



LandMark Optoelectronics Corporation

2022 Annual Report



Printed Date: March 31, 2023

Market Observation Post System: <http://mops.twse.com.tw>

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

A. Name, title, phone number and email of spokesperson and acting spokesperson

Spokesperson: Jerry Yang

Acting spokesperson: Belinda Wu

Title: CFO

Title: Manager, Finance Department

Tel.: (06) 505-8999

Tel.: (06) 505-8999

Email: investor@lmoc.com.tw

Email: investor@lmoc.com.tw

B. Location and phone number of Headquarter, branch offices and factories

Address of headquarter and the factory No. 1:

No.12, Nanke 9th Rd., Shanhua Dist., Tainan City, Taiwan

Tel.: (06) 505-8999

Address of the factory No. 2:

No. 9, Xishan 1st Rd., Shanhua Dist., Tainan City, Taiwan

C. Name, location, website and phone of share-transferring institution

Name: Hua Nan Securities Co., Ltd Transfer Agency Department

Address:

4F., No.54, Sec. 4, Minsheng E. Rd., Songshan Dist., Taipei City, Taiwan

Website: <http://agency.entrust.com.tw/>

Tel.: (02) 2718-6425

D. Name of the certified public accountant who duly audited the annual financial report for the most recent fiscal year, and the name, location, website and telephone number of said person's accounting firm.

Name of CPAs: Mr. Yen-Da Su, Mr. Chen-Lung Hsu

Name of Accounting Firm: KPMG Taiwan

Address: 68F., No.7, Sec. 5, Xinyi Rd., Xinyi Dist., Taipei City, Taiwan

Website: <http://www.kpmg.com.tw>

Tel.: (02) 8101-6666

E. Name of overseas stock exchange and method for accessing information on overseas negotiable securities: None.

F. Company website: <http://www.lmoc.com.tw>



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Appendix I. Financial Statements and Independent Auditors' Report

I. Letter to Shareholders

Dear Shareholders,

Operational performance in 2022

In 2022, despite the impact of Covid-19 pandemic, the world still has been under the macroeconomic uncertainties of Ukraine-Russia war, inflation, and rising interest rates. Fortunately, with the efforts of all staff members, we still achieved a record high annual revenue. The driving momentum was mainly from the application of our InP(indium phosphide) products in electronic consumer products such as the US well-known mobile phones and wireless earphones brand, contributing to over 35% of the annual revenue. This has also led us to have a well fundamental growth and development of our various consumer application products afterward.

The operating revenue of the Company in 2022 was NT\$ 2.38 billion, 27% growth from the previous year. Net profit was NT\$ 329 million, 2.4% decrease compared with the previous year. EPS was NT\$3.61, 2.7% decrease compared with the previous year.

Unit: NT\$ in thousands

Item		2022	2021	Changes (%)
Operating results	Operating revenue	2,380,885	1,872,703	27%
	Gross profit	759,025	768,457	-1.2%
	Net profit	333,983	412,071	-19%
	Net profit after tax	329,536	337,544	-2.4%
Profitability	ROA(%)	6.60%	6.70%	-1.5%
	ROE(%)	7.64%	7.83%	-2.4%
	Net profit margin (%)	13.84%	18.02%	-23%
	EPS (NT\$)	3.61	3.71	-2.7%

R&D progress:

In 2022, the R&D expenditure was NT\$ 269 million, which was a 31% increase from the previous year. We focused on the research and development of high-speed components above 25G/50G, as well as for 400G and 800G data center related products. We also work closely with customers to develop next-generation 3D sensing and LiDAR products.

2023 Operational Plan Summary and Future Development Strategies

In 2023, although the global economy outlook may remain gloomy, we will continue to implement the following business strategies to pursue comprehensive operational performance growth.

- Leading technology in the industry

We will continue with our investment in research and development of laser epitaxy products applied in optical communication and data centers. Our customers have well recognized our technical capabilities. At the same time, we are also working with customers to develop laser and detective components for automotive LiDAR, long wavelength 3D sensing elements, and metaverse applications. Through a significant investment in research and development, we could maintain a leading position in the field of optical communication and the long-term growth momentum.

- Mass production advantage

Over the years, we have established a flexible and efficient production and operational business model to fulfill customers' diverse and different product scales and specifications. The newly completed factory in recent years also reserve medium and long-term capacity expansion space to meet the rapidly growing demand for various laser products in the global market.

- Manufacturing process integration

The Company continues to optimize the manufacturing process and improve capacity utilization. We pursue excellence in quality control, production yield, and scheduling management. Meanwhile, we've introduced a new SPC system to monitor the manufacturing process, control changes, and analyze abnormalities so as to continuously offer high-quality products. In response to the customers' needs for high-speed and high-quality components for optical communication, the Company has added multiple pre-processes and epitaxial growth technologies for various components. We also cooperate with outstanding manufacturer to provide full-chip process services to meet customers' product requirements at different stages of the manufacturing process.

- Alliance with the clients

Our core value is to continuously improve our service to customers. We will continue to collaborate with our clients on the development of application products such as 50G, 100G EML, 400G/800G high-speed modules, providing high-quality and competitive products, as well as flexible and efficient lead times,

to assist customers in expanding their market share and to grow together.

Effects of external competition, laws & regulations, and overall business environment

With the impacts of geopolitical uncertainties, financial market fluctuations, global supply chain restructuring and climate change risks, we have faced the increasing operational challenges and uncertainties. Therefore, we aim to strengthen risk management, operational flexibility and decision-making efficiency so as to respond to the rapidly changing business environment carefully and diligently and to pursue the better business performance as well. In addition, we will keep devoting the resources on ESG-related topics by complying with laws and regulations, improving corporate governance, promoting environmentally friendly manufacturing procedure, caring for employees, and contributing to the community. These are all comprehensive and ongoing goals that we must pursue while striving for sustainable development and growth.

Lastly, we would like to once again express our gratitude to all shareholders on behalf of the Company's management and staff for your valuable support and encouragement. We will continue to endeavor to do our job in the hope of bringing growth and profit to all our shareholders.

Chairman: *Ching-Yi Chang*

General Manager: *Roger Lo*

CFO: *Jerry Yang*

II. Company Profile

i. Date of Establishment: June 2, 1997

ii. Company History

(I.) Merger and acquisition activities, investments in affiliated enterprises, and corporate reorganization in the most recent fiscal year as well as the current fiscal year up to the date of publication of the annual report: None.

(II.) Instances in which a major quantity of shares belonging to directors, supervisors, or shareholders holding greater than 10 percent stake in the Company is transferred or otherwise changes hands in the most recent fiscal year as well as the current fiscal year up to the date of publication of the annual report: None.

(III.) Any changes in managerial control, material change in operating methods or type of business, and any other matters if material significance that could affect shareholders' equity: None.

(IV.) Important information in the previous years and in the current fiscal year as up to the date of publication of the annual report:

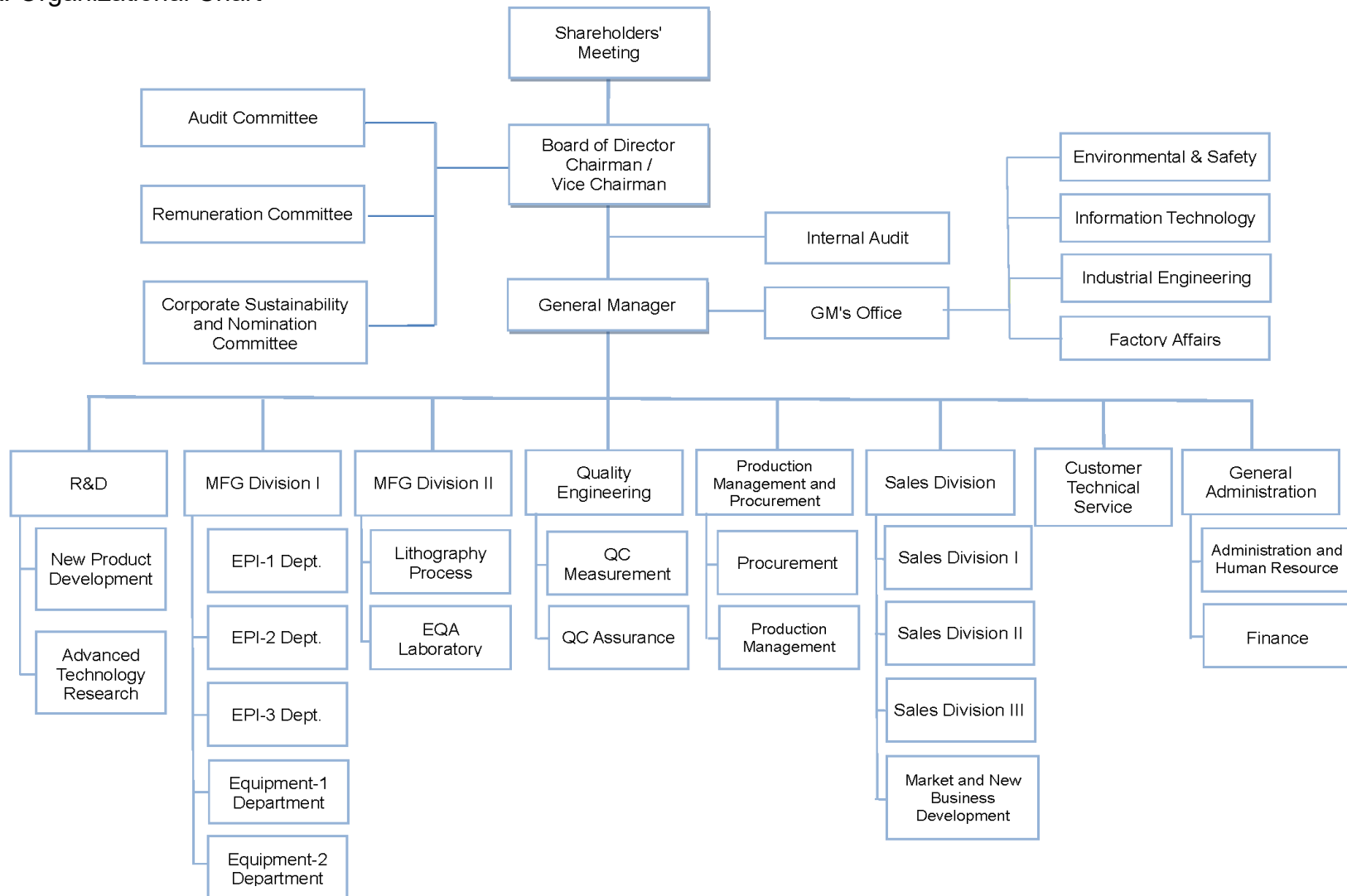
1997/06	LandMark Optoelectronics Corporation was established.
1998/11	The new factory in Yong Kang District, Tainan, was launched.
2010/07	The Company invested to establish a new factory in Southern Taiwan Science Park.
2011/12	The new factory in Southern Taiwan Science Park was launched. The Company moved to the new location. (No. 12, Nanke 9th Rd., Shanhua Dist., Tainan City, Taiwan, R.O.C.)
2014/03	The Company carried out the initial public offering.
2014/07	The Company was registered to be a listed company at over-the-counter market at Taipei exchange.
2015/07	The Company was registered to offer over-the-counter stock at Taipei Exchange.
2018/07	The construction project of the second factory (in Southern Taiwan Science Park) was launched.
2019/04	The Company was acknowledged as one of top 5% publicly listed companies in 2018 Corporate Governance Evaluation.
2019/11	The second factory (in Southern Taiwan Science Park) started operating.
2020/03	Awarded as Top 10 Photonics Technology Companies in APAC 2020 by CIO Advisor APAC Magazine.
2020/04	The Company was acknowledged as one of top 5% in 2019 Corporate Governance Evaluation among TPEx-listed Companies and top 10% among Listed Electronics Companies with Market Value of 10 billion TWD or More.
2021/04	The Company was acknowledged as one of top 5% publicly listed companies in 2020 Corporate Governance Evaluation.
2021/10	Recognized as a "2021 Tainan City Five Hearts Workplace Certification Unit".
2021/11	Recognized with 2021 Sports Enterprise Certification Unit jointly issued by the Sports Administration and Global Views Monthly.

- 2021/12 Won the 2021 Workplace Equal Rights Award awarded by the Southern Taiwan Science Park.
- 2022/04 The Company was acknowledged as one of top 5% publicly listed companies in 2021 Corporate Governance Evaluation.
- 2022/06 Qualified for Badge of Accredited Healthy Workplace for preliminary healthy workplace by Health Promotion Administration, Ministry of Health and Welfare.
-

III. Corporate Governance

i. Organization

A. Organizational Chart



B. Corporate Functions of Major Departments

Department	Functions
Internal Audit	<ol style="list-style-type: none"> 1. To make plans for audit works, to amend and audit the system for internal audit and internal control, and to provide implementation report. 2. To collect, maintain, and process the data needed for audit. 3. To inspect the implementation of the business and finance budget for in each sector and to offer advice. 4. To investigate and evaluate operation of corporate internal control system.
GM's office	<ol style="list-style-type: none"> 1. To manage the corporate waste and prevention of air pollution. 2. To inspect waste water of the Company before emission. 3. To maintain and monitor each public safety facility. 4. To establish and implement system for public safety and environmental safety. 5. To plan and maintain network and hardware equipment. 6. To plan and execute software system. 7. To backup and maintain database regularly. 8. To estimate, evaluate and manage manufacturing cost. 9. To plan and estimate short, medium, and long-term capacity. 10. To analyze and assist in the evaluation of production equipment efficiency to maximize the efficiency of factory production machines. 11. To optimize manpower and equipment operation of production line through data. 12. To maintain the equipment systems of factory (water, electricity, gas, air conditioning). 13. To inspect emergency and abnormal situations of the equipment systems of factory. 14. To define SOP and manage the equipment systems of factory.
R&D	<ol style="list-style-type: none"> 1. To design and develop products; to evaluate the specification designated by clients. 2. To cooperate with the manufacturing sector to research on new techniques or new products and conduct new researches. 3. To offer technical support for customer complaint and assistance for abnormality analysis.
MFG Division I	<ol style="list-style-type: none"> 1. To implement the epitaxy production plan and keep up with the schedule. 2. To maintain and repair production facilities. 3. To manage the storage and check the inventory of epitaxy products. 4. To establish standard operation procedure of epitaxy. 5. To make epitaxy production schedule and carry out production allocation.
MFG Division II	<ol style="list-style-type: none"> 1. To carry out production plans of lithography and EQA scheme and monitor the progress. 2. To maintain and repair the manufacturing facilities of lithography and EQA scheme. 3. To establish standard operation procedure of production facilities for lithography and EQA scheme.
Quality Engineering	<ol style="list-style-type: none"> 1. To manage the suppliers and control the quality of ingredients. 2. To establish client service platform and offer technical assistance. 3. To promote quality control (quality management system) and ensure high quality production. 4. To improve quality projects, implement SPC, to improve yield rate, to alter engineering procedure. 5. To censor the design, to evaluate quality of the products in inventory. 6. To integrate data from product inspection and data from test. 7. To carry out quality management.

Department	Functions
	<ol style="list-style-type: none"> 8. To plan, maintain, and manage the Company's document control system (including the record control). 9. To establish and censor the standard format of corporate documents. 10. To issue, assure, and nullify the corporate documents. 11. To audit whether the use of document from different sectors fulfill the requirement of quality, environment, and RBA management systems.
Production Management & Procurement	<ol style="list-style-type: none"> 1. To carry out procurement of machine and equipment, raw materials, and other necessary items for production. 2. To compile operations manual (regulations) for procurement, transportation, storage, packing, and delivery. 3. To establish guidelines for managing raw material warehousing and operational procedure. To ensure storage management persons can understand and exercise proper management of raw materials for manufacturing. 4. To ensure the quality of raw material and products in storage and in transportation. 5. To manage the subcontractor. 6. To manage manufacturing schedule of Manufacturing Department A and Manufacturing Department B. 7. To coordinate production capacity required by RD.
Sales Division	<ol style="list-style-type: none"> 1. To coordinate and manage affairs of product marketing. 2. To communicate with clients, including responding to and tracking customer complaints. 3. To maintain customer loyalty and expand customer pool. To establish database of marketing information. 4. To confirm with clients about requirement in contracts or orders. 5. To ensure censor of matters in the contracts or order is properly completed. 6. To establish the Company's operational policy. 7. To compile the annual budget. 8. To develop customer service and marketing strategies. 9. To promote new products and technical service.
Customer Technical Service	<ol style="list-style-type: none"> 1. To conduct marketing research and establish the data base. 2. To offer technical consultancy service to customers and track the projects in response to customer complaints.
General Administration	<ol style="list-style-type: none"> 1. To establish guidelines of each sector and conduct follow-up of the project. 2. To carry out affairs of human resource, administrative affairs, and general affairs. 3. To deal with general affairs, financing matters, educational training, and mischievous things. 4. To plan and review the Company's accounting procedure as well as inspect each accounting task to fulfill accounting and taxing regulations. 5. To handle the Company's accounting affairs and review financial statement. 6. To handle the accounts receivable, accounts payable, the cost, and cashier. 7. To manage the capital of the Company. 8. To coordinate and negotiate significant matters in important meetings, including Board of Director meeting and Shareholders' meeting. 9. To deal with affairs related to corporate governance. 10. To maintain the relation among shareholders.

ii. Directors and Management Team

A. Directors

a. Information Regarding Directors

March 31, 2023 Units: shares; %

Title	National	Name	Gender Age	Date Elected	Term (Years)	Date (First Elected)	shareholding when elected		Current shareholding		Current shared held by spouse and children of minor age		Shareholding under the name of a third party		Experience (Education)	Other Position	Other chiefs, supervisors or directors with spouses or relatives within the second degree of kinship			Notes
							shares	%	shares	%	shares	%	shares	%			Title	Name	Relation	
Chairman	R.O.C.	Huasheng International Investment Ltd.		20200520	3	20170503	7,299,640	7.99	7,674,640	8.35	-	-	-	-	-	-	-	-	-	Note1
	R.O.C.	Representative: Ching-Yi Chang	Male 60~69	20200520			-	-	92,000	0.10	-	-	-	-	- Ph.D. in Business Administration, Shanghai Jiao Tong University - Master Degree in Business Administration, National ChengChi University	- CSO of LandMark - Chairman of the CID Group Ltd. - Director of Taiflex Scientific Co., Ltd. - Director of Eurocharm Holdings Co., Ltd. - Director of ENTIRE TECHNOLOGY CO., LTD.	-	-	-	
Vice Chairman	R.O.C.	Wei Lin	Male 60~69	20200520	3	20051122	155,622	0.17	166,622	0.18	1,300	0.001	-	-	- Ph.D. in electrical engineering, National Cheng Kung University - Chairperson of sup- program, Chunghwa Telecom Research Institute	- CTO of LandMark	-	-	-	-
Director	R.O.C.	Jerry Yang	Male 50~59	20200520	3	20130411	85,824	0.09	80,824	0.09	48,750	0.05	-	-	- Master Degree in Financial management, National ChengChi University - CPA in Taiwan - CFA - CFO of CMOX TECHNOLOGY CO., LTD.	- CFO of LandMark - Director of Advanced Power Electronics Corp. - Independent Director of ELITE ADVANCED LASER Corporation	-	-	-	-
Director	R.O.C.	Yong-Hong Lu	Male 50~59	20200520	3	20170503	-	-	-	-	-	-	-	-	- Doctor, Department of Applied Chemistry, NCTU - Vice president, AUO	- Director of Shuz Tung Machinery Industrial Co., Ltd.	-	-	-	-
Independent Director	R.O.C.	Bob Tseng	Male 70~79	20200520	3	20140508	-	-	-	-	-	-	-	-	- Doctor of chemical engineering, UT - Deputy General Manager in Shanghai Songjiang plant, TSMC - Factory manager, 1st plant of VIS	-	-	-	-	-

Title	National	Name	Gender Age	Date Elected	Term (Years)	Date (First Elected)	shareholding when elected		Current shareholding		Current shared held by spouse and children of minor age		Shareholding under the name of a third party		Experience (Education)	Other Position	Other chiefs, supervisors or directors with spouses or relatives within the second degree of kinship			Notes
							shares	%	shares	%	shares	%	shares	%			Title	Name	Relation	
Independent Director	R.O.C.	James Wang	Male 60~69	20200520	3	20170503	-	-	-	-	-	-	-	-	<ul style="list-style-type: none"> - Ph.D. in Business Administration, National Chengchi University - Master Degree in Accounting, National Chengchi University - Director of Ernst & Young Taiwan CPA's firm - Chairman of EY Management Consulting Inc. - Chairman of EY Cultural and Educational Foundation - CPA in Taiwan and China - CPA/CMA in the US 	<ul style="list-style-type: none"> - General Manager of Tatung Company - Vice Chairman (Legal Representative) and General Manager of Elitegroup Computer Systems Co., Ltd. - Director (Legal Representative) of Tatung System Technologies Inc. - Independent Director of PCL Technologies, Inc. - Independent Director of Metaage Corporation 	-	-	-	-
Independent Director	R.O.C.	Yong-Chang Chen	Male 60~69	20200520	3	20170503	-	-	-	-	-	-	-	-	<ul style="list-style-type: none"> - Bachelor Degree in Law, National Taiwan University - Taiwan High Court Judge 	<ul style="list-style-type: none"> - Leader of All-Pro Law Firm - Director (Legal Representative) of Flexium Interconnect, Inc. - Independent Director of Collins Co., Ltd. - Independent Director of RUN LONG CONSTRUCTION CO., LTD. 	-	-	-	-
Note 1: There is no situation where the chairman and general manager or the equivalent position (chief executive officer) are the same person, spouse or first-degree relatives.																				

