distribution	36,045,971 (Note 2)	38,481,609	42,835,449	38,252,880	34,445,908
Non-current liabilities		465,853	226,778	244,891	277,530	117,874
Liabilities	Before distribution	30,372,287	33,503,127	30,806,512	27,933,334	25,442,249
Total	After distribution	36,511,824 (Note 2)	38,708,387	43,080,340	38,530,410	34,563,782
Equity attributable to owners of the parent company		155,109,100	141,739,722	140,802,158	126,393,911	107,599,571
Capital stock		1,334,682	1,341,402	1,341,402	1,341,402	1,341,402
Capital surplus		1,555,120	1,562,914	1,560,586	1,558,058	1,557,011
Retained Earnings	Before distribution	152,651,936	141,877,661	139,645,983	125,636,027	106,503,622
	After distribution	146,512,399 (Note 2)	136,672,401	127,372,155	115,038,951	97,382,089
Other equity		(432,638)	(1,641,270)	(1,745,813)	(2,141,576)	(1,802,464)
Treasury shares		-	(1,400,985)	-	-	-
Equity	Before distribution	155,109,100	141,739,722	140,802,158	126,393,911	107,599,571
Total	After distribution	148,969,563 (Note 2)	136,534,462	128,528,330	115,796,835	98,478,038

Note 1: :The financial data of the last five years have been audited and certified by CPAs.

Note 2: The 2022 earnings distribution has been approved by the Board of Directors.

Condensed Parent Company Only Statement of Comprehensive Income

Unit: NT\$ thousands

Item	Year	Financial analysis for the last five years (Note)				
		2022	2021	2020	2019	2018
Operating revenue		45,478,371	47,033,940	53,979,503	58,681,535	47,178,620
Gross profit		25,011,471	27,065,930	35,860,393	40,290,118	32,390,727
Operating income		19,466,808	22,152,537	30,504,120	34,945,825	27,766,406
Non-operating income and expenses		8,583,185	689,206	972,592	982,583	3,147,331
Profit before tax		28,049,993	22,841,743	31,476,712	35,928,408	30,913,737
Net income from continuing operations for the period		22,625,049	18,671,230	24,534,131	28,263,082	24,369,534
Net profit (loss) for the period		22,625,049	18,671,230	24,534,131	28,263,082	24,369,534
Other comprehensive income (loss) for the period (net of tax)		1,221,583	97,165	468,664	(348,256)	557,347
Total comprehensive income for the period		23,846,632	18,768,395	25,002,795	27,914,826	24,926,881
Earnings Per Share		169.52	139.28	182.90	210.70	181.67

Note: :The financial data of the last five years have been audited and certified by CPAs.

(II) Names of CPAs and Audit Opinions for the Last Five Years

	2022	2021	2020	2019	2018
Certified Public Accountant (CPA)	Shyhhuar Kuo Chun-Yuan Wu	Shyhhuar Kuo Chun-Yuan Wu	Shyhhuar Kuo Chun-Yuan Wu	Tzu-Hsin Chang Shyhhuar Kuo	Tzu-Hsin Chang Chun-Man Chen
Audit Opinion	Unmodified Opinion	Unmodified Opinion	Unmodified Opinion	Unmodified Opinion	Unmodified Opinion

II Financial Analyses for the Past Five Fiscal Years

International Financial Reporting Standards

Consolidated Financial Analysis

Item	Year	Financial data for the last five years (Note)					Financial analysis in the current year, as of March 31, 2023
		2022	2021	2020	2019	2018	
Financial structure (%)	Debt ratio	16.14	18.87	17.79	17.83	18.88	19.40
	Ratio of long-term capital to property, plant, and equipment	411.25	406.64	417.41	388.88	386.78	399.45
Solvency	Current ratio (%)	439.64	379.85	394.98	411.16	406.35	363.92
	Quick ratio (%)	419.82	354.82	378.27	396.80	388.33	345.76
	Interest coverage ratio	15740.08	11827.71	13644.46	13434.29	-	11266.56
Management ability	Receivables turnover rate (times)	5.30	4.45	4.24	4.55	3.75	5.08
	Average collection days	69	82	86	80	97	72
	Inventory turnover rate (times)	3.96	3.87	4.83	5.00	4.82	3.38
	Payables turnover rate (times)	12.81	11.47	11.95	11.42	7.84	12.25
	Average inventory turnover days	92	94	76	73	76	108
	Property, plant and equipment turnover rate (times)	1.31	1.37	1.69	2.01	1.90	0.96
	Total asset turnover (times)	0.27	0.27	0.34	0.42	0.40	0.20
Profitability	Return on assets (%)	12.58	10.79	15.09	19.73	19.61	7.03
	Return on equity (%)	15.24	13.22	18.36	24.16	24.37	8.55
	Pre-tax income to paid-in capital ratio (%)	2084.89	1716.61	2362.73	2726.91	2325.62	1171.56
	Net margin (%)	47.46	39.76	43.85	46.53	48.79	36
	Earnings per share (NT\$)	169.52	139.28	182.90	210.70	181.67	24.64
Cash flow (%)	Cash flow ratio	150.43	63.78	96.10	94.40	126.72	11.68
	Cash flow adequacy ratio	160.01	158.26	176.51	189.77	206.52	156.87
	Cash flow reinvestment ratio	16.06	5.10	11.31	11.27	17.60	2.33
Leverage	Operating leverage	1.72	1.54	1.43	1.36	1.42	2.08
	Financial leverage	1	1	1	1	1	1

The increase in interest coverage ratio was mainly due to the increase in net income before tax.

The increase in the pre-tax income to paid-in capital ratio was mainly due to the increase in net income before tax.

The increase in earnings per share was mainly due to the increase in profit after tax.

The increase in cash flow ratio was mainly due to the increase in net cash flow from operating activities.

The increase in cash flow reinvestment ratio was mainly due to the increase in net cash flow from operating activities.

Parent Company Only Financial Analysis

Item		Year	Financial data for the last five years (Note)				
		2022	2021	2020	2019	2018	
Financial structure (%)	Debt ratio	16.37	19.12	17.95	18.10	19.12	
	Ratio of long-term capital to property, plant, and equipment	414.41	409.71	420.50	392.34	391.88	
Solvency	Current ratio (%)	389.79	334.01	348.35	333.96	285.07	
	Quick ratio (%)	373.04	312.61	332.92	321.42	269.22	
	Interest coverage ratio	17477.63	11966.29	13551.03	13195.42	-	
Management ability	Receivables turnover rate (times)	5.46	5.07	4.51	4.71	4.32	
	Average collection days	67	72	81	77	84	
	Inventory turnover rate (times)	4.64	4.68	5.33	5.63	5.44	
	Payables turnover rate (times)	8.29	8.25	8.26	8.08	4.76	
	Average inventory turnover days	79	78	68	65	67	
	Property, plant and equipment turnover rate (times)	1.26	1.38	1.64	1.96	1.82	
	Total asset turnover (times)	0.25	0.27	0.33	0.41	0.38	
Profitability	Return on assets (%)	12.54	10.77	15.06	19.67	19.48	
	Return on equity (%)	15.24	13.22	18.36	24.16	24.37	
	Pre-tax income to paid-in capital ratio (%)	2101.62	1702.83	2346.55	2678.42	2304.58	
	Net margin (%)	49.75	39.70	45.45	48.16	51.65	
	Earnings per share (NT\$)	169.52	139.28	182.90	210.70	181.67	
Cash flow (%)	Cash flow ratio	143.01	61.02	93.69	85.03	102.80	
	Cash flow adequacy ratio	150.24	148.99	160.42	159.87	174.64	
	Cash flow reinvestment ratio	15.39	4.80	11.15	9.91	13.27	
Leverage	Operating leverage	1.74	1.64	1.46	1.39	1.43	
	Financial leverage	1	1	1	1	1	

The increase in interest coverage ratio was mainly due to the increase in net income before tax.

The increase in the pre-tax income to paid-in capital ratio was mainly due to the increase in net income before tax.

The increase in net margin was mainly due to the increase in profit after tax.

The increase in earnings per share was mainly due to the increase in profit after tax.

The increase in cash flow ratio was mainly due to the increase in net cash flow from operating activities.

The increase in cash flow reinvestment ratio was mainly due to the increase in net cash flow from operating activities.

The formula is as follows:

1. Financial structure

(1) Debt ratio = Total liabilities/Total assets.

(2) Ratio of long-term capital to property, plant, and equipment = (Total equity + Non-current liabilities)/Net value of property, plant, and equipment.

2. Solvency

(1) Current ratio = Current assets/Current liabilities.

(2) Quick ratio = (Current assets - Inventories - Prepaid expenses)/Current liabilities.

(3) Interest coverage ratio = Income before tax and interest expenses/Interest expenses.

3. Management ability

(1) Accounts receivable (including accounts receivable and notes receivable generated from operations) turnover rate = Net sales/Average balance of accounts receivable (including accounts receivable and notes receivable generated from operations) for each period.

(2) Average collection days = 365/Accounts receivable turnover rate.

(3) Inventory turnover rate = Cost of goods sold/Average inventories.

(4) Accounts payable (including accounts payable and notes payable generated from operations) turnover rate = Cost of goods sold/Average balance of accounts payable (including accounts payable and notes payable generated from operations) for each period.

(5) Average inventory turnover days = 365/Inventory turnover rate.

(6) Property, plant, and equipment turnover rate = Net sales/Average net property, plant, and equipment.

(7) Total assets turnover rate = Net sales/Average total assets.

4. Profitability

(1) Return on assets (ROA) = [Income after tax + Interest expenses x (1 - Tax rate)]/Average total assets.

(2) Return on equity (ROE) = Income after tax/Average total equity.

(3) Net profit margin = Income after tax/Net sales.

(4) Earnings per share (EPS) = (Income attributable to owners of the parent - Preferred stock dividends)/Weighted average number of shares issued.

5. Cash Flow

(1) Cash flow ratio = Net cash flows generated from operating activities/Current liabilities.

(2) Cash flow adequacy ratio = Five-year sum of net cash flows generated from operating activities/Five-year sum of capital expenditure, inventory additions and cash dividends).

(3) Cash reinvestment ratio = (Net cash flows from operating - cash dividends)/(Gross amount of property, plant, and equipment + Long term investment + Other non-current assets + Working capital).

6. Leverage:

(1) Operating leverage = (net operating revenue - variable operating costs and expenses) / operation income.

(2) Financial leverage = operating income / (operating income - interest expenses).

III. Audit Report of the Audit Committee

Largan Precision Co., Ltd.
Audit Report of the Audit Committee

We hereby approve

The Board of Directors has prepared the Company's 2022 Business Report, Financial Statements and Dividend Distribution Proposal, among which the financial statements (including Parent Only Financial Statements and Consolidated Financial Statements) have been audited and completed by KPMG Taiwan. The Audit Committee has reviewed and verified the Financial Statements along with the Business Report and Earnings Distribution Proposal and found them to be compliant with applicable regulations. We hereby produce this report in accordance with Article 14-4 of the Security and Exchange Act and Article 219 of the Company Act for your review.

The above is respectfully submitted to

Largan Precision Co., Ltd. 2023 Annual General Shareholders' Meeting

Chair of Audit Committee: Shan-Chieh Yen

February 20, 2023

IV. Consolidated Financial Statements of the Most Recent Year with Independent Auditors'
Report and Notes

Representation Letter

The entities that are required to be included in the combined financial statements of Largan Precision Co., Ltd. as of and for the year ended December 31, 2022 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Largan Precision Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Largan Precision Co., Ltd.
Chairman: En-Ping Lin
Date: February 20, 2023

Independent Auditors' Report

To the Board of Directors of Largan Precision Co., Ltd.:

Opinion

We have audited the consolidated financial statements of Largan Precision Co., Ltd. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, the consolidated statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

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

Inventory valuation

Please refer to Note 4(h), Note 5, and Note 6(f) for accounting policies, uncertainty of accounting estimates and assumptions, and related disclosures for inventory valuation.

Description of key audit matter:

Inventories are stated at the lower of cost or net realizable value. With the rapid development of technology, and significant changes in market demand, the severe volatility to sales may lead to risks, wherein the costs of inventories may exceed its net realizable values. Therefore, the valuation of inventories has been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures include obtaining an inventory aging report, analyzing the movement of inventory aging and evaluating the reasonableness of the Group's accounting policies, such as allowance for inventory valuation and obsolescence; performing a retrospective test of the Group's historical accuracy of judgments with reference to inventory valuation and comparing with the current period to evaluate the appropriateness of the estimation and assumptions used; examining whether the valuation of inventories is in compliance with the accounting policies of the Group; understanding the basis of the selling price the management used to ensure the reasonableness of net realizable value of inventories; reviewing sales in the subsequent period, as well as assessing the basis of the net realizable value the Group used to determine the sufficiency of allowance of inventories and whether the related disclosures are appropriate.

Other Matter

The Company has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2022 and 2021, on which we have issued an unqualified opinion.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group 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 Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period 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 audit resulting in this independent auditors' report are Shyh-Huar, Kuo and Chun-Yuan, Wu.

KPMG

Taipei, Taiwan (Republic of China)
February 20, 2023

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
LARGAN PRECISION CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
Assets				
Current assets:				
1100 Cash and cash equivalents (Note 6(a) and (v))	\$ 110,171,631	60	89,149,294	51
1110 Current financial assets at fair value through profit or loss (Note 6(b) and (v))	1,542,133	1	14,369,966	8
1120 Current financial assets at fair value through other comprehensive income (Note 6(c) and (v))	2,895,791	2	2,354,263	2
1170 Accounts receivable, net (Note 6(d) and (v))	7,797,938	4	9,870,974	6
1180 Accounts receivable from related parties, net (Note 6(d), (v) and 7)	252,920	-	67,449	-
1200 Other receivables (Note 6(e) and (v))	613,162	-	315,421	-
1210 Other receivables from related parties (Note 6(e), (v) and 7)	16,664	-	17,713	-
1220 Current tax assets	86,293	-	6	-
1310 Inventories (Note 6(f))	5,190,796	3	5,707,545	3
1470 Other current assets (Note 6(k))	184,951	-	225,673	-
1476 Other current financial assets (Note 6(k), (v) and 8)	449,767	-	2,258,576	1
	<u>129,202,046</u>	<u>70</u>	<u>124,336,880</u>	<u>71</u>
Non-current assets:				
1520 Non-current financial assets at fair value through other comprehensive income (Note 6(c) and (v))	1,054,000	1	932,000	1
1550 Investments accounted for using equity method (Note 6(g))	760,100	-	439,212	-
1600 Property, plant and equipment (Note 6(h) and 7)	37,831,252	20	34,914,941	20
1755 Right-of-use assets (Note 6(i))	144,125	-	181,939	-
1780 Intangible assets (Note 6(j))	149,131	-	69,799	-
1840 Deferred tax assets (Note 6(o))	335,677	-	762,515	-
1900 Other non-current assets (Note 6(k), (v) and 8)	2,821,799	2	1,893,067	1
1980 Other non-current financial assets (Note 6(k), (v) and 8)	12,672,236	7	11,180,527	7
	<u>55,768,320</u>	<u>30</u>	<u>50,374,000</u>	<u>29</u>
Total assets	<u>\$ 184,970,366</u>	<u>100</u>	<u>174,710,880</u>	<u>100</u>
Liabilities and Equity				
Current liabilities:				
2100 Short-term borrowings (Note 6(l) and (v))	\$ 18,773	-	-	-
2150 Notes payable (Note 6(v))	-	-	1,557	-
2170 Accounts payable (Note 6(v))	1,324,570	1	1,472,075	1
2180 Accounts payable to related parties (Note 6(v) and 7)	365,582	-	205,220	-
2200 Other payables (Note 6(p) and (v))	22,956,446	12	22,321,915	13
2216 Dividends payable (Note 6(q) and (v))	-	-	4,158,346	2
2220 Other payables to related parties (Note 6(v) and 7)	1,572	-	7,130	-
2230 Current tax liabilities	4,540,279	3	4,424,489	3
2280 Current lease liabilities (Note 6(m) and (v))	57,701	-	50,492	-
2300 Other current liabilities	123,000	-	92,122	-
	<u>29,387,923</u>	<u>16</u>	<u>32,733,346</u>	<u>19</u>
Non-current liabilities:				
2570 Deferred tax liabilities (Note 6(o))	332,874	-	15,131	-
2580 Non-current lease liabilities (Note 6(m) and (v))	75,184	-	119,058	-
2600 Other non-current liabilities (Note 6(v))	4,007	-	3,630	-
2640 Net defined benefit liabilities (Note 6(n))	61,278	-	99,993	-
	<u>473,343</u>	<u>-</u>	<u>237,812</u>	<u>-</u>
	<u>29,861,266</u>	<u>16</u>	<u>32,971,158</u>	<u>19</u>
Total liabilities				
Equity:				
Equity attributable to owners of parent (Note 6(q)):				
3110 Share capital	1,334,682	1	1,341,402	1
3200 Capital surplus	1,555,120	1	1,562,914	1
3300 Retained earnings	152,651,936	82	141,877,661	81
3400 Other equity interest	(432,638)	-	(1,641,270)	(1)
3500 Treasury shares	-	-	(1,400,985)	(1)
	<u>155,109,100</u>	<u>84</u>	<u>141,739,722</u>	<u>81</u>
Total equity attributable to owners of parent				
Total liabilities and equity	<u>\$ 184,970,366</u>	<u>100</u>	<u>174,710,880</u>	<u>100</u>

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

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

	2022		2021	
	Amount	%	Amount	%
4000 Operating revenue (Note 6(s) and 7)	\$ 47,675,228	100	46,962,402	100
5000 Operating costs (Note6(f),(n),(t) and 7)	<u>21,579,583</u>	<u>45</u>	<u>18,813,768</u>	<u>40</u>
	26,095,645	55	28,148,634	60
5920 Realized (unrealized) profit from sales	<u>(12,971)</u>	-	<u>1,017</u>	-
5900 Gross profit from operations	<u>26,082,674</u>	<u>55</u>	<u>28,149,651</u>	<u>60</u>
6000 Operating expenses (Note6(n),(t) and 7)				
6100 Selling expenses	399,416	1	369,013	1
6200 Administrative expenses	1,145,167	2	1,030,627	2
6300 Research and development expenses	<u>4,153,972</u>	<u>9</u>	<u>3,601,890</u>	<u>8</u>
Total operating expenses	<u>5,698,555</u>	<u>12</u>	<u>5,001,530</u>	<u>11</u>
6900 Operating income	<u>20,384,119</u>	<u>43</u>	<u>23,148,121</u>	<u>49</u>
7000 Non-operating income and expenses:				
7100 Interest income (Note 6(u))	1,691,901	4	950,551	2
7010 Other income (Note 6(u) and 7)	32,697	-	31,241	-
7020 Other gains and losses (Note 6(u) and 7)	5,478,828	11	(1,250,565)	(2)
7050 Finance costs (Note 6(m) and (u))	(1,768)	-	(1,947)	-
7060 Share of profit (losses) of associates accounted for using equity method, net (Note 6(g))	<u>240,925</u>	-	<u>149,209</u>	-
	<u>7,442,583</u>	<u>15</u>	<u>(121,511)</u>	-
7900 Profit before income tax	27,826,702	58	23,026,610	49
7950 Less: Income tax expenses (Note 6(o))	<u>5,201,653</u>	<u>11</u>	<u>4,355,380</u>	<u>9</u>
Profit for the period	<u>22,625,049</u>	<u>47</u>	<u>18,671,230</u>	<u>40</u>
8300 Other comprehensive income:				
8310 Components of other comprehensive income that will not be reclassified to profit or loss				
8311 Remeasurements of defined benefit obligation	12,951	-	(7,378)	-
8316 Unrealized (losses) gains on investments in equity instruments measured at fair value through other comprehensive income	(3,811)	-	344,093	1
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	<u>9,140</u>	-	<u>336,715</u>	<u>1</u>
8360 Components of other comprehensive income that will be reclassified to profit or loss				
8361 Exchange differences on translation of foreign financial statements	1,302,402	3	(239,550)	(1)
8367 Unrealized losses on investments in debt instruments measured at fair value through other comprehensive income	(89,959)	-	-	-
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	<u>1,212,443</u>	<u>3</u>	<u>(239,550)</u>	<u>(1)</u>
Other comprehensive income for the period, net of tax	<u>1,221,583</u>	<u>3</u>	<u>97,165</u>	-
8500 Total comprehensive income for the period	<u>\$ 23,846,632</u>	<u>50</u>	<u>18,768,395</u>	<u>40</u>
Earnings per share (NT Dollars)(Note 6(r))				
9750 Basic earnings per share	<u>\$ 169.52</u>		<u>139.28</u>	
9850 Diluted earnings per share	<u>\$ 166.89</u>		<u>137.49</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										
	Retained earnings					Other equity interest					
	Share Capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total	Treasury shares	Total equity attributable to owners of parent
Balance at January 1, 2021	\$ 1,341,402	1,560,586	18,846,081	2,141,576	118,658,326	139,645,983	(1,747,237)	1,424	(1,745,813)	-	140,802,158
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	3,288,222	-	(3,288,222)	-	-	-	-	-	-
Special reserve	-	-	-	(620,194)	620,194	-	-	-	-	-	-
Cash dividends of common stock	-	-	-	-	(16,432,174)	(16,432,174)	-	-	-	-	(16,432,174)
Other changes in capital surplus	-	2,328	3,288,222	(620,194)	(19,100,202)	(16,432,174)	-	-	-	-	(16,432,174)
Profit for the period	-	-	-	-	18,671,230	18,671,230	-	-	-	-	18,671,230
Other comprehensive income for the period	-	-	-	-	(7,378)	(7,378)	(239,550)	344,093	104,543	-	97,165
Total comprehensive income for the period	-	-	-	-	18,663,852	18,663,852	(239,550)	344,093	104,543	-	18,768,395
Purchase of treasury share	-	-	-	-	-	-	(1,986,787)	-	-	(1,400,985)	(1,400,985)
Balance at December 31, 2021	\$ 1,341,402	1,562,914	22,134,303	1,521,382	118,221,976	141,877,661	(1,986,787)	345,517	(1,641,270)	(1,400,985)	141,739,722
Balance at January 1, 2022	\$ 1,341,402	1,562,914	22,134,303	1,521,382	118,221,976	141,877,661	(1,986,787)	345,517	(1,641,270)	(1,400,985)	141,739,722
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	1,038,866	-	(1,038,866)	-	-	-	-	-	-
Special reserve	-	-	-	119,888	(119,888)	-	-	-	-	-	-
Cash dividends of common stock	-	-	-	-	(10,477,254)	(10,477,254)	-	-	-	-	(10,477,254)
Profit for the period	-	-	1,038,866	119,888	(11,636,008)	(10,477,254)	-	-	-	-	(10,477,254)
Other comprehensive income for the period	-	-	-	-	22,625,049	22,625,049	-	-	-	-	22,625,049
Total comprehensive income for the period	-	-	-	-	12,951	12,951	1,302,402	(93,770)	1,208,632	-	1,221,583
Retirement of treasury stock	(6,720)	(7,794)	-	-	(1,386,471)	(1,386,471)	-	(93,770)	1,208,632	1,400,985	23,846,632
Balance at December 31, 2022	\$ 1,334,682	1,555,120	23,173,169	1,641,270	127,837,497	152,651,936	(684,385)	251,747	(432,638)	-	155,109,100

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
LARGAN PRECISION CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from operating activities:		
Profit before income tax	\$ 27,826,702	23,026,610
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	5,031,301	4,649,925
Amortization expense	86,982	95,046
Interest expense	1,768	1,947
Interest income	(1,691,901)	(950,551)
Dividend income	(8,326)	-
Share of profit of associates accounted for using equity method	(240,925)	(149,209)
Losses (profit) on disposal of property, plant and equipment	68	(3,992)
Unrealized foreign exchange (gain) loss	(70,568)	3,498
Unrealized (realized) profit from sales	12,971	(1,017)
Property, plant and equipment transferred to expenses	400	-
Other	-	(900)
Total adjustments to reconcile profit	3,121,770	3,644,747
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in financial assets mandatorily measured at fair value through profit or loss	12,827,833	(1,162,555)
Decrease in notes receivable	-	9,345
Decrease in accounts receivable (including from related parties)	1,887,565	1,218,337
Decrease (increase) in inventories	516,749	(1,681,125)
Decrease in other current assets	75,968	762,674
Total changes in operating assets	15,308,115	(853,324)
Changes in operating liabilities:		
(Decrease) increase in notes payable	(1,557)	684
Increase in accounts payable (including to related parties)	12,857	76,985
Increase in other current liabilities	1,059,088	391,773
Decrease in net defined benefit liabilities	(25,764)	(16,654)
Total changes in operating liabilities	1,044,624	452,788
Total changes in operating assets and liabilities	16,352,739	(400,536)
Cash inflow generated from operations	47,301,211	26,270,821
Interest received	1,363,321	958,044
Dividends received	8,326	-
Interest paid	(1,768)	(1,947)
Income taxes paid	(4,464,005)	(6,349,124)
Net cash flows from operating activities	44,207,085	20,877,794
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(672,609)	(2,916,273)
Acquisition of investments accounted for using equity method	(87,000)	(17,600)
Acquisition of property, plant and equipment	(8,256,989)	(5,909,190)
Proceeds from disposal of property, plant and equipment	505	59,015
(Increase) decrease in refundable deposits	(46)	616,436
Increase in other non-current assets	(928,686)	(668,563)
Acquisition of intangible assets	(165,128)	(47,030)
Acquisition of right-of-use assets	-	(410)
Decrease in other financial assets	317,100	1,740,459
Net cash flows used in investing activities	(9,792,853)	(7,143,156)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	18,819	(252,007)
Increase (decrease) in guarantee deposits received	377	(136)
Payment of lease liabilities	(56,272)	(45,400)
Cash dividends paid	(14,635,600)	(12,273,828)
Payments to acquire treasury shares	-	(1,400,985)
Overdue dividend transferred to capital surplus	-	2,328
Net cash flows used in financing activities	(14,672,676)	(13,970,028)
Effect of exchange rate changes on cash and cash equivalents	1,280,781	(236,588)
Net increase (decrease) in cash and cash equivalents	21,022,337	(471,978)
Cash and cash equivalents at beginning of period	89,149,294	89,621,272
Cash and cash equivalents at end of period	\$ 110,171,631	89,149,294

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
LARGAN PRECISION CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

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

(1) Company history

Largan Precision Co., Ltd. (the “Company”) was incorporated in April 1987 as a company limited by shares under the Company Act of the Republic of China (R.O.C.). The registered address is No.11, Jingke Rd., Nantun Dist., Taichung City 40852, Taiwan (R.O.C.). The major business activities of the Company and subsidiaries (together referred to as the “Group”) are the design, manufacture and sale of lens for perspective mirror, camera, single and double binoculars, fax machine, microscope and scanner etc. Please refer to note 14.

The Company's common shares were listed on the Taiwan Stock Exchange (TWSE) in March 2002.

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

These consolidated financial statements were authorized for issue by the Board of Directors on February 20, 2023.

(3) New standards, amendments and interpretations adopted:

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its consolidated financial statements:

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

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	After reconsidering certain aspects of the 2020 amendments ¹ , new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability’s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.	January 1, 2024

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

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

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(4) Summary of significant accounting policies

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

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

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the Financial Supervisory Commission, R.O.C.

(b) Basis of preparation

(i) Basis of measurement

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

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value.

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprised of the Company and its subsidiaries. The Group accounted an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its control over the entity.

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that the control ceases. Intra-group balances and transactions, and any unrealized income and expenses arising from intra- group transactions, are eliminated in preparing the consolidated financial statements. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Accounting policies of subsidiaries have been adjusted to ensure consistency with the policies adopted by the Group.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any differences between the Group's share of net assets before and after the change, and any considerations received or paid, are adjusted to or against the Group reserves.

(ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Percentage of Ownership		
			December 31, 2022	December 31, 2021	
The Company	Largan (Hong Kong) Limited. (Largan Hong Kong)	Investment	100%	100%	
The Company	Astro International Ltd. (Astro)	Investment	100%	100%	
Astro	Amtai International Ltd. (Amtai)	Sales of optical components	100%	100%	
Astro	Net International Trading Ltd. (Net)	Investment	100%	100%	
Net	Largan (Dongguan) Optronic Ltd. (Largan Dongguan)	Manufacture of optical components	100%	100%	
The Company	Largan Industrial Optics Co., Ltd. (Largan Industrial Optics)	Manufacturing of optical instruments	100%	100%	(Note)
Largan Industrial Optics	Fang Yuan Co., Ltd. (Fang Yuan)	Investment	100%	100%	

Note : The subsidiary was originally named Ba Fang Co., Ltd., and changed its name to Largan Industrial Optics Co., Ltd. on June 23, 2021.