b. Major Shareholders of Corporate Shareholders

March 31, 2023

Name of corporate shareholder	Major shareholders of corporate shareholders
Huasheng International Investment Ltd.	The CID Group Ltd. (Shareholding ratio, 100%)

c. Major Shareholders of Major Corporate Shareholders

March 31, 2023

Name of the Corporate	Major Shareholders of the Corporate
The CID Group Ltd.	MAIN STREET GROUP CO., LTD. (Shareholding ratio, 100%)

d. Status of director expertise, board diversity policy, and independence

(1) Disclosure of information on the professional qualifications of directors and the independence of independent directors:

Criteria Name	Professional qualifications and experience (Note 1)	Independence Status (Note 2)				Number of public companies where the person holds the title as independent director
		1	2	3	4	
Ching-Yi Chang	Doctor of business administration in Shanghai Jiao Tong University, M.B.A., Department of Business Administration, National Chengchi University, Founder and Chairman of CID Group Ltd. Current Chairman and Chief Strategy Officer of the Company. Director at Taiflex Scientific Co., Ltd, and numerous other listed companies. He has extensive experience and decision-making ability in corporate governance, operations management, market strategy and industry development planning, and is committed to leading the Company towards sustainable management.	Not applicable				—
Wei Lin	PhD. in Electrical Engineering, National Cheng Kung University. Chunghwa Telecom Research Institute / Sub-project lead. Company founder, current Vice Chairman and Chief Technology Officer. Served as General Manager in the Company from June 2007 to March 2017. Possesses more than 35 years of technical experience in metal organic vapor phase epitaxy technology. He has rich industry experience and management capabilities, and has led the Company's technology research and development prowess towards industry leadership.					—
Jerry Yang	Master's degree in financial management from National Chengchi University, CPA (Taiwan), Chartered Financial Analyst (CFA). Board Director and Chief Financial Officer of the Company, Director of Advanced Power Electronics Corp., Independent director of Elite Advanced Laser Corporation. Yang specializes in finance, accounting, corporate governance and management, and has extensive planning and management experience in improving the performance and management efficiency of companies.					1
Yong-Hong Lu	PhD. in Applied Chemistry from National Chiao Tung University. Lu was a Vice President of AU Optronics Corp. and currently serves as a Director of Shuz Tung Machinery Industrial Co., Ltd. He has extensive experience in business management and industry.					—
Bob Tseng	PhD. in Chemical Engineering from the University of Texas, USA. He has over 20 years of experience as Vice President and Plant Manager in TSMC and Vanguard International Semiconductor, and has extensive experience in semiconductor manufacturing, quality control and plant management.	✓	—	✓	—	—
James Wang	He holds a master's degree in accounting and a doctorate in business administration (DBA) from National Chengchi University. He is a certified public accountant in Taiwan, China, and a CPA/ certified management accountant in the United States. Previously, he worked as a director at Ernst & Young. Currently, he is the convener of the Audit Committee of the Company and serves as the General Manager of Tatung Company, Vice Chairman (Legal Representative) and General Manager of Elitegroup Computer Systems Co., Ltd., Director (Legal Representative) of Tatung System Technologies Inc., as well as an independent director of PCL Technologies Inc., Metaage Corporation, and numerous other listed companies. He has extensive experience and professional capabilities in corporate governance, business operations, financial accounting, and strategic planning for business sustainability.	✓	—	✓	—	2
Yong-Chang Chen	A licensed practicing lawyer in Taiwan. He graduated from the College of Law, National Taiwan University, and served as a judge at Taiwan High Court. He is currently the president of All-Pro Law Firm, and an independent director of several listed companies, including Collins Co., Ltd., and Run Long Construction Co., Ltd., with extensive experience in the legal profession and actual practice.	✓	—	✓	—	2

Note 1: None of directors is under any of the following circumstances of Company Act article 30.

Note 2: Please tick the appropriate corresponding boxes that apply to the directors during the two years prior to being elected or during the term of office.

- (1) The relatives who are not the person, spouse or relative within the second degree of kinship serve as a director or supervisor, or an employee of the company or any of its affiliates.
- (2) The person, spouse or relative within the second degree of kinship (or under others' names) holds the amount and proportion of Company's shares.
- (3) Not a director or supervisor, or an employee of the company or any of its affiliates.
- (4) The amount of remuneration for providing commercial, legal, financial, accounting and other services for the Company or its affiliates in the past two years.

(2) Diversity and independence of the Board of Directors:

a. Board diversity:

The members of the Company's Board of Directors are nominated and elected according to provisions in the Articles of Incorporation. The Company adopts the candidate nomination system. It assesses the candidates' education and work experiences while following "Rules of Election of Directors" and "Corporate Governance Best Practice Principles" to ensure the diversity and independence of the Board members. The Company established Corporate Sustainability and Nomination Committee for matters of nomination of directors (including independent directors) by prudently assessing the qualifications of nominees and submitting suggested candidate list to the Board of Directors. It assesses the appropriateness of the structure of the Board of Directors, the number and the professional background of directors.

The Company has established 7 directors, including 3 independent directors to fulfill the requirement based on its operational scale and needs for development. The expertise of the directors ranges from industrial, academic, financial, accounting, managing professions, which manifests the principle of forming a Board with diversity. To achieve the desired goals of corporate governance, the Board of Directors should possess the following overall competencies: sound operational judgment, accounting and financial analysis, operational management, crisis management, industry knowledge, international market perspective, leadership, and decision-making skills.

Core Diversity Item Name of Director	Gender	Judgment of Operation	Analysis of accounting and finance	Business management	Crisis management	Industry Knowledge	Perspective of International Market	Leadership	Decision Making
Chairman Ching-Yi Chang	Male	✓		✓	✓	✓	✓	✓	✓
Vice Chairman Wei Lin	Male	✓		✓	✓	✓	✓	✓	✓
Director Jerry Yang	Male	✓	✓	✓	✓	✓	✓	✓	✓
Director Yong-Hong Lu	Male	✓		✓	✓	✓	✓	✓	✓
Independent Director Bob Tseng	Male	✓		✓	✓	✓	✓	✓	✓
Independent Director James Wang	Male	✓	✓	✓	✓			✓	✓
Independent Director Yong-Chang Chen	Male	✓		✓	✓			✓	✓

The objectives for Board diversity: The term of office for independent directors does not exceed three terms. In order to fulfill the objective for diversity of industrial knowledge area for directors, the target of percentage of directors with industrial and professional background is at least 40%. When the term of the Board of Directors has expired for re-election, to include at least one female on the Board is planned. The 7 current directors include 5 professionals in the industry knowledge field, for a ratio of 71.42%. Board members actively attended board meetings with the 2022 attendance rate attaining 100%, for the sake of effective supervision and to understand the implementation of business plans.

Skills	Relevance to LandMark	Number of Directors
Board/Committee Chair	Management leadership experience is considered a strategic asset to the Board and functional committees	7
Relevant industry experience	Assist in reviewing the Company's business operations, finances and investments	5
Public Administration	Bringing experience in regulatory compliance and stakeholder communication	7
Risk management	Risk and compliance with the law are the responsibility of the Board of Directors.	7
Accounting Expertise	Bringing supervision, consulting and operational experience in various disciplines	2
Legal Expertise		1

b.Independence of the Board of Directors:

Currently, there are three independent Directors and the number of independent Directors of the Company is 42.85%. None of the independent directors has served more than three consecutive terms. There are no family relationships among all the directors of the Company as defined in Items 3 and 4 of Article 26-3 of the Securities and Exchange Act.

B. Information Regarding Management Team

March 31, 2023 Units: shares; %

Title Name	Nationality or Registry	Gender	Date Effective	Status of Shareholding (Note 1)		Current Shares Held by Children of Minor Age (Note 1)		Shareholding Under the Name of a Third Party (Note 1)		Experience (Education)	Other Position	Managerial Officers with Spouses or Relatives Within the Second Degree of Kinship			Note
				Shares	Ratio for shareholding	Shares	Ratio for shareholding	Shares	Ratio for shareholding			Title	Name	Relation	
Chairman /CSO Ching-Yi Chang	R.O.C.	Male	2020.05.01	92,000	0.10%	-	-	-	-	- Ph.D. in Business Administration, Shanghai Jiao Tong University - Master Degree in Business Administration, NCCU	- CSO of LandMark - Chairman of the CID Group Ltd. - Director of Taiflex Scientific Co. Ltd. - Director of Eurocharm Holdings Co., Ltd. - Director of ENTIRE TECHNOLOGY CO., LTD.	-	-	-	Note2
Vice Chairman /CTO Wei Lin	R.O.C.	Male	2007.06.15	166,622	0.18%	1,300	0.001%	-	-	- Ph.D. in electrical engineering, NCKU - Chairperson of sup-program, Chunghwa Telecom Research Institute	-	-	-	-	Note2
General Manager Roger Lo	R.O.C.	Male	2017.03.20	32,000	0.03%	-	-	-	-	- Master, Chemical Research Institute, NCU - Director, Quality and Reliability Department of Shanghai Plant, TSMC - Vice Director, Quality and Reliability Department of 6 th and 14 th plants, TSMC	-	-	-	-	Note2
CFO/ Deputy General Manager Jerry Yang	R.O.C.	Male	2013.04.11	80,824	0.09%	48,750	0.05%	-	-	- Master Degree in Finance management, NCCU - CPA in Taiwan - CFA - CFO of CMOX TECHNOLOGY CO., LTD.	- Director of Advanced Power Electronics Corp. - Independent Director of ELITE ADVANCED LASER Corporation	-	-	-	-
Sales Dept. Deputy General Manager Richard Bai	R.O.C.	Male	2017.06.01	29,000	0.03%	-	-	-	-	- Master, Department of Electronics Engineering, NCKU - RIT, Gatech - Assistant researcher, NCSIST - AUO Enterprise Development Office System Development Plan Moderator - AUO laptop monitor institutions Associate	-	-	-	-	-
MFG Division I Assistant manager, Shi-Ming Zhuang	R.O.C.	Male	2016.11.18	13,000	0.01%	-	-	-	-	- Master, Department of Electronics Engineering, NCKU	-	-	-	-	-
MFG Division II Assistant manager Han-Ti Hsiao	R.O.C.	Male	2017.08.04	22,000	0.02%	-	-	-	-	- Chemical engineering, NTU - Manager, TSMC R&D Manufacturing Center	-	-	-	-	-
Corporate Governance Officer Belinda Wu	R.O.C.	Female	2021.12.22			-	-	-	-	- Department of Accounting, NCUE - Audit Services Manager, PwC Taiwan CPA's firm	-	-	-	-	-

Note 1: Shares held as of March 31, 2023, the publication date of the annual report.

Note 2: The General Manager or persons in equivalent position (chief manager) and the chairman serve by different persons, and none of them are spouses or within first degree of kinship.

iii. Remuneration paid during the most recent fiscal year (2022) to Directors, Supervisors, General Manager, and Deputy General Managers

A. Remuneration paid to Directors and Independent Directors

Unit: NT\$ thousands

Title	Name	Remuneration to Directors								The sum of A, B, C and D in proportion to Earnings After Tax (%)		Remuneration in the capacity as employees								The sum of A, B, C, D, E, F and G to Earnings after Tax (%)		Remuneration received from invested companies other than subsidiaries or the parent company
		Remuneration(A)		Pension(B)		Bonus to Directors(C)		Allowances (D)				Salaries, bonus and special subsidies(E)		Pension(F)		Repay for employee(G)						
		The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	The Company	All companies included into the financial statement			The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	The Company		All companies included into the financial statement		
										Cash dividend	Stock dividend							Cash dividend	Stock dividend	The Company	All companies included into the financial statement	
Director	Huasheng International Investment Ltd. Representative: Ching-Yi Chang	-	-	-	-	2,752	2,752	120	120	0.87	0.87	13,254	13,254	-	-	2,271	-	2,271	-	5.58	5.58	None
	Wei Lin																					
	Jerry Yang																					
	Yong-Hong Lu																					
Independent Director	Bob Tseng	-	-	-	-	1,501	1,501	195	195	0.51	0.51	-	-	-	-	-	-	-	-	0.51	0.51	None
	James Wang																					
	Yong-Chang Chen																					
<div>1. The policy, system, standard, and structure of remuneration for independent directors should be stated, and the amount of remuneration should be justified with an illustration of the person's duty, risk, and devoted time: Independent director's remuneration is consolidated into the overall directors' reward. According to Article 20 of the Articles of Association, less than 2% of the annual profit contribution is directors' remuneration which be resolved based on the person's duty, risk, devoted time and director's participation in the Company's operation by Remuneration Committee</div> <div>2. Other than the content revealed in the table above, any remuneration received by the director of the Company for offering service (e.g., serving as an external consultant) to any company mentioned in the financial statement: None.</div>																						

Range of Remuneration

Range of Remuneration	Name of Directors			
	Total of A, B, C and D		Total of A, B, C, D, E, F and G	
	The Company	All companies included into the financial statement	The Company	All companies included into the financial statement
Less than NT\$1,000,000	Representative of Huasheng International Investment Ltd. : Ching-Yi Chang, Wei Lin, Jerry Yang, Yong-Hong Lu, Bob Tseng, James Wang, Yong-Chang Chen	Representative of Huasheng International Investment Ltd. : Ching-Yi Chang, Wei Lin, Jerry Yang, Yong-Hong Lu, Bob Tseng, James Wang, Yong-Chang Chen	Yong-Hong Lu, Bob Tseng, James Wang, Yong-Chang Chen	Yong-Hong Lu, Bob Tseng, James Wang, Yong-Chang Chen
NT\$1,000,000 thousand (inclusive) ~ NT\$2,000,000 (exclusive)	-	-	-	-
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	-	-	-	-
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	-	-	Jerry Yang	Jerry Yang
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	-	-	Representative of Huasheng International Investment Ltd. : Ching-Yi Chang, Wei Lin	Representative of Huasheng International Investment Ltd. : Ching-Yi Chang, Wei Lin
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	-	-	-	-
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)	-	-	-	-
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)	-	-	-	-
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)	-	-	-	-
Over NT\$100,000,000	-	-	-	-
Total	7	7	7	7

B. Remuneration paid to General Manager and Deputy General Manager

Unit: NT\$ thousands

Title	Name	Salaries(A)		Pension (B)		Cash incentives and special discretionary allowance etc. (C) (Note 1)		The amount of employee repays(D)(Note 2)				The sum of A, B, C and D in proportion to Earnings After Tax (%)		Remuneration received from invested companies other than subsidiaries or the parent company
		The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	The Company		All companies included into the financial statement		The Company	All companies included into the financial statement	
								Cash dividend	Stock dividend	Cash dividend	Stock dividend			
Chairman/ CSO	Ching-Yi Chang	10,989	10,989	-	-	13,910	13,910	4,129	-	4,129	-	8.81	8.81	None
Vice Chairman/ CTO	Wei Lin													
General Manager	Roger Lo													
CFO/ Deputy General Manager	Jerry Yang													
Deputy General Manager	Richard Bai													

Note 1: The remuneration is offered in the recent year, including bonuses, incentives, and transportation allowance, or substantial offering like dorm rooms or cars. Also, based on the IFRS 2 share-based payment regulation, remuneration should include the employee stock option, restricted stock awards, and private placement for capital increase.

Note 2: The proposed amount of remuneration for managers in 2022 budget has not been resolved by the Board of Directors in 2023. The revealed amount which may be distributed is calculated based on the actual distributed amount in the previous year.

Range of Remuneration

Range of Remuneration	Name of General Manager and Deputy General Manager	
	The Company	All companies included into the financial statement
Less than NT\$1,000,000	-	-
NT\$1,000,000 thousand (inclusive) ~ NT\$2,000,000 (exclusive)	-	-
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	-	-
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	Ching-Yi Chang, Jerry Yang	Ching-Yi Chang, Jerry Yang
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	Wei Lin, Roger Lo, Richard Bai	Wei Lin, Roger Lo, Richard Bai
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	-	-
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)	-	-
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)	-	-
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)	-	-
Over NT\$100,000,000	-	-
Total	5 individuals	5 individuals

C. Employees' Profit Sharing Paid to Management Team

2022; Unit: NT\$ thousands; %

	Title	Name	Stock	Cash (Note 1)	Total	Proportion to Earnings After Tax (%)
Executive Officers	Chairman/CSO	Ching-Yi Chang	-	5,921	-	1.80
	Vice Chairman/CTO	Wei Lin				
	General Manager	Roger Lo				
	CFO / Deputy General Manager	Jerry Yang				
	Deputy General Manager	Richard Bai				
	Assistant Manager,	Shi-Ming Zhuang				
	Assistant Manager,	Han-Ti Hsiao				
	Corporate Governance Officer	Belinda Wu				

Note1: Which indicates the remuneration for employee (including shares and cash), distributed to managers, approved by the Board of Directors. If it was not able to estimated, the ratio of actual distribution amount will apply to propose for the distribution amount of the year. The amount of 2022 remuneration for employee of the managers, which the Company proposed to distribute, hasn't been approved by the Board of Directors in 2023. The disclosed amount was calculated based on the actual distribution amount of the previous year as proposed distribution amount this year.

D. The following section separately compares and illustrates the ratios of remuneration paid to directors, supervisors, general managers and Deputy General Managers of the Company and the companies in the consolidated financial statements in the last two years, to net income. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with business performance are also illustrated in this section.

a. Analysis on the ratios of remuneration paid to directors, supervisors, general managers and Deputy General Managers of the Company and the companies in the consolidated financial statements to net income in the financial statements in the last two years

Unit: NT\$ thousands ; %

Item \ Year	2021		2022	
	The Company	In proportion to Earnings After Tax (%)	The Company	In proportion to Earnings After Tax (%)
The remuneration paid to directors	4,962	1.47	4,568	1.39
The remuneration paid to presidents and vice presidents	28,694	8.50	29,028	8.81

Note: The Company doesn't have subsidiaries and reinvestments so that there is no requirement to compile consolidated financial statements. Therefore, the individual financial report is represented in 2021 and 2022.

b. The policies, standards, combinations, procedure of decision-making of remunerations and their relation to business performance and future risk.

1. Director's remuneration includes traffic allowance and reward. Traffic allowance is paid based on the frequency of participation in the Board of Directors. According to Article 20 of the Company's Articles of

Incorporation, less than 2% of the annual profit contribution is directors' remuneration which be resolved based on the director's duty, devoted time and director's participation in the Company's operation by Remuneration Committee.

2. The remuneration of the general manager, deputy general manager, and executive officers includes salary, bonus, employee dividend, and employee restricted shares, and so on. The benefit policy is as follows:

Item	Position Remuneration	Performance Remuneration		
		Annual Bonus	Dividend	Restricted Stock Awards
Calculation method	To determine monthly salary based on manager's profession, education, working experience and the position of entry according to Salary Management Regulations of the Company.	1.To calculate based on actual days of employment. 2.Formula: (Actual days of employment/Total days of payment)*monthly base*(salary+ meal allowance)	1. It is formulated in Article 20 of the Articles of Incorporation that employee's remuneration is no less than 8% of the company's profits. The proportion of employee's remuneration will be approved by the Board of Directors. The payment of managers' remuneration will be paid based on the resolution of the Remuneration Committee. 2. Remuneration is calculated by company's profit, achievement, and employees' contribution.	1. The distribution candidates (1)are highly relevant to the company's future strategy and development; (2)have a significant influence on company's operations; (3) are key core technical talents, and etc. 2. The conditions for managers' restricted stock awards are linked to the company's operating indicators, and the number of shares is calculated according to the distribution benchmark, determined by the Remuneration Committee.
parameters	1. Level Table 2. Salary of similar internal position 3. Salary level of industry	Monthly base is calculated by bonus distribution base of the salary management regulation.	Distribution benchmark: It is based on the evaluation results of the Company's KPI. Half of managers' evaluation is annual target (including personal performance, such as achievement of revenue and profit, product yield, progress of new technology development, and etc.) and another half is functional assessment (subordinate cultivation, team leadership, strategic planning, and etc.). The assessment is carried out per six months.	

The remuneration payment of the Company is reviewed by the Remuneration Committee and the Board of Directors, and the remuneration system is reviewed in a timely manner according to the actual business conditions and relevant laws and regulations, so as to balance the Company's sustainable operation and risk control.

iv. Implementation of Corporate Governance

A. Board of Directors

A total of 6 meetings of the Board of Directors were held in 2022, the attendance of directors was as follows:

Title	Name	Actual attendance	By proxy	Actual attendance rate (%)	Notes
Chairman	Ching-Yi Chang	6	—	100%	-
Director	Wei Lin	6	—	100%	-
Director	Jerry Yang	6	—	100%	-
Director	Yong-Hong Lu	6	—	100%	-
Independent Director	Bob Tseng	6	—	100%	-
Independent Director	James Wang	6	—	100%	-
Independent Director	Yong-Chang Chen	6	—	100%	-

Other mentionable items:

1. If there are circumstances as follows, the date on which the meetings, sessions, contents of motion, all independent director's opinions and the Company's responses should be specified:

- (1) Matters specified in Article 14-3 of the Securities and Exchange Act: The Company had established the Audit Committee. Article 14-5 of the Securities and Exchange Act is applicable for independent directors to express opinions. Hence, Article 14-3 of the Securities and Exchange Act is not applicable.
- (2) Resolutions other than the above-mentioned matters that independent directors expressed objections or reservations and have specified in written statements: Not applicable.

2. The measure for directors' withdrawal from conflict of interest:

(1) Date of meeting: May 25, 2022

(a) Discussion content: List of employees who can receive employee restricted stock awards issued in 2022.