(iii) Subsidiaries excluded from consolidation:

Name of investor	Name of subsidiary	Principal activity	Percentage of Ownership	
			December 31, 2022	December 31, 2021
The Company	Largan Digital Co., Ltd. (Largan Digital)	Manufacture of image capture device, image reader, camera and player	49.37%	49.37%
The Company	Largan Health AI-Tech Co., Ltd. (Largan Health AI-Tech)	Sales of medical equipment	88.00%	88.00%

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Company has the ability to control over Largan Digital and Largan Health AI-Tech. However, based on material consideration the total assets and operating revenue of Largan Digital and Largan Health AI-Tech account for a small proportion of the total assets and operating revenue of the Group, Largan Digital and Largan Health AI-Tech respectively; therefore, they are excluded from the consolidation.

(d) Foreign currency

(i) Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for an investment in equity securities designated as at fair value through other comprehensive income, which are recognized in other comprehensive income.

(ii) Foreign operations

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

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

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

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

- (i) It expected to be realized, or intended to be sold or consumed, in its normal operating cycle;
- (ii) It holds primarily for the purpose of trading;
- (iii) It expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent, unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

- (i) It is expected to settle in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(f) Cash and cash equivalents

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

(g) Financial instruments

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

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at amortized cost; fair value through other comprehensive income (FVOCI); or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL :

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

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

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

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

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

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

4) Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes :

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated — e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, and are consistent with the Group's continuing recognition of the assets.

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LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
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Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

5) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial assets on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers :

- contingent events that would change the amount or timing of cash flows ;
- terms that may adjust the contractual coupon rate, including variable rate features ;
- prepayment and extension features ; and
- terms that limit the Group’s claim to cash flows from specified assets (e.g. non-recourse features)

6) Impairment of financial assets

The Group recognizes its loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivables, guarantee deposit paid and other financial assets) and debt investments measured at FVOCI.

The Group measures its loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL :

- debt securities that are determined to have low credit risk at the reporting date ; and
- other debt securities and bank balances for which the credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 180 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 360 days past due or the debtor is unlikely to fully pay its credit obligations to the Group.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be twA or higher per Taiwan Ratings'.

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

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

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

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

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

- significant financial difficulty of the borrower or issuer ;
- a breach of contract such as a default or being more than 360 days past due ;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider ;
- it is probable that the borrower will enter bankruptcy or other financial reorganization ; or

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LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
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- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

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

7) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instrument

1) Classification of debt or equity

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

2) Equity instrument

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

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

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LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
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4) **Financial liabilities**

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

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

5) **Derecognition of financial liabilities**

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

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

6) **Offsetting of financial assets and liabilities**

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

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

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

(i) Investment in associates

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

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

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

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

When the Group's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

(j) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent cost

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

(iii) Depreciation

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

Land is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

1) Buildings	35 ~55years
2) Machinery and equipment	2 ~ 10 years

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LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
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Plant constitutes mainly building, electromechanical power engineering and cleanroom air conditioning project. Each such part is depreciated based on its useful life of 35~55 years, 8~10 years and 8~10 years, respectively.

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

(k) Leases

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

(i) As a lessee

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be paid under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

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

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be paid under a residual value guarantee; or

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LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
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- there is a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an extension or termination option; or
- there are any lease modifications.

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

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

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

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

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

- the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2022; and
- there is no substantive change in other terms and conditions of the lease.

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

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(iii) As a lessor

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

The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

(l) **Intangible assets**

(i) Recognition and measurement

Other intangible assets are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

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

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

Computer software cost	1~3 years
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Amortization methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

(m) **Impairment of non-financial assets**

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

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

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LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
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The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

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

(n) **Provisions**

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

(o) **Revenue**

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

1) Sale of goods

The Group manufactures and sells various multiples lens to mobile phone manufacturers. The Group recognizes revenue when control of the products has been transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

2) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

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LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
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(ii) **Contract costs**

1) **Incremental costs of obtaining a contract**

The Group recognizes as an asset the incremental costs of obtaining a contract with a customer if the Group expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Group applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

2) **Costs to fulfil a contract**

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Group recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

For general and administrative costs, costs of wasted materials, labor or other resources to fulfil the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Group cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations (or partially satisfied performance obligations), the Group recognizes these costs as expenses when incurred.

(p) **Employee benefits**

(i) **Defined contribution plans**

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) **Defined benefit plans**

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

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

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

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

(iii) Short-term employee benefits

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

(q) **Income taxes**

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

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

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

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

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

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

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

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intends to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(r) **Earnings per share**

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

(s) **Operating segments**

An operating segment is a component of the Group that engages in business activities from which it may incur revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

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LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
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(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

In preparing these consolidated financial statements, management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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

Information about judgments made in applying the accounting policies that have the most significant effects on the amounts recognized in the parent company only financial statements is as follows:

Judgment of whether the Group has substantive control over its investees

Although the Group owns 54.72% shareholding of Photonicore Technologies Co., Ltd., the Group has not obtained a majority of the directors of Photonicore Technologies Co., Ltd, nor does it have control over its operational activities. Therefore, it is determined that the Group has no control over Photonicore Technologies Co., Ltd.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

Valuation of inventories

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

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Petty cash and cash on hand	\$ 859	758
Demand deposits	4,731,036	4,817,150
Time deposits	<u>105,439,736</u>	<u>84,331,386</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 110,171,631</u>	<u>89,149,294</u>

Please refer to note 6(v) for the exchange rate risk and sensitivity analysis of the financial assets and liabilities of the Group.

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LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	December 31, 2022	December 31, 2021
Mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Stocks unlisted in domestic markets	\$ -	-
Beneficiary Certificate-open-end funds	1,542,133	14,369,966
Total	\$ 1,542,133	14,369,966

For market risk, please refer to note 6(v).

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

	December 31, 2022	December 31, 2021
Debt investments at fair value through other comprehensive income		
<u>Current</u>		
Corporate bonds	\$ 926,959	772,541
Equity investments at fair value through other comprehensive income		
<u>Current</u>		
Domestic Company	\$ 1,968,832	1,581,722
<u>Non-Current</u>		
Domestic Company Private Equity	\$ 1,054,000	932,000

(i) Debt investments at fair value through other comprehensive income

The Group has assessed that the following securities were held within a business model whose objective was achieved by both collecting the contractual cash flows and by selling securities. Therefore, they have been classified as debt investments at fair value through other comprehensive income.

(ii) Equity investments at fair value through other comprehensive income

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

On March 9, 2021, the Group subscribed for 20,000 thousand private ordinary shares of ABILITY OPTO-ELECTRONICS TECHNOLOGY CO., LTD. with a resolution of the Board of Directors, and the transaction amount was \$598,400 thousand.

On October 22, 2021, the Group obtained 25,200 thousand preferred shares issued by Fubon Financial Holding Co., Ltd., and the transaction amount was \$1,512,000 thousand.

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LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments as of December 31, 2022 and 2021.

- (iii) For market risk, please refer to note 6(v).
- (iv) As of December 31, 2022 and 2021, the financial assets at fair value through other comprehensive income of the Group had not been pledged as collateral for long-term borrowing.

(d) **Accounts receivable**

	December 31, 2022	December 31, 2021
Accounts receivable-measured as amortized cost	\$ 7,801,581	9,874,480
Accounts receivable from related parties-measured as amortized cost	252,920	67,449
Less: loss allowance	<u>(3,643)</u>	<u>(3,506)</u>
	<u>\$ 8,050,858</u>	<u>9,938,423</u>

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

	December 31, 2022		
	Gross carrying amount	Weighted- average loss rate	Loss allowance
Current	\$ 7,891,293	-	-
No more than 180 days past due	<u>163,208</u>	2.2321 %	<u>3,643</u>
	<u>\$ 8,054,501</u>		<u>3,643</u>
	December 31, 2021		
	Gross carrying amount	Weighted- average loss rate	Loss allowance
Current	\$ 9,439,377	-	-
No more than 180 days past due	<u>502,552</u>	0.6976 %	<u>3,506</u>
	<u>\$ 9,941,929</u>		<u>3,506</u>

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

	For the years ended December 31,	
	2022	2021
Balance at January 1	\$ 3,506	3,542
Foreign exchange gains (losses)	<u>137</u>	<u>(36)</u>
Balance at December 31	<u>\$ 3,643</u>	<u>3,506</u>

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LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The accounts receivable of the Group had not been pledged as collateral as of December 31, 2022 and 2021.

For further credit risk information, please refer to note 6(v).

(e) **Other receivables**

	December 31, 2022	December 31, 2021
Other receivables-Interest receivables	\$ 480,701	148,763
Other receivables-Tax receivables	112,196	131,129
Other receivables-Others	20,265	35,529
Other receivables-Related parties	16,664	17,713
	<u>\$ 629,826</u>	<u>333,134</u>

For further credit risk information, please refer to note 6(v).

(f) **Inventories**

	December 31, 2022	December 31, 2021
Finished goods	\$ 3,083,957	3,841,598
Work in progress	531,966	502,986
Raw materials	1,435,528	1,255,092
Supplies	138,225	106,764
Merchandise inventory	1,120	1,105
	<u>\$ 5,190,796</u>	<u>5,707,545</u>

For the years ended December 31, 2022 and 2021, the amounts of inventories that were charged to cost of sales, and the net of provisions that were charged to cost of sales in the consolidated statement of comprehensive income for inventories written down to net realizable value, were \$331,068 thousand and \$192,064 thousand, respectively.

As of December 31, 2022 and 2021, the Group did not provide any inventories as collateral for its loans.

(g) **Investments accounted for using equity method**

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

	December 31, 2022	December 31, 2021
Subsidiaries	\$ 687,311	439,212
Associates	72,789	-
	<u>\$ 760,100</u>	<u>439,212</u>

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LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

In 2022 and 2021, the Group's shares on the net income of its subsidiaries and associates was as follows:

	2022	2021
The Group's shares on the net income of its subsidiaries	\$ 255,136	149,209
The Group's shares on the net income of its associates	(14,211)	-
	\$ 240,925	149,209

- (i) The Group's participated in the cash capital increase of Photonicore Technologies Co.,Ltd. in April 2022, with an investment amount of \$87,000 thousand, and obtained 54.72% shareholding of Photonicore Technologies Co., Ltd.
- (ii) The Group's investments accounted for its subsidiaries and assocaites were unquoted.
- (iii) As of December 31, 2022 and 2021, the Group did not provide any investment accounted for using equity method as collaterals for its loans.

(h) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group in 2022 and 2021, were as follows:

	Land	Building and construction	Machinery and equipment	Transportation equipment	Office equipment and other facilities	Rental assets	Construction in progress and testing equip	Total
Cost or deemed cost:								
Balance on January 1, 2022	\$ 8,220,803	6,675,089	29,825,889	27,122	14,617,927	54,898	2,344,803	61,766,531
Additions	988,230	42,047	2,874,418	494	915,861	-	3,068,116	7,889,166
Disposal	-	(366)	(2,831,174)	(482)	(141,917)	-	-	(2,973,939)
Reclassification	-	2,506	303,501	-	229,880	-	(537,476)	(1,589)
Effect of movements in exchange rates	-	5,133	424	57	2,017	-	-	7,631
Balance on December 31, 2022	\$ 9,209,033	6,724,409	30,173,058	27,191	15,623,768	54,898	4,875,443	66,687,800
Balance on January 1, 2021	\$ 8,220,803	6,633,847	26,759,579	23,597	13,060,755	54,898	1,418,814	56,172,293
Additions	-	8,574	3,069,433	5,794	1,162,583	-	1,542,000	5,788,384
Disposal	-	(721)	(166,146)	(3,377)	(13,767)	-	-	(184,011)
Reclassification	-	35,909	164,624	1,136	409,321	-	(616,011)	(5,021)
Effect of movements in exchange rates	-	(2,520)	(1,601)	(28)	(965)	-	-	(5,114)
Balance on December 31, 2021	\$ 8,220,803	6,675,089	29,825,889	27,122	14,617,927	54,898	2,344,803	61,766,531
Depreciation and impairment loss:								
Balance on January 1, 2022	\$ -	1,182,743	16,929,927	17,232	8,699,633	22,055	-	26,851,590
Depreciation for the year	-	192,606	3,224,488	2,860	1,553,343	406	-	4,973,703
Disposal	-	(366)	(2,830,601)	(482)	(141,917)	-	-	(2,973,366)
Effect of movements in exchange rates	-	3,155	(484)	53	1,897	-	-	4,621
Balance on December 31, 2022	\$ -	1,378,138	17,323,330	19,663	10,112,956	22,461	-	28,856,548
Balance on January 1, 2021	\$ -	988,132	14,086,027	18,187	7,267,690	21,649	-	22,381,685
Depreciation for the year	-	196,843	2,959,872	2,444	1,442,817	406	-	4,602,382
Disposal	-	(721)	(114,895)	(3,377)	(9,995)	-	-	(128,988)
Reclassification	-	-	-	-	-	-	-	-
Effect of movements in exchange rates	-	(1,511)	(1,077)	(22)	(879)	-	-	(3,489)
Balance on December 31, 2021	\$ -	1,182,743	16,929,927	17,232	8,699,633	22,055	-	26,851,590

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
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	Land	Building and construction	Machinery and equipment	Transportation equipment	Office equipment and other facilities	Rental assets	Construction in progress and testing equip	Total
Carrying amounts:								
Balance on December 31, 2022	\$ 9,209,033	5,346,271	12,849,728	7,528	5,510,812	32,437	4,875,443	37,831,252
Balance on January 1, 2021	\$ 8,220,803	5,645,715	12,673,552	5,410	5,793,065	33,249	1,418,814	33,790,608
Balance on December 31, 2021	\$ 8,220,803	5,492,346	12,895,962	9,890	5,918,294	32,843	2,344,803	34,914,941

In 2013, the Company acquired a piece of land, for the expansion of its factory, amounting to \$120,086 thousand, which was recognized under property, plant and equipment. The title of the said land cannot be transferred to the Company due to its classification. Therefore, it was registered under the name of a different person. To ensure the right of both parties (including that of the Company's shareholders), the two parties entered into an agreement, with the notarization of the court. In the future, the Company will file an application to the relevant authorities, and go through proper procedures, for the land to be reclassified in order to make it possible for the deed to be transferred to the Company.

(i) **Right-of-use assets**

The Group leases many assets including land, buildings and constructions. Information about leases for which the Group has been a lessee is presented below:

	Land	Building and construction	Total
Cost:			
Balance at January 1, 2022	\$ 13,272	283,371	296,643
Additions	-	19,607	19,607
Effect of movement in exchange rate	196	-	196
Balance at December 31, 2022	\$ 13,468	302,978	316,446
Balance at January 1, 2021	\$ 13,369	251,630	264,999
Additions	-	66,689	66,689
Disposal	-	(34,948)	(34,948)
Effect of movement in exchange rate	(97)	-	(97)
Balance at December 31, 2021	\$ 13,272	283,371	296,643
Accumulated depreciation:			
Balance at January 1, 2022	\$ 1,414	113,290	114,704
Depreciation for the year	480	57,118	57,598
Effect of movement in exchange rate	19	-	19
Balance at December 31, 2022	\$ 1,913	170,408	172,321
Balance at January 1, 2021	\$ 950	83,864	84,814
Depreciation for the year	471	47,072	47,543
Disposal	-	(17,646)	(17,646)
Effect of movement in exchange rate	(7)	-	(7)
Balance at December 31, 2021	\$ 1,414	113,290	114,704

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LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Land</u>	<u>Building and construction</u>	<u>Total</u>
Carrying amount:			
Balance at December 31, 2022	\$ <u>11,555</u>	<u>132,570</u>	<u>144,125</u>
Balance at January 1, 2021	\$ <u>12,419</u>	<u>167,766</u>	<u>180,185</u>
Balance at December 31, 2021	\$ <u>11,858</u>	<u>170,081</u>	<u>181,939</u>

(j) **Intangible assets**

The costs and amortization of the intangible assets of Group in 2022 and 2021, were as follows:

	<u>Computer Software</u>
Costs:	
Balance at January 1, 2022	\$ 438,326
Additions	165,128
Disposal	(14,153)
Reclassification	1,189
Effect of movement in exchange rates	(3)
Balance at December 31, 2022	\$ <u>590,487</u>
Balance at January 1, 2021	\$ 401,408
Additions	47,030
Disposal	(15,128)
Reclassification	5,021
Effect of movement in exchange rates	(5)
Balance at December 31, 2021	\$ <u>438,326</u>
Amortization:	
Balance at January 1, 2022	\$ 368,527
Amortization for the year	86,982
Disposal	(14,153)
Balance at December 31, 2022	\$ <u>441,356</u>
Balance at January 1, 2021	\$ 288,614
Amortization for the year	95,046
Disposal	(15,128)
Effect of movement in exchange rates	(5)
Balance at December 31, 2021	\$ <u>368,527</u>
Carrying value:	
Balance at December 31, 2022	\$ <u>149,131</u>
Balance at January 1, 2021	\$ <u>112,794</u>
Balance at December 31, 2021	\$ <u>69,799</u>

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LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The following amortizations of intangible assets are included in the statement of comprehensive income:

	<u>2022</u>	<u>2021</u>
Operating cost	\$ 8,783	4,504
Operating expense	78,199	90,542
	<u>\$ 86,982</u>	<u>95,046</u>

(k) **Other current assets, other current financial assets, other non-current financial assets and other non-current assets**

The other current assets, other current financial assets, other non-current financial assets and other non-current assets of the Group were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other current financial assets	\$ 449,767	2,258,576
Other current assets	184,951	225,673
Other non-current financial assets	12,672,236	11,180,527
Refundable deposits	23,460	23,414
Prepayment for equipment	2,797,079	1,869,653
Other non-current assets	1,260	-
	<u>\$ 16,128,753</u>	<u>15,557,843</u>

- (i) Other current (non-current) financial assets were restricted deposits and bank account for repatriation of offshore fund, which were pledged as collateral; please refer to note 8.
- (ii) Other current assets were prepayment for purchases payments.
- (iii) Refundable deposits had been pledged as collateral; please refer to note 8.
- (iv) For further credit risk information, please refers to note 6 (v).

(l) **Short-term borrowings**

The short-term borrowings were summarized as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Letters of credit	\$ 18,773	-
Unused credit Lines	\$ 2,581,227	2,600,000
Range of interest rates	<u>0.44%~5.90%</u>	<u>0.45%~1.10%</u>

(m) **Lease liabilities**

The carrying amounts of the Group's lease liabilities were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current	\$ 57,701	50,492
Non-current	\$ 75,184	119,058

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

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LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The amounts recognized in profit or loss were as follows:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Interest on lease liabilities	<u>\$ 1,768</u>	<u>1,947</u>
Variable lease payments not included in the measurement of lease liabilities	<u>\$ 66</u>	<u>61</u>
Expenses relating to leases of low-value assets	<u>\$ 319</u>	<u>303</u>
COVID-19-related rent concessions (recognized as other income)	<u>\$ -</u>	<u>735</u>

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

	For the year ended December 31, 2022	For the year ended December 31, 2021
Total cash outflow for leases	<u>\$ 58,425</u>	<u>47,711</u>

(i) Real estate leases

The Group leases land and buildings for its factory space. The leases of factory space typically run for 3 to 5 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(ii) Other leases

The Group leases photocopying equipment, these leases are leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(n) **Employee benefits**

(i) Defined benefit plans

Reconciliation of the defined benefit obligations at present value and plan asset at fair value is as follows:

	December 31, 2022	December 31, 2021
Present value of the defined benefit obligations	<u>\$ 151,971</u>	<u>175,751</u>
Fair value of plan assets	<u>(90,693)</u>	<u>(75,758)</u>
Net defined benefit liability	<u>\$ 61,278</u>	<u>99,993</u>

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LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

1) Composition of plan assets

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

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$90,693 thousand at the end of the reporting period. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations of the Company were as follows:

	<u>2022</u>	<u>2021</u>
Defined benefit obligations at January 1	\$ 175,751	167,568
Benefit paid by the plan	(18,306)	(1,738)
Current service costs and interest cost (income)	1,827	1,797
Remeasurements loss (gain):		
-Financial assumptions	<u>(7,301)</u>	<u>8,124</u>
Defined benefit obligations at December 31	<u>\$ 151,971</u>	<u>175,751</u>

3) Movements of the fair value of defined benefit plan assets

The movements in the fair value of the defined benefit plan assets of the Company were as follows:

	<u>2022</u>	<u>2021</u>
Fair value of plan assets at January 1	\$ 75,758	58,299
Contributions paid by the employer	14,338	18,096
Benefits paid from plan assets	(5,534)	(1,738)
Interest income	481	355
Remeasurements loss (gain):		
- Return on plan assets excluding interest income	<u>5,650</u>	<u>746</u>
Fair value of plan assets at December 31	<u>\$ 90,693</u>	<u>75,758</u>

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LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
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4) Expenses recognized in profit or loss

The expenses recognized in profits or losses for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Current service costs	\$ 607	634
Net interest of net liabilities for the defined benefit obligations	1,220	1,163
Plan assets interest income	<u>(481)</u>	<u>(355)</u>
	<u><u>\$ 1,346</u></u>	<u><u>1,442</u></u>
Operating Costs	\$ 990	1,076
Selling expenses	12	12
Administrative expenses	57	60
Research and development expenses	<u>287</u>	<u>294</u>
	<u><u>\$ 1,346</u></u>	<u><u>1,442</u></u>
Return on plan assets	<u><u>\$ 6,131</u></u>	<u><u>1,102</u></u>

5) Remeasurement in net defined benefit liability recognized in other comprehensive income

The Company's remeasurement in the net defined benefit liability recognized in other comprehensive income for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Accumulated amount at January 1	\$ 85,096	77,718
Recognized during the period	<u>(12,951)</u>	<u>7,378</u>
Accumulated amount at December 31	<u><u>\$ 72,145</u></u>	<u><u>85,096</u></u>

6) Actuarial assumptions

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate	2 %	0.75 %
Increase in future salary rate	2 %	2 %

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is \$3,200 thousand.

The weighted average lifetime of the defined benefit plans is 16.18 years.

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LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
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7) Sensitivity analysis

On December 31, 2022 and 2021, if the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Influences of defined benefit obligations	
	Increase0.25%	Decrease0.25%
December 31, 2022		
Discount rate	\$ (3,658)	3,797
Future salary increases rate	3,582	(3,462)
December 31, 2021		
Discount rate	\$ (4,490)	4,674
Future salary increases rate	4,420	(4,265)

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

There were no changes in the method and assumptions used in the preparation of sensitivity analysis for 2022 and 2021.

(ii) Defined contribution plans

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

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$210,820 thousand and \$206,427 thousand for the years ended December 31, 2022 and 2021, respectively.

Except for the Company, other subsidiaries adopted the defined contribution method under their local law, wherein the pension costs amounted to \$18,620 thousand and \$14,243 thousand for the years ended December 31, 2022 and 2021, respectively.

(iii) Short-term employee benefit

The Company's employee benefit liabilities were as follows:

	December 31, 2022	December 31, 2021
Compensated absences liability	\$ <u><u>125,942</u></u>	<u><u>118,988</u></u>

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LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(o) **Income taxes**

(i) Income tax expense

The components of income tax for 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Current tax expense:		
Current period	\$ 4,797,784	4,683,846
Adjustment for prior periods	(340,712)	(81,659)
Deferred tax expense :		
Origination and reversal of temporary differences	<u>744,581</u>	<u>(246,807)</u>
	<u>\$ 5,201,653</u>	<u>4,355,380</u>

Reconciliation of income tax and profit before tax for 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Profit before income tax	<u>\$ 27,826,702</u>	<u>23,026,610</u>
Income tax using the Company's domestic tax rate	5,565,340	4,605,322
Effect of tax rates in foreign jurisdiction (not applicable for separate financial statements)	147,000	132,413
Investment tax credits	(456,271)	(438,589)
Changes in unrecognized temporary differences	(323,716)	(215,975)
Gains on disposal of investment	(12,158)	(3,720)
Income tax for repatriation of overseas earnings	349,562	-
Other income tax adjustments	85,718	567
Current-year losses for which no deferred tax asset was recognized	22,542	1,464
Changes in provision in prior periods	(340,712)	(81,660)
Surtax on unappropriated earnings	<u>164,348</u>	<u>355,558</u>
Total	<u>\$ 5,201,653</u>	<u>4,355,380</u>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The consolidated entity is able to control the timing of the reversal of the temporary differences associated with the investments in subsidiaries as of December 31, 2022 and 2021. Also, the management considers it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Aggregated amount of temporary differences related to investments in subsidiaries	<u>\$ 13,406,718</u>	<u>14,438,449</u>

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LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
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2) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2022	December 31, 2021
The carryforward of unused tax losses	\$ 22,987	940

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

As of December 31, 2022, the Group's unused tax losses for which no deferred tax assets were recognized were as follows:

Year of loss	Unused tax loss	Expiry year
2021	\$ 4,700	2031
2022	110,236	2032
	\$ 114,936	

3) Recognized deferred tax assets and liabilities

Changes in the amounts of deferred tax assets and liabilities for 2022 and 2021 were as follows:

Deferred Tax Assets:

	Unrealized profit from associates	Others	Total
Balance at January 1, 2022	\$ 256,749	505,766	762,515
Recognized loss	(94,434)	(332,404)	(426,838)
Balance at December 31, 2022	\$ 162,315	173,362	335,677
Balance at January 1, 2021	\$ 164,011	345,258	509,269
Recognized profit	92,738	160,508	253,246
Balance at December 31, 2021	\$ 256,749	505,766	762,515

Deferred Tax Liabilities:

	Unrealized exchange gains	Others	Total
Balance at January 1, 2022	\$ -	15,131	15,131
Recognized profit or loss	320,511	(2,768)	317,743
Balance at December 31, 2022	\$ 320,511	12,363	332,874
Balance at January 1, 2021	\$ -	8,692	8,692
Recognized loss	-	6,439	6,439
Balance at December 31, 2021	\$ -	15,131	15,131

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LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
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4) Assessment of tax

The Company's tax returns for the years through 2020 were assessed by the Taipei National Tax Administration.

(p) **Other payables**

The other payables were summarized as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Payables on remuneration to employees, directors and supervisors	\$ 19,562,823	18,667,760
Payables for plant and equipment	1,221,063	1,565,598
Others	<u>2,172,560</u>	<u>2,088,557</u>
	<u>\$ 22,956,446</u>	<u>22,321,915</u>

(q) **Capital and other equity**

(i) Ordinary Shares

As of December 31, 2022 and 2021, the Company's authorized ordinary shares each amounted to \$2,000,000 thousand (including the amount of \$100,000 thousand allocated for the exercise of employee stock options), as well as outstanding ordinary shares amounted to \$1,334,682 thousand and \$1,341,402 thousand, respectively. All the above shares had a par value of \$10 per share.

Reconciliation of shares outstanding during 2022 and 2021 was as follows:

	<u>Ordinary Shares</u>	
(in thousands of shares)	<u>2022</u>	<u>2021</u>
Balance on January 1	133,468	134,140
Purchase of treasury shares	-	(672)
Balance on December 31	<u>133,468</u>	<u>133,468</u>

(ii) Capital Surplus

The balance of capital surplus as of December 31, 2022 and 2021 were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Additional paid-in capital	\$ 809,780	817,574
Capital surplus-premium from merger	738,155	738,155
Dividend timeout not received by shareholder	<u>7,185</u>	<u>7,185</u>
	<u>\$ 1,555,120</u>	<u>1,562,914</u>

(Continued)

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

(iii) Retained earnings

The Company's general meeting of shareholders held on August 25, 2021, and passed a resolution to amend the Company's Article of Incorporation, stipulating expressly that the Company's earnings distribution or loss appropriation may be made on a semiannually basis after the close of each semiannual.

The Company's Articles of Incorporation stipulate that Company's net earnings semiannually should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, until the accumulated legal reserve equals the Company's paid-in capital. In addition, a special reserve in accordance with applicable laws and regulations shall also be set aside.

Then, any remaining profit, together with any undistributed retained earnings, shall be distributed according to the distribution plan proposed by the Board of Directors.

When it is distributed by issuing new shares, it should be submitted to the shareholders' meeting for approval. When it is distributed in cash, it should be authorized by the Board of Directors and reported to the shareholders meeting only.

Before the distribution of dividends, the Company shall first take into consideration its operating environment, industry developments, and the long-term interests of its stockholders, as well as its programs to maintain its operating efficiency and meet its capital expenditure budget and financial goals in determining the stock or cash dividends to be paid. After the above appropriations, dividend to be distributed shall be no less than 10% of the current-year retained earnings available for distribution. The cash dividends shall not be less than 30% of the total dividends.

1) Legal reserve

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

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Special reserve

In accordance with the regulation set by the Financial Supervisory Commission, a portion of current period earnings and undistributed prior period earnings shall be reclassified as a special earnings reserve during earnings distribution. The special earnings reserve will be recognized from the profit after income tax of the current period plus other current earnings and the undistributed retained earnings of the previous period. The net reduction of other shareholders' equity accumulated in the previous period shall be recognized from the undistributed retained earnings and shall not be distributed. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions. The special reserve for the years ended December 31, 2022 and 2021, was \$1,641,270 thousand and \$1,521,382 thousand, respectively.

3) Earnings distribution

The amounts of cash dividends on the appropriations of earnings for the second half of 2021 and the first half of 2021 and 2020 had been approved during the board meeting held on February 21, 2022, October 25, 2021 and February 22, 2021, respectively.

The relevant dividend distributions to shareholders were as follows:

	<u>The second half of 2021</u>		<u>The first half of 2021</u>		<u>2020</u>	
	<u>Amount</u>	<u>Total</u>	<u>Amount</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>
	<u>per share</u>	<u>amount</u>	<u>per share</u>	<u>amount</u>	<u>amount</u>	<u>amount</u>
Dividends distributed to common shareholders:						
Cash	\$ <u>39</u>	<u>5,205,260</u>	<u>31</u>	<u>4,158,346</u>	<u>91.5</u>	<u>12,273,828</u>

The amounts of cash dividends on the appropriations of earnings for the second half of 2022 and the first half of 2022 had been approved during the Board meeting on February 20, 2023 and July 25, 2022, respectively.

The relevant dividend distributions to shareholders were as follows:

	<u>The second half of 2022</u>		<u>The first half of 2022</u>	
	<u>Amount</u>	<u>Total</u>	<u>Amount</u>	<u>Total</u>
	<u>per share</u>	<u>amount</u>	<u>per share</u>	<u>amount</u>
Dividends distributed to ordinary shareholders				
Cash	\$ <u>46</u>	<u>6,139,537</u>	<u>39.5</u>	<u>5,271,994</u>

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LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

4) Treasury shares

In accordance with the requirements under section 28(2) of the Securities and Exchange Act, the Company expected to repurchase 1,342 thousand treasury stocks, with the price ranging from \$2,025 to \$3,300 per share, in order to protect the Company's integrity and shareholders' equity during the period from October 26, 2021 to December 24, 2021. As of the expiration of the implementation period of the above shares, a total of 672 thousand shares have been repurchased, at the amount of \$1,400,985 thousand.

On February 21, 2022, the Company's Board of Directors approved the retirement of 672 thousand treasury stocks with the effective date of capital reduction on April 25, 2022.

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before their transfer.

5) Other equity interests (net-of-taxes)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income
Balance at January 1, 2022	\$ (1,986,787)	345,517
Exchange differences on foreign operations:		
The Group	1,299,427	-
Subsidiaries	2,975	-
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:		
The Group	-	(93,817)
Subsidiaries	-	47
Balance at December 31, 2022	<u>\$ (684,385)</u>	<u>251,747</u>
Balance at January 1, 2021	\$ (1,747,237)	1,424
Exchange differences on foreign operations:		
The Group	(239,072)	-
Subsidiaries	(478)	-
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:		
The Group	-	344,061
Subsidiaries	-	32
Balance at December 31, 2021	<u>\$ (1,986,787)</u>	<u>345,517</u>

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LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(r) **Earnings per share**

The calculation of basic earnings per share and diluted earnings per share for 2022 and 2021 were as follows:

	2022	2021
Basic earnings per share		
Profit of the Company for the year	\$ <u><u>22,625,049</u></u>	<u><u>18,671,230</u></u>
Weighted-average number of outstanding ordinary shares (in thousands)		
Issued ordinary shares at January 1	134,140	134,140
Effect of treasury shares held	<u>(672)</u>	<u>(84)</u>
Weighted average number of ordinary shares at December 31	<u><u>133,468</u></u>	<u><u>134,056</u></u>
	<u><u>\$ 169.52</u></u>	<u><u>139.28</u></u>
Diluted earnings per share		
Profit of the Company for the year	\$ <u><u>22,625,049</u></u>	<u><u>18,671,230</u></u>
Weighted-average number of outstanding ordinary shares (in thousands)	133,468	134,056
Effect of dilutive potential common shares (thousand shares)		
Effect of employee share bonus	<u>2,099</u>	<u>1,742</u>
Weighted-average number of ordinary shares (in thousands) (after adjustment of potential diluted ordinary shares)	<u><u>135,567</u></u>	<u><u>135,798</u></u>
	<u><u>\$ 166.89</u></u>	<u><u>137.49</u></u>

(s) **Revenue from contracts with customers**

Disaggregation of revenue

	2022	2021
Sale of goods	\$ 47,052,195	45,820,230
Other	<u>623,033</u>	<u>1,142,172</u>
	<u><u>\$ 47,675,228</u></u>	<u><u>46,962,402</u></u>

(t) **Employee compensation and directors' and supervisors' remuneration**

According to the Company's Articles of Incorporation, the Company should distribute its remuneration of not less than 1%~30% and not more than 5% of annual profits to its employees and directors respectively, after offsetting accumulated deficits, if any. Employees, including employees of affiliate companies that meet certain conditions, are subject to the abovementioned remuneration, which is to be distributed in stock or cash.

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LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
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For the year ended December 31, 2022 and 2021, the Company estimated its employee remuneration at \$4,071,461 thousand and \$3,363,086 thousand, and directors' and supervisors' remuneration at \$305,360 thousand and \$252,052 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration of employees, directors and supervisors as specified in the Company's Articles. These remunerations were expensed under operating costs or operating expenses during 2022 and 2021. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2022 and 2021.

(u) **Non-operating income and expenses**

(i) Interest income

The details of interest income for 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Interest income from bank deposits	\$ 1,681,452	947,774
Interest income from financial assets measured at fair value through other comprehensive income	<u>10,449</u>	<u>2,777</u>
	<u>\$ 1,691,901</u>	<u>950,551</u>

(ii) Other income

The details of other income for 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Rent income	\$ 19,465	15,546
Dividends income	8,326	-
Gains on technical services	<u>4,906</u>	<u>15,695</u>
	<u>\$ 32,697</u>	<u>31,241</u>

(iii) Other gains and losses

The details of other gains and losses for 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Foreign exchange gains (losses)	\$ 5,232,371	(1,473,507)
(Losses) gains on disposals of property, plant and equipment	(68)	3,992
Gains on financial assets at fair value through profit or loss	20,257	34,143
Others	<u>226,268</u>	<u>184,807</u>
	<u>\$ 5,478,828</u>	<u>(1,250,565)</u>

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LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Finance costs

The details of finance costs for 2022 and 2021 were as follows:

	2022	2021
Interest expenses	\$ 1,768	1,947

(v) **Financial Instruments**

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

To minimize credit risk, the Group periodically evaluates the Company's financial positions and the possibility of collecting accounts receivable. Besides, the Group monitors and reviews the recoverable amount of its accounts receivable to ensure the uncollectible amount are recognized appropriately as impairment loss. As of December 31, 2022 and 2021, 71% and 61%, respectively, of accounts receivable were derived from several major customers. Thus, the credit risk is significantly centralized.

3) Receivables and debt securities

For credit risk exposure of accounts receivable, please refer to note 6 (d).

Other financial assets at amortized cost includes other receivables, refundable deposits and other financial assets. Debt investments at fair value through other comprehensive income include corporate bonds. All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4 (g). Other financial assets at amortized cost and debt investments at fair value through other comprehensive income did not have impairment provision for the years ended December 31, 2022 and 2021.

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, without the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within a year	Over 1 year
December 31, 2022				
Non-derivative financial liabilities				
Short-term borrowings	\$ 18,773	18,773	18,773	-
Accounts and notes payable (including related parties)	1,690,152	1,690,152	1,690,152	-
Other payables (including related parties)	22,958,018	22,958,018	22,958,018	-
Lease liabilities-current and non-current	132,885	134,893	58,827	76,066
Guarantee deposits received	4,007	4,007	-	4,007
	\$ 24,803,835	24,805,843	24,725,770	80,073

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LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
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	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>Over 1 year</u>
December 31, 2021				
Non-derivative financial liabilities				
Accounts and notes payable (including related parties)	\$ 1,678,852	1,678,852	1,678,852	-
Other payables (including related parties)	26,487,391	26,487,391	26,487,391	-
Lease liabilities-current and non-current	169,550	173,008	52,106	120,902
Guarantee deposits received	3,630	3,630	-	3,630
	<u>\$ 28,339,423</u>	<u>28,342,881</u>	<u>28,218,349</u>	<u>124,532</u>

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

(iii) Currency risk

1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk was as follows:

	<u>December 31, 2022</u>			<u>December 31, 2021</u>		
	<u>Foreign Currency</u>	<u>Exchange Rates</u>	<u>New Taiwan Dollars</u>	<u>Foreign Currency</u>	<u>Exchange Rates</u>	<u>New Taiwan Dollars</u>
<u>Financial Assets</u>						
<u>Monetary items</u>						
USD	\$ 1,959,115	30.7100	60,164,422	1,891,388	27.680	52,353,624
JPY	1,170,938	0.2324	272,126	2,130,661	0.2405	512,424
CNY	320,817	4.4080	1,414,161	4,041,264	4.3440	17,555,253
<u>Financial Liabilities</u>						
<u>Monetary items</u>						
USD	72,003	30.7100	2,211,203	82,467	27.6800	2,282,685
JPY	140,545	0.2324	32,663	1,841,254	0.2405	442,822

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, financial assets at fair value through other comprehensive income accounts and other receivables, and accounts and other payables that are denominated in foreign currency. A strengthening (weakening) 1% of the TWD against the USD, JPY, and CNY as of December 31, 2022 and 2021 would have increased (decreased) the net profit after tax by \$476,855 thousand and \$541,566 thousand, respectively. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for both periods.

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LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
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3) Foreign exchange gain and loss on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years 2022 and 2021, the foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$5,232,371 thousand and \$(1,473,507) thousand, respectively.

(iv) Interest rate analysis

Please refer to the note on liquidity risk management and the interest rate exposure of the Group's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate which increases or decreases by 1% when reporting to the internal management, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate increases/decreases by 1%, with all other variable factors remaining constant, the Group's net income would have decreased/increased by \$150 thousand and \$0 for the years ended December 31, 2022 and 2021, respectively. This is mainly due to the Group's borrowings in variable rates.

(v) Other market price risk

For the years ended December 31, 2022 and 2021, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss with all other variable factors remaining constant as illustrated below:

	For the years ended December 31,			
	2022		2021	
	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
Prices of securities at the reporting date				
1% increase	\$ 30,228	15,421	25,137	143,700
1% decrease	\$ (30,228)	(15,421)	(25,137)	(143,700)

(vi) Fair value of financial instruments

1) Categories and fair value of financial instruments

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

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LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
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The Group uses observable market data to evaluate its assets and liabilities when it is possible. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

	December 31, 2022				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Non derivative financial assets mandatorily measured at fair value through profit or loss	\$ 1,542,133	1,542,133	-	-	1,542,133
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	1,968,832	1,968,832	-	-	1,968,832
Private equity on domestic markets	1,054,000	-	1,054,000	-	1,054,000
Corporate bonds	926,959	926,959	-	-	926,959
	<u>3,949,791</u>	<u>2,895,791</u>	<u>1,054,000</u>	<u>-</u>	<u>3,949,791</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	110,171,631	-	-	-	-
Accounts receivable and other receivables (including related parties and excluding tax receivable)	8,568,488	-	-	-	-
Other financial assets-current and non-current	13,122,003	-	-	-	-
Refundable deposits	23,460	-	-	-	-
Subtotal	<u>131,885,582</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 137,377,506</u>	<u>4,437,924</u>	<u>1,054,000</u>	<u>-</u>	<u>5,491,924</u>
Financial liabilities at amortized cost					
Short-term borrowings	\$ 18,773	-	-	-	-
Notes and accounts payable (including related parties)	1,690,152	-	-	-	-
Other payables (including related parties)	22,958,018	-	-	-	-
Lease liabilities-current and non-current	132,885	-	-	-	-
Guarantee deposits received	4,007	-	-	-	-
Total	<u>\$ 24,803,835</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
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	December 31, 2021				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Non derivative financial assets mandatorily measured at fair value through profit or loss	\$ 14,369,966	14,369,966	-	-	14,369,966
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	1,581,722	1,581,722	-	-	1,581,722
Private equity on domestic markets	932,000	-	932,000	-	932,000
Corporate bonds	772,541	772,541	-	-	772,541
	<u>3,286,263</u>	<u>2,354,263</u>	<u>932,000</u>	<u>-</u>	<u>3,286,263</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	89,149,294	-	-	-	-
Notes and accounts receivable and other receivables (including related parties and excluding tax receivable)	10,140,428	-	-	-	-
Other financial assets-current and non-current	13,439,103	-	-	-	-
Refundable deposits	23,414	-	-	-	-
Subtotal	<u>112,752,239</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 130,408,468</u>	<u>16,724,229</u>	<u>932,000</u>	<u>-</u>	<u>17,656,229</u>
Financial liabilities at amortized cost					
Notes and accounts payable (including related parties)	\$ 1,678,852	-	-	-	-
Other payables (including related parties)	26,487,391	-	-	-	-
Lease liabilities-current and non-current	169,550	-	-	-	-
Guarantee deposits received	3,630	-	-	-	-
Total	<u>\$ 28,339,423</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

2) Valuation techniques of financial instruments not measured at fair value

The Group estimates its financial instruments, that are not measured at fair value, by methods and assumption as follows:

If there is quoted price generated by transactions for financial liabilities at amortized cost, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values. In addition, if the expiration date is approaching, or the future payable or receivable price is similar to the carrying amount, the fair value shall be assumed in the carrying amount in the balance sheets.

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
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- 3) Valuation techniques for financial instruments measured at fair value.

Non-derivative financial instruments

Financial instruments traded in active markets are based on quoted market prices. The quoted price of a financial instrument obtained from main exchanges and on-the-run bonds from Taipei Exchange can be used as a basis to determine the fair value of the listed companies' equity instrument and debt instrument of the quoted price in an active market.

If a quoted price of a financial instrument can be obtained in time and often from exchanges, brokers, underwriters, industrial union, pricing institute, or authorities, and such price can reflect those actual trading and frequently happen in the market, then the financial instrument is considered to have a quoted price in an active market. If a financial instrument is not in accord with the definition mentioned above, then it is considered to be without a quoted price in an active market. In general, market with low trading volume or high bid-ask spreads is an indication of a non-active market.

The fair value of the listed common shares, funds and bonds held by the Group are determined by reference to the market quotation.

Except for the above-mentioned financial instruments with active market, measurements of fair value of financial instruments without an active market are based on a valuation technique. Privately equity of domestic companies that the Group hold was measured by the Black-Scholes put evaluation model to calculate its liquidity discount and fair value.

- 4) Transfer between Level 1 and Level 2

There were no transfers from one level to another level in 2022 and 2021.

(w) Financial risk management

- (i) Overview

The Group has exposure to the following risks from its financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

In this note expressed the information on risk exposure and objectives, policies and procedures of risk measurement and management. For detailed information, please refer to the related notes of each risk.

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Structure of risk management

The Group's finance management department provides business services for the overall internal department. It sets the objectives, policies and processes for managing the risk and the methods used to measure the risk arising from both the domestic and international financial market operations. The Group minimizes the risk exposure through derivative financial instruments. The Board of Directors regulates the use of derivative financial instruments in accordance with the Group's policy on risks arising from financial instruments such as currency risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments, and the investments of excess liquidity. The internal auditors of the Group continue to review the amount of the risk exposure in accordance with the Group's policies and the risk management's policies and procedures. The Group has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation.

(iii) Credit risk

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

1) Accounts receivable and other receivables

The Group's customers are significantly concentrated in a few customers. In order to reduce credit risk, the Group continuously evaluates the financial status of its major customers and their condition, and also regularly assesses the possibility of receivables recovery.

The Group did not have any collateral or other credit enhancement to avoid credit risk of the financial assets.

The Group has losses allowance for bad debts to reflect the estimated losses of its accounts receivable, other receivables and investments. The main components of the allowance account contain specific losses associated with individual major risks. The component, and the component of the combined loss established for the loss of a similar group of assets, has occurred but not yet identified. The loss allowance account is based on the occurring risk of a default and the rate of expected credit loss.

2) Investments

The exposure to credit risk for bank deposits, fixed income investments, and other financial instruments, is measured and monitored by the Group's finance department. The Group only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Group does not expect any of the counterparties above to fail in meeting their obligations; hence, there is no significant credit risk arising from these counterparties.

3) Guarantees

At December 31, 2022 and 2021, no other guarantees were outstanding.

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LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) **Liquidity risk**

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

(v) **Market risk**

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

1) **Currency risk**

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the New Taiwan Dollars (NTD). The currencies used in these transactions are the NTD, USD, CNY and JPY.

2) **Interest rate risk**

Please refer to note on the liquidity risk for interest rate risk of financial assets and financial liabilities.

3) **Other market price risk**

Please refer to note 6(v) for the sensitivity analysis of equity price risk.

(x) **Capital management**

The Group must maintain sufficient capital to establish and expand production capacity and equipment. Because the optical lens industry is highly subject to fluctuations in the booming cycle; the capital management of the Group is to ensure that it has sufficient and necessary financial resources to support its working capital requirements, capital expenditures, research and development activities, dividends and other business needs in the next 12 months.

(y) **Investing and financing activities not affecting current cash flow**

The Group's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2022 and 2021 were as follows:

Acquisition of right-of-use assets through lease, please refer to note 6(m).

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LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
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Reconciliation of liabilities arising from financing activities was as follows:

	January 1,2022	Cash flows	Non-cash changes			December 31,2022
			Foreign exchange movement	Acquisition	Changes in lease payments	
Short-term borrowings	\$ -	18,819	(46)	-	-	18,773
Lease liabilities-current and non-current	169,550	(56,272)	-	19,607	-	132,885
Guarantee deposits received	3,630	377	-	-	-	4,007
Total liabilities from financing activities	\$ 173,180	(37,076)	(46)	19,607	-	155,665

	January 1,2021	Cash flows	Non-cash changes			December 31,2021
			Foreign exchange movement	Acquisition	Changes in lease payments	
Short-term borrowings	\$ 249,535	(252,007)	2,472	-	-	-
Lease liabilities-current and non-current	166,565	(45,400)	-	49,285	(900)	169,550
Guarantee deposits received	3,766	(136)	-	-	-	3,630
Total liabilities from financing activities	\$ 419,866	(297,543)	2,472	49,285	(900)	173,180

(7) Related-party transactions

(a) Names and relationship with the Group

The followings are related parties that have had transactions with the Group during the periods covered in the consolidated financial statements.

<u>Name of related party</u>	<u>Relationship with the Group</u>
Largan Digital Co., Ltd. (Largan Digital)	Subsidiaries
Largan Medical Co., Ltd. (Largan Medical)	Subsidiaries
Largan Health AI-Tech Co., Ltd. (Largan Health AI-Tech)	Subsidiaries

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Significant related-party transactions

(i) Sale of goods to related parties

The amounts of significant sales and receivables by the Group to its related parties were as follows:

	<u>Sale</u>		<u>Receivables from related parties</u>	
	<u>2022</u>	<u>2021</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiaries	<u>\$ 131,614</u>	<u>189,161</u>	<u>252,920</u>	<u>67,449</u>

The sales price of the Group to its related parties is not comparable to other sales due to the differences in the sales of the goods. During 2022 and 2021, the collection terms for sales to related parties were month-end 30 to 60 days, which were not materially different from those of the third parties.

(ii) Purchases from related parties

1) The amounts of significant purchases and payables by the Group from its related parties were as follows:

	<u>Purchases</u>		<u>Payables to related parties</u>	
	<u>2022</u>	<u>2021</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiaries	<u>\$ 1,526,979</u>	<u>1,043,284</u>	<u>365,582</u>	<u>205,220</u>

The purchases price of the Group to its related parties is not comparable to other purchases due to the differences in the purchases of the goods. During 2022 and 2021, the payment terms for purchases to related parties were month-end 30 to 60 days, which were not materially different from those of the third parties.

2) During 2022 and 2021, the disposed amount of both the purchased finished goods from related parties, and the purchased part of raw materials components from the Group, were \$799,878 thousand and \$60,479 thousand, respectively, included in the consolidated financial statements.

(iii) Provides and purchase technical services to related parties

During 2022 and 2021, the Group's income from providing technical services to its related parties were as follows (classified under the other gains):

	<u>2022</u>	<u>2021</u>
Subsidiaries–Largan Medical	<u>\$ 4,906</u>	<u>15,695</u>

During 2022 and 2021, the Group's expense from technical services from its related parties were as follows (classified under the other expense):

	<u>2022</u>	<u>2021</u>
Subsidiaries–Largan Digital	<u>\$ 3,580</u>	<u>3,501</u>

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LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Purchases and disposals of property, plant and equipment

- 1) During 2022 and 2021, the Group's disposals of its equipment to its related parties are summarized as follows:

	2022			2021		
	Carrying amount	Disposal price	Gain from disposal	Carrying amount	Disposal price	Gain from disposal
Subsidiaries:						
Largan Digital	\$ 360	382	22	1,712	1,818	106
Largan Medical	87	109	22	58	73	15
	\$ 447	491	44	1,770	1,891	121

- 2) During 2022 and 2021, the Group's purchase of its equipment from its related parties are summarized as follows:

	2022	2021
Subsidiaries	\$ 23,315	48,836

- 3) During 2022 and 2021, the Group assisted its related parties to purchase other facilities as follows:

	2022	2021
Subsidiaries–Largan Digital	\$ 234,297	99,653
Subsidiaries–Largan Medical	14,685	11,667
	\$ 248,982	111,320

(v) Rental income

During 2022 and 2021, the Group's rental income on offices to the subsidiaries are summarized as follows:

	2022	2021
Subsidiaries–Largan Digital	\$ 9,881	7,646
Subsidiaries–Largan Medical	4,805	4,797
	\$ 14,686	12,443

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(vi) Other

For the years ended December 31, 2022 and 2021, the amounts of receivables and payables from property transactions, rental income, technical service and other transactions, which were classified under other receivables from related parties, and other payables to related parties, are summarized as follows:

	December 31, 2022		December 31, 2021	
	other receivables from related parties	other payables to related parties	other receivables from related parties	other payables to related parties
Subsidiaries:				
Largan Digital	\$ 8,233	1,032	7,165	6,891
Largan Medical	8,411	540	10,543	239
Largan Health AI-Tech	<u>20</u>	<u>-</u>	<u>5</u>	<u>-</u>
	<u>\$ 16,664</u>	<u>1,572</u>	<u>17,713</u>	<u>7,130</u>

(c) Key management personnel compensation

Key management personnel compensation comprised the following:

	2022	2021
Short-term employee benefits	\$ 227,619	225,549
Post-employment benefits	176	278
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	<u>-</u>	<u>-</u>
	<u>\$ 227,795</u>	<u>225,827</u>

(8) Pledged assets:

The carrying values of pledged assets were as follow:

Pledged assets	Pledged to secure	December 31, 2022	December 31, 2021
Time deposit (classified under other current financial assets)	Customs office deposit	\$ 10,000	10,000
Time deposit (classified under other non-current assets)	Litigation deposit	4,733	4,733
Time deposit (classified under other non-current financial assets)	Completion deposit	<u>310,001</u>	<u>310,001</u>
		<u>\$ 324,734</u>	<u>324,734</u>

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LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(9) Commitments and contingencies

- (i) As of December 31, 2022 and 2021 the Group's outstanding letters of credit were \$248,880 thousand and \$0, respectively.
- (ii) As of December 31, 2022 and 2021, the Group's outstanding purchase commitments for construction in progress, property and plant were \$23,708,638 thousand ; The amount of construction that has not yet occurred were \$17,655,879 thousand and \$20,240,049 thousand, respectively.

(10) Losses due to major disasters: None

(11) Subsequent events: None

(12) Other:

The followings are the summary statement of employee benefits, depreciation, depletion, and amortization expenses by function in the current period:

By function By item	2022			2021		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits						
Salary	5,590,531	3,696,199	9,286,730	5,078,391	3,105,543	8,183,934
Labor and health insurance	423,702	155,622	579,324	416,072	147,132	563,204
Pension	165,961	64,825	230,786	161,731	60,381	222,112
Others	164,203	41,902	206,105	161,160	39,305	200,465
Depreciation	4,637,706	393,595	5,031,301	4,281,067	368,858	4,649,925
Amortization	8,783	78,199	86,982	4,504	90,542	95,046

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LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on the Group's significant transactions, required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers":

- (i) Loans to other parties: None
- (ii) Guarantees and endorsements for other parties: None
- (iii) Securities held as of December 31, 2022 (excluding those investments in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Security		Relationship with company	Account title	Ending balance				Highest balance during the year	Note
	Category	Name			Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	Percentage of ownership	
The Company	Stock	Micro Win Tech Inc.	-	Financial assets designated as at fair value through profit or loss	1.25	-	20.66 %	-	20.66 %	
The Company	Stock	Kintech Technology Co., Ltd.	-	Financial assets designated as at fair value through profit or loss	570	-	0.33 %	-	0.33 %	
The Company	Stock	AETAS TECHNOLOGY INCORPORATED	-	Financial assets designated as at fair value through profit or loss	125	-	0.25 %	-	0.25 %	
The Company	Open-end fund	Yuanta De-Li Money Market Fund	-	Financial assets mandatorily measured fair value through profit or loss	9,094	150,677	- %	150,677	- %	
The Company	Open-end fund	Yuanta Wan Tai Money Market Fund	-	Financial assets mandatorily measured fair value through profit or loss	13,067	200,832	- %	200,832	- %	
The Company	Open-end fund	Jih Sun Money Market Fund	-	Financial assets mandatorily measured fair value through profit or loss	11,749	177,063	- %	177,063	- %	
The Company	Open-end fund	FSITC Taiwan Money Market Fund	-	Financial assets mandatorily measured fair value through profit or loss	6,463	100,507	- %	100,507	- %	
The Company	Open-end fund	Union Money Market Fund	-	Financial assets mandatorily measured fair value through profit or loss	22,463	301,353	- %	301,353	- %	
The Company	Open-end fund	Taishin 1699 Money Market Fund	-	Financial assets mandatorily measured fair value through profit or loss	18,327	252,269	- %	252,269	- %	
The Company	Open-end fund	Hua Nan Phoenix Money Market Fund	-	Financial assets mandatorily measured fair value through profit or loss	13,172	217,590	- %	217,590	- %	
The Company	Stock	AVISION INC.	-	Financial assets at fair value through other comprehensive income	4,253	47,424	1.99 %	47,424	2.25 %	
The Company	Stock	Fubon Financial Holding Co., Ltd. Preferred Shares C	-	Financial assets at fair value through other comprehensive income	25,200	1,388,520	7.56 %	1,388,520	7.56 %	Note1
The Company	Stock	Yuanta Financial Holding Co., Ltd.	-	Financial assets at fair value through other comprehensive income	4,805	104,260	0.04 %	104,260	0.04 %	
The Company	Stock	Cathay Financial Holding Co., Ltd.	-	Financial assets at fair value through other comprehensive income	3,514	140,567	0.02 %	140,567	0.02 %	
The Company	Stock	CTBC Financial Holding Co., Ltd.	-	Financial assets at fair value through other comprehensive income	3,070	67,847	0.02 %	67,847	0.02 %	
The Company	Stock	Fubon Financial Holding Co., Ltd.	-	Financial assets at fair value through other comprehensive income	3,137	176,613	0.03 %	176,613	0.03 %	
The Company	Stock	Mega Financial Holding Company Ltd.	-	Financial assets at fair value through other comprehensive income	1,370	41,580	0.01 %	41,580	0.01 %	
The Company	Stock	Hua Nan Financial Holdings Co., Ltd.	-	Financial assets at fair value through other comprehensive income	90	2,021	- %	2,021	- %	
The Company	Private equity	ABILITY OPTO-ELECTRONICS TECHNOLOGY CO., LTD.	-	Financial assets at fair value through other comprehensive income	20,000	1,054,000	14.04 %	1,054,000	15.20 %	
The Company	Bond	BANK OF AMERICA CORP	-	Financial assets at fair value through other comprehensive income	-	188,671	- %	188,671	- %	

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LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of holder	Security		Relationship with company	Account title	Ending balance				Highest balance during the year		Note
	Category	Name			Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	Percentage of ownership		
The Company	Bond	JPMORGAN CHASE & CO	-	Financial assets at fair value through other comprehensive income	-	108,277	- %	108,277	-	%	
The Company	Bond	IBM CORP	-	Financial assets at fair value through other comprehensive income	-	117,084	- %	117,084	-	%	
The Company	Bond	JOHNSON & JOHNSON	-	Financial assets at fair value through other comprehensive income	-	106,367	- %	106,367	-	%	
The Company	Bond	MIZUHO FINANCIAL GROUP	-	Financial assets at fair value through other comprehensive income	-	187,974	- %	187,974	-	%	
The Company	Bond	TSMC GLOBAL LTD	-	Financial assets at fair value through other comprehensive income	-	109,181	- %	109,181	-	%	
The Company	Bond	APPLE INC	-	Financial assets at fair value through other comprehensive income	-	109,405	- %	109,405	-	%	
Amtai International Ltd.	Open-end fund	FTGF Western Asset Short Duration Blue Chip Bond Fund	-	Financial assets mandatorily measured fair value through profit or loss	20	61,179	- %	61,179	-	%	
Amtai International Ltd.	Open-end fund	Franklin Strategic Income Fund	-	Financial assets mandatorily measured fair value through profit or loss	249	60,656	- %	60,656	-	%	
Largan Industrial Optics Co., Ltd.	Open-end fund	Taishin 1699 Money Market Fund	-	Financial assets mandatorily measured fair value through profit or loss	1,453	20,007	- %	20,007	-	%	

Note 1 : Shareholding ratio of Fubon Financial Holding Co., Ltd. Preferred Shares C.