Directors' avoidance of conflict of interest: At the time of this resolution, the relevant managers (Ching-Yi Chang, Chief Strategy Officer; Wei Lin, Chief Technology Officer; and Jerry Yang, Chief Financial Officer) recused themselves and left the meeting first.

3. The Board of Directors' evaluation:

Frequency of evaluation	Duration of evaluation	Range of evaluation	Methods of evaluation	Aspects to evaluate
Once every year	January 1, 2022 to December 31, 2022	Board of Directors	Internal self-evaluation	1. Participation in the operation of the Company; 2. Improvement of the quality of the Board of Directors' decision making; 3. Composition and structure of the Board of Directors; 4. Election and continuing education of the directors; and 5. Internal control.
Once every year	January 1, 2022 to December 31, 2022	Individual member of Board of Director	Self-evaluation by each director	1. Alignment of the goals and missions of the Company; 2. Awareness of the duties of a director; 3. Participation in the operation of the Company;

				4. Management of internal relationship and communication; 5. The director's profession and continuing education; and 6. Internal control.
Once every year	January 1, 2022 to December 31, 2022	Functional Committees	Self-evaluation by committee members	1. Participation in the operation of the Company; 2. Awareness of the duties of the functional committee; 3. Quality of decisions made by the functional committee; 4. Makeup of the functional committee and election of its members; and 5. Internal control.

The evaluation of the Board of Directors of the Company is made by external professional independent institutions or an external experts and scholars at least once three years. The Company asked Taiwan Corporate Governance Association who conducted questionnaire and video interviews to evaluate the performance of the Board of Directors in eight fields in October 2022, including composition, guidance, authorization, supervision, communication, internal control and risk management, self-regulation, and others (such as board meetings, support systems). Taiwan Corporate Governance Association issued a performance evaluation report of the Board of Directors on November 4, 2022. The Company presented the recommendations above to the Board of Directors on December 28, 2022. The details of evaluation are as follows:

(1) The details of evaluation

(a) The chairman of Board of Directors values the culture of brainstorming and respects the opinions of other board members; besides, he participates in the management meeting and strategy meeting personally and reports details in the board meeting. So, the directors can fully understand relevant proposals to improve the quality of decision-making.

(b) The members of the board are qualified for the professional background and experience that meets the management and development needs of the Company currently.

(c) There are three independent directors within the Company. They have great experience in professional fields and participate in the operation of the board aggressively to devote themselves to the board.

(d) In response to the FSC's "Corporate Governance 3.0 – Sustainable Development Roadmap" and the Company's development, the Company has set up a "Corporate Sustainability and Nomination Committee" which includes chairman as the convener and three independent directors to promote ESG matters, set carbon neutrality target and climate change management goals. It fully demonstrates the Company's implementation of sustainable development concepts.

(2) Recommendations and improvement plans

Recommendations	Improvement plans
1. Suggest company to set up "Orientation for new directors" to help new directors grasp company's operating for their duties of directors	Company has arranged briefing and site visits for new directors to help them understand the Company's operation
2. Suggest company to set up a dedicated risk management unit and review the policy and result with the Board of Directors regularly for timely company's overall risk management and overall risk reducing.	Currently, the corporate governance group (consists of department heads or senior colleagues) is responsible for conducting risk management assessments. A dedicated risk management unit will be set up according to the Company's scope, business and management needs in the future.

3. Suggest to create a mailbox linked directly to the Board of Directors (independent directors) for announcement and reporting.	A specific mailbox has been created for Audit Committee receive mails directly and that is posted on the Company's website.
4. Suggest to evaluate the performance of internal audit supervisor based on the opinions of Audit Committee to strengthen the supervision.	The evaluation of internal auditors will be proposed to the Audit Committee for approval.
<p>4. Implementation and Assessment of measures to enhance functionality of the Board (e.g., the foundation of Audit Committee, enhancement of information transparency, etc.)</p> <p>(1) To schedule the annual meeting in advance.</p> <p>(2) The Company established Audit Committee and Remuneration Committee to help the Board of Director discharge the responsibility of supervision.</p> <p>(3) To promote and enhance the governance function of Company's sustainable development social responsibility, the Company established the Corporate Sustainability Committee by a resolution of the Board of Directors on December 17, 2019, and renamed as " Corporate Sustainability and Nomination Committee " in October, 2020 It also made recommendations to the Board of Directors on governance matters such as the nomination and selection of directors (including independent directors).</p> <p>(4) The Board of Directors continued to enhance corporate governance and sustainable operations, and received good evaluation of corporate governance. The Company was ranked the Top 5% TPEX-listed Companies with respect to Corporate Governance Evaluation for the consecutive fourth time (2018~2021) in a row.</p> <p>(5) The Board of Directors announced important resolution immediately every meeting.</p> <p>(6) The Company's directors fulfill the requirement of authorities regarding minimum on-the-job training hours.</p> <p>(7) The Company has designated personnel to reveal corporate information, update data on the official website, and deal with other relevant matters.</p> <p>(8) In order to strengthen corporate governance and improve risk management, the Company has established a "Risk Management Policy" to implement risk management and reported to the Board of Directors at least once a year.</p>	

B. Audit Committee

A total of 5 meetings of Audit Committee were held in 2022. The attendance of independent directors was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance rate (%)	Notes
Independent Director	Bob Tseng	5	—	100%	—
Independent Director	James Wang	5	—	100%	—
Independent Director	Yong-Chang Chen	5	—	100%	—

Professional qualifications and experience of Audit Committee members:

Members	Professional qualifications and experience
Bob Tseng	PhD. in Chemical Engineering from the University of Texas, USA. He has over 20 years of experience as Vice President and Plant Manager in TSMC and Vanguard International Semiconductor, and has extensive experience in semiconductor manufacturing, quality control and plant management.
James Wang	He holds a master's degree in accounting and a doctorate in business administration (DBA) from National Chengchi University. He is a certified public accountant in Taiwan, China, and a CPA/ certified management accountant in the United States. Previously, he worked as a director at Ernst & Young. Currently, he is the convener of the Audit Committee of the Company and serves as the General Manager of Tatung Company, Vice Chairman (Legal Representative) and General Manager of Elitegroup Computer Systems Co., Ltd., Director (Legal Representative) of Tatung System Technologies Inc., as well as an independent director of PCL Technologies Inc., Metaage Corporation, and numerous other listed companies. He has extensive experience and professional capabilities in corporate governance, business operations, financial accounting, and strategic planning for business sustainability.
Yong-Chang Chen	A licensed practicing lawyer in Taiwan. He graduated from the College of Law, National Taiwan University, and served as a judge at Taiwan High Court. He is currently the president of All-Pro Law Firm, and an independent director of several listed companies, including Collins Co., Ltd., and Run Long Construction Co., Ltd., with extensive experience in the legal profession and actual practice.

Other mentionable items:

1. If there are circumstances as follows, the date on which the meetings, sessions, contents of motion, all Audit Committee members' opinions and the Company's responses should be specified:

(1) Matters that were referred to in Article 14-5 of the Securities and Exchange Act.

Audit Committee Date and Period	Agenda	Independent directors' dissenting opinions, reservations or significant recommendations	Results of Audit Committee Resolutions	The Company's responses to the opinion of the Audit Committee
The 7th Meeting of the 3rd Audit Committee 2022.01.26	1. Operation and budget plan in 2022 2. The Company's 2021 annual internal control self-assessment and "Statement of	None	After the Chairperson puts forward the relevant resolutions for approval with all	Submitted for approval by the 12th meeting of the 10th Board of Directors, and carried out in accordance

		<p>Internal Control System".</p> <ol style="list-style-type: none"> 3. Proposal of the Company's 2021 financial report and business statement. 4. Approved the Company's 2021 earnings distribution proposal. 5. Proposal of cash distribution from capital surplus. 6. Proposal of amendment of Articles of Incorporation. 7. Proposal of Issuance of the employee restricted stock awards. 8. Evaluation of appropriateness and independence of the CPA and appointed remuneration. 		members present, the motion was passed without objection.	with the resolution of the Board of Directors.
	The 8th Meeting of the 3rd Audit Committee 2022.04.27	<ol style="list-style-type: none"> 1. The Company's financial statements for the first quarter of 2022. 2. Proposal of amendment of Procedures for the Prevention of Insider Trading. 3. Proposal of amendment of operating plan and budget capital expenditure budget of 2022. 			Submitted for approval by the 13th meeting of the 10th Board of Directors, and carried out in accordance with the resolution of the Board of Directors.
	The 9th Meeting of the 3rd Audit Committee 2022.07.27	<ol style="list-style-type: none"> 1. The Company's financial statements for the second quarter of 2022. 2. Proposal of amendment of some articles of Regulations Governing the Acquisition and Disposal of Assets. 			Submitted for approval by the 15th meeting of the 10th Board of Directors, and carried out in accordance with the resolution of the Board of Directors.
	The 10th Meeting of the 3rd Audit Committee 2022.10.26	<ol style="list-style-type: none"> 1. The Company's financial statements for the third quarter of 2022. 2. Proposal of Procedure of internal major information processing and amendment of Procedures for the 			Submitted for approval by the 16th meeting of the 10th Board of Directors, and carried out in accordance with the resolution of the Board of Directors.

	Prevention of Insider Trading of Incorporation.			
The 11th Meeting of the 3rd Audit Committee 2022.10.28	1. Proposal of operation and budget plan in 2023. 2. Proposal of audit plan in 2023			Submitted for approval by the 17th meeting of the 10th Board of Directors, and carried out in accordance with the resolution of the Board of Directors.

(2) Other than the above-mentioned matters, the matters which have not been adopted by the Audit Committee but resolved with consent of over two-thirds of all members of the Board of Directors: None.

2. Considering the measure for withdrawal from conflict of interest, the names of directors, contents of proposals, reasons to avoid conflict interest, and participation for voting should be specified: None.

3. The communication between independent directors and director of internal audit as well as the CPAs (aspects such as the Company's finance, significant matters, methods, and outcomes regarding business communication should be included).

(1) The director of audit should follow the audit procedure. As all items are audited, the audit report and follow up report should be submitted to independent directors for review. The audit director should also make use of email, telephone, or meeting to communicate and discuss with the independent directors about implementation of internal audit and internal control. The audit director shall also attend the meeting of audit committee and the regular Board of Director meetings to report the situation of implementing audit measures. Communication between Audit Committee and Internal Audit supervisors is good. The aspects which the audit committee and audit director have communicated about in 2022 up to the printing date of the annual report:

Date	Type of meeting	Matters to be communicated	Outcome of communication
2022.01.26	Audit Committee	1. Report on implementation of audit matters in 4th quarter of 2021. 2. Discuss self-evaluation and declaration of internal control policy in 2021.	No objective opinion.
2022.04.27	Audit Committee	Report on the implementation of audit matters in the 1st quarter of 2022.	No objective opinion.
2022.07.27	Audit Committee	Report on the implementation of audit matters in the 2nd quarter of 2022.	No objective opinion.
2022.10.26	Audit Committee	Report on the implementation of audit matters in the 3rd quarter of 2022.	No objective opinion.
2022.12.28	Audit Committee	Discuss annual audit plan of 2023	No objective opinion.
2023.02.01	Audit Committee	1. Report on implementation of audit matters in 4th quarter of 2022. 2. Discuss self-evaluation and declaration of internal control policy in 2022.	No objective opinion.

(2) The Company's CPAs periodically attend the Audit committee meetings and present the report of review on financial report as well as other matters to be communicated required by relevant laws to the committee members. An immediate report would be presented to the audit committee should any unexpected situation occur. No such conditions as mentioned above had occurred as of the printing date of annual report. Communication between Audit Committee and CPA is good. The topics for discussion

and matters discussed by audit committee and accountants are summarized as below:

Date	Type of meeting	Matters to be communicated	Outcome of communication
2022.01.26	Audit Committee	The coverage of audit report of the 2021 financial statement, key audit matters (evaluation of inventory), adjustment of audit difference, major effect from Statement of Auditing Standards No.75, important laws for certification and management and updated in tax laws, etc.	No objective opinion.
2022.10.26	Audit Committee	Financial statement review results for the 3rd quarter of 2022, matters of concern for competent authorities, annual audit plan for 2022, Audit Quality Indicators (AQI), important regulatory updates, and so on.	No objective opinion.
2023.02.01	Audit Committee	The coverage of audit reports of the 2022 financial statements, key audit matters (evaluation of inventory), adjustment of audit difference, major accounting estimates and auditing standards, important laws for certification and management and updates in tax laws, and so on.	No objective opinion.

4. Important tasks of the Audit Committee of the year

(1) The audit committee aims to assist the Board of Directors in implementing procedures for accounting, auditing, and financial statement; it also deals with the quality and integrity in matters of financial control.

(2) The major matters to be reviewed on the audit committee meeting are as below:

- Establishment or revision of the internal control system.
- Evaluation of the effectiveness of the internal control system.
- Formulating or modifying the processing procedures for major financial business activities that acquire or dispose of assets, engage in derivative commodity transactions, loan funds to others, endorse or provide guarantees for others.
- Matters related to directors' conflict of interest.
- Significant asset or derivative commodity transactions.
- Significant capital loans, endorsements or guarantees.
- Raising, issuing or private placement of equity securities.
- Appointment, dismissal or remuneration of certified public accountants:

The Audit Committee is charged with the responsibility of overseeing the independence of the CPA firm to ensure the integrity of the financial statements. In order to ensure the independence of the certified public accountants, the Audit Committee establishes the audit evaluation form for the certified public accountants with reference to the current laws and regulations or the content of the Code of Ethics for accounting set by the competent authorities, and evaluates the independence, professionalism and appropriateness of the certified public accountants, and assesses whether they are related parties, have business or financial interests with the Company. The performance of CPA and CPA firms in terms of professionalism, quality control, independence, supervision and innovation are confirmed through 13 indicators in five major areas referring to KPMG latest Audit Quality Indicators (AQI) to assess the independence and suitability of CPA. The 12th Audit Committee Meeting of the 3rd session on February 1, 2023 and the 18th Board of Directors' Meeting of the 10th session on February 1, 2023 considered and approved that Yen-Da Su and Po-Jen Yang, Certified Public Accountants of KPMG Taiwan met the independence evaluation criteria and were qualified to serve as the independent financial and tax auditors of the Company.

- Appointment of financial, accounting or internal audit managers.
- Financial report, business report and proposal for allocation of earnings:

The Board of Directors has prepared the Company's 2022 Business Report,

Financial Statements and proposal for allocation of earnings. The CPA firm of KPMG was retained to audit LandMark Optoelectronics Corporation's Financial Statements and has issued an audit report with unqualified opinion relating to the Financial Statements. The above-mentioned business report, financial statements and earnings distribution proposal have been reviewed by the Audit Committee which regards them as having no discrepancies.

- Other important matters specified by the competent authorities.

C. Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
1. Does the Company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	✓		The Company set up “Corporate Governance Best Practice Principles” and publicized the Mandarin version on its official website and Market Observation Post System.	None
2. Shareholding structure & shareholders' rights (1) Does the Company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?	✓		The Company's internal procedures for handling shareholders' suggestions, questions, disputes and litigation matters are as follows: the spokespersons and acting spokesperson's contact telephone numbers and e-mail addresses are used to collect questions from shareholders, and the spokesperson and acting spokesperson handle and respond to shareholders' suggestions and questions; the legal department handles and responds to disputes and litigation matters. Currently, the relationship between the Company and its shareholders is harmonious and no dispute or litigation has occurred.	None
(2) Does the Company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		The Company has designated to stock transfer agents to deal with affairs related to shareholders. It has mastered the major shareholder through name list of the stock agents and learned about the person in ultimate charge of the stocks. The Company also observes the laws and reports any change in shareholding conditions of the directors, managers, and shareholders possessing 10% of the stocks.	None
(3) Does the Company establish and execute the risk management and firewall system within its conglomerate structure?	✓		The Company has established “Regulations Governing Transactions between Related Persons” to regulate its trading with affiliates. It is supposed to enhance risk control. However, the Company has never had any transaction with its affiliates so far.	None
(4) Does the Company establish internal rules against insiders trading with undisclosed information?	✓		The Company has established “Operation Procedure for Prevention of Insider Trading” to abandon any of the Company's employees from making use of or revealing to others the unpublicized information for benefit from stock trading. Insiders cannot trade their shares during the closed period of 30 days prior to the publication of the annual financial reports and 15 days prior to the publication of the quarterly financial reports.	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons														
	Yes	No	Summary															
3. Composition and Responsibilities of the Board of Directors																		
(1)Does the Board develop and implement a diversified policy for the composition of its members?	✓		The Company has established “Corporate Governance Best Practice Principles” and “Rules of Election of Directors”, which are disclosed on company’s website. Please refer to pages 12 to 13 of the annual report for management objectives and execution.	None														
(2)Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	✓		In addition to the Remuneration Committee and the Audit Committee established according to law, the Company has also established the “Corporate Sustainability and Nomination Committee”, which regularly analyzes and discusses corporate strategies, operations and corporate sustainability issues related to corporate social responsibility, provides consultation and recommendations for the reference of the Board of Directors and the executive unit in making decisions and executions, and makes recommendations to the Board of Directors on governance matters such as the nomination and appointment of Directors (including independent directors). Corporate Sustainability and Nomination Committee member information and current operations, please refer to pages 42 to 44 of this annual report.	None														
(3)Does the Company establish a standard to measure the performance of the Board, and implement it annually?	✓		<table><tr><td colspan="2">The Company has established “Guidelines for Evaluation of the Board’s Performance,” where it is speculated that the performance evaluation of the Board should be held at least once a year. The performance evaluation of the year should be conducted at the end of the year within the duration of the internal evaluation of the Board.</td></tr><tr><td>Frequency</td><td>Conducted once per year</td></tr><tr><td>Period</td><td>2022.01.01~2022.12.31</td></tr><tr><td>Scopes</td><td>Individual board members and Functional Committees</td></tr><tr><td>Methods</td><td>Board m embers self-assessment (Questionnaire)</td></tr><tr><td>Content</td><td><table><tr><td><u>Individual performance evaluations of Board members</u> 1. Alignment of the goals and missions of the Company; 2. Awareness of the duties of a director; 3. Participation in the operation of the</td><td><u>Functional Committee evaluations</u> 1. Participation in the operation of the Company; 2. Awareness of the duties of the functional committee; 3. Quality of decisions made by the functional</td></tr></table></td></tr></table>	The Company has established “Guidelines for Evaluation of the Board’s Performance,” where it is speculated that the performance evaluation of the Board should be held at least once a year. The performance evaluation of the year should be conducted at the end of the year within the duration of the internal evaluation of the Board.		Frequency	Conducted once per year	Period	2022.01.01~2022.12.31	Scopes	Individual board members and Functional Committees	Methods	Board m embers self-assessment (Questionnaire)	Content	<table><tr><td><u>Individual performance evaluations of Board members</u> 1. Alignment of the goals and missions of the Company; 2. Awareness of the duties of a director; 3. Participation in the operation of the</td><td><u>Functional Committee evaluations</u> 1. Participation in the operation of the Company; 2. Awareness of the duties of the functional committee; 3. Quality of decisions made by the functional</td></tr></table>	<u>Individual performance evaluations of Board members</u> 1. Alignment of the goals and missions of the Company; 2. Awareness of the duties of a director; 3. Participation in the operation of the	<u>Functional Committee evaluations</u> 1. Participation in the operation of the Company; 2. Awareness of the duties of the functional committee; 3. Quality of decisions made by the functional	None
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Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			<div>Company;</div> <div>4. Management of internal relationship and communication;</div> <div>5. The director's profession and continuing education; and</div> <div>6. Internal control.</div> <div>committee;</div> <div>4. Makeup of the functional committee and election of its members; and</div> <div>5. Internal control.</div>	
			<div>Evaluation result in 2022</div> <div>The evaluation of the performance of board of directors and functional committees is 100% strongly agree and agree.</div> <div>The Board will take the outcome of performance evaluation for reference for election or nomination of the directors as well as the distribution of remuneration to each director in the future.</div> <div>The evaluation of the Board of Directors of the Company is made by external professional independent institutions or an external experts and scholars at least once three years. The Company asked Taiwan Corporate Governance Association to evaluate the performance of the Board of Directors in October 2022. Please refer to pages 21 to 22 on annual report.</div>	
(4)Does the Company regularly evaluate the independence of Certified Public Accountants (CPAs)?	✓		The Company has established “Principles for Election and Appointment of CPAs.” to assess the independence and appropriateness of the CPAs every year. The latest assessment of independence of the appointed CPAs was adopted by the Audit Committee meeting and the Board of Directors' meeting on February 1, 2023. The performance of CPA and CPA firms in terms of professionalism, quality control, independence, supervision and innovation are confirmed through 13 indicators in five major areas referring to KPMG latest Audit Quality Indicators (AQI) to assess the independence and suitability of CPA. Refer to Note 1 of the “Evaluation of independence and suitability for Certified Public Accountant” below for the criterion for CPAs' independence and appropriateness.	None
4. Does the listed company appoint a unit or personnel to be responsible for affairs related to governance (including but not limited to	✓		As resolution of the Board of Directors' Meeting on December 22, 2021, the Corporate Governance Officer with years of experience of financial supervisor are responsible for matters related to the meetings of the	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
providing information for business of Directors, handling affairs for Board of Directors Meeting and Shareholders' Meeting in accordance with lawful regulations, registering and altering the Company's information, making minutes for Board of Directors Meetings and Shareholders' Meetings, etc.)?			<p>Board of Directors and shareholders' meetings in accordance with the law, prepare minutes of the Board of Directors and shareholders' meetings, assist Directors in their appointment and continuing education, provide information necessary for Directors to perform their duties, assist directors in compliance with laws and regulations, report to the Board of Directors whether the independent directors' qualification meet the relevant laws and regulations when nominated and selected, handle changes of directors and etc. On-the-job training of the corporate governance officer in 2022 please refer to Note 2 to the table below.</p> <p>The status of relevant task implementation in 2022 is as below:</p> <ol style="list-style-type: none"> 1. Was the contact window between the Company and the directors. 2. Assisted the director for performing their duties. Offered information about the Company which may be required on the meetings so as to keep smooth communication between the directors and the leaders of different departments. 3. Offered information of on-the-job training courses and make relevant arrangement. 4. Arranged affairs to enhance communication between the Audit Committee members and the CPAs as well as the audit supervisors. 5. Drafted the agenda for the meetings of the Board, informed each director about the meeting, convened the meeting and offered relevant information, sent reminders about conflict interest avoidance issues, and completed the memorandum of the Board's meeting within 20 days after the convention was over. 6. Dealt with relevant affairs of the shareholder's meetings. 	
5. Does the Company establish a communication channel with its stakeholders (including but not limited to shareholders, employees, clients, and suppliers) and build a designated section on its website for stakeholders, as well as handle all issues they care for in terms of corporate social responsibilities?	✓		<ol style="list-style-type: none"> 1. The Company values its stakeholders, including the shareholders, clients, employees, suppliers, etc. It has proper communication with the stakeholders, and the “Stakeholders Engagement” section is established on the official website to publicize all the communication channels for the stakeholders. Communications with stakeholders in 2022 was reported to the Board of Directors on December 28, 2022. Refer to Note 3 in the table below for the Summary of Stakeholder Engagement/Communications. 2. The Company has established various communication meetings to encourage the exchange of opinions between employees and 	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			management. The Company has also set up a dedicated employee mailbox and whistleblower channels in the Careers section of the Company’s website, so that employees can reflect their opinions and provide suggestions via e-mail in real time and maintain close interactions.	
6. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The Company has entrusted the stock agent department of Hua Nan Securities Co., Ltd to deal with affairs related to the shareholders’ meetings and the shares.	None
7. Information disclosure (1)Does the Company have a corporate website to disclose both financial standings and the status of corporate governance?	✓		The Company has a designated section for investors on its official website. Shareholders and investors can access information related to the Company’s financial results and corporate governance. http://www.lmoc.com.tw/index.php?lang=en	None
(2)Does the Company have other information disclosure channels (e.g., building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	✓		1. The Company has established an official English website: http://www.lmoc.com.tw/index.php?lang=en 2. The designated personnel has been assigned to collect and reveal relevant information of the Company. 3. The Company has established a spokesperson and an acting spokesperson to make announcement so that shareholders and stakeholders can be adequately informed about the Company’s financial information and implementation of corporate governance. 4. The materials and videos that the Company presented while attending the irregular investors’ meetings have been posted on the Market Observation Post System; such information is accessible to all people.	None
(3)Does the Company complete and publicize the annual financial statement within 2 months after the fiscal year ends, then publicize and register the financial statements of the first, second, and third quarters as well as the operation report of each month?	✓		The Company’s first, second and third quarterly financial reports were announced and filed well in advance of the prescribed deadlines, and the annual financial report was announced and filed within two months after the end of the fiscal year.	None
8. Is there any other information to facilitate a better understanding of the Company’s corporate governance practices (e.g., including but not limited to employee rights	✓		1. Employee rights and care for employees: The Company emphasizes proper labor-management relationships, treats the staff with integrity, respects the uniqueness of each individual, and takes the employees as its strategic assets which create advantages for the organization.	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)			<p>Humane and systematic features are the focus of the human resource management, and each employee is treated fairly. An appropriate communication channel has been established so that employees can express their opinions. In addition, the Company stresses the importance of life-work balance so that employees can make long-term devotion for the Company. The functional policies for human resource management are illustrated in the section of “Business Overview: Labor Relations”.</p> <p>2. Investor relations: The Company has designated spokesperson to reveal its operational information to investors. It also follows relevant laws and publicizes significant information of financial, business, changes in shareholding conditions of the staff on “Market Observation Post System.” There is also a designated section on the Company’s official website to reveal information about the Company’s financial results and corporate governance to investors.</p> <p>3. Supplier relationships: The Company has established “Supplier Management Procedure” to shortlist the qualified business partners. Also, with the establishment of RBA, the Company has been requiring suppliers to sign the “Letter of Commitment of Supplier for Corporate Social Responsibility”.</p> <p>4. Stakeholders’ right: The Company offers multiple channels for the stakeholders to communicate with or offer advice to the Company, which can protect the legal rights of both parties.</p> <p>5. On-the-job training of the directors: the directors are all equipped with professional competence, and they attend seminars about security regulations according to relevant laws. Please refer to Note 4 for “On-the-job training of the Company’s directors in 2022.”</p> <p>6. Implementation of the risk management policies and risk measuring standard: the Company’s risk management policies are pursuant to the Company’s management guidelines or policies to define different categories of risks, establish the system of risk management for early recognition, accurate measurement, efficient supervision and strict control, prevent possible loss in a tolerable risk level, and continuously improve the best practices of risk management adapting to the change of internal and external environment. The Company conducts the above actions in order to protect the benefits</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			<p>of its employees, shareholders, business partners and customers, increase the Company’s value and optimize resource allocation.</p> <p>7. Implementation of client policies: The Company follows terms in the contract with its clients and relevant regulations to assure clients’ rights and offer quality service.</p> <p>8. Liability insurance for the directors: The Company has applied Directors’ and Officers’ Liability Insurance, and the Board is informed about the insurance amount, coverage, and insurance rate as the Company extends the insurance contract each year. The most recent report is made on the Board of Directors’ meeting on July 27, 2022, and the duration of insurance lasts from June 28, 2022 to June 28, 2023. The Company’s “liability insurance for directors” has been revealed on the Market Observation Post System according to relevant laws.</p>	
<p>9. Please offer illustrations improvement on the aspects pointed out by the evaluation of governance by Taiwan Stock Exchange TWSE and explanation for matters and measures as prioritized items to improve.</p> <p>(1) The Company has made the improvements after the 9th Corporate Governance Evaluation in 2022: To assign a corporate governance officer in charge of corporate governance affairs</p> <p>(2) The Company has taken the following measures to deal with the evaluation items that it fails to pass: The Company will continue to promote the diversity policy of the Board of Directors and plan to select at least one female director in the next session of the Board of Directors.</p>				