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

Name of company	Security		Account name	Name of counter-party	Relationship with the company	Beginning balance		Purchases		Sales			Ending Balance		
	Category	Name				Shares (thousands)	Amount	Shares (thousands)	Amount	Shares (thousands)	Price	Cost	Gain (loss) on disposal	Shares (thousands)	Amount
The Company	Open-end fund	Franklin Templeton Sinoam Money Market Fund	Financial assets mandatorily measured fair value through profit or loss	-	-	124,342	1,299,829	-	-	124,342	1,301,253	1,293,000	8,253	-	-
The Company	Open-end fund	Capital Money Market Fund	Financial assets mandatorily measured fair value through profit or loss	-	-	50,858	828,845	14,228	232,000	65,086	1,061,123	1,058,000	3,123	-	-
The Company	Open-end fund	Yuanta De-Li Money Market Fund	Financial assets mandatorily measured fair value through profit or loss	-	-	-	-	48,522	800,000	39,428	650,593	650,000	593	9,094	150,677
The Company	Open-end fund	Yuanta Wan Tai Money Market Fund	Financial assets mandatorily measured fair value through profit or loss	-	-	-	-	29,401	450,000	16,334	250,338	250,000	338	13,067	200,832
The Company	Open-end fund	Jih Sun Money Market Fund	Financial assets mandatorily measured fair value through profit or loss	-	-	145,835	2,185,644	16,645	250,000	150,731	2,261,344	2,250,000	11,344	11,749	177,063
The Company	Open-end fund	CTBC Hwa-win Money Market Fund	Financial assets mandatorily measured fair value through profit or loss	-	-	16,092	179,061	17,940	200,000	34,032	379,129	379,000	129	-	-

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LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
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Name of company	Security		Account name	Name of counter-party	Relationship with the company	Beginning balance		Purchases		Sales				Ending Balance	
	Category	Name				Shares (thousands)	Amount	Shares (thousands)	Amount	Shares (thousands)	Price	Cost	Gain (loss) on disposal	Shares (thousands)	Amount
The Company	Open-end fund	Shin Kong Chi-Shin Money Market Fund	Financial assets mandatorily measured fair value through profit or loss	-	-	-	-	25,539	400,000	25,539	400,119	400,000	119	-	-
The Company	Open-end fund	FSITC Taiwan Money Market Fund	Financial assets mandatorily measured fair value through profit or loss	-	-	74,470	1,152,153	16,124	250,000	84,131	1,303,514	1,296,000	7,514	6,463	100,507
The Company	Open-end fund	FSITC Money Market Fund	Financial assets mandatorily measured fair value through profit or loss	-	-	2,812	506,856	1,940	350,000	4,752	857,241	855,000	2,241	-	-
The Company	Open-end fund	Eastspring Investments Well Pool Money Market Fund	Financial assets mandatorily measured fair value through profit or loss	-	-	31,830	437,343	-	-	31,830	437,455	436,000	1,455	-	-
The Company	Open-end fund	Mega Diamond Money Market Fund	Financial assets mandatorily measured fair value through profit or loss	-	-	168,362	2,134,430	-	-	168,362	2,135,864	2,132,000	3,864	-	-
The Company	Open-end fund	Prudential Financial Money Market Fund	Financial assets mandatorily measured fair value through profit or loss	-	-	33,226	531,329	-	-	33,226	531,761	528,000	3,761	-	-
The Company	Open-end fund	Union Money Market Fund	Financial assets mandatorily measured fair value through profit or loss	-	-	48,118	641,712	63,672	850,000	89,327	1,192,300	1,191,000	1,300	22,463	301,353
The Company	Open-end fund	TCB Taiwan Money Market Fund	Financial assets mandatorily measured fair value through profit or loss	-	-	-	-	91,647	941,000	91,647	941,401	941,000	401	-	-
The Company	Open-end fund	UPAMC James Bond Money Market Fund	Financial assets mandatorily measured fair value through profit or loss	-	-	11,858	200,072	61,585	1,040,000	73,443	1,240,786	1,240,000	786	-	-
The Company	Open-end fund	Fubon Chi-Hsiang Money Market Fund	Financial assets mandatorily measured fair value through profit or loss	-	-	-	-	44,174	700,000	44,174	700,158	700,000	158	-	-
The Company	Open-end fund	Taishin Ta-Chong Money Market Fund	Financial assets mandatorily measured fair value through profit or loss	-	-	38,227	548,568	-	-	38,227	548,779	548,000	779	-	-
The Company	Open-end fund	Taishin 1699 Money Market Fund	Financial assets mandatorily measured fair value through profit or loss	-	-	192,838	2,637,750	7,288	100,000	181,799	2,489,947	2,477,000	12,947	18,327	252,269
The Company	Open-end fund	Hua Nan Phoenix Money Market Fund	Financial assets mandatorily measured fair value through profit or loss	-	-	31,601	518,882	-	-	18,429	303,115	302,069	1,046	13,172	217,590

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Name of company	Security		Account name	Name of counter-party	Relationship with the company	Beginning balance		Purchases		Sales				Ending Balance	
	Category	Name				Shares (thousands)	Amount	Shares (thousands)	Amount	Shares (thousands)	Price	Cost	Gain (loss) on disposal	Shares (thousands)	Amount
The Company	Open-end fund	Cathay Taiwan Money Market Fund	Financial assets mandatorily measured fair value through profit or loss	-	-	42,002	527,492	15,889	200,000	57,891	727,639	727,000	639	-	-

(v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counterparty is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	Land and buildings	2022.3	1,000,000	The payment of \$1,000,000 thousand was made as of December 31, 2022	REASON INDUSTRIAL CORPORATION	None	Not Applicable	Not Applicable	Not Applicable	-	Professional Appraisal Report	Future Operational Needs	None

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

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Amtai International Ltd.	The Company's subsidiary	Purchases	3,383,832	37 %	120Days	-	-	(1,243,243)	(50)%	
The Company	Amtai International Ltd.	The Company's subsidiary	Sales	(16,367,280)	(35) %	60Days	-	-	3,023,431	40%	
The Company	Largan Digital Co., Ltd.	The Company's subsidiary	Purchases	781,652	9 %	30Days	-	-	(2,543)	-%	
The Company	Largan Digital Co., Ltd.	The Company's subsidiary	Sales	(856,224)	(2) %	30Days	-	-	240,584	3%	
The Company	Largan Medical Co. Ltd.	The Company's subsidiary	Purchases	140,861	2 %	30Days	-	-	(14,203)	(1)%	
The Company	Largan (Dongguan) Optronic Ltd.	The Company's subsidiary	Sales	(3,582,015)	(8) %	120Days	-	-	157,048	2%	
Amtai International Ltd.	The Company	The Company's subsidiary	Purchases	16,435,747	74 %	60Days	-	-	(3,023,431)	(84)%	
Amtai International Ltd.	The Company	The Company's subsidiary	Sales	(3,386,706)	(14) %	120Days	-	-	1,243,276	29%	
Amtai International Ltd.	Largan (Dongguan) Optronic Ltd.	The Company's subsidiary	Purchases	4,434,764	20 %	30Days	-	-	(248,013)	(7)%	
Amtai International Ltd.	Largan (Dongguan) Optronic Ltd.	The Company's subsidiary	Sales	(3,023,529)	(13) %	90Days	-	-	-	-%	
Amtai International Ltd.	Largan Digital Co., Ltd.	The Company's subsidiary	Purchases	1,404,344	6 %	30Days	-	-	(348,836)	(10)%	
Largan (Dongguan) Optronic Ltd.	Amtai International Ltd.	The Company's subsidiary	Purchases	2,999,540	40 %	90Days	-	-	-	-%	
Largan (Dongguan) Optronic Ltd.	Amtai International Ltd.	The Company's subsidiary	Sales	(4,402,240)	(51) %	30Days	-	-	247,089	29%	
Largan (Dongguan) Optronic Ltd.	The Company	The Company's subsidiary	Purchases	3,636,683	49 %	120Days	-	-	(157,118)	(69)%	

Note : The nature and the amounts of the purchases and sales transaction of the two parties are different due to their different categories of accounts. Therefore, the above transaction has been adjusted.

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Name of company	Related-party	Nature of relationship	Ending balance (Note2)	Turnover rate	Overdue		Amounts received in subsequent period	Loss allowance
					Amount	Action taken		
The Company	Amtai International Ltd.	The Company's subsidiary	3,055,292	5.39	-	None	1,476,699 (Note1)	-
The Company	Largan Digital Co., Ltd.	The Company's subsidiary	248,817	5.72	-	None	124,311 (Note1)	-
The Company	Largan (Dongguan) Optronic Ltd.	The Company's subsidiary	157,048	6.71	-	None	17,479 (Note1)	-
Amtai International Ltd.	The Company	The Company's subsidiary	1,243,276	2.87	-	None	273,367 (Note1)	-
Largan (Dongguan) Optronic Ltd.	Amtai International Ltd.	The Company's subsidiary	247,089	14.36	-	None	227,009 (Note1)	-

Note1: Until February 7, 2023.

Note2: Including other receivables.

(ix) Trading in derivative instruments: None

(x) Business relationships and significant intercompany transactions:

No.	Name of company	Name of counter-party	Nature of relationship (Note2)	Intercompany transactions 2022			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Amtai International Ltd.	1	Purchases	3,383,832	The sales prices and payment terms were same as those of sales to third parties.	7%
0	The Company	Amtai International Ltd.	1	Sales	16,367,280	The sales prices and payment terms were same as those of sales to third parties.	34%
0	The Company	Largan (Dongguan) Optronic Ltd.	1	Sales	3,582,015	The sales prices and payment terms were same as those of sales to third parties.	8%
1	Amtai International Ltd.	The Company	2	Purchases	16,435,747	The sales prices and payment terms were same as those of sales to third parties.	34%
1	Amtai International Ltd.	The Company	2	Sales	3,386,706	The sales prices and payment terms were same as those of sales to third parties.	7%
1	Amtai International Ltd.	Largan (Dongguan) Optronic Ltd.	3	Purchases	4,434,764	The sales prices and payment terms were same as those of sales to third parties.	9%
1	Amtai International Ltd.	Largan (Dongguan) Optronic Ltd.	3	Sales	3,023,529	The sales prices and payment terms were same as those of sales to third parties.	6%
2	Largan (Dongguan) Optronic Ltd.	Amtai International Ltd.	3	Purchases	2,999,540	The sales prices and payment terms were same as those of sales to third parties.	6%
2	Largan (Dongguan) Optronic Ltd.	Amtai International Ltd.	3	Sales	4,402,240	The sales prices and payment terms were same as those of sales to third parties.	9%
2	Largan (Dongguan) Optronic Ltd.	The Company	2	Purchases	3,636,683	The sales prices and payment terms were same as those of sales to third parties.	8%

Note1 : The number filled in as follows:

- 1) 0 represents the company.
- 2) Subsidiaries are sorted in a numerical order starting from 1.

Note2 : Transactions labeled as follows:

- 1) 1 represents the transactions from parent company to subsidiaries.
- 2) 2 represents the transactions from subsidiaries to parent company.
- 3) 3 represents the transactions between subsidiaries.

Note3 : The nature and the amounts of the purchase and sales transaction of the two parties are different due to their different categories of accounts. Therefore, the above transaction has been adjusted and offset in the consolidated financial statements.

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Information on investees:

The following is the information on investees (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			High balance during the year	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares (thousands)	Percentage of ownership	Carrying value	Percentage of ownership			
The Company	Largan Digital Co., Ltd.	Taichung, Taiwan	Manufacturing of image capture device · image reader · camera and player etc.	411,359	411,359	26,636	49.37 %	650,012	49.37 %	412,314	262,342	The Company's subsidiary
The Company	Largan (Hong Kong) Ltd.	Hong Kong	Investment	658,555	658,555	31,100	100 %	360,754	100 %	6,103	6,103	The Company's subsidiary
The Company	Astro International Ltd.	Samoa	Investment	247,104	247,104	7,600	100 %	12,735,961	100 %	1,598,249	1,484,052	The Company's subsidiary
The Company	Largan Industrial Optics Co., Ltd.	Taichung, Taiwan	Manufacturing of Optical Instruments	550,000	300,000	55,000	100 %	421,052	100 %	(112,508)	(112,508)	The Company's subsidiary
The Company	Largan Health AI-Tech Co., Ltd.	Taipei, Taiwan	Sales of medical equipment	26,400	26,400	2,640	88 %	7,438	88 %	(8,302)	(7,305)	The Company's subsidiary
The Company	Photonicore Technologies Co., Ltd.	New Taipei City, Taiwan	Manufacturing of precision instrument · Optical Instruments · wired communication equipment and apparatus, etc.	87,000	-	8,700	54.72 %	72,789	54.72 %	(31,185)	(14,211)	The Company's associate
Largan Digital Co., Ltd.	Largan Medical Co. Ltd.	Taichung, Taiwan	Manufacturing of Optical Instruments · Medical and Photo instruments sale etc.	246,017	428,252	22,273	40.5 %	285,888	40.5 %	121,721	49,297	The Company's subsidiary
Largan Digital Co., Ltd.	Alpha Holding Inc.	Samoa	Investment	118,415	118,415	3,700	100 %	33,503	100 %	853	853	The Company's subsidiary
Astro International Ltd.	Net International Trading Ltd.	British Virgin Islands	Investment	756,599	756,599	24,300	100 %	5,602,877	100 %	805,986	805,986	The Company's subsidiary
Astro International Ltd.	Amtai International Ltd.	Samoa	Sales of Optical part etc.	50,600	50,600	1,500	100 %	7,439,918	100 %	787,586	789,333	The Company's subsidiary
Astro International Ltd.	Largan Health Technology Inc.	Samoa	Investment	110,898	110,898	1,476	12 %	29,861	12 %	827	99	The Company's subsidiary
Largan Industrial Optics Co., Ltd.	Fang Yuan Co., Ltd.	Taichung, Taiwan	Investment	29,800	29,800	2,980	100 %	15,703	100 %	(2,471)	(2,471)	The Company's subsidiary
Largan Medical Co. Ltd.	Beta International Ltd.	Samoa	investment	120,334	120,334	3,700	100 %	72,961	100 %	1,026	1,026	The Company's subsidiary
Alpha Holding Inc.	Largan Health Technology Inc.	Samoa	investment	110,898	110,898	1,476	12 %	29,861	12 %	827	99	The Company's subsidiary
Beta International Ltd.	Largan Health Technology Inc.	Samoa	investment	110,898	110,898	3,936	32 %	69,312	32 %	827	265	The Company's subsidiary
Largan Health Technology Inc.	Dynadx Corporation	U.S.A	Development of the software	12,195	12,150	11,095	100 %	4,337	100 %	(360)	(360)	The Company's subsidiary
Largan Health Technology Inc.	Largan Health Technology Co., Ltd.	Taichung, Taiwan	Sales of medical equipment	45,797	45,797	801	100 %	2,180	100 %	(42)	(42)	The Company's subsidiary
Largan Health AI-Tech Co., Ltd.	Charis Health Co., Ltd.	New Taipei City, Taiwan	Sales of medical equipment	4,900	4,900	490	98 %	254	98 %	(3,971)	(3,892)	The Company's subsidiary

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Information on investment in mainland China:

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

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of capital surplus	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	Net income (losses) of the investee	Percentage of ownership	High balance during the year	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
Largan (Dongguan) Optronic Ltd.	Production and sales of camera lenses, scanner lens optoelectronic devices, viewing windows, digital electronic cameras	HK\$ 178,076	Note 1(a)	HK\$ 85,986 US\$ 7,474	-	-	HK\$ 85,986 US\$ 7,474	RMB\$ 85,044	100%	100%	NT\$ 376,361	NT\$ 5,099,368	-

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2022(Note 2)	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
NT\$721,689 (HK\$85,986 and US\$12,474)	NT\$729,244 (HK\$85,986 and US\$12,720)	NT\$93,065,460

Note 1(a): Indirectly investment in Mainland China through an existing company registered in the third region.

Note 2: Since Suzhou Largan had been liquidated, the cumulative investment amount remitted from Taiwan, including the Company's indirect investment in Suzhou Largan of US\$5,000 thousand through Net International Trading Ltd., has yet to be repatriated before the year end of 2022.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in the "Information on significant transactions" and "Business relationships and significant intercompany transactions".

(d) Major shareholders:

Shareholder's Name	Shares	Percentage
Mao Yu Commemorate Co., Ltd.	18,910,616	14.16 %
Shih-ching, Chen	6,756,831	5.06 %

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(14) Segment information

(a) General information

The Group has only one reportable segment which is optical lens segment. The optical lens segment engages mainly in the designing, manufacturing and selling of lens for perspective mirror, camera, single binoculars, microscope and scanner.

The profit or loss of the reportable segment of the Group includes depreciation, income tax expense, any extraordinary activity and other material non-cash items.

Accounting policies for the operating segments correspond to those stated in note 4. The profit after tax of the operating segment of the Group is measured by earnings after taxes and as the basis for performance measurement.

(b) The Group's operating segment information:

The information on the divisional profit and loss, divisional assets and divisional liabilities of the Group is consistent with the financial statements. Please refer to the consolidated balance sheet and consolidated statements of comprehensive income for details.

(c) Production information

Since the main industrial department of Group is the optical lens department, and its operating income, operating interests and the identifiable assets account for more than 90% of operating income and total assets, therefore, the Group is classified as a single product.

(d) Geographical information

In presenting information on the basis of geography, segment revenue is based on the geographic location of customers and segment assets are based on the geographical location of the assets.

Revenue from the external customers:

<u>Geographical information</u>	<u>2022</u>	<u>2021</u>
China	\$ 19,638,355	20,494,791
Korea	10,241,099	9,581,816
Vietnam	9,159,948	9,626,103
Japan	7,367,435	4,888,473
Other countries	<u>1,268,391</u>	<u>2,371,219</u>
	<u>\$ 47,675,228</u>	<u>46,962,402</u>

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Non-current assets:

<u>Geographical information</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Taiwan	\$ 41,465,942	37,239,898
China	187,143	208,796
Samoa	<u>29,862</u>	<u>26,850</u>
	<u>\$ 41,682,947</u>	<u>37,475,544</u>

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets, and other assets, excluding financial instruments and deferred tax assets.

(e) Major customers' information

<u>Customer</u>	<u>2022</u>	
	<u>Amount</u>	<u>%</u>
653021	\$ 8,665,494	18
643006	6,454,758	14
622020	<u>5,962,965</u>	<u>12</u>
Total	<u>\$ 21,083,217</u>	<u>44</u>

<u>Customer</u>	<u>2021</u>	
	<u>Amount</u>	<u>%</u>
653021	\$ 7,852,296	17
643006	<u>5,796,143</u>	<u>12</u>
Total	<u>\$ 13,648,439</u>	<u>29</u>

V. Parent Company Only Financial Statements of the Most Recent Year with Independent Auditors' Report and Notes

Independent Auditors' Report

To the Board of Directors of Largan Precision Co., Ltd.:

Opinion

We have audited the financial statements of Largan Precision Co., Ltd. (the "Company") which comprise the balance sheets as of December 31, 2022 and 2021, the statement of comprehensive income, changes in equity and cash flows for the years ended December 31, 2022 and 2021, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, 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 audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the parent company only Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

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

Inventory valuation

Please refer to Note 4(g), Note 5, and Note 6(f) for accounting policies, uncertainty of accounting estimates and assumptions, and related disclosures for inventory valuation.

Description of key audit matter:

Inventories are stated at the lower of cost or net realizable value. With the rapid development of technology, and significant changes in market demand, the severe volatility to sales may lead to risks, wherein the costs of inventories may exceed its net realizable values. Therefore, the valuation of inventories has been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures include obtaining an inventory aging report, analyzing the movement of inventory aging and evaluating the reasonableness of the Company's accounting policies, such as allowance for inventory valuation and obsolescence; performing a retrospective test of the Company's historical accuracy of judgments with reference to inventory valuation and comparing with the current period to evaluate the appropriateness of the estimation and assumptions used; examining whether the valuation of inventories is in compliance with the accounting policies of the Company; understanding the basis of the selling price the management used to ensure the reasonableness of net realizable value of inventories; reviewing sales in the subsequent period, as well as assessing the basis of the net realizable value the Company used to determine the sufficiency of allowance of inventories and whether the related disclosures are appropriate.

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

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information on the investment in other entities accounted for using the equity method in order to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current period 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 audit resulting in this independent auditors' report are Shyh-Huar, Kuo and Chun-Yuan, Wu.

KPMG

Taipei, Taiwan (Republic of China)
February 20, 2023

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)
LARGAN PRECISION CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

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

	2022		2021	
	Amount	%	Amount	%
4000 Operating revenues (Note 6(s) and 7)	\$ 45,478,371	100	47,033,940	100
5000 Operating costs (Note 6(f), (n), (t) and 7)	20,939,071	46	19,502,569	41
	24,539,300	54	27,531,371	59
5910 Realized (unrealized) profit from sales	472,171	1	(465,441)	(1)
5900 Gross profit from operations	25,011,471	55	27,065,930	58
6000 Operating expenses (Note 6(n), (t) and 7):				
6100 Selling expenses	334,693	1	306,624	1
6200 Administrative expenses	1,127,870	2	1,008,281	2
6300 Research and development expenses	4,082,100	9	3,598,488	8
Total operating expenses	5,544,663	12	4,913,393	11
6900 Operating income	19,466,808	43	22,152,537	47
7000 Non-operating income and expenses:				
7100 Interest income (Note 6(u))	1,425,816	3	827,408	2
7010 Other income (Note 6(u) and 7)	52,003	-	50,975	-
7020 Other gains and losses (Note 6(u) and 7)	5,488,498	12	(1,267,144)	(2)
7050 Finance costs (Note 6(m) and (u))	(1,605)	-	(1,909)	-
7060 Share of profit (losses) of associates accounted for using equity method	1,618,473	4	1,079,876	2
	8,583,185	19	689,206	2
7900 Profit before income tax	28,049,993	62	22,841,743	49
7950 Less: Income tax expenses (Note 6(o))	5,424,944	12	4,170,513	9
Profit for the period	22,625,049	50	18,671,230	40
8300 Other comprehensive income:				
8310 Components of other comprehensive income that will not be reclassified to profit or loss				
8311 Remeasurements of defined benefit obligation	12,951	-	(7,378)	-
8316 Unrealized (losses) gains on investments in equity instruments measured at fair value through other comprehensive income	(3,811)	-	344,093	1
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	9,140	-	336,715	1
8360 Components of other comprehensive income that will be reclassified to profit or loss				
8361 Exchange differences on translation of foreign financial statements	1,302,402	2	(239,550)	(1)
8367 Unrealized losses on investments in debt instruments measured at fair value through other comprehensive income	(89,959)	-	-	-
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	1,212,443	2	(239,550)	(1)
Other comprehensive income (loss) for the period, net of tax	1,221,583	2	97,165	-
8500 Total comprehensive income for the period	\$ 23,846,632	52	18,768,395	40
Earnings per share (NT Dollars) (Note 6(r))				
9750 Basic earnings per share	\$ 169.52		139.28	
9850 Diluted earnings per share	\$ 166.89		137.49	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)
LARGAN PRECISION CO., LTD.
Statements of Changes in Equity
For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings				Other equity interest			Total equity				
	Share Capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income		Treasury shares			
Balance at January 1, 2021	\$ 1,341,402	1,560,586	18,846,081	2,141,576	118,658,326	139,645,983	(1,747,237)	1,424	(1,745,813)	-	140,802,158	
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	3,288,222	-	(3,288,222)	-	-	-	-	-	-	-
Special reserve	-	-	-	(620,194)	620,194	-	-	-	-	-	-	-
Cash dividends of common stock	-	-	3,288,222	(620,194)	(19,100,202)	(16,432,174)	-	-	-	-	-	(16,432,174)
Other changes in capital surplus	-	2,328	-	-	-	-	-	-	-	-	-	2,328
Profit for the period	-	-	-	-	18,671,230	18,671,230	-	-	-	-	-	18,671,230
Other comprehensive income for the period	-	-	-	-	(7,378)	(7,378)	(239,550)	344,093	104,543	-	-	97,165
Total comprehensive income for the period	-	-	-	-	18,663,852	18,663,852	(239,550)	344,093	104,543	-	-	18,768,395
Purchase of treasury share	-	-	-	-	-	-	-	-	-	(1,400,985)	(1,400,985)	-
Balance at December 31, 2021	\$ 1,341,402	1,562,914	22,134,303	1,521,382	118,221,976	141,877,661	(1,986,787)	345,517	(1,641,270)	(1,400,985)	141,739,722	
Balance at January 1, 2022	\$ 1,341,402	1,562,914	22,134,303	1,521,382	118,221,976	141,877,661	(1,986,787)	345,517	(1,641,270)	(1,400,985)	141,739,722	
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	1,038,866	-	(1,038,866)	-	-	-	-	-	-	-
Special reserve	-	-	-	119,888	(119,888)	-	-	-	-	-	-	-
Cash dividends of common stock	-	-	-	-	(10,477,254)	(10,477,254)	-	-	-	-	-	(10,477,254)
Profit for the period	-	-	1,038,866	119,888	(11,636,008)	(10,477,254)	-	-	-	-	-	(10,477,254)
Other comprehensive income for the period	-	-	-	-	22,625,049	22,625,049	-	-	-	-	-	22,625,049
Total comprehensive income for the period	-	-	-	-	12,951	12,951	1,302,402	(93,770)	1,208,632	-	-	1,221,583
Retirement of treasury stock	(6,720)	(7,794)	-	-	(1,386,471)	(1,386,471)	-	-	-	-	-	23,846,632
Balance at December 31, 2022	\$ 1,334,682	1,555,120	23,173,169	1,641,270	127,837,497	152,651,936	(684,385)	251,747	(432,638)	-	155,109,100	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)
LARGAN PRECISION CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from operating activities:		
Profit before income tax	\$ 28,049,993	22,841,743
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	4,986,699	4,600,159
Amortization expense	84,918	95,046
Interest expense	1,605	1,909
Interest income	(1,425,816)	(827,408)
Dividend income	(8,326)	-
Share of profit of subsidiaries accounted for using equity method	(1,618,473)	(1,079,876)
Losses (profit) on disposal of property, plant and equipment	78	(3,992)
Unrealized foreign exchange (profit) loss	(70,568)	3,504
(Realized) unrealized profit from sales	(472,171)	465,441
Other	-	(900)
Total adjustments to reconcile profit	1,477,946	3,253,883
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in financial assets mandatorily measured at fair value through profit or loss	12,929,675	(1,122,555)
Decrease in notes receivable	-	590
Decrease in accounts receivable (including from related parties)	1,632,004	232,441
Decrease (increase) in inventories	259,372	(946,341)
Decrease in other current assets	599,859	706,898
Total changes in operating assets	15,420,910	(1,128,967)
Changes in operating liabilities:		
(Decrease) increase in notes payable	(1,557)	684
(Decrease) increase in accounts payable (including to related parties)	(54,597)	384,260
Increase in other current liabilities	1,111,895	315,718
Decrease in net defined benefit liabilities	(25,764)	(16,654)
Total changes in operating liabilities	1,029,977	684,008
Total changes in operating assets and liabilities	16,450,887	(444,959)
Cash inflow generated from operations	45,978,826	25,650,667
Interest received	1,114,085	837,976
Dividends received	8,326	-
Interest paid	(1,605)	(1,909)
Income taxes paid	(4,331,638)	(6,181,930)
Net cash flows from operating activities	42,767,994	20,304,804
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(672,609)	(2,916,273)
Acquisition of investments accounted for using equity method	(337,000)	(274,600)
Acquisition of property, plant and equipment	(8,210,071)	(5,844,120)
Proceeds from disposal of property, plant and equipment	513	59,015
(Increase) decrease in refundable deposits	(46)	617,474
Increase in other non-current assets	(902,591)	(668,563)
Acquisition of intangible assets	(159,199)	(47,030)
Acquisition of right-of-use assets	-	(410)
Decrease in other financial assets	317,100	1,741,459
Dividends received	3,111,893	-
Net cash flows used in investing activities	(6,852,010)	(7,333,048)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	18,819	(252,007)
Increase (decrease) in guarantee deposits received	377	(136)
Payment of lease liabilities	(50,401)	(44,421)
Cash dividend paid	(14,635,600)	(12,273,828)
Payments to acquire treasury shares	-	(1,400,985)
Overdue dividend transferred to capital surplus	-	2,328
Net cash flows used in financing activities	(14,666,805)	(13,969,049)
Net increase (decrease) in cash and cash equivalents	21,249,179	(997,293)
Cash and cash equivalents at beginning of period	77,792,072	78,789,365
Cash and cash equivalents at end of period	\$ 99,041,251	77,792,072

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)
LARGAN PRECISION CO., LTD.

Notes to the Parent Company Only Financial Statements

For the years ended December 31, 2022 and 2021

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

(1) Company history

Largan Precision Co., Ltd. (the “Company”) was incorporated in April 1987 as a company limited by shares under the Company Act of the Republic of China (R.O.C). The registered address is No.11, Jingke Rd., Nantun Dist., Taichung City 40852, Taiwan (R.O.C.). The major business activities of the Company are the design, manufacture and sale of lens for perspective mirror, camera, single and double binoculars, fax machine, microscope and scanner etc. Please refer to Note 14.

The Company's common shares were listed on the Taiwan Stock Exchange (TWSE) in March 2002.

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

The accompanying parent company only financial statements were authorized for issue by the Board of Directors on February 20, 2023.

(3) New standards, amendments and interpretations adopted:

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

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2022:

- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its financial statements:

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

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

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

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	After reconsidering certain aspects of the 2020 amendments ¹ , new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability’s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.	January 1, 2024

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and financial performance. The results thereof will be disclosed when the Company completes its evaluation.

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

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

(4) Summary of significant accounting policies

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

(a) Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(b) Basis of preparation

(i) Basis of measurement

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

- 1) Financial instruments measured at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value.

(ii) Functional and presentation currency

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

(c) Foreign currency

(i) Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies of the Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for an investment in equity securities designated as at fair value through other comprehensive income, which are recognized in other comprehensive income.

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

(ii) Foreign operations

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

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

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

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

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

- (i) It expected to be realized, or intended to be sold or consumed, in its normal operating cycle;
- (ii) It holds primarily for the purpose of trading;
- (iii) It expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent, unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

- (i) It is expected to settle the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

(e) **Cash and cash equivalents**

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

(f) **Financial instruments**

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

(i) **Financial assets**

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

On initial recognition, a financial asset is classified as measured at amortized cost; fair value through other comprehensive income (FVOCI); or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) **Financial assets measured at amortized cost**

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

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

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

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL :

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

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

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

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

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

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

4) Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes :

(Continued)

LARGAN PRECISION CO., LTD.

Notes to the Parent Company Only Financial Statements

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management’s strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company’s management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated — e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, and are consistent with the Company’s continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

5) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial assets on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers :

- contingent events that would change the amount or timing of cash flows ;
- terms that may adjust the contractual coupon rate, including variable rate features ;
- prepayment and extension features ; and
- terms that limit the Company’s claim to cash flows from specified assets (e.g. non-recourse features)

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

6) Impairment of financial assets

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

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

- debt securities that are determined to have low credit risk at the reporting date ; and
- other debt securities and bank balances for which the credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 180 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 360 days past due or the debtor is unlikely to fully pay its credit obligations to the Company.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ' investment grade which is considered to be twA or higher per Taiwan Ratings'.

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

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

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

(Continued)

LARGAN PRECISION CO., LTD.

Notes to the Parent Company Only Financial Statements

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

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

- significant financial difficulty of the borrower or issuer ;
- a breach of contract such as a default or being more than 360 days past due ;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider ;
- it is probable that the borrower will enter bankruptcy or other financial reorganization ; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

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

7) Derecognition of financial assets

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

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

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

(ii) Financial liabilities and equity instrument

1) Classification of debt or equity

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

2) Equity instrument

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

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

4) Financial liabilities

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

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

5) Derecognition of financial liabilities

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

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

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

6) Offsetting of financial assets and liabilities

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

(g) **Inventories**

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

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

(h) **Investment in associates**

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

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

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

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

When the Company's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

(i) **Investment in subsidiaries**

The subsidiaries in which the Company holds controlling interest are accounted for under equity method in the non-consolidated financial statements. Under equity method, the net income, other comprehensive income and equity in the non-consolidated financial statement are the same as those attributable to the owners of the parent in the consolidated financial statements.

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

The changes in ownership of the subsidiaries are recognized as equity transaction.

(j) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent cost

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

(iii) Depreciation

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

Land is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

1) Buildings	35 ~55years
2) Machinery and equipment	2 ~ 10 years

Plant constitutes mainly building, electromechanical power engineering and cleanroom air conditioning project. Each such part is depreciated based on its useful life of 35~55 years, 8~ 10 years and 8~10 years, respectively.

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

(k) Leases

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

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

(i) As a lessee

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be paid under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

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

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be paid under a residual value guarantee; or
- there is a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an extension or termination option; or
- there are any lease modifications

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

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

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

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

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

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

- the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2022; and
- there is no substantive change in other terms and conditions of the lease.

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

(ii) As a lessor

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

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

(l) **Intangible assets**

(i) Recognition and measurement

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

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LARGAN PRECISION CO., LTD.
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(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

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

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

Computer software cost	1~3 years
------------------------	-----------

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

(m) **Impairment of non-financial assets**

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

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

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

(n) **Provisions**

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

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(o) **Revenue**

(i) Revenue from contracts with customers

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

1) Sale of goods

The Company manufactures and sells various multiples lens to mobile phone manufacturers. The Company recognizes revenue when control of the products has been transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

2) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(ii) Contract costs

1) Incremental costs of obtaining a contract

The Company recognizes as an asset the incremental costs of obtaining a contract with a customer if the Company expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Company applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

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LARGAN PRECISION CO., LTD.

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2) Costs to fulfil a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Company recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Company can specifically identify;
- the costs generate or enhance resources of the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

For general and administrative costs, costs of wasted materials, labor or other resources to fulfil the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Company cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations (or partially satisfied performance obligations), the Company recognizes these costs as expenses when incurred.

(p) **Employee benefits**

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

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

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

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

(Continued)

LARGAN PRECISION CO., LTD.
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related to defined benefit plans are recognized in profit or loss.

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

(iii) **Short-term employee benefits**

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

(q) **Income taxes**

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

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

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

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

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

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

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

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

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LARGAN PRECISION CO., LTD.
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liabilities; and

- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(r) Earnings per share

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

(s) Operating segments

The Company has disclosed the information on operating segments in its consolidated financial statements. Hence, no further information is disclosed in the parent company only financial statements.

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

In preparing these parent company only financial statements, management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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

Information about judgments made in applying the accounting policies that have the most significant effects on the amounts recognized in the parent company only financial statements is as follows:

Judgment of whether the Company has substantive control over its investees

Although the Company owns 54.72% shareholding of Photonicore Technologies Co., Ltd., the Company has not obtained a majority of the directors of Photonicore Technologies Co., Ltd, nor does it have control over its operational activities. Therefore, it is determined that the Company has no control over Photonicore Technologies Co., Ltd.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19

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LARGAN PRECISION CO., LTD.
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pandemic:

Valuation of inventories

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

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Petty cash and cash on hand	\$ 546	514
Demand deposits	2,506,011	3,591,055
Time deposits	96,534,694	74,200,503
Cash and cash equivalents in the parent company only statement of cash flows	<u>\$ 99,041,251</u>	<u>77,792,072</u>

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

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

	December 31, 2022	December 31, 2021
Mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Stocks unlisted in domestic markets	\$ -	-
Beneficiary Certificate-open-end funds	1,400,291	14,329,966
Total	<u>\$ 1,400,291</u>	<u>14,329,966</u>

For market risk, please refer to note 6(v).

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

	December 31, 2022	December 31, 2021
Debt investments at fair value through other comprehensive income		
<u>Current</u>		
Corporate bonds	\$ 926,959	772,541

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LARGAN PRECISION CO., LTD.
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	December 31, 2022	December 31, 2021
Equity investments at fair value through other comprehensive income		
<u>Current</u>		
Domestic Company	\$ <u>1,968,832</u>	<u>1,581,722</u>
<u>Non-Current</u>		
Domestic Company Private Equity	\$ <u>1,054,000</u>	<u>932,000</u>

(i) Debt investments at fair value through other comprehensive income

The Company has assessed that the following securities were held within a business model whose objective was achieved by both collecting the contractual cash flows and by selling securities. Therefore, they have been classified as debt investments at fair value through other comprehensive income.

(ii) Equity investments at fair value through other comprehensive income

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

On March 9, 2021, the Company subscribed for 20,000 thousand private ordinary shares of ABILITY OPTO-ELECTRONICS TECHNOLOGY CO., LTD. with a resolution of the Board of Directors, and the transaction amount was \$598,400 thousand.

On October 22, 2021, the Company obtained 25,200 thousand preferred shares issued by Fubon Financial Holding Co., Ltd., and the amount of transaction was \$1,512,000 thousand.

There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments as of December 31, 2022 and 2021.

(iii) For market risk, please refer to note 6(v).

(iv) As of December 31, 2022 and 2021, the financial assets at fair value through other comprehensive income of the Company had not been pledged as collateral for long-term borrowing.

(d) **Notes and accounts receivable**

	December 31, 2022	December 31, 2021
Accounts receivable-measured as amortized cost	\$ 4,088,646	5,128,499
Accounts receivable from related parties-measured as amortized cost	3,433,400	4,025,551
Less: loss allowance	<u>(2,250)</u>	<u>(2,250)</u>

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LARGAN PRECISION CO., LTD.
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\$ 7,519,796 9,151,800

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

	December 31, 2022		
	Gross carrying amount	Weighted-average loss rate	Loss allowance
Current	\$ 7,381,192	-	-
No more than 180 days past due	<u>140,854</u>	1.6 %	<u>2,250</u>
	<u>\$ 7,522,046</u>		<u>2,250</u>
	December 31, 2021		
	Gross carrying amount	Weighted-average loss rate	Loss allowance
Current	\$ 8,715,628	-	-
No more than 180 days past due	<u>438,422</u>	0.5132 %	<u>2,250</u>
	<u>\$ 9,154,050</u>		<u>2,250</u>

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

	For the years ended December 31,	
	2022	2021
Balance at December 31 (Balance at January 1)	<u>\$ 2,250</u>	<u>2,250</u>

The notes and accounts receivable of the Company had not been pledged as collateral as of December 31, 2022 and 2021.

For further credit risk information, please refer to note 6(v).

(e) **Other receivables**

	December 31, 2022	December 31, 2021
Other receivables-Interest receivables	\$ 442,303	127,213
Other receivables-Tax receivables	111,657	128,416
Other receivables-Others	17,378	30,675
Other receivables-Related parties	<u>48,570</u>	<u>110,996</u>
	<u>\$ 619,908</u>	<u>397,300</u>

For further credit risk information, please refer to note 6(v).

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(f) **Inventories**

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Finished goods	\$ 2,343,312	2,861,299
Work in progress	526,438	501,862
Raw materials	1,377,370	1,176,012
Supplies	<u>134,673</u>	<u>101,992</u>
	<u>\$ 4,381,793</u>	<u>4,641,165</u>

For the years ended December 31, 2022 and 2021, the amounts of inventories that were charged to cost of sales, and the net of provisions that were charged to cost of sales in the parent company only statement of comprehensive income for inventories written down to net realizable value, were \$331,059 thousand and \$264,544 thousand, respectively.

As of December 31, 2022 and 2021, the Company did not provide any inventories as collateral for its loans.

(g) **Investments accounted for using equity method**

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiary-Largan (Hong Kong) Limited.	\$ 360,754	319,701
Subsidiary-Astro International Ltd.	12,735,961	13,437,799
Subsidiary-Largan Industrial Optics Co., Ltd. (Note)	421,052	283,560
Subsidiary-Largan Digital Co., Ltd.	650,012	397,619
Subsidiary-Largan Health AI-Tech Co., Ltd.	7,438	14,743
Associate-Photonicore Technologies Co.,Ltd.	<u>72,789</u>	<u>-</u>
	<u>\$ 14,248,006</u>	<u>14,453,422</u>

(i) **Subsidiaries**

Please refer to the consolidated financial statements of the year 2022.

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LARGAN PRECISION CO., LTD.
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(ii) Associates

The Company's financial information for investments accounted for using equity method that are individually insignificant was as follows:

	2022
Attributable to the Company	
Loss from continuing operations	\$ (14,211)
Other comprehensive loss	-
Comprehensive income	\$ (14,211)

The Company participated in the cash capital increase of Photonicore Technologies Co., Ltd in April 2022, with an investment of \$87,000 thousand, and obtained 54.72% shareholding of Photonicore Technologies Co., Ltd.

(iii) Collateral

As of December 31, 2022 and 2021, the Company did not provide any investment accounted for using equity method as collaterals for its loans.

Note: The subsidiary was originally named Ba Fang Co., Ltd., and changed its name to Largan Industrial Optics Co., Ltd. on June 23, 2021.

(h) **Property, plant and equipment**

The cost, depreciation, and impairment of the property, plant and equipment of the Company in 2022 and 2021, were as follows:

	Land	Building and Construction	Machinery and equipment	Transportation equipment	Office equipment and other facilities	Rental assets	Construction in progress and testing equip	Total
Cost or deemed cost:								
Balance on January 1, 2022	\$ 8,220,803	6,329,726	28,708,514	23,333	14,465,798	54,898	2,342,229	60,145,301
Additions	988,230	41,634	2,840,359	-	905,786	-	3,051,573	7,827,582
Disposal	-	(366)	(2,824,726)	-	(141,709)	-	-	(2,966,801)
Reclassification	-	2,506	303,501	-	227,705	-	(534,901)	(1,189)
Balance on December 31, 2022	\$ 9,209,033	6,373,500	29,027,648	23,333	15,457,580	54,898	4,858,901	65,004,893
Balance on January 1, 2021	\$ 8,220,803	6,285,965	25,700,460	19,780	12,907,946	54,898	1,416,240	54,606,092
Additions	-	8,573	3,004,612	5,794	1,161,540	-	1,542,000	5,722,519
Disposal	-	(721)	(161,182)	(3,377)	(13,009)	-	-	(178,289)
Reclassification	-	35,909	164,624	1,136	409,321	-	(616,011)	(5,021)
Balance on December 31, 2021	\$ 8,220,803	6,329,726	28,708,514	23,333	14,465,798	54,898	2,342,229	60,145,301
Depreciation and impairment loss:								
Balance on January 1, 2022	\$ -	968,442	15,934,335	13,825	8,555,836	22,055	-	25,494,493
Depreciation for the year	-	186,704	3,195,790	2,492	1,550,147	406	-	4,935,539
Disposal	-	(366)	(2,824,153)	-	(141,691)	-	-	(2,966,210)
Balance on December 31, 2022	\$ -	1,154,780	16,305,972	16,317	9,964,292	22,461	-	27,463,822

(Continued)

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	<u>Land</u>	<u>Building and Construction</u>	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Office equipment and other facilities</u>	<u>Rental assets</u>	<u>Construction in progress and testing equip</u>	<u>Total</u>
Balance on January 1, 2021	\$ -	778,322	13,122,461	15,132	7,126,111	21,649	-	21,063,675
Depreciation for the year	-	190,842	2,921,804	2,070	1,438,962	406	-	4,554,084
Disposal	-	(722)	(109,930)	(3,377)	(9,237)	-	-	(123,266)
Reclassification	-	-	-	-	-	-	-	-
Balance on December 31, 2021	<u>\$ -</u>	<u>968,442</u>	<u>15,934,335</u>	<u>13,825</u>	<u>8,555,836</u>	<u>22,055</u>	<u>-</u>	<u>25,494,493</u>
Carrying amounts:								
Balance on December 31, 2022	<u>\$ 9,209,033</u>	<u>5,218,720</u>	<u>12,721,676</u>	<u>7,016</u>	<u>5,493,288</u>	<u>32,437</u>	<u>4,858,901</u>	<u>37,541,071</u>
Balance on January 1, 2021	<u>\$ 8,220,803</u>	<u>5,507,643</u>	<u>12,577,999</u>	<u>4,648</u>	<u>5,781,835</u>	<u>33,249</u>	<u>1,416,240</u>	<u>33,542,417</u>
Balance on December 31, 2021	<u>\$ 8,220,803</u>	<u>5,361,284</u>	<u>12,774,179</u>	<u>9,508</u>	<u>5,909,962</u>	<u>32,843</u>	<u>2,342,229</u>	<u>34,650,808</u>

In 2013, the Company acquired a piece of land, for the expansion of its factory, amounting to \$120,086 thousand, which was recognized under property, plant and equipment. The title of the said land cannot be transferred to the Company due to its classification. Therefore, it was registered under the name of a different person. To ensure the right of both parties (including that of the Company's shareholders), the two parties entered into an agreement, with the notarization of the court. In the future, the Company will file an application to the relevant authorities, and go through proper procedures, for the land to be reclassified in order to make it possible for the deed to be transferred to the Company.

(i) **Right-of-use assets**

The Company leases buildings and constructions. Information about leases for which the Company has been a lessee is presented below:

	<u>Building and construction</u>
Cost:	
Balance at January 1, 2022	\$ 267,422
Additions	<u>14,738</u>
Balance at December 31, 2022	<u>\$ 282,160</u>
Balance at January 1, 2021	\$ 251,630
Additions	50,739
Disposal	<u>(34,947)</u>
Balance at December 31, 2021	<u>\$ 267,422</u>
Accumulated depreciation:	
Balance at January 1, 2022	\$ 112,294
Depreciation for the year	<u>51,160</u>
Balance at December 31, 2022	<u>\$ 163,454</u>

(Continued)

LARGAN PRECISION CO., LTD.
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	Building and construction
Balance at January 1, 2021	\$ 83,864
Depreciation for the year	46,075
Disposal	(17,645)
Balance at December 31, 2021	\$ 112,294
Carrying amounts:	
Balance at December 31, 2022	\$ 118,706
Balance at January 1, 2021	\$ 167,766
Balance at December 31, 2021	\$ 155,128

(j) **Intangible assets**

The costs and amortization of the intangible assets of Company in 2022 and 2021, were as follows:

	Computer Software
Costs:	
Balance at January 1, 2022	\$ 438,326
Additions	159,199
Disposal	(14,153)
Reclassification	1,189
Balance at December 31, 2022	\$ 584,561
Balance at January 1, 2021	\$ 400,164
Additions	47,030
Disposal	(13,889)
Reclassification	5,021
Balance at December 31, 2021	\$ 438,326
Amortization:	
Balance at January 1, 2022	\$ 368,527
Amortization for the year	84,918
Disposal	(14,153)
Balance at December 31, 2022	\$ 439,292
Balance at January 1, 2021	\$ 287,370
Amortization for the year	95,046
Disposal	(13,889)
Balance at December 31, 2021	\$ 368,527

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Notes to the Parent Company Only Financial Statements

	<u>Computer Software</u>
Carrying value:	
Balance at December 31, 2022	\$ <u>145,269</u>
Balance at January 1, 2021	\$ <u>112,794</u>
Balance at December 31, 2021	\$ <u>69,799</u>

The following amortizations of intangible assets are included in the statement of comprehensive income:

	<u>2022</u>	<u>2021</u>
Operating cost	\$ 8,546	4,504
Operating expense	76,372	90,542
	<u>\$ 84,918</u>	<u>95,046</u>

(k) Other current assets, other current financial assets, other non-current financial assets and other non-current assets

The other current assets, other current financial assets, other non-current financial assets and other non-current assets of the Company were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other current financial assets	\$ 448,767	2,257,576
Other current assets	177,870	222,479
Other non-current financial assets	12,672,236	11,180,527
Refundable deposits	22,422	22,376
Prepayment for equipment	2,770,984	1,869,653
Other non-current assets	1,260	-
	<u>\$ 16,093,539</u>	<u>15,552,611</u>

- (i) Other current (non-current) financial assets were restricted deposits and bank account for repatriation of offshore fund, which were pledged as collateral; please refer to note 8.
- (ii) Other current assets were prepayment for purchases.
- (iii) Refundable deposits had been pledged as collateral; please refer to note 8.
- (iv) For further credit risk information, please refer to note 6 (v).

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LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

(l) **Short-term borrowings**

The short-term borrowings were summarized as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Letters of credit	\$ <u>18,773</u>	<u>-</u>
Unused credit Lines	\$ <u>2,581,227</u>	<u>2,600,000</u>
Range of interest rates	<u>0.44%~5.90%</u>	<u>0.45%~1.10%</u>

(m) **Lease liabilities**

The carrying amounts of the Company's lease liabilities were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current	\$ <u>51,222</u>	<u>46,555</u>
Non-current	\$ <u>67,694</u>	<u>108,024</u>

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

The amounts recognized in profit or loss were as follows:

	<u>For the year ended December 31, 2022</u>	<u>For the year ended December 31, 2021</u>
Interest on lease liabilities	\$ <u>1,605</u>	<u>1,909</u>
Variable lease payments not included in the measurement of lease liabilities	\$ <u>65</u>	<u>61</u>
Expenses relating to leases of low-value assets	\$ <u>210</u>	<u>220</u>
COVID-19-related rent concessions (recognized as other income)	\$ <u>-</u>	<u>735</u>

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

	<u>For the year ended December 31, 2022</u>	<u>For the year ended December 31, 2021</u>
Total cash outflow for leases	\$ <u>52,281</u>	<u>46,611</u>

(i) **Real estate leases**

The Company leases buildings for its factory space. The leases of factory space typically run for 3 to 5 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(ii) **Other leases**

The Company leases photocopying equipment, these leases are leases of low-value items. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

(n) **Employee benefits**

(i) Defined benefit plans

Reconciliation of the defined benefit obligations at present value and plan asset at fair value is as follows:

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Present value of the defined benefit obligations	\$ 151,971	175,751
Fair value of plan assets	(90,693)	(75,758)
Net defined benefit liability	<u>\$ 61,278</u>	<u>99,993</u>

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

1) Composition of plan assets

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

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$90,693 thousand at the end of the reporting period. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations of the Company were as follows:

	<u>2022</u>	<u>2021</u>
Defined benefit obligations at January 1	\$ 175,751	167,568
Benefit paid by the plan	(18,306)	(1,738)
Current service costs and interest cost (income)	1,827	1,797
Remeasurements loss (gain):		
-Financial assumptions	(7,301)	8,124
Defined benefit obligations at December 31	<u>\$ 151,971</u>	<u>175,751</u>

(Continued)

LARGAN PRECISION CO., LTD.
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3) Movements of the fair value of defined benefit plan assets

The movements in the fair value of the defined benefit plan assets of the Company were as follows:

	<u>2022</u>	<u>2021</u>
Fair value of plan assets at January 1	\$ 75,758	58,299
Contributions paid by the employer	14,338	18,096
Benefits paid from plan assets	(5,534)	(1,738)
Interest income	481	355
Remeasurements loss (gain):		
— Return on plan assets excluding interest income	<u>5,650</u>	<u>746</u>
Fair value of plan assets at December 31	<u>\$ 90,693</u>	<u>75,758</u>

4) Expenses recognized in profit or loss

The expenses recognized in profits or losses for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Current service costs	\$ 607	634
Net interest of net liabilities for the defined benefit obligations	1,220	1,163
Plan assets interest income	<u>(481)</u>	<u>(355)</u>
	<u>\$ 1,346</u>	<u>1,442</u>
Operating Costs	\$ 990	1,076
Selling expenses	12	12
Administrative expenses	57	60
Research and development expenses	<u>287</u>	<u>294</u>
	<u>\$ 1,346</u>	<u>1,442</u>
Return on plan assets	<u>\$ 6,131</u>	<u>1,102</u>

(Continued)

LARGAN PRECISION CO., LTD.
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5) Remeasurement in net defined benefit liability recognized in other comprehensive income

The Company's remeasurement in the net defined benefit liability recognized in other comprehensive income for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Accumulated amount at January 1	\$ 85,096	77,718
Recognized during the period	<u>(12,951)</u>	<u>7,378</u>
Accumulated amount at December 31	<u>\$ 72,145</u>	<u>85,096</u>

6) Actuarial assumptions

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate	2 %	0.75 %
Increase in future salary rate	2 %	2 %

The expected allocation payment to be made by the Company to the defined benefit plans for the one year - period after the reporting date is \$3,200 thousand.

The weighted average lifetime of the defined benefit plans is 16.18 years.

7) Sensitivity analysis

On December 31, 2022 and 2021, if the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	<u>Influences of defined benefit obligations</u>	
	<u>Increase0.25%</u>	<u>Decrease0.25%</u>
December 31, 2022		
Discount rate	\$ (3,658)	3,797
Future salary increases rate	3,582	(3,462)
December 31, 2021		
Discount rate	\$ (4,490)	4,674
Future salary increases rate	4,420	(4,265)

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

(Continued)

LARGAN PRECISION CO., LTD.
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There were no changes in the method and assumptions used in the preparation of sensitivity analysis for 2022 and 2021.

(ii) Defined contribution plans

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

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$210,820 thousand and \$206,427 thousand for the years ended December 31, 2022 and 2021, respectively.

(iii) Short-term employee benefit

The Company's employee benefit liabilities were as follows:

	December 31, 2022	December 31, 2021
Compensated absences liability	<u>\$ 123,176</u>	<u>117,809</u>

(o) **Income taxes**

(i) Income tax expense

The components of income tax for 2022 and 2021 were as follows:

	2022	2021
Current tax expense:		
Current period	\$ 5,020,743	4,512,473
Adjustment for prior periods	(340,380)	(95,153)
Deferred tax expense :		
Origination and reversal of temporary differences	<u>744,581</u>	<u>(246,807)</u>
	<u>\$ 5,424,944</u>	<u>4,170,513</u>

(Continued)

LARGAN PRECISION CO., LTD.
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Reconciliation of income tax and profit before tax for 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Profit before income tax	\$ <u>28,049,993</u>	<u>22,841,743</u>
Income tax using the Company's domestic tax rate	5,609,999	4,568,348
Investment tax credits	(456,271)	(438,589)
Changes in unrecognized temporary differences	(323,695)	(215,975)
Gains on disposal of investment	(12,158)	(3,720)
Income tax for repatriation of overseas earnings	697,859	-
Other income tax adjustments	85,242	44
Changes in provision in prior periods	(340,380)	(95,153)
Surtax on unappropriated earnings	<u>164,348</u>	<u>355,558</u>
Total	<u>\$ 5,424,944</u>	<u>4,170,513</u>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The entity is able to control the timing of the reversal of the temporary differences associated with the investments in subsidiaries as of December 31, 2022 and 2021. Also, the management considers it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Aggregated amount of temporary differences related to investments in subsidiaries	\$ <u>13,406,718</u>	<u>14,438,449</u>

2) Recognized deferred tax assets and liabilities

Changes in the amounts of deferred tax assets and liabilities for 2022 and 2021 were as follows:

Deferred Tax Assets:

	<u>Unrealized profit from associates</u>	<u>Others</u>	<u>Total</u>
Balance at January 1, 2022	\$ 256,749	505,766	762,515
Recognized loss	<u>(94,434)</u>	<u>(332,404)</u>	<u>(426,838)</u>
Balance at December 31, 2022	<u>\$ 162,315</u>	<u>173,362</u>	<u>335,677</u>
Balance at January 1, 2021	\$ 164,011	345,258	509,269
Recognized profit	<u>92,738</u>	<u>160,508</u>	<u>253,246</u>
Balance at December 31, 2021	<u>\$ 256,749</u>	<u>505,766</u>	<u>762,515</u>

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

Deferred Tax Liabilities:

	<u>Unrealized exchange gains</u>	<u>Others</u>	<u>Total</u>
Balance at January 1, 2022	\$ -	15,131	15,131
Recognized profit or loss	320,511	(2,768)	317,743
Balance at December 31, 2022	<u>\$ 320,511</u>	<u>12,363</u>	<u>332,874</u>
Balance at January 1, 2021	\$ -	8,692	8,692
Recognized loss	-	6,439	6,439
Balance at December 31, 2021	<u>\$ -</u>	<u>15,131</u>	<u>15,131</u>

3) Assessment of tax

The Company's tax returns for the years through 2020 were assessed by the Taipei National Tax Administration.