Note 1: Evaluation of independence and suitability for Certified Public Accountant

Item	I. Evaluation of independence	Yes	No	N/A
01	There is no direct or indirect substantial financial interest between the CPA/audit team members (including spouse, minors and cohabit) and the Company.	✓		
02	There is no direct or indirect substantial financial interest between the CPA firm and the Company.	✓		
03	The CPA, CPA firm and affiliated companies never provide audit service which affect the independence.	✓		
04	The CPA or the audit team members do not serve as the Company's directors, managers, or take other positions that have major impact on the audit cases within two years.	✓		
05	The CPA or the audit team members are not involved in promotion or transaction of the Company's shares or other forms of securities.	✓		
06	The CPA or the audit team members only deals with affairs according to relevant legal regulations and not involved in the defensive matters for legal cases or other controversies between the Company and the third parties.	✓		
07	The CPA or audit team members are not the spouse, direct blood relatives, direct relative in-laws, or of kinship within the second degree with the Company's directors, managers, or persons of other positions that have significant impact on the audit cases.	✓		
08	The associate CPA who resign from the position within one year do not serve as the Company's directors, managers, or take other positions that have significant influence on the audit case.	✓		
09	The CPA or audit team members do not take gifts or receive favors with great values from the Company's directors, managers, or major shareholders.	✓		
10	Public company: The CPA has not offered auditing service to the Company for 7 consecutive years.	✓		
11	Does the CPA remain formally and substantially independent when reviewing, censoring, or conducting professional inspections on the financial report, and when compiling opinion letters?	✓		
12	Do the audit team members, other associate CPAs, or corporate shareholders of the CPA agency, the CPA agency, its affiliates, and its alliance remain independent from the company?	✓		
13	Does the CPA offer professional service with meticulousness and integrity?	✓		
Item	II. Evaluation of suitability			
14	Does the CPA firm have specific quality control procedure? Does the procedure cover the level of positions to be reviewed, the method to deal with as well as make judgement on the auditing issues, the quality inspection on independence measures, and management of risks?	✓		
15	Does the CPA firm have enough power, resource, and coverage when offering auditing service to the Company?	✓		
16	Does CPA notify the Board of Directors (Audit Committee) of deficiencies in the Company's risk management, corporate governance and financial accounting?	✓		
17	Did CPA receive punishment of the CPA Discipline committee within two years?		✓	
18	Did the CPA firm involve in any civil or criminal cases within two years?		✓	
19	Does CPA understand the risks of the industry?	✓		
20	Have CPA or the audit team members audited the companies in the similar industry, scope and risk situation?	✓		
21	Does CPA explain the scope and methodology of audit clearly for the Company's subsidiaries and affiliates?			✓
22	Does the CPA explain the mechanism for monitoring audit quality?	✓		

Item	III. Performance of Auditing			
23	Does CPA complete the review of the company's quarterly, semi-annual and the annual report timely, and complete the first draft of the audit?	✓		
24	Does CPA interact well with the Company's managers (internal auditors) and keep records?	✓		
25	Does CPA interact appropriately with the Audit Committee and keep records when carrying out audit plan?	✓		
26	Does CPA interact appropriately with the Audit Committee and keep records when stating audit opinion?	✓		
27	Does CPA give positive recommendations and keep records for the Company's accounting or internal control system?	✓		
28	Does CPA update regulations and principles regularly for preparation of financial statement?	✓		
29	Does audit team members change frequently?	✓		
30	Does CPA assist the Company making response to regulatory authority's question timely and appropriately and negotiation?	✓		
31	Is the remuneration reasonable for CPA carrying out the duties?	✓		

Note 2: On-the-job training of the corporation governance officer in 2022

Date	Organizer	Course	Hours	Total Hours of the Year
2022/3/24	Accounting Research and Development Foundation	Global Corporates' ESG and Management Strategy	3	18
2022/6/28	Taiwan Corporate Governance Association	Interpretation and preparation for the ESG disclosure requirement under Corporate Governance 3.0	3	
2022/7/19	Taiwan Corporate Governance Association	The ESG challenge : Let's meet the new world of Net-zero	3	
2022/8/5	Accounting Research and Development Foundation	Latest Regulation of Internal Control and Information Security Compliance	6	
2022/8/16	Taiwan Corporate Governance Association	ESG - Perspective of Corporate Governance	3	

Note3: Summary of Stakeholder Engagement/Communications

Stakeholder	Issues of Concern	Communication Channels and Frequency	Communication Responses and Results in 2022
Shareholders and Investors	<ul style="list-style-type: none"> Company governance Management performance Shareholders participation Risk management 	<ul style="list-style-type: none"> Shareholders' meeting (annually) Investor conference (at least once a quarter) Financial report (quarterly, annually) Company website (irregularly) Investor mail (irregularly) Email: investor@lmoc.com.tw 	<ul style="list-style-type: none"> Ranked in the top 5% in 2021 Corporate Governance Evaluation of TPEX-listed Companies. The participation rate of shareholders' meetings was 72.88% (over 80% of presented shareholders participated electronically). Hold telephone/on-site conferences for domestic and foreign investors. ESG report issued in the fourth year.
Employees	<ul style="list-style-type: none"> Employee benefits Labor-management relations Talent development Occupational safety and health Management performance 	<ul style="list-style-type: none"> Labor-management meeting (quarterly) Staff welfare committee meeting (quarterly) "HR Cares About You" system(irregularly) Bulletin board/ suggestion box (irregularly) Sexual harassment complaints direct line and email (irregularly) Email: lmoc_hr@lmoc.com.tw 	<ul style="list-style-type: none"> Offered monthly childcare allowance of NT\$3,000 for employees who have 0 to 6-year-old children. Quarterly meal allowance for each department. The average salary of full-time non-managerial employees is NT\$906K/year. Qualified for Badge of Accredited Healthy Workplace for preliminary healthy workplace by Health Promotion Administration, Ministry of Health and Welfare. 2022 Happiness Cooperation Silver Award from 1111 Job Bank.
Clients	<ul style="list-style-type: none"> Customer service Business secret Product quality management Supply chain management (RBA) Hazardous substances management Innovation and R&D 	<ul style="list-style-type: none"> Video/ Telephone conferences (irregularly) Visiting customers (irregularly) On-site audit by customers(irregularly) Customer Satisfaction Survey (annually) Email:sales@lmoc.com.tw 	<ul style="list-style-type: none"> Conduct annual customer satisfaction survey. The products conformed to EU RoHS, REACH chemicals regulations and restriction of PFOS/PFOA.
Suppliers/ Contractors	<ul style="list-style-type: none"> Supplier management Product quality Operational condition 	<ul style="list-style-type: none"> Supplier audit (irregularly) Supplier education and trainings (irregularly) Email:supply@lmoc.com.tw 	<ul style="list-style-type: none"> 100% of raw material and package material suppliers signed the "Declaration of Hazardous Substances Free" form.
Government	<ul style="list-style-type: none"> Legal compliance Labor relations Greenhouse gas inventory and carbon reduction targets Water resources and waste management Energy management 	<ul style="list-style-type: none"> Correspondences with the government (irregularly) Corporate Governance Evaluation (annually) Announcement on the Market Observation Post System (irregularly) Seminars and public meetings held by the competent authorities (irregularly) Supervision and audit by the competent authorities (irregularly) 	<ul style="list-style-type: none"> The Company was recognized among the top 5% TPEX listed companies in the Corporate Governance Evaluation for four consecutive years Included in TPEX 200 Index, TPEX RGA Quality 50 Index, TPEX Compensation Index, TIP TPEX ESG 30 Index No fine determination for violations of laws.

Note 4: On-the-job training of the Company's directors in 2022

Title	Name	Organizer of the course	Course Title	Duration
Chairman	Ching-Yi Chang	Taiwan Corporate Governance Association	Regulation Compliance of the Company and directors' governance obligations	3
		Taiwan Corporate Governance Association	Global trends analysis – Risks and Opportunities	3
Vice Chairman	Wei Lin	Taipei Exchange	Briefing session for insiders on shareholdings of OTC and emerging market	3
		Financial Supervisory Commission	Release of guidelines on independent directors' and the Audit Committee's functions	3
Director	Jerry Yang	Accounting Research and Development Foundation	Task Force on Climate-related Financial Disclosures, TCFD	3
		Accounting Research and Development Foundation	Latest practice of declaration of income Tax Filing for profitable enterprise	3
		Accounting Research and Development Foundation	How to analyze key corporate financial information and strengthen crisis early warning capabilities	6
Director	Yong Hong Lu	Accounting Research and Development Foundation	Information disclosure for ESG and relative regulations	3
		Securities & Futures Institute	Derivatives trading policy and market overlook for public and OTC companies	3
Independent director	James Wang	Securities & Futures Institute	Served as the lecturer of "Interpretation of financial information for director and supervisor"	3
		Taiwan Corporate Governance Association	2022 Taiwan and World Economic Outlook	1
		Center for Corporate Sustainability	Taishin 30 th Sustainability Forum "Transform to Net Zero"	3
		Taiwan Stock Exchange and Taiwan Corporate Governance Association	International Twin Summit	2
		Taiwan Corporate Governance Association	ESG report trends and business implications of Information disclosure.	3
		Taiwan Corporate Governance Association	Origin and prevention of management disputes, and directors' responsibilities	1
Independent director	Bob Tseng	Accounting Research and Development Foundation	Analysis of the latest corporate governance policies and corporate governance evaluation practices	3
		Accounting Research and Development Foundation	Case studies of financial misrepresentation and how to see the key information in financial reports	3
Independent director	Yong Chang Chen	Accounting Research and Development Foundation	ESG information disclosure trends and relative regulations	3
		Securities & Futures Institute	Derivatives trading policy and market overlook for public and OTC companies	3

D. The composition and operation of the Remuneration Committee

1. Information Regarding Remuneration Committee members

March 31, 2023

Position	Name	Criteria	Status of independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member
		Professional qualifications and experience		
Independent Director	Bob Tseng	PhD. in Chemical Engineering from the University of Texas, USA. He has over 20 years of experience as Vice President and Plant Manager in TSMC and Vanguard International Semiconductor, and has extensive experience in semiconductor manufacturing, quality control and plant management.	Please refer to pages 11 to 13 of annual report for the Independence of Remuneration.	-
Independent Director	James Wang	He holds a master's degree in accounting and a doctorate in business administration (DBA) from National Chengchi University. He is a certified public accountant in Taiwan, China, and a CPA/ certified management accountant in the United States. Previously, he worked as a director at Ernst & Young. Currently, he is the convener of the Audit Committee of the Company and serves as the General Manager of Tatung Company, Vice Chairman (Legal Representative) and General Manager of Elitegroup Computer Systems Co., Ltd., Director (Legal Representative) of Tatung System Technologies Inc., as well as an independent director of PCL Technologies Inc., Metaage Corporation, and numerous other listed companies. He has extensive experience and professional capabilities in corporate governance, business operations, financial accounting, and strategic planning for business sustainability.		2
Independent Director	Yong-Chang Chen	A licensed practicing lawyer in Taiwan. He graduated from the College of Law, National Taiwan University, and served as a judge at Taiwan High Court. He is currently the president of All-Pro Law Firm, and an independent director of several listed companies, including Collins Co., Ltd., and Run Long Construction Co., Ltd., with extensive experience in the legal profession and actual practice.		3

2. Responsibilities of the Company's Remuneration Committee

The remuneration committee shall exercise the care of a good administrator in faithfully performing the official powers listed below, and shall submit its recommendations for deliberation by the Board of Directors.

- (1) Establishing and periodically reviewing the performance assessment standards, annual and long-term performance goals, and the policies, systems, standards, and structure for the compensation of the directors and managerial officers.
- (2) Regularly evaluate and determine the achievement of the performance objectives by the Company's directors and executive officers, and determine the details and amount of salary and compensation for individual manager based on the evaluation results from the performance evaluation criteria.

When performing the official powers of the preceding paragraph, the remuneration committee shall follow the principles listed below:

- (1) With respect to the performance assessment and remuneration of directors, supervisors and managerial personnel of the Company, it shall refer to the typical pay levels adopted by peer companies, and take into consideration the reasonableness of the correlation between remuneration and individual performance, the Company's business performance, and future risk exposure.
- (2) It shall not produce an incentive for the directors or managerial officers to engage in activity to pursue remuneration exceeding the risks that the Company may tolerate.
- (3) It shall take into consideration the characteristics of the industry and the nature of the Company's business when determining the ratio of bonus payout based on the short-term performance of its directors and senior management and the time for payment of the variable part of remuneration.
- (4) The Company shall consider the amount of remuneration for directors and managers reasonably. The determination of remuneration of directors and managers should not be materially contrary to financial performance. If there is a significant decline in profit or long-term loss, the remuneration should not be higher than it in the previous year. If it is still higher than it in the previous year, that should be disclosed in the annual report and reported to the shareholders' meeting.

3. Information about Implementation of Remuneration Committee

- (1) There are 3 members in the Remuneration Committee of the Company.
- (2) Term of the third session of remuneration committee members: from May 20, 2020 to May 19, 2023. A total of 2 meetings were held in 2022. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in person	By proxy	Attendance Rate (%)	Notes
Convener	Bob Tseng	2	—	100%	—
Member	Yong-Chang Chen	2	—	100%	—
Member	James Wang	2	—	100%	—
Other mentionable items:					
1. If the Board of Directors does not adopt or amend the recommendations of the Remuneration Committee, the date and period of the Board of Directors, the content of the proposal, the resolution of the Board of Directors, and the Company's handling of the opinions of the Remuneration Committee should be stated. (If the remuneration approved by the Board of Directors exceeds the recommendation of the Remuneration Committee, the differences and reasons should be stated): None.					
2. Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified:					
Date	Content of the motion and follow-up measures	Resolution	The Company's responses to the opinion of remuneration committee		
May 25, 2022	(1) Allocation of remuneration for the Company's directors for 2021. (2) Allocation on employee restricted stock awards of the Company's executive officer for 2022.	The proposals were unanimously adopted by all committee members.	The proposal was unanimously adopted by all attendees at the Board of Directors meeting.		
December 28, 2022	(1) Proposal of average salary referring to the typical pay levels adopted by peer companies	-	-		

E. Corporate Sustainability and Nomination Committee

1. Qualifications for appointment of members of the Corporate Sustainability and Nominating Committee

The Committee shall be composed of three to five Directors elected by the Board of Directors, of which a majority of the independent directors shall participate. The term of office of the committee members is the same as the term of the appointed Board of Directors.

2. Responsibilities of the Corporate Sustainability and Nomination Committee members

- (1) Formulating the sustainability policy. Set sustainability governance, ethical management, and environmental and social aspect.
- (2) Review, track, and modify progress and results of sustainability activities, and report regularly to the Board of Directors.
- (3) Follow issues of interest to stakeholders, including shareholders, customers, suppliers, employees, governments, NGOs, communities, and media, and communications programs.
- (4) Responsible for nominating candidates of director (including independent director), carefully reviewing the qualifications of nominated candidates and making recommendation of suitable candidates to the Board.
- (5) Timely assess the appropriateness of the structure of the Board of Directors and the number and professional background of board members.
- (6) Review the qualifications of the members of each committee under the Board of Directors and report to the Board.
- (7) Complying with Articles of Incorporation, other Internal regulations, and resolution of the Board of Directors.

3. Professional qualifications and experience of the members of the Corporate Sustainability and Nomination Committee and current operations:

- (1) There are currently four members serving on the Corporate Sustainability and Nomination Committee of the Company, including three independent directors.
- (2) The term of office of the current members: October 28, 2020 to May 19, 2023. The Corporate Sustainability and Nomination Committee met four times (A) in 2022, and the professional qualifications and experience of the members, their attendance and the matters discussed are as follows:

Position	Name	Professional qualifications and experience	Attendance in person	By proxy	Attendance Rate (%) (B/A)	Notes
Convener	Ching-Yi Chang	Doctor of business administration in Shanghai Jiao Tong University, M.B.A., Department of Business Administration, National Chengchi University, Founder and Chairman of CID Group Ltd. Current Chairman and Chief Strategy Officer of the Company. Director at Taiflex Scientific Co., Ltd, and numerous other listed companies. He has extensive experience and decision-making ability in corporate governance, operations management, market strategy and industry development planning, and is committed to leading the Company towards sustainable management.	4	-	100%	-
Member	Bob Tseng	PhD. in Chemical Engineering from the University of Texas, USA. He has over 20 years of experience as Vice President and Plant Manager in TSMC and Vanguard International Semiconductor, and has extensive experience in semiconductor manufacturing, quality control and plant management.	4	-	100%	-
Member	James Wang	He holds a master's degree in accounting and a doctorate in business administration (DBA) from National Chengchi University. He is a certified public accountant in Taiwan, China, and a CPA/ certified management accountant in the United States. Previously, he worked as a director at Ernst & Young. Currently, he is the convener of the Audit Committee of the Company and serves as the General Manager of Tatung Company, Vice Chairman (Legal Representative) and General Manager of Elitegroup Computer Systems Co., Ltd., Director (Legal Representative) of Tatung System Technologies Inc., as well as an independent director of PCL Technologies Inc., Metaage Corporation, and numerous other listed companies. He has extensive experience and professional capabilities in corporate governance, business operations, financial accounting, and strategic planning for business sustainability.	4	-	100%	-
Member	Yong-Chang Chen	A licensed practicing lawyer in Taiwan. He graduated from the College of Law, National Taiwan University, and served as a judge at Taiwan High Court. He	4	-	100%	-

Position	Name	Professional qualifications and experience	Attendance in person	By proxy	Attendance Rate (%) (B/A)	Notes
		is currently the president of All-Pro Law Firm, and an independent director of several listed companies, including Collins Co., Ltd., and Run Long Construction Co., Ltd., with extensive experience in the legal profession and actual practice.				
Other mentionable items: The date and session of the meeting of the Corporate Sustainability and Nominating Committee, the content of motions, the content of the recommendations or objections of the members of the Corporate Sustainability and Nominating Committee, the result of the resolution of the Corporate Sustainability and Nominating Committee, and the Company's handling of the opinion of the Corporate Sustainability and Nominating Committee.						
Date		Content of the motion and follow-up measures	Resolution			
5 th Meeting of the 2 nd Session 2022.1.26		Report Item: 2022 4 th quarter ESG working report.	-			
6 th Meeting of the 2 nd Session 2022.4.27		Matters for Discussion: Plan to get certification of the ISO 14064-1	The proposals were unanimously adopted by all committee members.			
7 th Meeting of the 2 nd Session 2022.7.27		Report Item: 2021 ESG implementation report.	-			
8 th Meeting of the 2 nd Session 2022.10.26		Report Item: TCFD planning and report. Matters for Discussion: Adjustment for ESG organization	The proposals were unanimously adopted by all committee members.			

F. Implemented sustainable development promotion and the deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and causes thereof

Assessment Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary	
1. Does the Company establish a governance structure to promote sustainable development, and set up a designated full-time (or part-time) unit to promote Sustainable Development, and the Board of Directors authorizes senior management to handle this and the Board of Directors supervises the situation?	✓		<p>The Company has established the Corporate Sustainability Committee in 2019, and renamed it "Corporate Sustainability and Nomination Committee" in 2020, which is the highest level of decision center for sustainable development within the Company. The Chairman of the Board of Directors is the convener, and together with a number of independent Directors from different fields, will review the Company's core operating capabilities and formulate a medium- and long-term sustainable development plan. Under the Committee, there is Sustainable Operation Group, which promote and implement sustainable development in accordance with their respective fields and responsibilities, and shall implement environmental, social, supply chain management, integrity management, risk management, information security and other related operations. They shall also guide the Company's sustainable development and achieve short-, medium- and long-term goals, and regularly report to the Board of Directors on the implementation plans and results each year.</p> <p>Corporate Sustainability and Nomination Committee conducts the meeting at least once in a quarter to review the implementation sustainable development and formulate working plans in the future. Total four meetings were held in 2022, including ESG work report and implementation results report, discussion of ISO14064-1 certification, TCFD introduction plan, and discussion of organization adjustment of ESG Sustainability Working Group. The Corporate Sustainability and Nomination Committee reports to the Board every year, and the Committee adjusts its implementation according to the Board's opinions. Please refer to the details below:</p> <p>April 27, 2022: Report the schedule for Greenhouse Gas checking December 28, 2022: Report of communication with various stakeholders and risk management operation implementation.</p>	None
2. Does the Company follow the principle of materiality, conduct risk assessments on environmental, social and corporate governance	✓		<p>1.This disclosure covers the performance of the Company's sustainable development from January to December 2022, and the risk assessment scope is based on the Company.</p> <p>2.Corporate Sustainability and Nomination Committee integrates the assessment information from various departments and formulates risk management measures for</p>	None

Assessment Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons		
	Yes	No	Summary			
issues related to company operations, and formulate relevant risk management policies or strategies?			ESG issues of significance to reduce the impact of related risks.			
			3.Based on the assessed risks, the following management policies are formulated:			
			<table><tr><th>Major issue</th><th>Risk evaluation item</th><th>Illustration</th></tr><tr><td>Environmental</td><td>Environmental impact and management</td><td>1.The Company effectively reduces pollution emissions and impact on the environment through the implementation of process safety management and a systematized management cycle. 2.The Company takes the United States and mainland China as its main markets, and its product production environment complies with the ISO14001 environmental management system verification and continues to obtain certification on a regular basis. 3.The TCFD framework was used to construct the Company's climate risk identification process. Interdepartmental discussion of climate risks and opportunities. 4.According to International standard ISO14064-1, greenhouse gas emissions are regularly checked. According to the results of the carbon inventory, we will continue to promote the energy-saving control plan and regularly review and track to improve the energy-saving performance. 5.The factory roof was subleased in 2020 to provide for green power manufacturers in</td></tr></table>		Major issue	Risk evaluation item
Major issue	Risk evaluation item	Illustration				
Environmental	Environmental impact and management	1.The Company effectively reduces pollution emissions and impact on the environment through the implementation of process safety management and a systematized management cycle. 2.The Company takes the United States and mainland China as its main markets, and its product production environment complies with the ISO14001 environmental management system verification and continues to obtain certification on a regular basis. 3.The TCFD framework was used to construct the Company's climate risk identification process. Interdepartmental discussion of climate risks and opportunities. 4.According to International standard ISO14064-1, greenhouse gas emissions are regularly checked. According to the results of the carbon inventory, we will continue to promote the energy-saving control plan and regularly review and track to improve the energy-saving performance. 5.The factory roof was subleased in 2020 to provide for green power manufacturers in				

Assessment Item	Implementation Status					Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons	
	Yes	No	Summary				
					setting up solar photovoltaic systems. We conducted feasibility assessment and power generation capacity planning for the construction of solar panels, and used solar equipment to convert solar energy to provide green power for electricity. It is expected to be converted to power supply in 2022 and 2023. 6. Annual internal audit plan is carried out to ensure the Company's compliance with the relevant environmental laws and regulations and to audit the compliance of each operation process.		
				Social	Occupational safety		1. The Company is qualified for ISO 45001 Occupational Safety and Health Management System verification. 2. Regular fire drills and industrial safety education and training are held every year to cultivate employees' ability to respond to emergencies and self-safety management.
					Product safety		1. The Company abides by the various decrees of government regulations and complies with EU RoHS regulations. To simultaneously ensure the quality of customer service, we set up a customer service mailbox and actively conduct customer service satisfaction surveys on a regular basis every year to strengthen the cooperative relationship with customers. 2. In order to transfer the risk of product

Assessment Item	Implementation Status					Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons	
	Yes	No	Summary				
					transportation liability and reduce property losses, the Company has taken out cargo transportation insurance.		
				Company governance	Socioeconomic and legal compliance		1.Through the establishment of a governance system and the implementation of internal control management to ensure to truly comply with relevant laws and regulations. 2.Patent law applications have been made for the Company's research and development products to protect the Company's rights and interests.
					Strengthening the functions of directors		1. Implement the policy of diversity of director. 2.Plan relevant refresher courses for directors every year, and provide directors with the latest regulations, system developments, and policies every year. 3.Take out liability insurance for directors to protect them against lawsuits or claims.
					Stakeholder communication		1.The Company will discuss important issues of concern to key stakeholders every year and formulate implementation plans. 2.The Company establish various communication channels, improve the transparency of information disclosure, and actively communicate to reduce misunderstandings. Set up an investor mailbox with a spokesperson who is responsible for handling and response.

Assessment Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons												
	Yes	No	Summary													
3. Environmental Issues (1) Has the Company established an appropriate environmental management system based on its industry characteristics?	✓		In addition to complying with the environmental regulations of the competent authorities, the Company’s environmental management system has established and certificated for the ISO 14001 (Valid form July 21,2021 to July 21,2024) Environmental Management System certification. The Company conducts annual greenhouse gas inventory to track the effectiveness of emission reduction according to International standard ISO14064-1, and disclose it publicly in the ESG report. Information can be accessed from “ESG/Report Download” on the Company’s official website (http://www.lmcc.com.tw/).	None												
(2) Has the Company committed itself to improving energy efficiency and to using recycled materials with low impact on the environment?	✓		In order to reduce impact on the environment, the Company actively promotes various energy reduction measures, selects equipment with high energy efficiency and energy-saving design, reduces the energy consumption of enterprises and products, and expands the use of renewable energy to optimize energy efficiency. Electricity saved this year was 492,930 kWh (accounting for 2.34% of the total electricity consumption in the current year). In order to meet the requirements of HSF environmental hazardous substances management and avoid environmental pollution and harm to human health, the Company established a hazardous substance management system in accordance with the IECQ QC080000 international standard. Complying with EU RoHS Directive, REACH Chemical Regulations, PFOS/PFOA Restriction Directive and customer specifications, the Company requires raw material suppliers to provide EU RoHS, REACH-free test reports or declarations of no hazardous substances.	None												
(3) Does the Company assess the potential risks and opportunities of climate change for the Company now and in the future, and has it taken relevant countermeasures?	✓		Based on the suggestion of TCFD and inter-departmental discussions on climate change goals and identification of short-, medium- and long-term climate risks and opportunities, the Company evaluates the potential operational impact of major climate risks and opportunities on the Company in accordance with existing internal management goals. Senior executives review climate change goals, risks and opportunities, and they review implementation status and discuss future plans and report to the Board of Directors.	None												
(4) Does the Company count greenhouse gas emissions, water consumption and the volume of total waste in the past two years, and formulate policies for greenhouse	✓		<div>1.Greenhouse gas emissions in the last 2 years:</div> <table><tr><th>Year</th><th>Scope 1(metric tons of CO2e)</th><th>Scope 2(metric tons of CO2e)</th><th>The emission per unit product (kgCO2e/cm2)</th></tr><tr><td>2021</td><td>189.05</td><td>10,468.42</td><td>4.53</td></tr><tr><td>2022</td><td>987.13</td><td>10,721.06</td><td>3.37</td></tr></table>	Year	Scope 1(metric tons of CO2e)	Scope 2(metric tons of CO2e)	The emission per unit product (kgCO2e/cm2)	2021	189.05	10,468.42	4.53	2022	987.13	10,721.06	3.37	None
Year	Scope 1(metric tons of CO2e)	Scope 2(metric tons of CO2e)	The emission per unit product (kgCO2e/cm2)													
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Assessment Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons																					
	Yes	No	Summary																						
gas reduction, water reduction, or other waste management?			<p>In 2022, the total greenhouse gas emissions of Scope 1 and Scope 2 were 11,708.19 metric tons of CO2e, and the emission per unit product was 3.37 kgCO2e /cm2. This arose mainly from Scope 2 electricity emissions, accounting for 91.57% of the prior emissions. This was followed by Scope 1 process use and fuel emissions used in official vehicles and firefighting facilities as they accounted for 8.43%. The increase from Scope 1 in 2022 was driven by Freon consumption identified with the reference to ISO 14064-1 standard. The emission per unit product in 2022 compared to 2021 decrease 25.61%.</p> <p>2.The Company pays attention to the issue of water resources energy saving and environmental protection. In terms of its water saving plan, available water resources will be more effective starting from the comprehensive implementation of water saving in daily life. Water consumption in the last 2 years:</p> <table><tr><th>Year</th><th>Total water consumption (tons)</th><th>water consumption per unit product (liter/cm2)</th></tr><tr><td>2021</td><td>51,037</td><td>21.71</td></tr><tr><td>2022</td><td>53,762</td><td>15.48</td></tr></table> <p>The Company has invested in a number of water-saving improvement programs. These include cooling tower, ROR, the recovery of condensed water from the cooling coils of air conditioning units, and the addition of temperature controls to cooling water tower to reduce evaporation. Under the implementation of water resource utilization management and water-saving technology, about 15,124 tons of water were saved in 2022 for a water-saving ratio of about 28%.</p> <p>3.The Company has followed ISO14001 management procedures to set up a dedicated management unit, and has formulated its Waste Management Measures in adhering to the goal of waste reduction. It has established resource recycling controls, grasped waste trends, prevented environmental pollution, and fulfilled its social responsibilities. Waste output in the last 2 years:</p> <p style="text-align: right;">Unit: ton</p> <table><tr><th>Year</th><th>Hazardous business waste</th><th>General business waste</th><th>Output of unit product (kg/cm2)</th></tr><tr><td>2021</td><td>79.50</td><td>30.34</td><td>0.046</td></tr><tr><td>2022</td><td>89.88</td><td>32.98</td><td>0.035</td></tr></table>	Year	Total water consumption (tons)	water consumption per unit product (liter/cm2)	2021	51,037	21.71	2022	53,762	15.48	Year	Hazardous business waste	General business waste	Output of unit product (kg/cm2)	2021	79.50	30.34	0.046	2022	89.88	32.98	0.035	
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Assessment Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons														
	Yes	No	Summary															
			In 2022, the Company produced 122.86 tons of waste, an increase of 12% compared to 2021; the unit product output was 0.035 kg/cm2 in 2022, a decrease of 24% compared to 2021. The technology of the treatment plant is feasible at present, and the waste produced by the Company can be recycled and reused. This includes waste chemical bottles, waste organic solvents, waste hydrofluoric acid, waste sulfuric acid, and waste mercury lamp. Total weight in 2022 was 11.24 metric tons, and the technically feasible resource utilization ratio is 53.21%.															
4. Social Issues (1)Has the Company established related policies and procedures in accordance with applicable legal rules and the International Convention on Human Rights?	✓		<div>In order to protect and promote human rights, the Company supports the “United Nations Universal Declaration of Human Rights”, Principles 1 and 2 of the United Nations Global Compact, the United Nations “Guiding Principles on Business and Human Rights”, the ILO Declaration on Fundamental Principles and Rights at Work, and local laws and regulations. We follow the Responsible Business Alliance Code of Conduct to implement human rights protection and expect our suppliers and partners to meet the standards of this policy. The Company’s Human Rights Management Program:</div> <table><tr><th>Counterparty</th><th>Management policy</th><th>Issues of Concern</th><th>Specific proposal</th></tr><tr><td rowspan="4">Employees</td><td rowspan="4"><ul style="list-style-type: none">Regularly checking of identification of labor and human rights regulations, assessment of the applicability and compliance of regulations, and ensuring that Company operations comply with laws and regulationsRegularly checking labor and human rights risk assessments, identifying various risk impacts and proposing countermeasuresRegularly checking labor salary to ensure the regulation compliance</td><td>Working hours</td><td>Establishment of a management mechanism for working hours</td></tr><tr><td>Forced labor</td><td>Every employee must sign an employment contract</td></tr><tr><td>Labor disputes</td><td>Provision of a complaint channel for colleagues to respond to issues such as human rights, labor, and gender equality. The human resources unit receives and oversees the competent and responsible unit for timely handling and proposing of an improvement plan</td></tr><tr><td>Salary</td><td>In accordance with the latest regulations, we regularly collect industry information and provide competitive salaries.</td></tr></table>	Counterparty	Management policy	Issues of Concern	Specific proposal	Employees	<ul style="list-style-type: none">Regularly checking of identification of labor and human rights regulations, assessment of the applicability and compliance of regulations, and ensuring that Company operations comply with laws and regulationsRegularly checking labor and human rights risk assessments, identifying various risk impacts and proposing countermeasuresRegularly checking labor salary to ensure the regulation compliance	Working hours	Establishment of a management mechanism for working hours	Forced labor	Every employee must sign an employment contract	Labor disputes	Provision of a complaint channel for colleagues to respond to issues such as human rights, labor, and gender equality. The human resources unit receives and oversees the competent and responsible unit for timely handling and proposing of an improvement plan	Salary	In accordance with the latest regulations, we regularly collect industry information and provide competitive salaries.	None
Counterparty	Management policy	Issues of Concern	Specific proposal															
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Assessment Item	Implementation Status				Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons	
	Yes	No	Summary			
			<div>Suppliers</div>	<div><ul style="list-style-type: none">Undertake annual inspection labor rights among key suppliersIn accordance with RBA 6.0, conduct on-site audits for manufacturers' RBA Code of Conduct compliance if there are manpower agents and resident manufacturers</div>	<div><div><div>1.Working hours</div><div>2.Night shift and overtime work for young workers</div><div>3.Employee feedback, participation, and complaints</div><div>4.Legal Salary</div><div>5. Reward and punishment</div><div>6. Grievance procedure</div></div><div><div>1.In on-site audits of high-risk suppliers, if overtime, underage workers working night or overtime, and employee complaints are found, relevant improvement plans must be submitted.</div><div>2. In on-site audits of suppliers provide salary for compliance with regulation.</div><div>3. In on-site audits of suppliers don't deduct salary.</div><div>4. In on-site audits of suppliers provide grievance procedure and ensure confidentiality</div></div></div>	
			<div>The Company has established and implemented labor management system and procedure according to Labor Standards Act and internationally recognized human right principles to ensure the legal rights and non-discriminatory treatment of the employees. At the same time, we also refer to the code of conduct set by the Responsible Business Alliance (RBA) as the standard for internal management, and conduct RBA education and training for the entire Company every year. Total 442 people participated in the training courses and completed them in 2022.</div> <div>The Company's Labor Policies</div> <div><ul style="list-style-type: none">No forced, debt bonded, indentured or involuntary labors shall be used.No child labor is allowed.Working hours and recess time shall be in compliance with the Labor Standards Act.Wages and benefits paid to employees shall be in compliance with all applicable laws and regulations.All employees shall be respected and fairly treated. There is to be no inhumane treatment including any harsh punishment, humiliation or abuse.Equal job opportunities are provided to both the candidates and each employee. We shall not engage in discrimination based on race, color, age, gender, sexual orientation, national origin, disability, pregnancy, religion, political affiliation, union membership or marital status in hiring and employment.We respect the right of all workers to form and join union in conformance with laws, to openly communicate with management regarding working conditions without fear of</div>			

Assessment Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary	
			reprisal, intimidation or harassment. • All actions are taken in compliance with applicable local labor laws, industry standards, customer specifications and international standards, and we proactively and continuously make improvements related to labor rights.	
(2) Does the Company establish and implement reasonable employee compensation policies (including the remuneration, leave policies, and other welfares) and offer incentives according to operational performance or outcome?	✓		<u>Employee compensation</u> The Company pay 14 months of annual salary (12 months of fixed salary, 1 month of Spring Festival bonus, and half a month each of Dragon Boat Festival and Mid-Autumn Festival bonuses). Employee bonuses are distributed to all colleagues after considering their annual performance appraisals, doing so to motivate all colleagues to work together for the Company's goals. Employee bonuses are calculated according to the Company's Articles of Incorporation, calculated at not less than 8% of the Company's profit for the year. <u>Employees' welfare</u> The Company has set up an employee welfare committee to plan and provide for various high-quality benefits for colleagues, such as: the three festival gifts (Labor Day, Dragon Boat Festival, and Mid-Autumn Festival), birthday gifts, annual travel subsidies, marriage subsidies, maternity subsidies, funeral subsidies, injury and illness subsidies, end of year party door prizes, and so on. In addition, in order to enhance the emotional and physical and mental health of colleagues, to encourage legitimate entertainment and leisure activities, and to establish and participate in associations, we have formulated the Welfare Committee Association Management Measures. Each association can accumulate points according to the annual implementation status and apply for association subsidies of a relative amount. As for the vacation system, the number of special vacation days for the year is given to colleagues in advance. Colleagues can also apply for leave without pay when they need a longer period of vacation due to childcare needs, serious injuries, major accidents, and so on to meet the needs of personal and family care. The company has formulated and implemented employee welfare measures. For details, please refer to the section of "Business Overview: Labor Relations". <u>Various internal reward proposals:</u> The Company actively encourages employees to actively pursue sustainable growth. The current incentive programs include: operational performance bonus, special incentive bonus, talent recommendation bonus, proposal bonus, and R&D bonus.	None