(p) Other payables

The other payables were summarized as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Payables on remuneration to employees, directors and supervisors	\$ 19,562,823	18,667,760
Payables for plant and equipment	1,205,382	1,565,506
Others	2,005,681	1,800,353
	<u>\$ 22,773,886</u>	<u>22,033,619</u>

(q) **Capital and other equity**

(i) Ordinary Shares

As of December 31, 2022 and 2021, the Company's authorized ordinary shares each amounted to \$2,000,000 thousand (including the amount of \$100,000 thousand allocated for the exercise of employee stock options), as well as outstanding ordinary shares amounted to \$1,334,682 thousand and \$1,341,402 thousand, respectively. All the above shares had a par value of \$10 per share.

Reconciliation of shares outstanding during 2022 and 2021 was as follows:

	<u>Ordinary Shares</u>	
(in thousands of shares)	<u>2022</u>	<u>2021</u>
Balance on January 1	133,468	134,140
Purchase of treasury shares	-	(672)
Balance on December 31	<u>133,468</u>	<u>133,468</u>

(Continued)

LARGAN PRECISION CO., LTD.
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(ii) Capital Surplus

The balance of capital surplus as of December 31, 2022 and 2021 were as follows:

	December 31, 2022	December 31, 2021
Additional paid-in capital	\$ 809,780	817,574
Capital surplus-premium from merger	738,155	738,155
Dividend timeout not received by shareholder	7,185	7,185
	<u>\$ 1,555,120</u>	<u>1,562,914</u>

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

(iii) Retained earnings

The Company's general meeting of shareholders held on August 25, 2021, and passed a resolution to amend the Company's Article of Incorporation, stipulating expressly that the Company's earnings distribution or loss appropriation may be made on a semiannually basis after the close of each semiannual.

The Company's Articles of Incorporation stipulate that Company's net earnings semiannually should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, until the accumulated legal reserve equals the Company's paid-in capital. In addition, a special reserve in accordance with applicable laws and regulations shall also be set aside.

Then, any remaining profit, together with any undistributed retained earnings, shall be distributed according to the distribution plan proposed by the Board of Directors.

When it is distributed by issuing new shares, it should be submitted to the shareholders' meeting for approval. When it is distributed in cash, it should be authorized by the Board of Directors and reported to the shareholders meeting only.

Before the distribution of dividends, the Company shall first take into consideration its operating environment, industry developments, and the long-term interests of its stockholders, as well as its programs to maintain its operating efficiency and meet its capital expenditure budget and financial goals in determining the stock or cash dividends to be paid. After the above appropriations, dividend to be distributed shall be no less than 10% of the current-year retained earnings available for distribution. The cash dividends shall not be less than 30% of the total dividends.

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LARGAN PRECISION CO., LTD.

Notes to the Parent Company Only Financial Statements

1) Legal reserve

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

2) Special reserve

In accordance with the regulation set by the Financial Supervisory Commission, a portion of current period earnings and undistributed prior period earnings shall be reclassified as a special earnings reserve during earnings distribution. The special earnings reserve will be recognized from the profit after income tax of the current period plus other current earnings and the undistributed retained earnings of the previous period. The net reduction of other shareholders' equity accumulated in the previous period shall be recognized from the undistributed retained earnings and shall not be distributed. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions. The special reserve for the years ended December 31, 2022 and 2021, was \$1,641,270 thousand and \$1,521,382 thousand, respectively.

3) Earnings distribution

The amounts of cash dividends on the appropriations of earnings for the second half of 2021 and the first half of 2021 and 2020 had been approved during the board meeting held on February 21, 2022, October 25, 2021 and February 22, 2021, respectively.

The relevant dividend distributions to shareholders were as follows:

	The second half of 2021		The first half of 2021		2020	
	Amount per share	Total amount	Amount per share	Total amount	Amount per share	Total amount
Dividends distributed to common shareholders:						
Cash	\$ <u>39</u>	<u>5,205,260</u>	<u>31</u>	<u>4,158,346</u>	<u>91.5</u>	<u>12,273,828</u>

The amounts of cash dividends on the appropriations of earnings for the second half of 2022 and the first half of 2022 had been approved during the Board meeting on February 20, 2023 and July 25, 2022, respectively.

The relevant dividend distributions to shareholders were as follows:

	The second half of 2022		The first half of 2022	
	Amount per share	Total amount	Amount per share	Total amount
Dividends distributed to common shareholders:				
Cash	\$ <u>46</u>	<u>6,139,537</u>	<u>39.5</u>	<u>5,271,994</u>

(Continued)

LARGAN PRECISION CO., LTD.
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4) Treasury shares

In accordance with the requirements under section 28(2) of the Securities and Exchange Act, the Company expected to repurchase 1,342 thousand treasury stocks, with the price ranging from \$2,025 to \$3,300 per share, in order to protect the Company's integrity and shareholders' equity during the period from October 26, 2021 to December 24, 2021. As of the expiration of the implementation period of the above shares, a total of 672 thousand shares have been repurchased, at the amount of \$1,400,985 thousand.

On February 21, 2022, the Company's Board of Directors approved the retirement of 672 thousand treasury stocks with the effective date of capital reduction on April 25, 2022.

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before their transfer.

5) Other equity interests (net-of-taxes)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income
Balance at January 1, 2022	\$ (1,986,787)	345,517
Exchange differences on foreign operations:		
The Company	1,299,427	-
Subsidiaries	2,975	-
Unrealized gains(losses) from financial assets measured at fair value through other comprehensive income:		
The Company	-	(93,817)
Subsidiaries	-	47
Balance at December 31, 2022	<u>\$ (684,385)</u>	<u>251,747</u>
Balance at January 1, 2021	\$ (1,747,237)	1,424
Exchange differences on foreign operations:		
The Company	(239,072)	-
Subsidiaries	(478)	-
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:		
The Company	-	344,061
Subsidiaries	-	32
Balance at December 31, 2021	<u>\$ (1,986,787)</u>	<u>345,517</u>

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

(r) **Earnings per share**

The calculation of basic earnings per share and diluted earnings per share for 2022 and 2021 were as follows:

	2022	2021
Basic earnings per share		
Profit of the Company for the year	\$ <u><u>22,625,049</u></u>	<u><u>18,671,230</u></u>
Weighted-average number of outstanding ordinary shares (in thousands)		
Issued ordinary shares at January 1	134,140	134,140
Effect of treasury shares held	<u>(672)</u>	<u>(84)</u>
Weighted average number of ordinary shares at December 31	<u><u>133,468</u></u>	<u><u>134,056</u></u>
	<u><u>\$ 169.52</u></u>	<u><u>139.28</u></u>
Diluted earnings per share		
Profit of the Company for the year	\$ <u><u>22,625,049</u></u>	<u><u>18,671,230</u></u>
Weighted-average number of outstanding ordinary shares (in thousands)	133,468	134,056
Effect of dilutive potential common shares (thousand shares)		
Effect of employee share bonus	<u>2,099</u>	<u>1,742</u>
Weighted-average number of ordinary shares (in thousands) (after adjustment of potential diluted ordinary shares)	<u><u>135,567</u></u>	<u><u>135,798</u></u>
	<u><u>\$ 166.89</u></u>	<u><u>137.49</u></u>

(s) **Revenue from contracts with customers**

Disaggregation of revenue

	2022	2021
Sale of goods	\$ 44,855,338	45,891,768
Other	<u>623,033</u>	<u>1,142,172</u>
	<u><u>\$ 45,478,371</u></u>	<u><u>47,033,940</u></u>

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Notes to the Parent Company Only Financial Statements

(t) **Employee compensation and directors' and supervisors' remuneration**

According to the Company's Articles of Incorporation, the Company should distribute its remuneration of not less than 1%~30% and not more than 5% of annual profits to its employees and directors respectively, after offsetting accumulated deficits, if any. Employees, including employees of affiliate companies that meet certain conditions, are subject to the abovementioned remuneration, which is to be distributed in stock or cash.

For the year ended December 31, 2022 and 2021, the Company estimated its employee remuneration at \$4,071,461 thousand and \$3,363,086 thousand, and directors' and supervisors' remuneration at \$305,360 thousand and \$252,052 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration of employees, directors and supervisors as specified in the Company's Articles. These remunerations were expensed under operating costs or operating expenses during 2022 and 2021. The amounts, as stated in the parent company only financial statements, are identical to those of the actual distributions for 2022 and 2021.

(u) **Non-operating income and expenses**

(i) Interest income

The details of interest income for 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Interest income from bank deposits	\$ 1,415,367	824,631
Interest income from financial assets measured at fair value through other comprehensive income	10,449	2,777
	<u>\$ 1,425,816</u>	<u>827,408</u>

(ii) Other income

The details of other income for 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Rent income	\$ 18,336	15,546
Dividends income	8,326	-
Gains on technical services	25,341	35,429
	<u>\$ 52,003</u>	<u>50,975</u>

(Continued)

LARGAN PRECISION CO., LTD.
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(iii) Other gains and losses

The details of other gains and losses for 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Foreign exchange gains (losses)	\$ 5,247,266	(1,487,370)
(Losses) gains on disposals of property, plant and equipment	(78)	3,992
Gains on financial assets at fair value through profit or loss	21,184	34,142
Others	<u>220,126</u>	<u>182,092</u>
	<u>\$ 5,488,498</u>	<u>(1,267,144)</u>

(iv) Finance costs

The details of finance costs for 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Interest expenses	\$ <u>1,605</u>	<u>1,909</u>

(v) **Financial Instruments**

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

To minimize credit risk, the Company periodically evaluates the Company's financial positions and the possibility of collecting accounts receivable. Besides, the Company monitors and reviews the recoverable amount of its trade receivables to ensure the uncollectible amount are recognized appropriately as impairment loss. As of December 31, 2022 and 2021, 75% and 84%, respectively, of accounts receivable were derived from several major customers. Thus, the credit risk is significantly centralized.

3) Receivables and debt securities

For credit risk exposure of accounts receivable, please refer to note 6 (d).

Other financial assets at amortized cost includes other receivables, refundable deposits and other financial assets. Debt investments at fair value through other comprehensive income include corporate bonds. All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4 (f). Other financial assets at amortized cost and debt investments at fair value through other comprehensive income did not have impairment provision for the years ended December 31, 2022 and 2021.

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LARGAN PRECISION CO., LTD.
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(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, without the impact of netting agreements.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>Over 1 year</u>
December 31, 2022				
Non-derivative financial liabilities				
Short-term borrowings	\$ 18,733	18,733	18,733	-
Accounts and notes payable (including related parties)	2,499,158	2,499,158	2,499,158	-
Other payables (including related parties)	22,780,069	22,780,069	22,780,069	-
Lease liabilities - current and non-current	118,916	120,759	52,244	68,515
Guarantee deposits received	4,007	4,007	-	4,007
	<u>\$ 25,420,883</u>	<u>25,422,726</u>	<u>25,350,204</u>	<u>72,522</u>
December 31, 2021				
Non-derivative financial liabilities				
Accounts and notes payable (including related parties)	\$ 2,555,312	2,555,312	2,555,312	-
Other payables (including related parties)	26,199,526	26,199,526	26,199,526	-
Lease liabilities-current and non-current	154,579	157,761	48,041	109,720
Guarantee deposits received	3,630	3,630	-	3,630
	<u>\$ 28,913,047</u>	<u>28,916,229</u>	<u>28,802,879</u>	<u>113,350</u>

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

(Continued)

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(iii) Currency risk

1) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk was as follows:

	December 31, 2022			December 31, 2021		
	Foreign Currency	Exchang e Rates	New Taiwan Dollars	Foreign Currency	Exchang e Rates	New Taiwan Dollars
<u>Financial Assets</u>						
<u>Monetary items</u>						
USD	\$ 1,944,518	30.7100	59,716,161	1,877,347	27.6800	51,964,958
JPY	1,167,058	0.2324	271,224	2,123,717	0.2405	510,754
CNY	253,523	4.4080	1,117,529	4,024,218	4.3440	17,481,202
<u>Financial Liabilities</u>						
<u>Monetary items</u>						
USD	70,128	30.7100	2,153,642	74,521	27.6800	2,062,749
JPY	140,545	0.2324	32,663	1,836,100	0.2405	441,582

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, financial assets at fair value through other comprehensive income, accounts and other receivables, and accounts and other payables that are denominated in foreign currency. A strengthening (weakening) 1% of the TWD against the USD, JPY, and CNY as of December 31, 2022 and 2021 would have increased (decreased) the net profit after tax by \$471,349 thousand and \$539,621 thousand, respectively. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for both periods.

3) Foreign exchange gain and loss on monetary items

Since the Company has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years 2022 and 2021, the foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$5,247,266 thousand and \$(1,487,370) thousand, respectively.

(iv) Interest rate analysis

Please refer to the note on liquidity risk management and the interest rate exposure of the Company's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate which increases or decreases by 1% when reporting to the internal management, which also represents the Company management's assessment of the reasonably possible interest rate change.

(Continued)

LARGAN PRECISION CO., LTD.
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If the interest rate increases/decreases by 1%, with all other variable factors that remaining constant, the Company's net income would have decreased/increased by \$150 thousand and \$0 for the years ended December 31, 2022 and 2021, respectively. This is mainly due to the Company's borrowings in variable rates.

(v) Other market price risk

For the years ended December 31, 2022 and 2021, the sensitivity analysis for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss with all other variable factors remaining constant as illustrated below:

	For the years ended December 31,			
	2022		2021	
	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
Prices of securities at the reporting date				
1% increase	\$ 30,228	14,003	25,137	143,300
1% decrease	\$ (30,228)	(14,003)	(25,137)	(143,300)

(vi) Fair value of financial instruments

1) Categories and fair value of financial instruments

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

The Company uses observable market data to evaluate its assets and liabilities when it is possible. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

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	December 31, 2022				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Non derivative financial assets mandatorily measured at fair value through profit or loss	\$ 1,400,291	1,400,291	-	-	1,400,291
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	1,968,832	1,968,832	-	-	1,968,832
Private equity on domestic markets	1,054,000	-	1,054,000	-	1,054,000
Corporate bonds	926,959	926,959	-	-	926,959
	<u>3,949,791</u>	<u>2,895,791</u>	<u>1,054,000</u>	<u>-</u>	<u>3,949,791</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	99,041,251	-	-	-	-
Accounts receivable and other receivables (including related parties and excluding tax receivable)	8,028,047	-	-	-	-
Other financial assets-current and non-current	13,121,003	-	-	-	-
Refundable deposits	22,422	-	-	-	-
Subtotal	<u>120,212,723</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 125,562,805</u>	<u>4,296,082</u>	<u>1,054,000</u>	<u>-</u>	<u>5,350,082</u>
Financial liabilities at amortized cost					
Short-term borrowings	\$ 18,733	-	-	-	-
Notes and accounts payable (including related parties)	2,499,158	-	-	-	-
Other payables (including related parties)	22,780,069	-	-	-	-
Lease liabilities-current and non-current	118,916	-	-	-	-
Guarantee deposits received	4,007	-	-	-	-
Total	<u>\$ 25,420,883</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

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	December 31, 2021				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Non derivative financial assets mandatorily measured at fair value through profit or loss	\$ 14,329,966	14,329,966	-	-	14,329,966
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	1,581,722	1,581,722	-	-	1,581,722
Private equity on domestic markets	932,000	-	932,000	-	932,000
Corporate bonds	772,541	772,541	-	-	772,541
	<u>3,286,263</u>	<u>2,354,263</u>	<u>932,000</u>	<u>-</u>	<u>3,286,263</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	77,792,072	-	-	-	-
Accounts receivable and other receivables (including related parties and excluding tax receivable)	9,420,684	-	-	-	-
Other financial assets-current and non-current	13,438,103	-	-	-	-
Refundable deposits	22,376	-	-	-	-
Subtotal	<u>100,673,235</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 118,289,464</u>	<u>16,684,229</u>	<u>932,000</u>	<u>-</u>	<u>17,616,229</u>
Financial liabilities at amortized cost					
Notes and accounts payable (including related parties)	\$ 2,555,312	-	-	-	-
Other payables (including related parties)	26,199,526	-	-	-	-
Lease liabilities-current and non-current	154,579	-	-	-	-
Guarantee deposits received	3,630	-	-	-	-
Total	<u>\$ 28,913,047</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

2) Valuation techniques of financial instruments not measured at fair value

The Company estimates its financial instruments, that are not measured at fair value, by methods and assumption as follows:

If there is quoted price generated by transactions for financial liabilities at amortized cost, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values. In addition, if the expiration date is approaching, or the future payable or receivable price is similar to the carrying amount, the fair value shall be assumed in the carrying amount in the balance sheets.

(Continued)

LARGAN PRECISION CO., LTD.
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3) Valuation techniques for financial instruments measured at fair value.

Non-derivative financial instruments

Financial instruments traded in active markets are based on quoted market prices. The quoted price of a financial instrument obtained from main exchanges and on-the-run bonds from Taipei Exchange can be used as a basis to determine the fair value of the listed companies' equity instrument and debt instrument of the quoted price in an active market.

If a quoted price of a financial instrument can be obtained in time and often from exchanges, brokers, underwriters, industrial union, pricing institute, or authorities, and such price can reflect those actual trading and frequently happen in the market, then the financial instrument is considered to have a quoted price in an active market. If a financial instrument is not in accord with the definition mentioned above, then it is considered to be without a quoted price in an active market. In general, market with low trading volume or high bid-ask spreads is an indication of a non-active market.

The fair value of the listed common shares, funds and bonds held by the Company are determined by reference to the market quotation.

Except for the above-mentioned financial instruments with active market, measurements of fair value of financial instruments without an active market are based on a valuation technique. Privately equity of domestic companies that the Company hold was measured by the Black-Scholes put evaluation model to calculate its liquidity discount and fair value.

4) Transfer between Level 1 and Level 2

There were no transfers from one level to another level in 2022 and 2021.

(w) Financial risk management

(i) Overview

The Company has exposure to the following risks from its financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

In this note expressed the information on risk exposure and objectives, policies and procedures of risk measurement and management. For detailed information, please refer to the related notes of each risk.

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LARGAN PRECISION CO., LTD.
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(ii) Structure of risk management

The Company's finance management department provides business services for the overall internal department. It sets the objectives, policies and processes for managing the risk and the methods used to measure the risk arising from both the domestic and international financial market operations. The Company minimizes the risk exposure through derivative financial instruments. The Board of Directors regulates the use of derivative financial instruments in accordance with the Company's policy on risks arising from financial instruments such as currency risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments, and the investments of excess liquidity. The internal auditors of the Company continue to review the amount of the risk exposure in accordance with the Company's policies and the risk management's policies and procedures. The Company has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation.

(iii) Credit risk

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

1) Accounts receivable and other receivables

The Company's customers is significantly concentrated in a few customers. In order to reduce credit risk, the Company continuously evaluates the financial status of its major customers and their condition, and also regularly assesses the possibility of receivables recovery.

The Company did not have any collateral or other credit enhancement to avoid credit risk of the financial assets.

The Company has losses allowance for bad debts to reflect the estimated losses of its accounts receivable, other receivables and investments. The main components of the allowance account contain specific losses associated with individual major risks. The component, and the component of the combined loss established for the loss of a similar group of assets, has occurred but not yet identified. The loss allowance account is based on the occurring risk of a default and the rate of expected credit loss.

2) Investments

The exposure to credit risk for bank deposits, fixed income investments, and other financial instruments, is measured and monitored by the Company's finance department. The Company only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Company does not expect any of the counterparties above to fail in meeting their obligations; hence, there is no significant credit risk arising from these counterparties.

3) Guarantees

At December 31, 2022 and 2021, no other guarantees were outstanding.

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(iv) Liquidity risk

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

(v) Market risk

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

1) Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Company's entities, primarily the New Taiwan Dollars (NTD). The currencies used in these transactions are the NTD, USD, CNY and JPY.

2) Interest rate risk

Please refer to note on the liquidity risk for interest rate risk of financial assets and financial liabilities.

3) Other market price risk

Please refer to note 6(v) for the sensitivity analysis of equity price risk.

(x) **Capital management**

The Company must maintain sufficient capital to establish and expand production capacity and equipment. Because the optical lens industry is highly subject to fluctuations in the booming cycle; the capital management of the Company is to ensure that it has sufficient and necessary financial resources to support its working capital requirements, capital expenditures, research and development activities, dividends and other business needs in the next 12 months.

(y) **Investing and financing activities not affecting current cash flow**

The Company's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2022 and 2021 were as follows:

Acquisition of right-of-use assets through lease, please refer to note 6(m).

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Reconciliation of liabilities arising from financing activities was as follows:

	<u>January 1, 2022</u>	<u>Cash flows</u>	<u>Non-cash changes</u>			<u>December 31, 2022</u>
			<u>Foreign exchange movement</u>	<u>Acquisition</u>	<u>Changes in lease payments</u>	
Short-term borrowings	\$ -	18,819	(46)	-	-	18,773
lease liabilities - current and non-current	154,579	(50,401)	-	14,738	-	118,916
Guarantee deposits received	3,630	377	-	-	-	4,007
Total liabilities from financing activities	<u>\$ 158,209</u>	<u>(31,205)</u>	<u>(46)</u>	<u>14,738</u>	<u>-</u>	<u>141,696</u>

	<u>January 1, 2021</u>	<u>Cash flows</u>	<u>Non-cash changes</u>			<u>December 31, 2021</u>
			<u>Foreign exchange movement</u>	<u>Acquisition</u>	<u>Changes in lease payments</u>	
Short-term borrowings	\$ 249,535	(252,007)	2,472	-	-	-
lease liabilities - current and non-current	166,565	(44,421)	-	33,335	(900)	154,579
Guarantee deposits received	3,766	(136)	-	-	-	3,630
Total liabilities from financing activities	<u>\$ 419,866</u>	<u>(296,564)</u>	<u>2,472</u>	<u>33,335</u>	<u>(900)</u>	<u>158,209</u>

(7) Related-party transactions

- (a) For details of subsidiaries of the Company, please refer to note 4 (c) of the year 2022 consolidated financial report.
- (b) Names and relationship with the Company

The followings are related parties that have had transactions with the Company during the periods covered in the parent company only financial statements.

<u>Name of related party</u>	<u>Relationship with the Company</u>
Amtai International Ltd. (Amtai)	Subsidiaries
Largan Digital Co., Ltd. (Largan Digital)	Subsidiaries
Largan Medical Co., Ltd. (Largan Medical)	Subsidiaries
Largan (Dongguan) Optronics Ltd. (Largan Dongguan)	Subsidiaries
Largan Health AI-Tech Co., Ltd. (Largan Health AI-Tech)	Subsidiaries
Largan Industrial Optics Co., Ltd. (Largan Industrial Optics)	Subsidiaries
Fang Yuan Co., Ltd. (Fang Yuan)	Subsidiaries

(Continued)

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(c) Significant related-party transactions

(i) Sale of goods to related parties

The amounts of significant sales and receivables by the Company to its related parties were as follows:

	Sale		Receivables from related parties	
	2022	2021	December 31, 2022	December 31, 2021
Subsidiaries-Amtai	\$ 16,367,280	12,340,237	3,023,431	3,046,613
Subsidiaries-Largan Dongguan	3,582,015	11,971,036	157,048	911,070
Subsidiaries-Others	<u>931,779</u>	<u>250,730</u>	<u>252,921</u>	<u>67,868</u>
	<u>\$ 20,881,074</u>	<u>24,562,003</u>	<u>3,433,400</u>	<u>4,025,551</u>

The sales price of the Company to its related parties is not comparable to other sales due to the differences in the sales of the goods. During 2022 and 2021, the collection terms for sales to related parties were month-end 30 to 120 days, which were not materially different from those of the third parties.

(ii) Purchases from related parties

1) The amounts of significant purchases and payables by the Company from its related parties were as follows:

	Purchases		Payables to related parties	
	2022	2021	December 31, 2022	December 31, 2021
Subsidiaries-Amtai	\$ 3,383,832	2,525,823	1,243,243	1,059,145
Subsidiaries-Other	<u>923,251</u>	<u>1,082,072</u>	<u>17,181</u>	<u>202,776</u>
	<u>\$ 4,307,083</u>	<u>3,607,895</u>	<u>1,260,424</u>	<u>1,261,921</u>

The purchases price of the Company to its related parties is not comparable to other purchases due to the differences in the purchases of the goods. During 2022 and 2021, the payment terms for purchases to related parties were month-end 30 to 120 days, which were not materially different from those of the third parties.

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- 2) The disposed amount of both the purchased finished goods from related parties, and the purchased part of raw materials components from the Company, were included in financial statements as follows:

	<u>2022</u>	<u>2021</u>
Subsidiaries-Amtai	\$ 1,268,991	1,050,385
Subsidiaries-Largan Digital	<u>318,294</u>	<u>-</u>
	<u>\$ 1,587,285</u>	<u>1,050,385</u>

- (iii) Provides and purchase technical services to related parties

During 2022 and 2021, the Company's income from providing technical services to its related parties were as follows (classified under the other gains):

	<u>2022</u>	<u>2021</u>
Subsidiaries-Amtai	\$ 20,435	19,734
Subsidiaries-Largan Medical	<u>4,906</u>	<u>15,695</u>
	<u>\$ 25,341</u>	<u>35,429</u>

During 2022 and 2021, the Company's expense from technical services from its related parties were as follows (classified under the other expense):

	<u>2022</u>	<u>2021</u>
Subsidiaries-Largan Digital	\$ 3,580	3,501
Subsidiaries-Largan Industrial Optics	<u>71,669</u>	<u>-</u>
	<u>\$ 75,249</u>	<u>3,501</u>

- (iv) Purchases and disposals of property, plant and equipment

- 1) During 2022 and 2021, the Company's disposals of its equipment to its related parties are summarized as follows:

	<u>2022</u>			<u>2021</u>		
Subsidiaries:	<u>Carrying amount</u>	<u>Disposal price</u>	<u>Gain from disposal</u>	<u>Carrying amount</u>	<u>Disposal price</u>	<u>Gain from disposal</u>
Largan Digital	\$ 360	382	22	1,712	1,818	106
Largan Medical	87	109	22	58	73	15
Largan Dongguan	-	-	-	1,594	1,779	185
Largan Industrial Optics	<u>18</u>	<u>22</u>	<u>4</u>	<u>47,956</u>	<u>54,161</u>	<u>6,205</u>
	<u>\$ 465</u>	<u>513</u>	<u>48</u>	<u>51,320</u>	<u>57,831</u>	<u>6,511</u>

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- 2) During 2022 and 2021, the Company's purchase of its equipment from its related parties are summarized as follows:

	2022	2021
Subsidiaries	\$ 77,972	48,836

- 3) During 2022 and 2021, the Company assisted its related parties to purchase other facilities as follows:

	2022	2021
Subsidiaries–Largan Digital	\$ 234,297	99,653
Subsidiaries–Largan Medical	14,685	11,667
Subsidiaries–Other	3,064	4,164
	\$ 252,046	115,484

- (v) Rental income

During 2022 and 2021, the Company's rental income on offices to the subsidiaries are summarized as follows:

	2022	2021
Subsidiaries–Largan Digital	\$ 9,881	7,646
Subsidiaries–Largan Medical	4,805	4,797
Subsidiaries–Other	261	-
	\$ 14,947	12,443

- (vi) Other

For the years ended December 31, 2022 and 2021, the amounts of receivables and payables from property transactions, rental income, technical service and other transactions, which were classified under other receivables from related parties, and other payables to related parties, are summarized as follows:

	December 31, 2022		December 31, 2021	
	other receivables from related parties	other payables to related parties	other receivables from related parties	other payables to related parties
Subsidiaries–Amtai	\$ 31,861	29	37,797	-
Subsidiaries–Largan Digital	8,233	1,032	7,165	6,891
Subsidiaries–Largan Industrial Optics	45	4,469	57,181	-
Subsidiaries–Other	8,431	653	8,853	670
	\$ 48,570	6,183	110,996	7,561

(Continued)

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(d) Key management personnel compensation

Key management personnel compensation comprised the following:

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 227,619	225,549
Post-employment benefits	176	278
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	<u>\$ 227,795</u>	<u>225,827</u>

(8) Pledged assets:

The carrying values of pledged assets were as follow:

<u>Pledged assets</u>	<u>Pledged to secure</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Time deposit (classified under other current financial assets)	Customs office deposit	\$ 9,000	9,000
Time deposit (classified under other non-current assets)	Litigation deposit	4,733	4,733
Time deposit (classified under other non-current financial assets)	Completion deposit	<u>310,001</u>	<u>310,001</u>
		<u>\$ 323,734</u>	<u>323,734</u>

(9) Commitments and contingencies

- (i) As at December 31, 2022 and 2021, the Company's outstanding letters of credit were \$248,880 thousand and \$0, respectively.
- (ii) As of December 31, 2022 and 2021, the Company's outstanding purchase commitments for construction in progress, property and plant was \$23,708,638 thousand ; The amount of construction that has not yet occurred were \$17,655,879 thousand and \$20,240,049 thousand, respectively.