Assessment Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary	
(3) Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		<p><u>Occupational safety and health policies</u></p> <p>In accordance with the Occupational Safety and Health Act, our Company has formulated the Management Measures for the Prevention of Ergonomic Hazards. Heavy objects need to be carried during equipment maintenance operations, which may cause muscle strain, soreness and other symptoms due to repetitive labor or poor posture. Cooperate with the resident physician to interview colleagues and survey the operational status together; work with colleagues to formulate ergonomic engineering improvements and production of auxiliary equipment and fixtures; reduce the workload of colleagues when working; reduce ergonomic hazards that may be caused by handling heavy objects; and ensure the health and safety of colleagues. Occupational Safety and Health Committee meetings are held on a quarterly basis, during which various indicators of occupational safety and health and the implementation work related to occupational safety and health are regularly reported, for the sake of discussion and improving planning on potential safety issues and safety proposals reported by colleagues to prevent accidents in advance and ensure a safe working environment. In 2022, there were 0 occupational accidents in the Company and the frequency of disability injuries was 0.</p> <p><u>Monitoring of labor work environment</u></p> <p>In order to protect workers from harmful substances in the workplace and provide workers with a healthy and comfortable working environment, we regularly entrust qualified inspection agencies to carry out work environment measurement every six months, gradually understanding the actual state of employee exposure.</p> <p><u>Industrial safety inspection</u></p> <p>The Company has an annual industrial safety inspection work plan. Work and safety colleagues will compile the records of the suggested improvement matters and the specific improvement situation. Furthermore, the Safety Committee meets every quarter to review deficiencies.</p> <p>Work safety inspections: Regular monthly industrial safety inspections and audits, audits of contractors based on actual construction conditions, two internal ISO 45001 audits and one external audit every year.</p> <p><u>Equipment security management</u></p> <p>The Company classifies equipment, and lists and manages hazardous machinery and equipment according to law. In addition, regular inspections are carried out in accordance</p>	None

Assessment Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary	
			with the Regulations for Safety Inspection of Hazardous Machines and Equipment to ensure the safety of the equipment. <u>Company verification status</u> The Company obtained ISO 45001 Occupational Safety and Health Management System certification. (Valid from August 25, 2021 to August 25, 2024)	
(4)Has the Company provided effective training in career planning for employees?	✓		The Company has planned complete competency training for supervisors and employees at all levels, including orientation training, professional advancement training, and management training, etc. We assist employees in continuous learning and growth through diversified learning methods, and introduce training courses related to the development of corporate ethics to cultivate key abilities of employees. The Talent Cultivation Project includes three aspects: Off-Job Training (Off-JT), On-the-Job Training (OJT), and Self-Development (SD). The Company provides internal/ external training resources, and encourages employees to keep improving professional knowledge and cross-field knowledge. The total number of training hours in 2022 was 7,765 and the number of participants was 393. During the annual performance interview, the supervisor and the employee discuss and set up the personal annual ability development plan. Through regular review and feedback, this help employees to tailor an optimal development plan.	None
(5)Has the Company provided effective training in career planning for employees?	✓		The Company does not have customers who are end-consumers, but we have adequate communication channels and effective customer complaint handling procedures with our customers. The Company has formulated confidentiality-related policies in its Procedures for Ethical Management and Guidelines for Conduct, and strictly abides by the relevant operating regulations of intellectual property. It requires employees not to disclose the Company's business secrets, trademarks, patents, works and other intellectual property to other unrelated parties. It is also forbidden for employees to inquire or collect non-job-related trade secrets, trademarks, patents, works, and other intellectual property. In order to protect the confidentiality and integrity of customer data, we continue to strengthen our system and data security, including the establishment of a complete anti-virus system, file encryption system and mechanism, and strict permission control of customer data and files. The Company passes ISO 9001 Quality Management System certification every year, and it has a quality policy to ensure the effective implementation of the quality management system to improve product quality and yield, thereby achieving quality and hazardous	None

Assessment Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary	
			substance reduction (HSF) policies and goals to meet customer needs.	
(6)Has the Company formulated supplier management policies, where suppliers are required to follow relevant regulations on issues such as environmental protection, occupational safety and health or labor and their implementation?	✓		<p>The Company evaluates its suppliers based on the Supplier Management Procedures. Only those who pass the assessment review can become partners. In addition, they cooperate with the Company to formulate RBA specifications, and we successively required major suppliers to sign the Supplier Social Responsibility Commitment Letter of Landmark Optoelectronics Corporation. Working together to enhance corporate social responsibility, suppliers dealing with the Company are also required to abide by the relevant norms of the Contractor Safety and Health Management Measures and the Suppliers' Corporate Social Responsibility Code of Conduct formulated by the Company.</p> <ul style="list-style-type: none"> • <u>Supplier appraisal</u> <p>In order to effectively grasp the stable quality, delivery times, and prices of suppliers, the Company regularly conducts supplier appraisals for anomalous number assessments (return rates), delivery times, and service; and according to the evaluation results, the level of follow-up contacts with suppliers will be determined. In the daily evaluation of important suppliers in 2022, the achievement rate was 100%. In the future, we will continue to improve the supply chain management system and work with suppliers to fulfill corporate social responsibilities through audits, evaluations, and other measures.</p> <ul style="list-style-type: none"> • <u>Supplier Social Responsibility Commitment</u> <p>Formulate a code of conduct for suppliers' corporate social responsibility, and standardize the code of conduct that major suppliers must abide by with regard to corporate social responsibility. At present, 13 major suppliers have signed and returned the Supplier Social Responsibility Commitment. In the future, we will continue to maintain communication with suppliers and deliver corporate social responsibility messages.</p> <ul style="list-style-type: none"> • <u>Supplier Declaration of Hazardous Substances Free</u> <p>Important suppliers and packaging material suppliers should re-sign the Supplier Declaration of Hazardous Substances Free form every year. Every year, a statement is made based on the hazardous substance management needs put forward by customers. Furthermore, suppliers are required to sign a Declaration of Hazardous Substances Free</p>	None

Assessment Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary	
			form and attach a third-party test report every year. At present, a total of 22 important suppliers and packaging material suppliers have signed the Declaration of Hazardous Substances Free form and the achievement rate is 100%.	
5. Does the Company refer to the internationally-prepared reporting standards or guidelines, preparation of sustainability reports and other reports that disclose the Company's non-financial information? Is the above-mentioned report assured or certified by a third-party inspector?	✓		The Company issued the 2021 ESG report which is compiled in the format of the GRI Standards publicized by the Global Reporting Initiative, and has not yet obtained external certification. In the future, the Corporate Sustainability report will be assessed in a timely manner to obtain the assurance or assurance opinion of a third-party verification unit.	None
6. If the Company has its own sustainable development code in accordance with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe the differences between its operation and the principles: The Company has established its Sustainable Development Best Practice Principles and is fully aware that a business plays the part of a social citizen and has its own social responsibilities that must be fulfilled. Therefore, related issues of corporate sustainability have been long given substantial consideration, no matter whether in the design of the Company's systems or in the orientation of its operational strategies. For example, there are active and concrete implementation efforts being made for all aspects of carrying out and promoting corporate governance, developing a sustainable environment, maintaining social welfare, and disclosing corporate sustainability. Furthermore, it takes a positive view of human nature as its starting point along with subtle methods of promotion. With the goal of integrating corporate culture, the entire Company's corporate social responsibility operations are handled in accordance with the relevant principles of the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and there are no major differences.				
7. Other important information helpful to understand the implementation of the promotion of sustainable development: (1) The factory area of Company is managed by the administrative of the science park according to the relevant laws. It also applied to Environmental Protection Bureau for the Permit of water pollution prevention. (2) The waste generated in the manufacturing procedure is transported and treated by qualified institutes according to the environmental protection regulations. (3) The Company is certified by the ISO14001 Environment Management System, and it adopts comprehensive operational mechanism regarding the industrial impact on the environment as well as sorting, managing, and reusing the industrial waste. (4) The Company promotes electronic document. The Company has adopted the electronic document exchange system to save time on transmitting messages, reduce paperwork, and eliminate postage expenses. The white side of the abandoned document is reused to reduce the consumption of paper. (5) The Company has control over temperature to make effective energy to reduce carbon emission.				

Assessment Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
<p>(6) No use of conflict minerals: The Company fulfills social corporate responsibility and respect human right, and it shows concerns over the issues of conflict minerals. The Company supports strategy, conducts, and commitments regarding conflict minerals of the RBA and GeSI: it wouldn’t procure the conflict minerals from controversial regions, requires the suppliers to refuse using the conflict minerals from the controversial areas, and requires its suppliers sign on the letter of commitment for pass such requirement to the upstream supplier.</p> <p>(7) Care for employees: The Company has established the Committee of Employee’s Welfare to organize various events, such as Family Day, Moon Festival Barbecue Party, and other employee welfare activities. The Company signed contracts with chartered stores and organizes club activities such as jogging groups to enhance the life-work balance of the employees and provide them with reasonable benefits. Furthermore, the Company qualified for Badge of Accredited Healthy Workplace for preliminary healthy workplace by Health Promotion Administration, Ministry of Health and Welfare and obtained 2022 Happiness Cooperation Silver Award from 1111 Job Bank</p> <p>(8) Establishment of employee emergency fund: In order to provide assistance and express concerns by the Company when emergency happens to its employees, the company establish the emergency fund for the purpose of emergency financial assistance.</p> <p>(9) Childcare allowance: To reduce the childcare burden, employees who have 0 to 6-year-old children are entitled to receive NT\$3,000 of childcare allowance for each child each month.</p> <p>(10) On-the-job training grants: To cultivate talents in technology and management field, the Company encourages employees to be on-the-job training in relevant professional areas to increase the Company’s competitive advantages in the industry. The Company provides on-the-job training tuition grants for In-service Master’s/ Doctoral Program.</p> <p>(11) Meal allowance for all department</p> <p>(12) Human right: The Company respects human rights of all colleagues. It offers fairs and suitable job opportunities for all job applicants and employees regardless of their ethnicity, religious beliefs, political parties, gender, marital status, physical challenges, and other factors that is regulated to be non-discriminatory factors in relevant laws. The principle is applicable to recruitment, appointment, training, promotion, remuneration, and welfare of the employees. The Company observes local laws and regulations, practices “Human Right Policy” prohibiting all forms of forced labor; it never forces or threatens any involuntary personnel to work.</p> <p>(13) Social Welfare: Through LandMark ♥ Sharing activities, sponsor Tainan's rural characteristic teams and associations, initiate donations of school team and association training materials and fundraising for educational resources; through the learning of multiple talents, build children's self-confidence and teamwork ability, to enable students to have a wider performance space and to show their achievements. And in response to the charity activity, simultaneously launched second-hand shoes collection campaign to encourage colleagues to donate second-hand shoes.</p> <p>(14) Other Events of Social Responsibility: The Company has a designated person to collect and reveal relevant information of the Company for publication on the Market Observation Post System so as to ensure that the significant information for decision making is accessible to shareholders and stakeholders in a timely manner.</p>				

G. Ethical Corporate Management Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
1. Establishment of ethical corporate management policies and programs (1) Does the Company 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?	✓		The Company has established and revealed on the Company's website its “Ethical Corporate Management Best Practice Principles” and “Guidelines for the Codes of Ethical Conduct.” It has also established the protocols for internal operation and internal control system. The inspections on various tasks are conducted periodically and such conditions have been reported to the Board of Directors' meeting. The above-mentioned practice is taken as the reference for ethical operation, which manifests the commitment of the Board as well as the managerial staff to realize ethical business operation.	None
(2) Does the Company establish appropriate system to analyze risks of unethical conducts, periodically analyze and evaluate business activities with high potential for unethical conducts and establish prevent measures accordingly, or listed activities stated in Article 7, Paragraph 2 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?	✓		The Company has stipulated prevent measures in various internal control regulations against the unethical and risky business activities stated in Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.	None
(3) Does the Company establish and implement the operational procedures, conduct guidelines, penalty for violation of rules, and complaint mechanism to prevent unethical behaviors and regularly review and amend the existing practice?	✓		The Company has distributed the card of corporate policies to the employees, and the following ethical policies have been specified: <ul style="list-style-type: none"> • All business dealings should be performed transparently and honestly. • Any conflict-of-interest activities should be strictly forbidden. • Obtaining or giving improper gift or advantage should be 	None

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			<p>avoided.</p> <ul style="list-style-type: none"> • Any bribery, corruption, extortion and embezzlement should be strictly prohibited. • The publicly-disclosed information should be honest and intact. • Any personal privacy and business information from customers or suppliers should be well protected. • Maintain the confidentiality of company sensitive information and data. • Respect the intellectual property rights. • Zero tolerance to retaliation. • Enhance our ethical quality. • Comply with applicable local laws, regulations, international standards and customer requirements. <p>Any case of violating the legal regulations or the guidelines and protocols should be reported through the established channel, and penalty would be imposed on the violators accordingly.</p>	
2. Fulfill operations integrity policy (1) Does the Company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	✓		The Company reviews its business partners. It conducts credit investigation on the clients and evaluates its suppliers to avoid any unethical business activities. It also takes steps to include terms to specify the credit conducts in contracts of transactions with its business partners.	None
(2) Does the Company establish an exclusively dedicated unit supervised by the Board to be in charge of corporate integrity, and periodically (at least once a year) report to the Board about its integral policy for management, the policy to prevent unethical conducts, and how the implementation is being supervised?	✓		The administrative department of the Company is concurrently in charge of promotion of corporate ethical operation affairs. A report about condition of implementing corporate ethical operation is made to the Board of Directors, and the most recent report was made on the Board of Directors meeting on December 28, 2022, which mainly covers the following content:	None

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			1. The promotion of ethical practice policy. 2. Establishment of whistle-blowing system: The Company has established “Complaint / Reporting Handling Procedure” and “Whistle Blower Protection Procedure” Also, opinion boxes, a designated phone line, and a special email box (publicized on the Company’s official website) for receiving complaints have been established; the reporter and the content of the complaint would not be revealed. No whistleblower letters or notices were received in 2022. 3. Effective operation of the preventive measures to ensure ethical operation. A section of the Company’s official website is designated for stakeholders including the employees, shareholders, and other stakeholders as a communication channel (Email: appeal@lmoc.com.tw) regarding illegal and unethical conducts.	
(3) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	✓		1. Regulation of preventing conflicts of interest for every employee. 2. The Company has established “Rules of Procedure for Board of Directors Meetings,” which specify the principles for directors to avoid conflict of interest. The directors can state opinions and make responses to questions about motions on the Board of Directors meeting, but they should refrain from any discussion about affairs related to interest of the person or the corporate shareholder represented by the director. Neither could a director vote on behalf of other directors for any of such issues.	None
(4) Has the Company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors	✓		The Company has established and implemented the internal control system. The internal audit staff would review the risk evaluation result annually, strengthen the preventive	None

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
or CPAs on a regular basis?			measure accordingly, review whether the audit system is appropriately followed regularly, and report such conditions to the audit committee and the Board periodically. The Company also review and amend the system as well as relevant practice to ensure proper corporate governance and internal risk control. Such conditions would be referred to when evaluating the effectiveness of internal control system and compiling statement for implementation of internal control system.	
(5)Does the Company regularly hold internal and external educational trainings on operational integrity?	✓		In 2022, a total of 348 persons/ times, 359 hours of educational training, organized inside and outside the Company (including the training sessions regarding conducts to follow the ethical management regulations, the annual RBA educational training related to labor and moral conduct, and other courses related to accounting and internal control system), have been taken by the employees of the Company.	None
3. Operation of the integrity channel (1)Does the Company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	✓		The Company has established the report channel and reveals in its ethical corporate management best practice principles as well as the employee code of conduct that any case that is reported to violate the above-mentioned principles will be investigated. The accused individual is allowed to appeal, while the convicted individual will receive penalty according to the above-mentioned principles.	None
(2)Does the Company establish standard operating procedures for confidential reporting on investigating accusation cases?	✓		The Company has established a system to receive report about violations, to record the investigation process, and retain such records. The reporters' identity and the content will be kept secret. Necessary follow-up procedures will be taken according the seriousness of the case. Major cases will be reported to the authorities or be reported to the judiciary system.	None

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
(3) Does the Company provide proper whistleblower protection?	✓		The Company has stated the measures to protect reporters of inappropriate conducts from mistreatment.	None
4. Strengthening information disclosure Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company's website and MOPS?	✓		The Company has established the “Ethical Corporate Management Best Practice Principles”, and such principles have been publicized the Mandarin version in the section designation for “About LandMark / Corporate Governance” on the Company's official website so as to enhance the ethical ideas about proper management.	None
5. If the Company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation. The Company observes the established the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and relevant regulations to establish the “Ethical Corporate Management Best Principles.”				
6. Other important information which helps to understand the implementation of the Company's ethical management: (E.g., the Review and amendment of the Company's Ethical Management Best Practice Principles): (1) The Company observes Company Law, Securities and Exchange Act, Business Entity Accounting Act, relevant regulations for TWSE/TPEX Listed Companies, and other business-related laws to implement ethical management practices. The Company keeps up with the development of ethical management norms in the domestic and overseas environment and encourages the directors, managers, and employees to offers suggestion for better measures to promote the policies of ethical management to enhance effectiveness of such policies. (2) The Company has established “Operation Procedure for Prevention of Insider Trading” and “Procedure for Handling Material Internal Information”. No director, supervisor, managerial officer, or employee of this Corporation may inquire about or collect any non-public material inside information of this Corporation not related to their individual duties from a person with knowledge of such information, nor may they disclose to others any non-public material inside information of this Corporation of which they become aware for reasons other than the performance of their duties. Fifteen days before the announcement of the quarterly financial report and thirty days before the announcement of annual financial report, emails will be sent by the corporation government officer to remind insiders that they are prohibited from trading the company's stocks, so as to prevent insiders from erroneously touching the regulations.				

H. Access to the Company's Governance Guidelines and relevant regulations:

Please refer to the section designated for "About LandMark/Corporate Governance/Relevant regulations of Corporate Governance" of the Company's website (<http://www.lmoc.com.tw/>) or Market Observation Post System (MOPS) (in Mandarin).

I. Other important information about the corporate governance of the Company:

1. The company makes timely disclosure of significant information to investors, and conventions for corporate shareholders are held regularly for explanation about the condition of the Company's operation.
2. Information about the operation of remuneration committee, audit committee, Corporate Sustainability and Nomination Committee, and the Board of Directors has been revealed on the Company's official website (<http://www.lmoc.com.tw/>).

J. Implementation of internal control system

1. Statement of Internal Control

LandMark Optoelectronics Corporation Statement of Internal Control System

Date: February 1, 2023

LandMark Optoelectronics Corporation had inspected the 2022 internal control system autonomously with the results illustrated as follows:

- (1) LandMark Optoelectronics Corporation is fully aware that the Board of Directors and the management are responsible for the establishment, implementation, and maintenance of the internal control system and it is established accordingly. The purpose of establishing the internal control system is to reasonably ensure the fulfillment of operation effect and efficiency (including profit, performance, and protection of assets safety), financial report reliability, and compliance.
- (2) The internal control system is designed with inherent limitations. No matter how perfect the internal control system is, it can only provide a reasonable assurance to the fulfillment of the three objectives referred to above. Moreover, the effectiveness of the internal control system could be affected by the changes of environment and circumstances. The internal control system of LandMark Optoelectronics Corporation is designed with a self-monitoring mechanism; therefore, corrective actions will be activated upon identifying any nonconformity.
- (3) LandMark Optoelectronics Corporation has assessed the effectiveness of the internal control system design and implementation in accordance with the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets" (referred to as "the Regulations" hereinafter). The criteria defined in "the Regulations" include five elements depending on the management control process: (1) environment control, (2) risk assessment, (3) control process, (4) information and communication, and (5) supervision. Each of the five elements is then divided into a sub-category. Please refer to "the Regulations" for details.
- (4) LandMark Optoelectronics Corporation has implemented the criteria of the internal control system referred to above to inspect the effectiveness of internal control system design and implementation.
- (5) LandMark Optoelectronics Corporation based on the inspection result referred to above has concluded that the internal control system (including the supervision and management over the subsidiaries) on December 31, 2022 is reasonably effective in achieving the objectives of operation effect and efficiency, financial report reliability, and compliance.
- (6) The statement of Internal Control System is the main content of the Company's annual report and published prospectus. Any falsification and concealment of the published content referred to above involves the liability illustrated in Article 20, Article 32, Article 171, and Article 174 of the Securities and Exchange Act.
- (7) The statement of Internal Control System was resolved in the board meeting with the objection of 0 board directors out of the 7 attending board directors on February 1, 2023. The content of the statement has been accepted without any objection.

LandMark Optoelectronics Corporation
Chairman: *Ching-Yi Chang*
General Manager: *Roger Lo*

2. On condition that the Company designates a CPA to audit the internal control system, the CPA's audit report should be revealed: None.

- K. In the most recent year and as of the date of publication of the annual report, whether the Company and its internal personnel have been disciplined according to law, or whether the Company has disciplined its internal personnel for violating the provisions of the Internal Control System. The content of the disciplinary measures should be listed, as well as the main deficiencies and improvements: None.
- L. In the most recent year and as of the printing date of the annual report, important resolutions of the shareholders' meeting and Board of Directors:

1. Shareholders' meeting

Date	Important resolutions	Status
Shareholders' meeting on May 25, 2022	Proposed Resolutions 1. 2021 business report and financial statement. 2. 2021 Earnings Distribution.	1. The Company has reported and revealed relevant content on the Company's website. 2. The Company has designated July 31, 2022 as the ex-rights (ex-dividend) record date of cash dividend. Cash dividend was distributed on August 25, 2022 (the cash dividend per share is NT\$ 3)
	Matters for Discussion 1. Discussion of amendments to the Company's "Articles of Incorporation". 2. Discussion on cash distribution from capital surplus. 3. Discussion on issuance of the Employee Restricted Stock Awards (RSAs).	1. On June 24, 2022, we were officially registered by the Southern Taiwan Science Park Administration and announced on the company's website. 2. The Company has designated July 31, 2022 as the ex-rights (ex-dividend) record date. Cash was distributed on August 25, 2022 (the cash distribution per share is NT\$ 0.5) 3. The record date for the capital increase has been set on August 25, 2022. The registration of the change in capital was approved by the Southern Taiwan Science Park Administration on September 6, 2022.

2. Board of Directors' meeting

The Company held a total of 7 Board of Directors meetings in 2022 and through the date of publication of the annual report. Important resolutions of the meetings are excerpted as follows:

Date	Major resolutions
January 26, 2022 The 12th meeting of the 10th session	1. Adoption of the Company's 2022 Operation and Budget Plan. 2. Adoption of the Company's 2021 remuneration for directors and employees. 3. Adoption of the Company's 2021 financial statement and business report. 4. Adoption of the Company's 2021 Distribution of earnings. 5. Adoption of cash distribution from capital surplus. 6. Adoption of the Company's 2021 declaration of internal control policy. 7. Adoption of amendment of Corporate Governance Practical Principle and Corporate Social Responsibility Principle. 8. Adoption of amendment of Articles of Incorporation 9. Adoption of Issuance of the employee restricted stock awards. 10. Adoption of matters of 2022 shareholders' meeting. 11. Adoption of evaluation of appropriateness and independence of the CPA and appointed remuneration.

Date	Major resolutions
April 27, 2022 The 13th meeting of the 10th session	1. Adoption of amendment of Procedures for the Prevention of Insider Trading. 2. Approved to apply to the bank to renew the line of credit 3. Adoption of amendment of operating plan and budget capital expenditure budget of 2022.
May 25, 2022 The 14th meeting of the 10th session	1. Adoption of Ex-Dividend Date and distribution date of dividends and capital surplus in cash of 2021. 2. Adoption of the Company's remuneration distribution to directors of 2021. 3. Adoption of the list of employees who can receive the employee restricted stock awards in 2022.
July 27, 2022 The 15th meeting of the 10th session	1. Approved the Company's Q2 2022 Financial Statements. 2. Adoption of cancellation of buy-back the employee restricted stock awards. 3. Adoption of the capital increase recordation date of the employee restricted stock awards in 2022. 4. Adoption of amendment of Rules of Procedure for Shareholders Meetings. 5. Approved to apply to the bank to renew the line of credit.
October 26, 2022 The 16th meeting of the 10th session	1. Approved Company's Q3 2022 Financial Statements. 2. Approved to formulate the Company's Procedure of Internal major information processing and amend Procedures for the Prevention of Insider Trading of Incorporation.
December 28, 2022 The 17th meeting of the 10th session	1. Adoption of the Company's 2023 Operation and Budget Plan. 2. Approved the Company's 2023 audit plan. 3. Approved to apply to the bank to renew the line of credit.
Ferbury 1, 2023 The 18th meeting of the 10th session	1. Adoption of Company's 2022 annual internal control self-assessment and "Statement of Internal Control System" 2. Adoption of the Company's 2022 remuneration for directors and employees. 3. Adoption of the Company's 2022 business report and financial statement. 4. Adoption of the Company's 2022 Distribution of earnings. 5. Adoption of cash distribution from capital surplus. 6. Adoption of reselection and nomination of directors (including independent directors). 7. Adoption of the Company's shortlist of directors (including independent directors) in 11th session. 8. Adoption of release the new directors' non-competition obligation. 9. Adoption of matters of 2023 shareholders' meeting. 10. Adoption of CPA change because of the internal rotation of accounting firms. 11. Evaluation of appropriateness and independence of the CPA.

M. If the directors' or supervisors have objective opinion on important resolutions of the Board's meeting which have been documented or made into written statements in the last year and in the current year up to the printing date of annual report, the important content should be reported: None.

N. Summary of resignation or relief from office of the Chairman, President, Chief Accountant, Chief Financial Officer, Chief Internal Auditor, Chief of Corporate Governance, and Chief R&D Officer of the Company in the most recent year to the day this report was printed: None

v. Audit Fees for CPA

A. Audit fees and non-audit fees paid to the CPAs and their affiliated firms and affiliated enterprises, and the content of non-audit services that should be disclosed:

Units: NT\$ thousands

Title of CPA Agency	Name of CPA	Audit Period	Audit fee	Non-Audit fee	Total	Remark
KPMG Taiwan	Yen-Da Su	2022.1.1~2022.12.31	1,470	280	1,750	-
	Chen-Lung Hsu	2022.1.1~2022.12.31				

(1) Audit fees refer to the fees paid by the Company to the CPAs for the audit, review and verification of the Company's financial reports and the review of financial projections.

(2) Non-audit fees: Fees for tax visas, cancellation of the issuance employee restricted stock awards and change of registration, and full-time employee salary information checks for non-executive positions.

B. If the Company changes the CPA agency and the audit fee is lower than the previous year, the amount of audit before and after changing the CPA agency and reasons for changing the CPA agency should be disclosed: None.

C. If the audit fee decreases by 10 percent or more compared with the previous years, the reduced amount, proportion, and reasons of reducing the audit fee should be disclosed: None.

vi. Information on Replacement of Certified Public Accountant

A. Information about the Former CPA

Date of Changing CPA firms	February 1, 2023		
Reasons for Changing the CPA firms	The main reason for the Company to change the CPA from 2023 is to go along with the CPA firms' internal occupation adjustment.		
Illustration about termination of the term of CPA or declining the appointment	<div>The involved party</div> Condition	CPA	Appointer
	Termination of appointment	Not applicable.	Not applicable.
	Declining the extension of the appointment	Not applicable.	Not applicable.
The review report stating opinions other than unqualified opinion and the reasons over the past two years	Not applicable.		
Any disagreement on the issuers' opinions	Yes		Accounting principle and practice
			Disclosure of financial statement
			Range and steps of auditing measures
			Others
	No	✓	
	Illustration		
Disclosure of other matters (Content that should be disclosed according to Article 10, subparagraph 6, item 1-4 to item 1-7 of the Guidelines)	None		

B. Information about the successive CPA

Title of the CPA firm	KPMG Taiwan
Name of CPA	Mr. Yen-Da Su, Mr. Po-Jen Yang
Appointment Date	February 1, 2023
The suggested item and result about specific accounting methods or accounting principles and the financial statement before the appointment.	Not applicable
The document recording the opinions of former CPA that is disagreed by the successive CPA.	Not applicable

C. Reply of the former CPA to matters in Article 10 subparagraph 6 item 1 and item 2-3 of the Guidelines: Not applicable.

- vii. The Company's Chairman, General Manager, 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 certified public accountant or at an affiliate enterprise of such accounting firm: None.

viii. The transfer of equity interests and pledge of or change in equity interests during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.

A. Changes in equity of Directors, Supervisors, Managers and Major Shareholders with more than 10% shareholdings.

Title	Name	2022		2023 (up to March 31)	
		Increase (reduction) in the number of shares in possession	Increase (reduction) in the number of pledged stocks	Increase (reduction) in the number of shares in possession	Increase (reduction) in the number of pledged stocks
Chairman	Huasheng International Investment Ltd.	375,000	-	-	-
	Representative: Ching-Yi Chang	31,000	-	-	-
Vice Chairman/ CTO	Wei Lin	14,000	-	(8,000)	-
Director/ CFO/ Deputy General Manager	Jerry Yang	9,000	-	(15,000)	-
Director	Yong-Hong Lu	-	-	-	-
Independent Director	Bob Tseng	-	-	-	-
Independent Director	James Wang	-	-	-	-
Independent Director	Yong-Chang Chen	-	-	-	-
General Manager	Roger Lo	5,000	-	-	-
Deputy General Manager	Richard Bai	30,000	-	(21,000)	-
Assistant Manager	Shi-Ming Zhuang	4,500	-	(9,000)	-
Assistant Manager	Han-Ti Hsiao	8,000	-	-	-
Corporate Governance Officer	Belinda Wu	500	-	(4,000)	-

B. The situation where recipient of the transferred equity is a related parson: None.

C. The situation where recipient of the transferred pledge is a related person: None.

ix.Relations and Information about Top 10 Shareholders

April 2, 2023

Name	Shares in possession of the person		Shares in possession of the person's spouse or children who are minors		Shares in possession of the person registered under the name of a third-party		Names and relations of top 10 shareholders who are related persons specified in article no. 6 of the Statement of Accounting Principles, spouses, or relatives within two degrees to each other		Notes
	shares	Shareholding rate (%)	shares	Shareholding rate (%)	shares	Shareholding rate (%)	Name	Relations	
Huasheng International Investment Ltd. Representative: Zhi-Cheng Chang	7,674,640	8.35	-	-	-	-	-	-	
	-	-	-	-	-	-	-	-	
Cathy Life Insurance Co., Ltd. Representative: Tiao-Guei Huang	5,215,774	5.67	-	-	-	-	-	-	
	-	-	-	-	-	-	-	-	
Global Small Amount Fund entrusted to Standard Chartered Bank	2,985,000	3.24	-	-	-	-	-	-	
Paula Capital Investment Fund individual account entrusted to Taiwan Bank	2,952,609	3.21	-	-	-	-	-	-	
Nan Shan Life Insurance Co., Ltd. Representative: Chong-Yao Yin	2,625,000	2.85	-	-	-	-	-	-	
	-	-	-	-	-	-	-	-	
TransGlobe Life Insurance Inc. Representative: Steven Peng	2,325,000	2.53	-	-	-	-	-	-	
	-	-	-	-	-	-	-	-	
Wellington trust National association emerging market combo investment fund entrusted to HSBC	2,178,372	2.37	-	-	-	-	-	-	
Singapore government-GOS-EFMC entrusted to City Bank	1,619,207	1.76	-	-	-	-	-	-	
Merrill Lynch investment individual account entrusted to HSBC	1,166,469	1.26	-	-	-	-	-	-	
Chang-Hai Lin	1,000,000	1.08	-	-	-	-	-	-	

- x. The total number of shares and total equity stake held in any single enterprise by the Company, its directors and supervisors, managerial officers, and any companies controlled either directly or indirectly by the Company: None.

IV. Capital Overview

i. Capital and Shares

A. Capitalization

a. Issued shares

Year and Month	Issuing Price	Authorized Capital		Paid-in Capital		Remarks		
		Quantity (Thousands of shares)	Amount (NT\$ thousands)	Quantity (Thousands of shares)	Amount (NT\$ thousands)	Source of Capital	Capital Increased by Assets Other than Cash	Others
1997/06	10	6,000	60,000	6,000	60,000	Establishment of share capital	None	Note 1
1997/11	10	10,000	100,000	10,000	100,000	Capital increase out of cash	None	Note 2
1999/01	10	11,700	117,000	11,700	117,000	Capital increase out of cash	None	Note 3
1999/08	10	31,700	317,000	19,700	197,000	Capital increase out of cash	None	Note 4
2000/08	10	31,700	317,000	31,700	317,000	Capital increase out of cash	None	Note 5
2003/10	10	35,000	350,000	33,084	330,840	Capital increase out of earnings	None	Note 6
2005/04	10	35,000	350,000	29,257	292,572	Capital increase out of collected debts	Credit	Note 7
						Capital reduction	Loss compensation	
2007/08	10	35,000	350,000	23,406	234,058	Capital reduction	Loss compensation	Note 8
2008/03	10	35,000	350,000	30,407	304,068	Merger	None	Note 9
2010/08	13.28	35,000	350,000	31,407	314,068	Capital increase out of cash	None	Note 10
2011/06	10	35,000	350,000	34,077	340,771	Capital increase out of earnings and employees' bonus	None	Note 11
2012/07	10	40,000	400,000	36,628	366,280	Capital increase out of earnings and employees' bonus	None	Note 12
2013/05	10	50,000	500,000	45,242	452,416	Capital increase out of earnings and employees' bonus	None	Note 13
2014/06	10	60,000	600,000	55,289	552,891	Capital increase out of earnings and employees' bonus	None	Note 14
2015/07	10	70,000	700,000	60,791	607,911	Capital increase out of cash	None	Note 15
2015/09	10	70,000	700,000	69,910	699,098	Capital increase out of earnings	None	Note 16
2016/08	10	100,000	1,000,000	90,883	908,827	Capital increase out of earnings	None	Note 17
2016/09	10	100,000	1,000,000	91,258	912,577	Restricted stock awards	None	Note 18
2017/02	10	100,000	1,000,000	90,608	906,077	Writing off treasury stocks	None	Note 19
2017/05	10	100,000	1,000,000	90,589	905,897	Writing off and buying back the restricted stock awards	None	Note 20
2017/11	10	100,000	1,000,000	90,573	905,732	Writing off and buying back the restricted stock awards	None	Note 21
2018/09	10	100,000	1,000,000	90,572	905,722	Writing off and buying back the restricted stock awards	None	Note 22
2018/09	10	100,000	1,000,000	90,980	909,802	Restricted stock awards	None	Note 22
2019/02	10	100,000	1,000,000	90,968	909,682	Writing off and buying back the restricted stock awards	None	Note 23
2019/06	10	150,000	1,500,000	90,951	909,512	Writing off and buying back the restricted stock awards	None	Note 24
2020/02	10	150,000	1,500,000	90,933	909,327	Writing off and buying back the restricted stock awards	None	Note 25
2020/09	10	150,000	1,500,000	90,931	909,312	Writing off and buying back the restricted stock awards	None	Note 26
2020/09	10	150,000	1,500,000	91,373	913,732	Restricted stock awards	None	Note 26
2021/03	10	150,000	1,500,000	91,369	913,692	Writing off and buying back the restricted stock awards	None	Note 27
2022/09	10	150,000	1,500,000	91,369	913,687	Writing off and buying back the restricted stock awards	None	Note 28
2022/09	10	150,000	1,500,000	91,868	918,677	Restricted stock awards	None	Note 28

Note 1: Admitted with (1997) Official Letter No. 175529 of Business Bureau on June 2, 1997.	Note 15: Admitted with Official Letter No. 1040019073 of southern business bureau on July 30, 2015.
Note 2: Admitted with (1997) Official Letter No. 122001 of Business Bureau on November 5, 1997.	Note 16: Admitted with official Letter No. 1040024112 of southern business bureau on September 23, 2015.
Note 3: Admitted with (1999) Official Letter No. 101147 of Business Bureau on January 12, 1999.	Note 17: Admitted with official Letter No. 1050020809 of southern business bureau on August 16, 2016.
Note 4: Admitted with (1999) Official Letter No. 129085 of Business Bureau on August 2, 1999.	Note 18: Admitted with Official Letter No. 1050022731 of southern business bureau on September 5, 2016.
Note 5: Admitted with (2000) Official Letter No. 127187 of Business Bureau on August 7, 2000.	Note 19: Admitted with Official Letter No. 1060004725 of southern business bureau on February 24, 2017.
Note 6: Admitted with Official Letter No. 09232895840 of authorized central unit on October 31, 2003.	Note 20: Admitted with Official Letter No. 1060012042 of southern business bureau on May 18, 2017.
Note 7: Admitted with Official Letter No. 09432022370 of authorized central unit on April 26, 2005.	Note 21: Admitted with Official Letter No. 1060029937 of southern business bureau on November 17, 2017.
Note 8: Admitted with Official Letter No. 09632636890 of authorized central unit on August 23, 2007.	Note 22: Admitted with Official Letter No. 1070026229 of southern business bureau on September 11, 2018.
Note 9: Admitted with Official Letter No. 09731809840 of authorized central unit on March 5, 2008.	Note 23: Admitted with Official Letter No. 1080005019 of southern business bureau on February 23, 2019.
Note 10: Admitted with Official Letter No. 09932512560 of authorized central unit on August 31, 2010.	Note 24: Admitted with Official Letter No. 1080015153 of southern business bureau on June 5, 2019.
Note 11: Admitted with Official Letter No. 1000014435 of southern business bureau on June 14, 2011.	Note 25: Admitted with Official Letter No. 1090005274 of southern business bureau on February 27, 2020.
Note 12: Admitted with Official Letter No. 1010015621 of southern business bureau on July 4, 2012.	Note 26: Admitted with Official Letter No. 1090024178 of southern business bureau on September 11, 2020.
Note 13: Admitted with Official Letter No. 1020011582 of southern business bureau on May 20, 2013.	Note 27: Admitted with Official Letter No. 1100006255 of southern business bureau on March 9, 2021.
Note 14: Admitted with Official Letter No. 1030014733 of southern business bureau on June 16, 2014.	Note 28: Admitted with Official Letter No. 1110026600 of southern business bureau on September 6, 2022.

b. Type of shares

Type of Shares	Authorized capital stock			Remarks
	Issued shares (Note)	Unissued shares	Total	
Common stock	91,867,677	58,132,323	150,000,000	Listed Company Par Value: NT\$ 10

Note: Including 6,000 bought back shares of employee restricted stock awards which have not written off.

c. Information about shelf registration system: Not applicable.

B. Shareholder structure

April 2, 2023

Composition of Shareholders	Government Agencies	Financial Institutions	Other Corporate shareholders	Individuals	Foreign Institutions and overseas investors	Total
Number						
Number of Shareholders	3	22	57	12,864	136	13,082
Number of Shareholding (Thousand shares)	346	12,933	10,245	42,389	25,955	91,868
Shareholding Percentage	0.38%	14.08%	11.15%	46.14%	28.25%	100%

C. Distribution of Stock shares

April 2, 2023

Shareholding Range	Number of Shareholders	Number of Shareholding	Shareholding Percentage
1 to 999	3,406	501,727	0.55%
1,000 to 5,000	8,288	14,535,485	15.82%
5,001 to 10,000	714	5,661,813	6.16%
10,001 to 15,000	222	2,816,316	3.06%
15,001 to 20,000	111	2,055,865	2.24%
20,001 to 30,000	111	2,834,968	3.09%
30,001 to 40,000	43	1,547,164	1.68%
40,001 to 50,000	28	1,315,064	1.43%
50,001 to 100,000	68	4,727,541	5.15%
100,001 to 200,000	35	5,004,377	5.45%
200,001 to 400,000	22	6,099,460	6.64%
400,001 to 600,000	12	5,743,831	6.25%
600,001 to 800,000	8	5,527,552	6.02%
800,001 to 1,000,000	5	4,754,443	5.17%
Over 1,000,001	9	28,742,071	31.29%
Total	13,082	91,867,677	100.00%

Note: The Company did not issue prefer stocks all shares are issued as common shares.

D. List of Major Shareholders (Top-10 Shareholders)

April 2, 2023

Name of Major Shareholders	Shares	Shareholding	Shareholding Percentage
Huasheng International Investment Ltd.		7,674,640	8.35%
Cathy Life Insurance Co., Ltd.		5,215,774	5.67%
Global Small Amount Fund entrusted to Standard Chartered Bank		2,985,000	3.24%
Paula Capital Investment Fund individual account entrusted to Taiwan Bank		2,952,609	3.21%
Nan Shan Life Insurance Co., Ltd.		2,625,000	2.85%
TransGlobe Life Insurance Inc.		2,325,000	2.53%
Wellington trust National association emerging market combo investment fund entrusted to HSBC		2,178,372	2.37%
Singapore government-GOS-EFMC entrusted to City Bank		1,619,207	1.76%
Merrill Lynch investment individual account entrusted to HSBC		1,166,469	1.26%
Chang-Hai Lin		1,000,000	1.08%

E. The stock price, net value, profit, earning, and relevant information in the most recent two years.

Unit: NT Dollars

Item \ Year		2021	2022	In the current year up to March 31, 2023
Market price per share	Highest	325	217.5	143
	Lowest	175	90	105
	Average	253.12	132.96	128.75
Net value per share	Before distribution	46.76	47.42	As of the publication date of this annual report, we have not obtained the audited financial statement information for the 2023 first quarter.
	After distribution	43.26	43.92	
EPS	Weighted average number of shares (thousand shares)	91,009	91,225	
	Earnings per share	NT\$ 3.71	NT\$ 3.61	
Dividends per share	Cash dividends	NT\$ 3.5	NT\$ 3.5	
	Stock dividends	Earnings	—	
		Capital surplus	—	
	Accumulated unpaid dividend	—	—	
Return analysis	Price-earnings Ratio (Note 1)	68.23	36.83	
	Price-dividend Ratio (Note 2)	72.32	37.99	
	Cash dividend yield(Note 3)	0.014	0.026	

Note 1: Price-earnings Ratio=Average Closing Price per Share in current year / Earnings per Share.

Note 2: Price-dividend Ratio =Average Closing Price per Share in current year / Cash Dividend per Share.

Note 3: Cash dividend Yield=Cash Dividend per Share/Average closing price per share in current year.

F. Dividend policy and implementation status

a. Dividend policy:

The dividend policy of the Company, which is specified in Article 20 Item 2 of the Articles of Incorporation, is as below:

If there is any profit in an annual general financial statement, the Corporation shall set aside 10% of the profits as legal reserve after reserving the taxes and dues to be paid and the losses in previous years to be covered. Where such legal reserve amounts to the total paid-in capital, this provision shall not apply. Allocate special reserve based on the operational need of the Corporation and the laws & regulations. The remaining profits and the retained earnings from previous years will be allocated as distributable profits. The Board of Directors will prepare a distribution proposal.