(10) Losses due to major disasters: None

(11) Subsequent events: None

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(12) Other:

The followings are the summary statement of employee benefits, depreciation, depletion, and amortization expenses by function in the current period:

By function By item	2022			2021		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits						
Salary	5,324,653	3,348,614	8,673,267	4,867,143	2,929,189	7,796,332
Labor and health insurance	415,024	153,210	568,234	412,186	147,043	559,229
Pension	148,726	63,440	212,166	147,546	60,323	207,869
Remuneration directors	-	305,360	305,360	-	180,723	180,723
Others	147,900	40,086	187,986	150,519	38,257	188,776
Depreciation	4,599,647	387,052	4,986,699	4,235,928	364,231	4,600,159
Amortization	8,546	76,372	84,918	4,504	90,542	95,046

Additional information on the numbers of employees and the employee benefits of the Company in 2022 and 2021:

	December 31, 2022	December 31, 2021
The numbers of employees	<u>7,207</u>	<u>7,131</u>
The numbers of directors excluding the employees	<u>5</u>	<u>3</u>
The average of employees' benefits	<u>\$ 1,339</u>	<u>1,228</u>
The average of salary	<u>\$ 1,204</u>	<u>1,094</u>
The average of salary adjustment	<u>10.05%</u>	
Supervisor's remuneration	<u>\$ -</u>	<u>71,329</u>

The Company's salary and remuneration policy (including directors, supervisors, managers and employees) are as follows:

The remunerations to directors, supervisors, general managers and deputy general managers are in accordance with the Company's Articles of Incorporation and the managerial salary standards, which are reviewed by the Compensation Committee and approved by the board of directors.

Furthermore, the remuneration to the Company's directors and supervisors is determined by reference to the Company's overall operating performance, future risks, and development trends of the industry, as well as the responsibilities required by the individual for the position it held, its performance achievement rate and contribution to the Company, and also its overall participation in the Company's operations, taking into consideration its management capabilities (such as moral conduct), leadership ability, communication and coordination ability and comprehensive management indicators that include the Company's core values. Relevant performance appraisal and remuneration reasonableness are reviewed by the Salary and Compensation Committee and the Board of Directors, and the remuneration system is reviewed at any time in accordance with the actual operating conditions and relevant laws and regulations.

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

In addition, the wages of the employees of the Company are paid based on the grade table set according to the complexity of their work, the degree of responsibilities, and the professional skills required.

The remuneration of employee includes salary and employee remuneration, and the distribution of employee remuneration is determined by the board of directors to whether distribute in stock or cash. The recipients may include employees of affiliated companies who meet certain conditions such as rank and performance. The above conditions will have to be approved by the board of directors.

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on the Company's significant transactions, required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers":

(i) Loans to other parties: None

(ii) Guarantees and endorsements for other parties: None

(iii) Securities held as of December 31, 2022 (excluding those investments in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Security		Relationship with company	Account title	Ending balance				Note
	Category	Name			Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Stock	Micro Win Tech Inc.	-	Financial assets designated as at fair value through profit or loss	1.25	-	20.66 %	-	
The Company	Stock	Kintech Technology Co., Ltd.	-	Financial assets designated as at fair value through profit or loss	570	-	0.33 %	-	
The Company	Stock	AETAS TECHNOLOGY INCORPORATED	-	Financial assets designated as at fair value through profit or loss	125	-	0.25 %	-	
The Company	Open-end fund	Yuanta De-Li Money Market Fund	-	Financial assets mandatorily measured fair value through profit or loss	9,094	150,677	- %	150,677	
The Company	Open-end fund	Yuanta Wan Tai Money Market Fund	-	Financial assets mandatorily measured fair value through profit or loss	13,067	200,832	- %	200,832	
The Company	Open-end fund	Jih Sun Money Market Fund	-	Financial assets mandatorily measured fair value through profit or loss	11,749	177,063	- %	177,063	
The Company	Open-end fund	FSITC Taiwan Money Market Fund	-	Financial assets mandatorily measured fair value through profit or loss	6,463	100,507	- %	100,507	
The Company	Open-end fund	Union Money Market Fund	-	Financial assets mandatorily measured fair value through profit or loss	22,463	301,353	- %	301,353	
The Company	Open-end fund	Taishin 1699 Money Market Fund	-	Financial assets mandatorily measured fair value through profit or loss	18,327	252,269	- %	252,269	
The Company	Open-end fund	Hua Nan Phoenix Money Market Fund	-	Financial assets mandatorily measured fair value through profit or loss	13,172	217,590	- %	217,590	
The Company	Stock	AVISION INC.	-	Financial assets at fair value through other comprehensive income	4,253	47,424	1.99 %	47,424	
The Company	Stock	Fubon Financial Holding Co., Ltd. Preferred Shares C	-	Financial assets at fair value through other comprehensive income	25,200	1,388,520	7.56 %	1,388,520	Note1
The Company	Stock	Yuanta Financial Holding Co., Ltd.	-	Financial assets at fair value through other comprehensive income	4,805	104,260	0.04 %	104,260	
The Company	Stock	Cathay Financial Holding Co., Ltd.	-	Financial assets at fair value through other comprehensive income	3,514	140,567	0.02 %	140,567	
The Company	Stock	CTBC Financial Holding Co., Ltd.	-	Financial assets at fair value through other comprehensive income	3,070	67,847	0.02 %	67,847	
The Company	Stock	Fubon Financial Holding Co., Ltd.	-	Financial assets at fair value through other comprehensive income	3,137	176,613	0.03 %	176,613	
The Company	Stock	Mega Financial Holding Company Ltd.	-	Financial assets at fair value through other comprehensive income	1,370	41,580	0.01 %	41,580	
The Company	Stock	Hua Nan Financial Holdings Co., Ltd.	-	Financial assets at fair value through other comprehensive income	90	2,021	- %	2,021	

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

Name of holder	Security		Relationship with company	Account title	Ending balance				Note
	Category	Name			Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Private equity	ABILITY OPTO-ELECTRONICS TECHNOLOGY CO., LTD.	-	Financial assets at fair value through other comprehensive income	20,000	1,054,000	14.04 %	1,054,000	
The Company	Bond	BANK OF AMERICA CORP	-	Financial assets at fair value through other comprehensive income	-	188,671	- %	188,671	
The Company	Bond	JPMORGAN CHASE & CO	-	Financial assets at fair value through other comprehensive income	-	108,277	- %	108,277	
The Company	Bond	IBM CORP	-	Financial assets at fair value through other comprehensive income	-	117,084	- %	117,084	
The Company	Bond	JOHNSON & JOHNSON	-	Financial assets at fair value through other comprehensive income	-	106,367	- %	106,367	
The Company	Bond	MIZUHO FINANCIAL GROUP	-	Financial assets at fair value through other comprehensive income	-	187,974	- %	187,974	
The Company	Bond	TSMC GLOBAL LTD	-	Financial assets at fair value through other comprehensive income	-	109,181	- %	109,181	
The Company	Bond	APPLE INC	-	Financial assets at fair value through other comprehensive income	-	109,405	- %	109,405	

Note 1 : Shareholding ratio of Fubon Financial Holding Co., Ltd. Preferred Shares C.

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

Name of company	Security		Account name	Name of counter-party	Relationship with the company	Beginning balance		Purchases		Sales			Ending Balance		
	Category	Name				Shares (thousands)	Amount	Shares (thousands)	Amount	Shares (thousands)	Price	Cost	Gain (loss) on disposal	Shares (thousands)	Amount
The Company	Open-end fund	Franklin Templeton Sinoam Money Market Fund	Financial assets mandatorily measured fair value through profit or loss	-	-	124,342	1,299,829	-	-	124,342	1,301,253	1,293,000	8,253	-	-
The Company	Open-end fund	Capital Money Market Fund	Financial assets mandatorily measured fair value through profit or loss	-	-	50,858	828,845	14,228	232,000	65,086	1,061,123	1,058,000	3,123	-	-
The Company	Open-end fund	Yuanta De-Li Money Market Fund	Financial assets mandatorily measured fair value through profit or loss	-	-	-	-	48,522	800,000	39,428	650,593	650,000	593	9,094	150,677
The Company	Open-end fund	Yuanta Wan Tai Money Market Fund	Financial assets mandatorily measured fair value through profit or loss	-	-	-	-	29,401	450,000	16,334	250,338	250,000	338	13,067	200,832
The Company	Open-end fund	Jih Sun Money Market Fund	Financial assets mandatorily measured fair value through profit or loss	-	-	145,835	2,185,644	16,645	250,000	150,731	2,261,344	2,250,000	11,344	11,749	177,063
The Company	Open-end fund	CTBC Hwa-win Money Market Fund	Financial assets mandatorily measured fair value through profit or loss	-	-	16,092	179,061	17,940	200,000	34,032	379,129	379,000	129	-	-

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

Name of company	Security		Account name	Name of counter-party	Relations hip with the company	Beginning balance		Purchases		Sales			Ending Balance		
	Category	Name				Shares (thousands)	Amount	Shares (thousands)	Amount	Shares (thousands)	Price	Cost	Gain (loss) on disposal	Shares (thousands)	Amount
The Company	Open-end fund	Shin Kong Chi-Shin Money Market Fund	Financial assets mandatorily measured fair value through profit or loss	-	-	-	-	25,539	400,000	25,539	400,119	400,000	119	-	-
The Company	Open-end fund	FSITC Taiwan Money Market Fund	Financial assets mandatorily measured fair value through profit or loss	-	-	74,470	1,152,153	16,124	250,000	84,131	1,303,514	1,296,000	7,514	6,463	100,507
The Company	Open-end fund	FSITC Money Market Fund	Financial assets mandatorily measured fair value through profit or loss	-	-	2,812	506,856	1,940	350,000	4,752	857,241	855,000	2,241	-	-
The Company	Open-end fund	Eastspring Investments Well Pool Money Market Fund	Financial assets mandatorily measured fair value through profit or loss	-	-	31,830	437,343	-	-	31,830	437,455	436,000	1,455	-	-
The Company	Open-end fund	Mega Diamond Money Market Fund	Financial assets mandatorily measured fair value through profit or loss	-	-	168,362	2,134,430	-	-	168,362	2,135,864	2,132,000	3,864	-	-
The Company	Open-end fund	Prudential Financial Money Market Fund	Financial assets mandatorily measured fair value through profit or loss	-	-	33,226	531,329	-	-	33,226	531,761	528,000	3,761	-	-
The Company	Open-end fund	Union Money Market Fund	Financial assets mandatorily measured fair value through profit or loss	-	-	48,118	641,712	63,672	850,000	89,327	1,192,300	1,191,000	1,300	22,463	301,353
The Company	Open-end fund	TCB Taiwan Money Market Fund	Financial assets mandatorily measured fair value through profit or loss	-	-	-	-	91,647	941,000	91,647	941,401	941,000	401	-	-
The Company	Open-end fund	UPAMC James Bond Money Market Fund	Financial assets mandatorily measured fair value through profit or loss	-	-	11,858	200,072	61,585	1,040,000	73,443	1,240,786	1,240,000	786	-	-
The Company	Open-end fund	Fubon Chi-Hsiang Money Market Fund	Financial assets mandatorily measured fair value through profit or loss	-	-	-	-	44,174	700,000	44,174	700,158	700,000	158	-	-
The Company	Open-end fund	Taishin Ta-Chong Money Market Fund	Financial assets mandatorily measured fair value through profit or loss	-	-	38,227	548,568	-	-	38,227	548,779	548,000	779	-	-

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

Name of company	Security		Account name	Name of counter-party	Relationship with the company	Beginning balance		Purchases		Sales				Ending Balance	
	Category	Name				Shares (thousands)	Amount	Shares (thousands)	Amount	Shares (thousands)	Price	Cost	Gain (loss) on disposal	Shares (thousands)	Amount
The Company	Open-end fund	Faishih 1699 Money Market Fund	Financial assets mandatorily measured fair value through profit or loss	-	-	192,838	2,637,750	7,288	100,000	181,799	2,489,947	2,477,000	12,947	18,327	252,269
The Company	Open-end fund	Hua Nan Phoenix Money Market Fund	Financial assets mandatorily measured fair value through profit or loss	-	-	31,601	518,882	-	-	18,429	303,115	302,069	1,046	13,172	217,590
The Company	Open-end fund	Cathay Taiwan Money Market Fund	Financial assets mandatorily measured fair value through profit or loss	-	-	42,002	527,492	15,889	200,000	57,891	727,639	727,000	639	-	-

(v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counterparty is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	Land and buildings	2022.3	1,000,000	The payment of \$1,000,000 thousand was made as of December 31, 2022	REASON INDUSTRIAL CORPORATION	None	Not Applicable	Not Applicable	Not Applicable	-	Professional Appraisal Report	Future Operational Needs	None

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

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Amtai International Ltd.	The Company's subsidiary	Purchases	3,383,832	37 %	120Days	-	-	(1,243,243)	(50)%	
The Company	Amtai International Ltd.	The Company's subsidiary	Sales	(16,367,280)	(35) %	60Days	-	-	3,023,431	40%	
The Company	Largan Digital Co., Ltd.	The Company's subsidiary	Purchases	781,652	9 %	30Days	-	-	(2,543)	-%	
The Company	Largan Digital Co., Ltd.	The Company's subsidiary	Sales	(856,224)	(2) %	30Days	-	-	240,584	3%	
The Company	Largan Medical Co. Ltd.	The Company's subsidiary	Purchases	140,861	2 %	30Days	-	-	(14,203)	(1)%	
The Company	Largan (Dongguan) Optronic Ltd.	The Company's subsidiary	Sales	(3,582,015)	(8) %	120Days	-	-	157,048	2%	

(viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Name of company	Related-party	Nature of relationship	Ending balance (Note2)	Turnover rate	Overdue		Amounts received in subsequent period	Loss allowance
					Amount	Action taken		
The Company	Amtai International Ltd.	The Company's subsidiary	3,055,292	5.39	-	None	1,476,699 (Note1)	-
The Company	Largan Digital Co., Ltd.	The Company's subsidiary	248,817	5.72	-	None	124,311 (Note1)	-
The Company	Largan (Dongguan) Optronic Ltd.	The Company's subsidiary	157,048	6.71	-	None	17,479 (Note1)	-

Note1: Until February 7, 2023.

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LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

Note2: Including other receivables.

(ix) Trading in derivative instruments: None

(b) Information on investees:

The following is the information on investees (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Largan Digital Co., Ltd.	Taichung, Taiwan	Manufacturing of image capture device 、 image reader 、 camera and player etc.	411,359	411,359	26,636	49.37 %	650,012	412,314	262,342	The Company's subsidiary
The Company	Largan (Hong Kong) Ltd.	Hong Kong	Investment	658,555	658,555	31,100	100 %	360,754	6,103	6,103	The Company's subsidiary
The Company	Astro International Ltd.	Samoa	Investment	247,104	247,104	7,600	100 %	12,735,961	1,598,249	1,484,052	The Company's subsidiary
The Company	Largan Industrial Optics Co., Ltd.	Taichung, Taiwan	Manufacturing of Optical Instruments	550,000	300,000	55,000	100 %	421,052	(112,508)	(112,508)	The Company's subsidiary
The Company	Largan Health AI-Tech Co., Ltd.	Taipei, Taiwan	Sales of medical equipment	26,400	26,400	2,640	88 %	7,438	(8,302)	(7,305)	The Company's subsidiary
The Company	Photonicore Technologies Co., Ltd.	New Taipei City, Taiwan	Manufacturing of precision instrument 、 Optical Instruments 、 wired communication equipment and apparatus, etc.	87,000	-	8,700	54.72 %	72,789	(31,185)	(14,211)	The Company's associate
Largan Digital Co., Ltd.	Largan Medical Co. Ltd.	Taichung, Taiwan	Manufacturing of Optical Instruments 、 Medical and Photo instruments sale etc.	246,017	428,252	22,273	40.5 %	285,888	121,721	49,297	The Company's subsidiary
Largan Digital Co., Ltd.	Alpha Holding Inc.	Samoa	Investment	118,415	118,415	3,700	100 %	33,503	853	853	The Company's subsidiary
Astro International Ltd.	Net International Trading Ltd.	British Virgin Islands	Investment	756,599	756,599	24,300	100 %	5,602,877	805,986	805,986	The Company's subsidiary
Astro International Ltd.	Amtai International Ltd.	Samoa	Sales of Optical part etc.	50,600	50,600	1,500	100 %	7,439,918	787,586	789,333	The Company's subsidiary
Astro International Ltd.	Largan Health Technology Inc.	Samoa	Investment	110,898	110,898	1,476	12 %	29,861	827	99	The Company's subsidiary
Largan Industrial Optics Co., Ltd.	Fang Yuan Co., Ltd.	Taichung, Taiwan	Investment	29,800	29,800	2,980	100 %	15,703	(2,471)	(2,471)	The Company's subsidiary
Largan Medical Co. Ltd.	Beta International Ltd.	Samoa	investment	120,334	120,334	3,700	100 %	72,961	1,026	1,026	The Company's subsidiary
Alpha Holding Inc.	Largan Health Technology Inc.	Samoa	investment	110,898	110,898	1,476	12 %	29,861	827	99	The Company's subsidiary
Beta International Ltd.	Largan Health Technology Inc.	Samoa	investment	110,898	110,898	3,936	32 %	69,312	827	265	The Company's subsidiary
Largan Health Technology Inc.	Dynadx Corporation	U.S.A	Development of the software	12,195	12,150	11,095	100 %	4,337	(360)	(360)	The Company's subsidiary
Largan Health Technology Inc.	Largan Health Technology Co., Ltd.	Taichung, Taiwan	Sales of medical equipment	45,797	45,797	801	100 %	2,180	(42)	(42)	The Company's subsidiary
Largan Health AI-Tech Co., Ltd.	Charis Health Co., Ltd.	New Taipei City, Taiwan	Sales of medical equipment	4,900	4,900	490	98 %	254	(3,971)	(3,892)	The Company's subsidiary

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

(c) Information on investment in mainland China:

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

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of capital surplus	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Largan (Dongguan) Optronic Ltd.	Production and sales of camera lenses, scanner lens optoelectronic devices, viewing windows, digital electronic cameras	HKS 178,076	Note 1(a)	HKS 85,986 US\$ 7,474	-	-	HKS 85,986 US\$ 7,474	RMB\$ 85,044	100%	NT\$ 376,361	NT\$ 5,099,368	-

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
NT\$721,689 (HK\$85,986 and US\$12,474)	NT\$729,244 (HK\$85,986 and US\$12,720)	NT\$93,065,460

Note 1(a): Indirectly investment in Mainland China through an existing company registered in the third region.

Note 2: Since Suzhou Largan had been liquidated, the cumulative investment amount remitted from Taiwan, including the Company's indirect investment in Suzhou Largan of US\$5,000 thousand through Net International Trading Ltd., has yet to be repatriated before the year end of 2022.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China are disclosed in the "Information on significant transactions".

(d) Major shareholders:

Shareholder's Name	Shares	Percentage
Mao Yu Commemorate Co., Ltd.	18,910,616	14.16 %
Shih-ching, Chen	6,756,831	5.06 %

(14) Segment information

Please refer to the 2022 consolidated financial statement.

(Continued)

LARGAN PRECISION CO., LTD.
Statement of cash on hand and demand deposits
December 31, 2022
(Expressed in Thousands of NTD;
Expressed in Dollars of Foreign Currencies)

<u>Items</u>	<u>Description</u>	<u>Amount</u>
Cash	Cash	\$ 77
	Cash on foreign Currency	<u>469</u>
	Subtotal	<u>546</u>
Cash in banks	Demand deposits	1,812,774
	Demand deposit on foreign Currency	
	(USD8,806,528.96×30.71	
	GBP4,122.87×37.09	
	JPY1,166,924,228.33×0.2324	
	EUR4,055,943.54×32.72	
	HKD33,519.55×3.9380	
	CNY4,214,523.72 ×4.4080	
	CHF667.30×33.205)	693,237
	Time deposits	57,330,800
	Time deposits on foreign currency	
	(USD1,274,574,477×30.71	
	CNY14,000,000×4.4080)	<u>39,203,894</u>
	Subtotal	<u>99,040,705</u>
Total		<u><u>\$ 99,041,251</u></u>

LARGAN PRECISION CO., LTD.

**Statement of Current Financial Assets at Fair Value
through Profit or Loss**

December 31, 2022

**(Expressed in Thousands of NTD;
Expressed in Dollars of Unit cost and price)**

<u>Names of financial investment</u>	<u>Description</u>	<u>Unit in thousands</u>	<u>Acquisition</u>	<u>Fair Value</u>	
				<u>Unit price</u>	<u>Total amount</u>
Hua Nan Phoenix Money Market Fund	Open-end fund	13,172	\$ 215,888	16.52	217,590
Yuanta Wan Tai Money Market Fund	Open-end fund	13,067	200,000	15.37	200,832
Yuanta De-Li Money Market Fund	Open-end fund	9,094	150,000	16.57	150,677
Jih Sun Money Market Fund	Open-end fund	11,749	176,000	15.07	177,063
FSITC Taiwan Money Market Fund	Open-end fund	6,463	100,000	15.55	100,507
Union Money Market Fund	Open-end fund	22,463	300,000	13.42	301,353
Taishin 1699 Money Market Fund	Open-end fund	18,327	<u>250,000</u>	13.77	<u>252,269</u>
			<u>\$ 1,391,888</u>		<u>1,400,291</u>

LARGAN PRECISION CO., LTD.

**Statement of Current Financial Assets at Fair Value
through Other Comprehensive Income**

December 31, 2022

**(Expressed in Thousands of NTD;
Expressed in Dollars of Unit cost and price)**

<u>Names of financial investment</u>	<u>Description</u>	<u>Unit in thousands</u>	<u>Acquisition</u>	<u>Fair Value</u>	
				<u>Unit price</u>	<u>Total amount</u>
<u>Equity Securities</u>					
AVISION INC	Stock	4,253	\$ 40,280	11.15	47,424
Yuanta Financial Holding Co., Ltd	Stock	4,805	96,517	21.70	104,260
Cathay Financial Holding Co., Ltd	Stock	3,514	142,827	40.00	140,567
CTBC Financial Holding Co., Ltd	Stock	3,070	65,444	22.10	67,847
Fubon Financial Holding Co., Ltd	Stock	3,137	163,901	56.30	176,613
Mega Financial Holding Company Ltd	Stock	1,370	42,442	30.35	41,580
Hua Nan Financial Holdings Co., Ltd	Stock	90	1,836	22.45	2,021
Fubon Financial Holding Co., Ltd	Preferred Shares C	25,200	<u>1,512,000</u>	55.10	<u>1,388,520</u>
Subtotal			<u>\$ 2,065,247</u>		<u>1,968,832</u>
<u>Corporate Bond</u>					
BANK OF AMERICA CORP	Bond	-	\$ 194,764	87.77	188,671
JPMORGAN CHASE & CO	Bond	-	114,288	88.15	108,277
IBM CORP	Bond	-	124,576	95.31	117,084
JOHNSON & JOHNSON	Bond	-	112,286	86.59	106,367
MIZUHO FINANCIAL GROUP	Bond	-	193,647	87.44	187,974
TSMC GLOBAL LTD	Bond	-	113,391	88.88	109,181
APPLE INC	Bond	-	<u>112,563</u>	89.06	<u>109,405</u>
Subtotal			<u>965,515</u>		<u>926,959</u>
Total			<u>\$ 3,030,762</u>		<u>2,895,791</u>

LARGAN PRECISION CO., LTD.

**Statement of Notes and Accounts
Receivable**

December 31, 2022

(Expressed in Thousands of NTD)

<u>Client No.</u>	<u>Description</u>	<u>Amount</u>
Accounts receivable-unrelated parties		
643006	Operating	\$ 1,054,187
653021	Operating	972,089
723045/823045	Operating	596,189
643007	Operating	222,176
Other (Note)	Operating	<u>1,244,005</u>
Total		4,088,646
Impairment loss on allowance		<u>(2,250)</u>
Net amount		<u><u>\$ 4,086,396</u></u>

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

Statement of Other Receivables

<u>Items</u>	<u>Description</u>	<u>Amount</u>
Interest receivables	Income interest of cash in bank	\$ 442,303
Tax receivables	Income tax refund of exercise tax	111,657
Others (Note)		<u>17,378</u>
Total		<u><u>\$ 571,338</u></u>

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

LARGAN PRECISION CO., LTD.

Statement of Inventories

December 31, 2022

(Expressed in Thousands of NTD)

<u>Item</u>	<u>Amount</u>		<u>Note</u>
	<u>Cost</u>	<u>Market Value</u>	
Finish goods	\$ 3,145,460	5,916,175	Market value of net realizable value
Work in progress	526,438	1,052,613	Market value of net realizable value
Raw materials	<u>1,553,465</u>	<u>1,512,042</u>	Market value of net realizable value
	5,225,363	<u>8,480,830</u>	
Loss on allowance for doubtful accounts	<u>(843,570)</u>		
Total	<u>\$ 4,381,793</u>		

**Statement of Other Current Assets and
Other Current Financial Assets**

<u>Items</u>	<u>Description</u>	<u>Amount</u>
Other current assets	Prepayment for purchases	\$ 83,268
	Temporary payment	78,998
	Prepayment for insurances	9,645
	Others (Note)	<u>5,959</u>
		<u>\$ 177,870</u>
Restricted cash in bank – current	Customs office deposit	\$ 9,000
	Bank account for repatriation of offshore fund	<u>439,767</u>
		<u>\$ 448,767</u>

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

LARGAN PRECISION CO., LTD.
Statement of Non-Current Financial Assets at Fair
Value through Other Comprehensive Income
December 31, 2022

(Expressed in Thousands of NTD,
Expressed in Dollars of Unit cost and price)

<u>Names of financial Investment</u>				<u>Fair Value</u>	
<u>Equity Securities</u>	<u>Description</u>	<u>Unit in thousands</u>	<u>Acquisition</u>	<u>Unit price</u>	<u>Total amount</u>
ABILITY OPTO- ELECTRONICS TECHNOLOGY CO., LTD.	Stock	20,000	\$ <u>598,400</u>	52.70	<u>1,054,000</u>

LARGAN PRECISION CO., LTD.

**Statement of Changes in Investments Accounted for Equity
Method**

January 1, 2022 to December 31, 2022

(Expressed in Thousands of NTD)

Names of Investee	Beginning balance			Addition			Decrease			Profit or loss of investment	Amount of exchange on translation of foreign financial statement	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Other (Note)	Ending balance		
	Shares	Percentage of ownership	Amount	Shares	Amount	Shares	Amount	Shares	Percentage of ownership					Amount	Pledge of collateral	
Largan (Hong Kong) Limited	31,100	100.00	319,701	-	-	-	-	6,103	34,950	-	-	-	31,100	100.00	360,754	None
Largan Digital Co., Ltd.	26,636	49.37	397,619	-	-	-	-	262,342	2,975	47	(12,971)	-	26,636	49.37	650,012	None
Astro International Ltd.	7,600	100.00	13,437,799	-	-	-	(3,935,509)	1,484,052	1,264,477	-	485,142	-	7,600	100.00	12,735,961	None
Largan Industrial Optics Co., Ltd.	30,000	100.00	283,560	25,000	250,000	-	-	(112,508)	-	-	-	-	55,000	100.00	421,052	None
Largan Health AI-Tech Co., Ltd.	2,640	88.00	14,743	-	-	-	-	(7,305)	-	-	-	-	2,640	88.00	7,438	None
Photonicore Technologies Co., Ltd.	-	-	-	8,700	87,000	-	-	(14,211)	-	-	-	-	8,700	54.72	72,789	None
Total			<u>\$ 14,453,422</u>		<u>337,000</u>		<u>(3,935,509)</u>	<u>1,618,473</u>	<u>1,302,402</u>	<u>47</u>	<u>472,171</u>				<u>14,248,006</u>	

Note: The unrealized gain (loss) is referred to the downstream transactions and upstream transactions.

LARGAN PRECISION CO., LTD.
Statement of changes in Property, Plant, and
Equipment
January 1, 2022 to December 31, 2022
(Expressed in Thousands of NTD)

Please refer to note 6 (h).

Statement of Other Non-current Assets and
Other Non-current Financial Assets
December 31, 2022

<u>Items</u>	<u>Description</u>	<u>Amount</u>
Refundable deposits	Litigation deposit	\$ 4,733
	Others (Note)	<u>17,689</u>
		22,422
Restricted cash in bank-non-current	Bank account for repatriation of offshore fund	12,362,235
Restricted cash in bank-non-current	Completion deposit	310,001
Prepayment for equipment	Prepaid machine equipment	2,770,984
Others (Note)		<u>1,260</u>
Total		<u>\$ 15,466,902</u>

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

LARGAN PRECISION CO., LTD.

Statement of Bank Loan

December 31, 2022

(Expressed in Thousands of NTD)

<u>Creditor</u>	<u>Type of loan</u>	<u>Ending balance</u>	<u>Contract Period</u>	<u>Range of interest rate</u>	<u>Loan Commitment</u>	<u>Collateral</u>
Mizuho Bank	Credit loan	\$ 18,773	Due within a year	0.44%~5.73%	13,000,000	None
Mega Bank	Credit loan	-	Due within a year	1.02%~5.90%	13,000,000	None
		<u>\$ 18,773</u>			<u>26,000,000</u>	

LARGAN PRECISION CO., LTD.

Statement of Accounts Payable

December 31, 2022

(Expressed in Thousands of NTD)

<u>Vendor Name</u>	<u>Description</u>	<u>Amount</u>
Accounts payable-unrelated parties		
110185	operating	\$ 320,034
110059	operating	308,862
110181	operating	116,667
100830	operating	111,313
100896	operating	71,640
Others (Note)	operating	<u>310,218</u>
Total		<u>\$ 1,238,734</u>

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

Statement of Other Payables

Please refer to note 6 (p).

LARGAN PRECISION CO., LTD.

**Statement of Other Current Liabilities and
Other Non-current Liabilities**

December 31, 2022

(Expressed in Thousands of NTD)

<u>Items</u>	<u>Description</u>	<u>Amount</u>
Other current liabilities	Receipts under custody	\$ 49,492
	Other (Note)	919
		<u>\$ 50,411</u>
Other non-current liabilities	Guarantee deposits received	<u>\$ 4,007</u>

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

Statement of Operating Income

For 2022

<u>Items</u>	<u>Quantity (unit in thousands)</u>	<u>Amount</u>
Lens	1,480,963	\$ 43,366,474
Others (Note)		2,111,897
Total		<u>\$ 45,478,371</u>

Note: The amount of each item in others does not exceed 10% of the account balance.

LARGAN PRECISION CO., LTD.

Statement of Operating Costs

For 2022

(Expressed in Thousands of NTD)

<u>Items</u>	<u>Amount</u>
Goods	
Goods, beginning of year	\$ -
Addition:Goods purchased	523,740
Decrease:Goods, end of year	-
Cost of goods	<u>523,740</u>
Raw materials and supplies	
Raw materials and supplies, beginning of year	1,326,115
Addition:Raw materials and supplies purchased	5,594,104
Decrease:Raw materials and supplies, end of year	1,553,465
Sale of raw materials and supplies	3,662
Raw materials and supplies loss	12,018
Scrapped	4,117
Others	<u>678,066</u>
Raw materials and supplies used	<u>4,668,891</u>
Direct labor	1,989,061
Manufacturing expense	<u>12,037,441</u>
Manufacturing Cost	<u>18,695,393</u>
Addition:Work in progress, beginning of year	501,862
Decrease:Work in progress, end of year	<u>526,438</u>
Cost of finished goods	18,670,817
Addition:Finished goods, beginning of year	3,656,758
Finished goods purchased	1,388,711
Finished goods surplus	15,838
Decrease:Finished goods, end of year	3,145,460
Scrapped	429,142
Other	<u>154,038</u>
Production and marketing costs	<u>20,003,484</u>
Other	<u>411,847</u>
Operating costs	<u><u>\$ 20,939,071</u></u>

LARGAN PRECISION CO., LTD.

Statement of Operating Expenses

For 2022

(Expressed in Thousands of NTD)

<u>Items</u>	<u>Selling expenses</u>	<u>Administrative Expenses</u>	<u>Research and development expenses</u>
Payroll	\$ 172,274	485,738	2,690,602
Import and export expense	84,014	-	-
Depreciation	209	113,280	273,563
Amortization	1	57,694	18,677
Consumable expense	-	-	684,713
Others (note)	<u>78,195</u>	<u>471,158</u>	<u>414,545</u>
	<u>\$ 334,693</u>	<u>1,127,870</u>	<u>4,082,100</u>

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

VI. Impact on the Company's financial status due to financial difficulties experienced by the Company and its affiliate companies in the most recent year and as of the publication date of this Annual Report: None.

Chapter 7. Review and Analysis of the Company's Financial Position and Financial Performance, and Risk Management

I. Financial Position Analysis

Unit: NT\$ thousands

Item	Year	2021	Difference	
	2022		Amount	Proportion of change (%)
Current assets	129,202,046	124,336,880	4,865,166	3.91
Long-term investment	760,100	439,212	320,888	73.06
Property, plant and equipment	37,831,252	34,914,941	2,916,311	8.35
Intangible assets	149,131	69,799	79,332	113.66
Deferred income tax assets	335,677	762,515	(426,838)	(55.98)
Right-of-use assets	144,125	181,939	(37,814)	(20.78)
Other assets	16,548,035	14,005,594	2,542,441	18.15
Total assets	184,970,366	174,710,880	10,259,486	5.87
Current liabilities	29,387,923	32,733,346	(3,345,423)	(10.22)
Non-current liabilities	473,343	237,812	235,531	99.04
Total Liabilities	29,861,266	32,971,158	(3,109,892)	(9.43)
Capital stock	1,334,682	1,341,402	(6,720)	(0.50)
Capital surplus	1,555,120	1,562,914	(7,794)	(0.50)
Retained earnings	152,651,936	141,877,661	10,774,275	7.59
Other equity	(432,638)	(1,641,270)	1,208,632	(73.64)
Treasury shares	-	(1,400,985)	1,400,985	(100.00)
Equity attributable to owners of the parent company	155,109,100	141,739,722	13,369,378	9.43
<p>The increase in long-term investments over the previous period was due to the increase in profit from reinvestment.</p> <p>The increase in intangible assets from the previous period was due to an increase in computer software.</p> <p>The decrease in deferred income tax assets from the previous period was due to the decrease in deductible temporary differences.</p>				

The decrease in right-of-use assets from the previous period was due to the increase in accumulated depreciation.

The increase in non-current liabilities was due to the increase in deferred income tax liabilities.

The increase in other equity from the previous period was due to the increase in translation differences on the financial statements of foreign operating institutions.

The decrease in treasury stock was due to the implementation of treasury stock in the previous period.

II. Financial Performance

(I) Financial Performance Analysis

Unit: NT\$ thousands

Item	Year	2022	2021	Increase (decrease)	Proportion of change (%)
Operating revenue		47,675,228	46,962,402	712,826	1.52
Operating costs		21,579,583	18,813,768	2,765,815	14.70
Gross Profit		26,082,674	28,149,651	(2,066,977)	(7.34)
Operating expenses		5,698,555	5,001,530	697,025	13.94
Operating income		20,384,119	23,148,121	(2,764,002)	(11.94)
Non-operating income (expenses)		7,442,583	(121,511)	7,564,094	(6225.03)
Net profit for the period before tax		27,826,702	23,026,610	4,800,092	20.85
Minus: Income tax expenses		5,201,653	4,355,380	846,273	19.43
Net income		22,625,049	18,671,230	3,953,819	21.18

Explanation of major variations:

Non-operating income

Non-operating income increased from the previous year mainly due to an increase in foreign exchange gain.

Net income

The increase in net income for the year was mainly due to the increase in non-operating income for the year.

III. Cash Flow

(I) Changes in Cash Flow in the Most Recent Fiscal Year

Item	Year	2022	2021	Proportion of change (%)
Cash flow ratio		150.43%	63.78%	135.86%
Cash flow adequacy ratio		160.01%	158.26%	1.11%
Cash flow reinvestment ratio		16.06%	5.10%	214.90%

Analysis:

1. Cash flow ratio: The decrease in cash flow ratio is mostly attributable to decline in net cash flow from operating activities.
2. Cash flow reinvestment ratio: The decrease in cash flow reinvestment ratio is mostly attributable to the decline in net cash flow from operating activities.

(II) Projected Cash Flow in the Following Year: The Company does not provide financial forecasts, including cash flow projections, for the following year.

IV. Impact of Major Capital Expenditures on the Company's Financial Operations for the Most Recent Fiscal Year

(I) Use and source of funding of major capital expenditures:

Unit: NT\$ thousands

April 9, 2023

Plan	Actual or Expected Source of Capital	Total Capital Required	Actual or Expected Capital Expenditure	
			Actual Expenditures	Expected Expenditures
Land and building	Own funds	21,232,731	4,295,934	4,295,934

(II) Expected potential benefits:

The Company's capital expenditures are necessary to grow the business and to maintain competitiveness.

V. Reinvestment Policy for the Most Recent Fiscal Year, Main Reasons for Profits/Losses Generated Thereby, Plan for Improving Re-investment Profitability, and Investment Plans for the Coming Year :

The Company's reinvestments in the most recent year were related to upstream and downstream industries within the scope of the Company's main business. For reinvestments with weaker business performance, the Company will dedicate efforts to improve product quality and channel distribution in order to improve profitability.

VI. Risk Management and Assessment

- (I) Impacts of interest and foreign exchange rate fluctuations and inflation on the Company's profit and loss, and countermeasures:
1. Interest rate: The Company mainly adopts L/C loans and changes in interest rates have little impact on the Company's profitability.
 2. Exchange rate: The Company may engage in forward contracts to hedge risks to currency exposure in its net asset positions by using research reports from financial institutions as a reference.
 3. Inflation: The Company's products are used in consumer electronics, which are not significantly impacted by inflation risks.
- (II) Policies for high-risk, high-leverage investments, capital lending, endorsements, guarantees, and derivatives transaction, main reasons for the profits or losses generated thereby, and countermeasures:
1. Engagement in high-risk and high-leverage investments, endorsements, guarantees, or derivatives transactions: None.
 2. Policies for loaning of funds, main reasons, and future countermeasures:
 - (1) Policy:

Conducted in accordance with the Company's "Regulations for Loaning of Funds".
 - (2) Main reasons:

Loans are provided in response to the counterparties' short-term financing requirements.

(3) Future response measures:

Control measures are implemented in accordance with the Company's "Regulations for Loaning of Funds".

(III) Research and development (R&D) projects and estimated R&D expenditures:

The Company has two development strategies. The first is to continuously refine product precision, and the second is to diversify product application. Therefore, the R&D of products is continuous and these developments are inter-related and will affect one another. As such, the Company will continue to invest in R&D, and R&D expenses are expected to grow each year.

(IV) Impacts of changes in domestic and foreign government policies and laws on the Company's financial operations, and future countermeasures:

The Company's financial operations are conducted in accordance with applicable regulations and so far there has been no material impact to the Company due to government policy changes.

(V) Impacts of industry and technology changes (including information and communications security risks) to the Company's financial operations, and future countermeasures:

Improvements in technology help the adoption of new product applications, improve business scale and product design capabilities as well as help to lower production costs, which should all have positive impacts on the Company's operations.

Malicious cyber attacks constantly occur, and are ever evolving and changing, and the risks to information systems are increasing. In order to prevent these constantly changing cyber security threats, the Company adopts active information security strengthening procedures:

Introducing next-generation firewall threat detection, malicious malware and program detection, multi layer mail gateway scanning

systems to filter trash, phishing, or malicious emails, deploying antivirus software, monitoring online activity and establishing contingency plans in case of cyber attacks, as well as simulating irregularities to reduce cyber risk. To the publication date of the Annual Report, the Company has not had any major information security incident.

- (VI) Impacts of changes in corporate image on the company's crisis management and future countermeasures:

The Company's policy is to disclose financial and business information as required by applicable regulation, and to not make false representations. The Company shall continue to uphold this principle in the future.

- (VII) Expected benefits and potential risks related to mergers and acquisitions:

The Company does not have any recent merger or acquisition plans.

- (VIII) Expected benefits and potential risks of capacity expansion:

The Company continues to expand capacity and upgrade equipment with its own funds, and the expected benefits are in line with the Company's expectations as of the publication date of this Annual Report.

- (IX) Risk of procurement and sales concentration, and future countermeasures:

Sales:

The Company's revenues are concentrated in a small number of customers. To lower credit risks, the Company constantly monitors the financial payment status of its main customers and regularly evaluates the collectability of accounts receivables.

Procurement:

The Company has long standing relationships with its raw materials suppliers which consist of major domestic and foreign companies,

thus ensuring a stable and sufficient supply of raw materials.

- (X) Impacts and risks arising from major transfer or replacement of shares by Directors, Supervisors, or shareholders with over 10% of shares in the Company: None.
- (XI) Impact of change in Company management and associated risks: None.
- (XII) Litigious or non-litigious matters: None.
- (XIII) Other material risks: None.

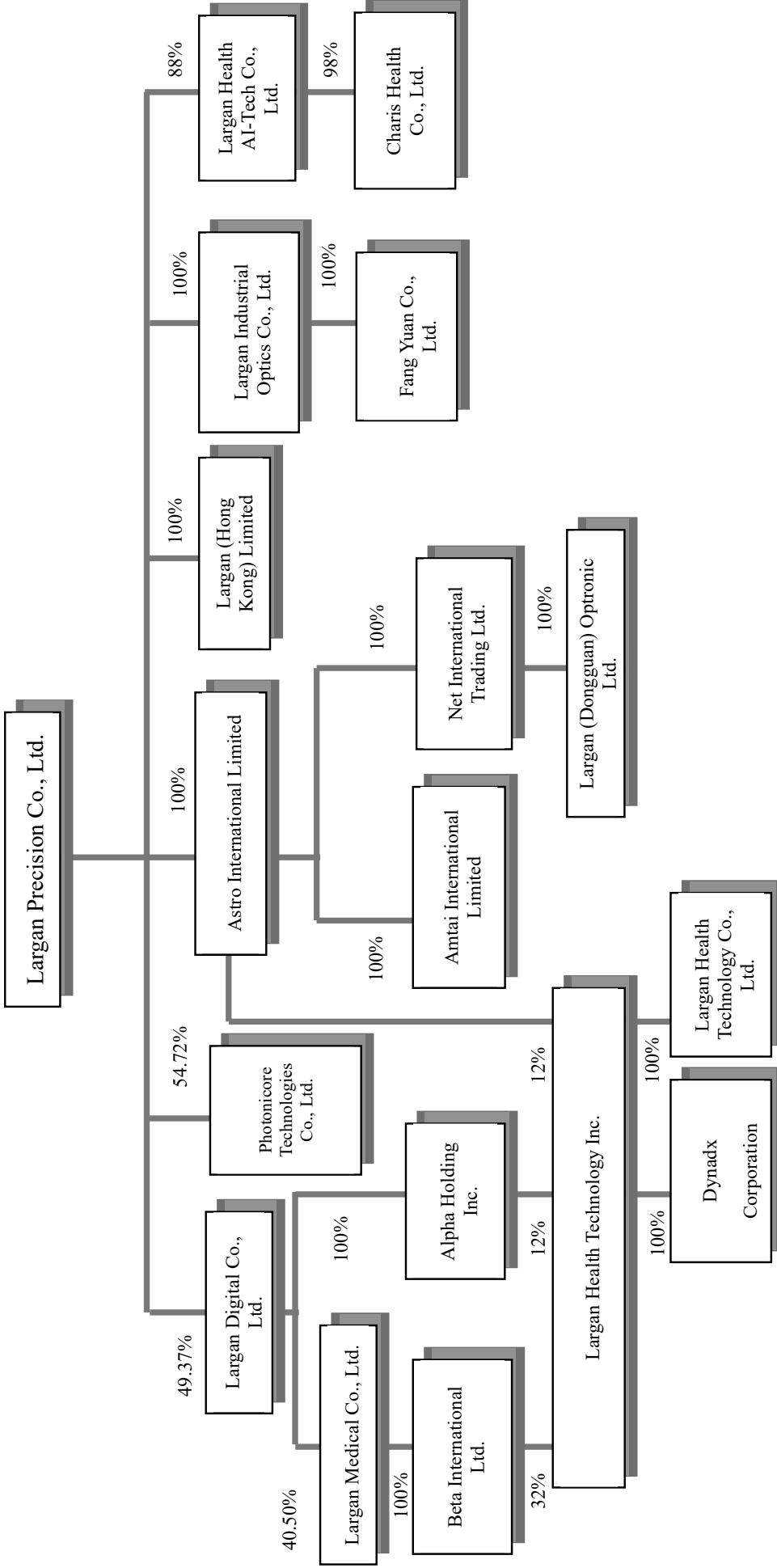
VII. Other Important Matters: None.

Chapter 8. Special Disclosure

I. Information on Affiliates

As of December 31, 2022

(I) Organizational chart of affiliates:



(II) Basic information of affiliated companies:

As of December 31, 2022

Unit: \$

Name of Affiliate	Establishment Date	Address	Capital Stock	Business Activities
NET International Trading Ltd.	1998.11.19	Portcullis Chambers, 4th Floor, Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands VG1110.	USD24,300,000	Investment
Largan (Hong Kong) Limited	1993.03.25	Room912, Champion Building, 301-309 Nathan Road,(Jordan Mtr Station) Kowloon.	HKD31,100,000	Investment
Largan (Dongguan) Optronic Ltd.	1996.03.22	No. 5, Tutang Gongye Road, Tutang Management Area, Changping Town, Dongguan City, Guandong Province	HKD 178,076,100	Production of lenses and optical components for digital cameras
Largan Digital Co., Ltd.	1997.03.12	No. 18, Gongyequ 7th Road, Xitun District, Taichung City	NTD539,577,500	Production and processing of image capture devices, image readers, cameras, and video cameras
Astro International Ltd.	2004.02.02	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	USD7,600,000	Investment
Amtai International Ltd.	2004.02.02	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	USD1,500,000	Sale of lenses and optical components
Largan Medical Co., Ltd.	2004.10.25	2F, No. 14, Gongyequ 23rd Road, Nantun District, Taichung City	NTD550,000,000	Production of optical instruments; wholesale and retail of medical and imaging equipment
Largan Industrial Optics Co., Ltd.	2013.4.24	1F, No. 4, Gongyequ 16th Road, Xitun District, Taichung City	NTD550,000,000	Photographic and optical equipment manufacturing.
Fang Yuan Co., Ltd.	2013.4.26	No. 18, Gongyequ 7th Road, Xitun District, Taichung City	NTD29,800,000	General investments.
Alpha Holding Inc.	2017.2.18	Unit 25, 2nd Floor, Nia Mall, Saleufi Street, Apia, Samoa	USD3,700,000	Investment

Name of Affiliate	Establishment Date	Address	Capital Stock	Business Activities
Beta International Limited	2017.2.18	Unit 25, 2nd Floor, Nia Mall, Saleufi Street, Apia, Samoa	USD3,700,000	Investment
Largan Health Technology Inc.	2017.2.18	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	USD12,300,000	Investment
Largan Health Technology Co., Ltd.	2011.2.17	3F, No. 14, Gongyequ 23rd Road, Nantun District, Taichung City	NTD8,004,700	Wholesale and retail of medical equipment
Largan Health AI-Tech Co., Ltd.	2019.1.31	No.52, Ln. 10, Jihu Rd., Neihu Dist., Taipei City	NTD30,000,000	Wholesale and retail of medical equipment
DynaDx Corporation	2005.2.17	406 .Tasman Drive, Sunnyvale, CA 94089	USD 1,195,955.91	Software development
Charis Health Co., Ltd.	2021.10.14	B1-8, No. 266, Sec. 1, Wenhua 2nd Rd., Linkou Dist., New Taipei City	NTD 5,000,000	Wholesale and retail of medical equipment
Photonicore Technologies Co., Ltd.	2020.1.14	4F., No. 12, Ln. 31, Sec. 1, Huandong Rd., Xinshi Dist., Tainan City	NTD 159,000,000	General apparatus manufacturing, optical apparatus manufacturing, wired communication machinery and equipment manufacturing, etc.

(III) Information on shareholders with deemed control and affiliation: None.

(IV) Businesses included in the affiliated companies' overall operations:

The Company and affiliate companies' businesses mainly include the research, development, production, manufacturing, and sales of various photoscopes, video cameras, cameras, telescopes, microscopes, fax machines, scanners, multiple signal reader lenses, lenses, mobile phone lenses and cameras, as well as wholesale and retail of medical equipment.

(V) Directors, Supervisors and Presidents of all affiliated companies:

Unit: shares; %

Name of Business	Title	Name or Representative	Shares Held	
			Number of shares	Shareholding Ratio
NET International Trading Ltd.	Director	Astro International Ltd.	24,300,000	100
	Representative	Representatives: En-Ping Lin	-	-
Largan (Hong Kong) Limited	Director	Sheng-Lien Wang, En-Ping Lin	-	-
Largan (Dongguan) Optronics Ltd.	Chairman/Director	Sheng-Lien Wang/ En-Ping Lin, Chung-Shih Lin	-	-
Largan Digital Co., Ltd.	Chairman	En-Ping Lin	1,109,000	2.06
Largan Digital Co., Ltd.	Director	Chun-Ming Chen	580,000	1.07
Largan Digital Co., Ltd.	Supervisor	Chung-Jen Liang	1,428,000	2.65
Astro International Ltd.	Director	Largan Precision Co., Ltd.	7,600,000	100
	Representative	Representatives: En-Ping Lin	-	-
Amtai International Ltd	Director	Astro International Ltd.	1,500,000	100
	Representative	Representatives: En-Ping Lin	-	-
Largan Medical Co., Ltd.	Director	Shih-Ching Chen	1,263,579	2.30
Largan Medical Co., Ltd.	Chairman	En-Ping Lin	593,354	1.08
Largan Medical Co., Ltd.	Supervisor	Chung-Jen Liang	1,823,777	3.32
Largan Industrial Optics Co., Ltd.	Chairman/Director	Largan Precision Co., Ltd.	55,000,000	100
	Representative:	Representatives: En-Ping Lin	-	-
Fang Yuan Co., Ltd.	Chairman/Director	Largan Industrial Optics Co., Ltd.	2,980,000	100
	Representative:	Representatives: Mei-Yu Lin	-	-
Alpha Holding Inc.	Director	En-Ping Lin	-	-
Beta International Limited	Director	En-Ping Lin	-	-
Largan Health Technology Inc.	Director	En-Ping Lin, En-Chou Lin, Sheng-Lien Wang, Cheng-Kuo Lai, Chung-Shih Lin, Yu-I Tseng, Chao-Liang Yen	-	-
Dynadx Corporation	Chairman	Ning Hong	-	-
Largan Health Technology Co., Ltd.	Chairman/Director	Largan Health Technology Inc.	800,470	100
		Representatives: Cheng-Kuo Lai/ En-Ping Lin, Chung-Shih Lin	-	-
	Supervisor	Largan Health Technology Inc.	800,470	100
		Representative: Representatives: Ma-Li Lin	-	-
Largan Health AI-Tech Co., Ltd.	Chairman/Director	Cheng-Kuo Lai/En-Ping Lin, Yu-I Tseng	-	-

Name of Business	Title	Name or Representative	Shares Held	
			Number of shares	Shareholding Ratio
	Supervisor	Chi-Hung Li		
Charis Health Co., Ltd.	Chairman/Director	Kuei-Fen Chao/ Sheng-Lien Wang, Hui-Ju Tsai	5000/-	1/-
	Supervisor	Chiu-Hui Hsieh	-	-
Photonicore Technologies Co., Ltd.	Chairman/Chairman Representative	Lightel Technolomics Inc.	6,000,000	37.73
		Representatives: Cheng-Ming Ou	-	-
		Largan Precision Co., Ltd.	8,700,000	54.72
		Representatives: You-Chih Huang	-	-
	Director	Pei-Sheng Shen	-	-
	Supervisor	Hui-Chun Chen	-	-

(VI) Overview of Operations of Affiliates :

Unit: NT\$ thousands

Name of Business	Capital Stock	Total Assets	Total Liabilities	Net Value	Operating Revenue	Operating Income	Net Income (Loss) for the Period (after tax)	Earnings Per Share (NT\$) (after tax)
Largan (Hong Kong) Limited	122,472	360,806	52	360,754	0	(129)	6,103	0.20
Net International Trading Ltd.	746,253	5,600,693	301	5,600,392	0	(759)	805,986	33.17
Astro - Samoa	233,396	13,481,601	68,079	13,413,522	0	(82)	1,598,249	210.3
Amtai - Samoa	46,065	11,520,792	3,663,729	7,857,063	23,615,879	670,926	787,586	525.06
Largan (Dongguan) Optronic Ltd.	701,264	5,451,896	487,877	4,964,019	8,551,649	459,416	376,343	註 1
Largan Digital Co., Ltd.	539,578	2,270,652	753,485	1,517,167	2,182,759	398,305	412,314	7.64
Largan Medical Co., Ltd.	550,000	827,155	141,705	685,450	546,736	131,364	121,721	1.39
Largan Industrial Optics Co., Ltd.	550,000	492,039	70,987	421,052	9,876	(117,394)	(112,508)	(3.64)
Fang Yuan Co., Ltd.	29,800	15,822	120	15,702	0	(2,520)	(2,471)	(0.83)
Alpha Holding Inc	113,627	101,582	68,079	33,503	0	(48)	853	0.23
Beta International Limited	113,627	141,041	68,079	72,962	0	(41)	1,026	0.28
Largan Health Technology Inc.	377,733	248,846	0	248,846	0	(157)	827	0.07
Largan Health Technology Co., Ltd.	8,005	2,263	85	2,178	0	(43)	(42)	(0.05)
Dynadx Corporation	36,728	1,511	2	1,509	0	(336)	(360)	(0.03)
Largan Health Ai-Tech Co., Ltd.	30,000	10,064	1,613	8,451	3,194	(4,799)	(8,302)	(2.77)
Charis Health Co., Ltd.	5,000	844	585	259	58	(4,032)	(3,971)	(7.94)
Photonicore Technologies Co., Ltd.	159,000	107,420	9,041	98,379	8,019	(30,597)	(31,757)	(2.50)

Note 1: Not applicable as these companies are not limited by shares

(VII) Consolidated Financial Statements of Affiliates :

Description: The companies that should be incorporated in the consolidated financial statements of affiliated companies are the same as those that should be incorporated in the consolidated financial statements of parent and subsidiary companies in accordance with IFRS 27 recognized by the Financial Supervisory Commission. In addition, the related information that must be disclosed in the consolidated financial report of affiliated companies has been fully disclosed in the consolidated financial statements of parent and subsidiary companies. Therefore, the Company only issued a statement on the first page of the consolidated financial statements of parent and subsidiary companies and shall not prepare separate consolidated financial statements of affiliated companies or issue a statement for the consolidated financial statements of affiliated companies. (Please refer to page 92 of the Annual Report)

(VIII) Affiliation Report: Not applicable.

Description: The Company is not a subordinate company of other affiliated companies and an affiliation report is thus not required.

II. Private placement of securities of the past year as of the publication date of this Annual Report: None.

III. Holding or disposal of the Company's shares by the subsidiaries of the most recent year as of the publication date of this Annual Report: None.

IV. Other Supplementary Information: None.

Chapter 9. Any event which has a material impact on the shareholders' equity or securities prices as prescribed in Subparagraph 2, Paragraph 2, Article 36 of the Securities and Exchange Act that has occurred in the most recent year as of the publication date of this Annual Report: None