In accordance with Article 240, Paragraph 5 and Article 241 of the Company Act, the Corporation shall distribute dividends and bonuses or constitute legal reserve and additional paid-in capital. A distribution made in cash shall be handled by a resolution of the Board of Directors and reported to the shareholders' meeting. When issuing new shares, such distribution shall be made after a resolution of the shareholders' meeting.

Allocation of earnings and distribution of dividend would be determined with consideration of the environment, the development stage of the Company, the requested fund, the long-term financial plan, and shareholders' needs for cash

inflow. The Company may distribute stock dividend or cash dividend after such case is accepted by the Shareholder's meeting. However, the total amount of dividend shall take up at least 20% of the net earnings after tax in the year. The total amount of cash dividend shall take up at least 10% of the total amount of distributed dividend of the year.

The Board of Directors approved the proposed distribution of cash dividends to shareholders of NT\$ 3 per share on February 1, 2023. The Company also intends to use capital surplus for distribution of cash to shareholders of NT\$ 0.5 per share. Total distribution of cash is NT\$ 3.5 per share, and amount to NT\$ 321,536,869.

- b. Allocation of dividend to be resolved by the Shareholders' meeting: None
- c. Any predictable major change in the dividend policy should be illustrated: None.

G. The proposed free distribution of shares at this shareholder's meeting will have an impact on the company's business performance and earnings per share:

Effect impact of shareholders' meeting's resolution for distributing stock grants on the Company's performance and the earnings per share: Not applicable (the Company's 2023 Financial Forecast was not published)

H. Remuneration paid to the employees, directors, and supervisors

- a. The proportion or scope of remuneration for the employees, directors, and supervisors in the Articles of Incorporation:

The provision in Article 20 Item 1 in Articles of Incorporation has specified the remuneration for employees and directors as below:

If there is any profit for a specific fiscal year, the Corporation shall allocate no more than 2% of the profit as remuneration to Directors and shall allocate no less than 8% of the profit as the employees' compensation, provided that the Corporation's accumulated losses shall have been covered in advance.

- b. accounting treatment when accrual allocated amount differs from the estimated amount of remuneration for employees, directors, and supervisors of the year, and the stock compensation for employees:

The Company follows the Articles of Incorporation to calculate the proportion of earnings of the year (the profit before allocating remuneration for directors and employees subtracted from the income before tax) that should be allocated for directors' and employees' remunerations after the compensation for accumulated losses is reduced from the annual earnings.

- c. The remuneration adopted by the Board of Directors' meeting:

(1) The recognized amount of remuneration in cash for employees (NT\$ 42,533 thousand) and remuneration for directors (NT\$ 4,253 thousand)

corresponded with the amount adopted by the Board of Directors meeting on February 1, 2023.

(2) The proportion of stock remuneration for employees in the total amount of net income after tax and employee remuneration: Not applicable.

d. The actual condition of distributing remuneration for employees, directors, and supervisors in the previous year (including number of shares, denomination, and price per share), the difference from registered amount of remuneration for employees, directors, and supervisors, the reasons, and follow-ups:

It has been resolved by the Company's Board of Directors in 2022 that NT\$ 37,297 thousand allocated for employee's cash remuneration, and NT\$ 4,662 thousand was allocated for directors' cash remuneration. There is no deviation between the actual allocation and the estimated figures.

I. Stock buy-back of the Company: None.

ii. Issuance of Corporate Bonds: None.

iii. Issuance of Preferred Shares: None.

iv. Issuance of Global Depository Receipts (GDR): None.

v. Issuance of Employee Stock Warrants:

A. The status of stock warrants for employee whose term has not expired and the impact on shareholder's equity up to the date of publication of the annual report: None.

B. The managers who obtained employee stock option and the name, subscription, obtained status of top 10 employee who acquire employee stock warrants accumulating to the date of publication of the annual report: None.

vi. Employee Restricted Stock Awards

A. The annual report shall disclose unexpired employee subscription warrants issued by the Company in existence as of the date of printing of the annual report and effect the shareholder's equity.

March 31, 2023

Types of Restriction on Employee Share Subscription	Employee Restricted Stock Awards for Year 2022
The effective date of declaration and total shares	July 11, 2022; 500,000 shares
Issue date	August 25, 2022
Outstanding shares of Restriction on Employee Share Subscription	499,000 shares
The shares still possible to be issued of Restriction on Employee Share Subscription	1,000 shares
Issue price	NT\$ 46.75

Ratio of Outstanding shares of Restriction on Employee Share Subscription in comparison to the outstanding shares	0.54% (Note)											
Vested conditions of Restriction on Employee Share Subscription	<p>Employee remains employed by the Company on the last date of each vesting period. No violation of any terms of the Company's employment agreement, Work Rules, non-compete, non-disclosure and other agreement and achievement of both personal and Company performance metrics set by the Company during the vesting period are required to receive the vested shares. The portions of the vesting shares are: 50% for the 1st anniversary of the grant (2023). 50% for the 2nd anniversary of the grant (2024). The employee personal performance must be at least S (inclusive). The Company's operating performance indicators may be agreed upon by the Company and individual employees, and two target conditions (A and B) are set respectively based on revenue and operating profit margin (OPM%) (detailed in the table below). Achieving the agreed target conditions shall be deemed as attaining these indicator items. Agreed indicator achievement shall be determined based on the annual financial statements that have been audited by CPAs. The actual share ratio that can be vested shall be subject to a calculation based on the individual and Company's operation performance.</p> <table><tr><td>Business Indexes</td><td>Target A</td><td>Target B</td></tr><tr><td>Revenue(\$)</td><td>5% or above growth comparing to the previous year</td><td>Growth comparing to the average of previous three years</td></tr><tr><td>Operating Profit Margin (%)</td><td>2% or above growth comparing to the previous year</td><td>Growth comparing to the average of previous three years</td></tr></table>			Business Indexes	Target A	Target B	Revenue(\$)	5% or above growth comparing to the previous year	Growth comparing to the average of previous three years	Operating Profit Margin (%)	2% or above growth comparing to the previous year	Growth comparing to the average of previous three years
Business Indexes	Target A	Target B										
Revenue(\$)	5% or above growth comparing to the previous year	Growth comparing to the average of previous three years										
Operating Profit Margin (%)	2% or above growth comparing to the previous year	Growth comparing to the average of previous three years										
Restricted rights of Restriction on Employee Share Subscription	<p>Restrictions before employees meet the vesting conditions:</p> <p>(1) All of the granted shares to the employees, before the vesting conditions have been met, shall be put in the custody of the trust institution designated by the Company and not be sold, pledged, transferred, given, created any encumbrance on, or disposed otherwise.</p> <p>(2) All the attending rights, proposal rights, speech rights, voting rights and any other shareholder rights of the granted shares, before the vesting conditions have been met, shall be exercised by the trustee according to the custody agreement.</p> <p>(3) During the vesting period, the rights and obligations of the granted shares such as to participate in stock and cash dividend distribution and to subscribe to cash capital increase are the same as the common shares issued by the Company. As to the rights and interests obtained through the channels mentioned above, except the cash dividend which is not limited by the vesting conditions and the trustee should return it to the accounts designated by the employees within 5 working days since the cash dividend is received, other rights and interests obtained shall all be put in the custody of the trustee before the vesting conditions are met.</p>											
Custody for Restriction on Employee Share Subscription	Trust custody											
Follow-up measure for employees fail to fulfill vesting conditions after receiving or purchasing new stock shares	As the vesting conditions of granted shares have not been met by the intended employee, the Company will reclaim issuance to such employee and will cancel shares in accordance with issuance rules.											
The number of shares of Restriction on Employee Share Subscription which have been withdrawn or repurchased	6,000 shares											
The number of shares of Restriction on Employee Share Subscription which has been lifted	0 share											
The number of shares of Restriction on Employee Share Subscription which has not been lifted	493,000 shares											
Ratio of the number of shares of Restriction on Employee Share Subscription which has not been cancelled in comparison to the outstanding shares (%)	0.54%(Note)											
Effect on the shareholder's equity	The issued shares for restricted stock awards take up 0.54% of the total number of issued shares of the Company, which has no significant diluted effect on the earnings of the Company's shares.											

Note: The calculation is based on the registered stock capital on March 31, 2023.

B. Accumulated to the annual publication, the status of managers who acquired Restriction on Employee Share Subscription and top 10 employees who acquired the most shares

March 31, 2023

	Title	Name	Obtain the number of Restriction on Employee Share Subscription (thousand shares)	Ratio of Outstanding shares of Restriction on Employee Share Subscription in comparison to the outstanding shares (Note 1)	Restricted rights have been lifted				Restricted rights have not been lifted			
					Number of shares (Thousand shares)	Issued price (NT\$)	Amount (NT\$ thousands)	Ratio of the number of shares of Restriction on Employee Share Subscription which has not been lifted in comparison to the outstanding shares (Note 1)	Number of shares (Thousand shares)	Issued price (NT\$)	Amount (NT\$ thousands)	Ratio of the number of shares of Restriction on Employee Share Subscription which has not been lifted in comparison to the outstanding shares (Note 1)
Managers	CSO	Ching-Yi Chang	145	0.16%	0	46.75	0	0%	145	46.75	6,779	0.16%
	CTO	Wei Lin										
	GM	Roger Lo										
	CFO	Jerry Yang										
	Deputy General Manager	Richard Bai										
	Assistant Manager	Shi-Ming Zhuang										
	Assistant Manager	Han-Ti Hsiao										
	CGO	Belinda Wu										
Employee	Director	Zong-Yin Wu	123	0.13%	0	46.75	0	0%	123	46.75	5,750	0.13%
	Director	Yan-Wei Chen										
	Director	Ji-Xiong Tsai										
	Director	Chia-Hung Dai										
	Manager	Yong-Sheng Wang										
	Manager	Cheng-Hung Lin										
	Manager	Chi-Chun Ke										
	Manager	Shi-Ming Hong										
	Manager	Shih-Hao Kuo										
	Manager	Hung-Wen Huang										
	Manager	Yu-Yi Yeh										

Note 1: The number of outstanding shares is 91,867,677 calculated until the annual report publication (March 31, 2023).

vii. Status of New Shares Issuance in Connection with Mergers and Acquisitions:
None

viii. Financing plans and implementation:

The Company is not in the situation with uncompleted public issue or private placement of securities and to such issues and placements that were completed in the most recent 3 years but have not yet fully yielded the planned benefits.

V. Business Overview

i. Business Activities

A. Business Scope:

a. Main Contents of Business Operations

- (1) Manufacture and sales of Optoelectronic Semiconductors (epi-wafers for light-emitting/detecting components and microwave devices)
- (2) Manufacture and sales of Indium Phosphide epi-wafers and chips
- (3) Manufacture and sales of Gallium Arsenide epi-wafers and chips
- (4) Manufacture and sales of laser diode and light-emitting diode products
- (5) International trade for the aforementioned products

b. Operating Revenue Breakdowns

Units: NT\$ thousand; %

Annual Item	2021		2022	
	Amount	Percentage	Amount	Percentage
Epi-wafers	1,847,286	98.64%	2,363,358	99.26%
Others	25,417	1.36%	17,527	0.74%
Total	1,872,703	100.00%	2,380,885	100.00%

c. Product Item of the Company

The Company employs the MOCVD technique to develop various kinds of epi-wafers, including:

- (a) InP LD epi-wafers: With the wavelength ranges from 1200nm to 1650nm, it is mainly used in optical communication and data transmission; recently, long wavelength lasers are also gradually used in consumer electronic product sensor applications due to the advantages of safety to the human eye and low noise interference under sunlight.
- (b) PD epi-wafers: With the wavelength ranges from 650nm to 1600nm, it is mainly used in photo detector, APD-Avalanched detector, or Laser efficiency monitoring and detector for sensors for optical communication. Recently, the application of PD detectors for long-wavelength (over 2000nm) gas such as CO₂ has gradually increased due to more attention to environmental monitoring
- (c) GaAs LD epi-wafers: With the wavelength ranges from 635nm to 1100nm, it is mainly used for high-power laser machining, bar code scanner, GPS system, 3D sensor, LiDAR for autonomous cars, aesthetic medicine machines and equipment in data centers.

d. New Products or Service under Planning for Development

- (a) High-Speed more than 50Gbit/s directly modulated DFB Laser epi-wafers
- (b) High-speed more than 50Gbit/s externally modulated EML Laser epi-wafers
- (c) 6" multi-structured VCSEL Vertical Cavity Surface Emitting Laser epi-wafers
- (d) High-power DFB Laser epi-wafers
- (e) High-sensitivity light detector (Single Photon Avalanche Diode, SPAD) epi-wafer for application of self-driving cars

- (f) Single photon APD epi-wafer
- (g) Long-wavelength PD (over 2 μ m)

B. Industry Overview

a. Current condition and development of the industry

The optical communication industry includes manufacturing of optical fiber components (optical fiber and optical cable), components (optoelectronic active components and optoelectronic passive components), and optical communication equipment. Optical communication conducts by transforming electrical signals like sound, images, or digital messages into optical signals by LD elements (transmitter), using the optical fiber as the media, and converting the optical signals back into electrical signals by PD receiver. Then, an adjustment would be made to reproduce the sound, image, or data delivered by the transmitter. Compared to traditional electrical signals, optical signals can provide higher transmitting speed as well as lower attenuation. Therefore, telecommunication facilities, base stations and data centers have shifted to optical communication from electrical cable transmission, which promotes the innovation of the optical networks and optical communication techniques, while in line with the increasing demand for relevant components and system markets.

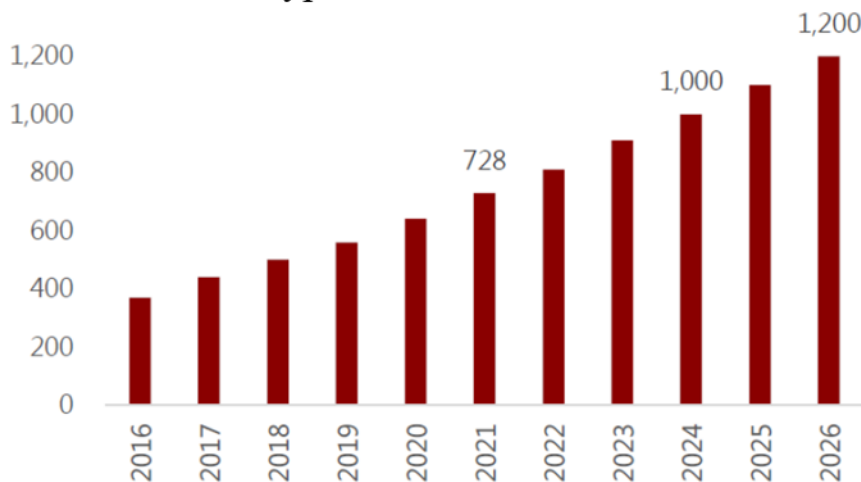
With mobile communications entering the 5G era, global 5G technology and infrastructure development has been deployed in various countries, and the market predicts that in 2021~2025 will be the peak period for 5G base station construction. According to China's 14th Five-Year Plan, China will have built more than 2.5 million 5G base stations by 2023, and 4 million by 2025, with a penetration rate of about 60% of 5G subscribers. In the wake of the establishment of 5G networks, the demand of optical transceivers for fronthaul, midhaul and backhaul transmission increases and even drives the construction and upgrade of data centers.



The demand for FTTx upgrading also increased because of the technological development of smart home, 4K Ultra HD video, IoT and etc. FTTx has been entering a new developing period in line with replacing copper wires with optical fibers significantly. The number of fixed broadband connections in recent years keeps growing. At the country level, China contained and added the largest number of subscribers with the highest growth rate in the FTTx developing areas. The 14th Five-Year Plan published by the Chinese government has noted that the government will ramp up fiber optic infrastructure and the communication and data projects in the new infrastructure plan, which will drive the fiber optic broadband upgrade to 10G PON. Moreover, the three major telecom operators in China have accelerated the deployment of 10G PON fiber optic networks since 2022, so as to extend to all households.

In terms of cloud computing and data centers, the number of hyperscale data centers is growing rapidly due to the rapid expansion of the amount of data transmission around the world, which is expected to reach 1,000 in 2024 and 1,200 in 2026. Since the optical modules are inevitable components of data centers, the increase number of data centers will directly lead to greater needs for optical transceivers and other related components.

The number of hyperscale data centers in the world

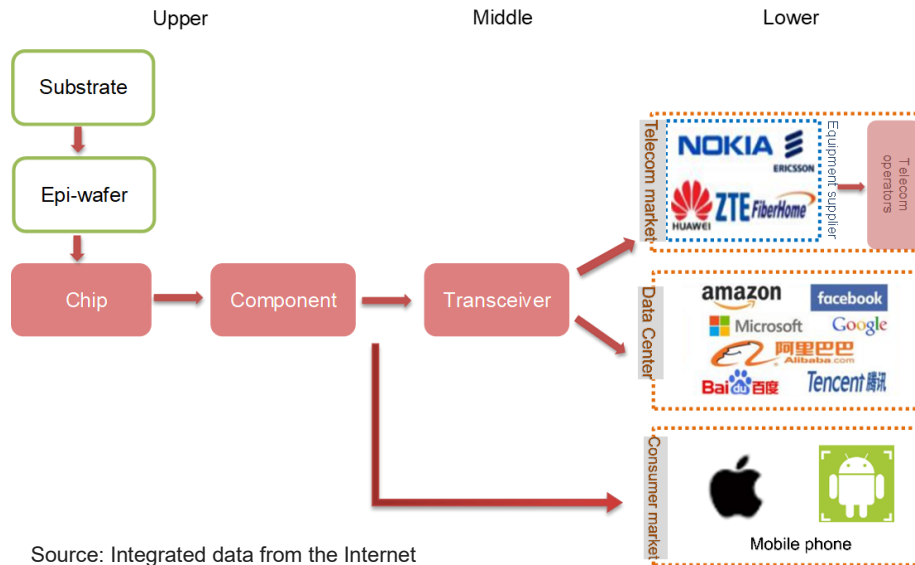


Source : Synergy Research

b. Connection among the upper, middle, and downstream of the industry

The Company produces key components of the upstream for optical transceiver modules, and it specializes in developing and manufacturing LD and PD epi-wafers with materials of InP and GaAs for clients with capabilities of component manufacturing, testing, packaging, and etc. The processed components are used for active components and transceiver modules of optical communication.

The Global Supply Chain of Active Components for Optical Communication Industry



c. Product development trend

The rapid development of mobile networks, cloud computing, social media, big data, Internet of Things, and other new technologies has brought about great needs for data transmission and high bandwidth equipment. As telecommunication companies around the world devote themselves to upgrading equipment and deploying new generation communication devices, there are growing demands for optical communication components as well as epi-wafers for optical communication.

1. FTTx and mobile networks (4G/5G)

To fulfill the needs for promoting household optical cable and mobile networks in countries around the world, the Company has been developing and producing optical epi-wafers for PON, 4G-LTE, and 5G system. The products are listed as below:

- GPON for FTTx: 2.5Gbps DFB LD, PIN and APD optoelectronic epi-wafers
- 10G PON for FTTx: 10Gbps DFB LD, EML and APD optoelectronic epi-wafers
- LTE-4G base station transmission: 10Gbps FP, DFB LD and PIN optoelectronic epi-wafers
- 5G base station transmission: 10Gbps/25Gbps DFB LD, EML and APD optoelectronic epi-wafers

The Company also possesses the grating technique, the key manufacturing procedure for producing DFB LD, and the techniques of epi regrowth, which can offer the clients the competitive advantages for entering high-end product market.

2. Cloud Computing

Over the past few years, with the active promotion of globally renowned companies such as Google, Facebook, Amazon, and Microsoft, cloud computing applications have gradually become popular in daily life and have driven the explosive growth in demand for communication bandwidth. It is expected that data computing on the Internet would be conducted by different platforms, and increasing amount of information transmission and establishment of more data centers will lead to a trend of replacing the traditional method of electrical signals transmission with the high-speed and low-loss optical communication system. This technological development trend will rapidly popularize optical transmission modules for cloud computing applications and will boost growth of the Company's related epitaxy chip sales. The optical modules in data centers evolve to the next generation every two to three years. From 2016 to 2018, 100G transceivers have been widely adopted at hyperscale data centers in North America. Since 2020, the market had migrated from 100G to 400G transceivers and is expected that shall deploy 400G and 800G development between 2022 and 2024. The Company has already massively produced products for 800G optical modules and keeps working with clients for developing the products of next generation. The Company's relevant products for cloud computing application include: 850nm VCSEL, 10G/25G DFB LD, 25G/50G EML, high-power Continuous Wave DFB Laser epi-wafer, and Si-Photonics epi-wafer.

3. Consumer and industrial laser diode application

In addition to optical communication, Laser Diode can also be applied in material processing, aesthetic medicine, scientific research and military, instrument and sensor, communication and optical storage, image recording, entertainment and display. The Company is proactively developing epi-wafer for consumer electronic products (high-power 850nm/905nm/940nm VCSEL and 1300nm band InP and PD), medical equipment (980nm LD), and material processing equipment (808nm/915nm LD). It also offers epi-wafer and technical support to middle and downstream clients with different applications.

The key LiDAR module for autonomous driving vehicles is considered as a market with great potential in Laser application. Landmark has been working with the clients in developing the laser in LiDAR module, including the techniques adopting VCSEL or InP with long wavelength. In addition to more requirements for sensors' performance of consumer products, for example, undisturbed under sunlight, or sensing function under-display, so the demand for long-wavelength LD and PD has

increased.

d. Competition of the products

The Company has significant growth in developing epi-wafer and business scale, and the reasons are summarized as below:

1. The Company is capable of developing, designing, and manufacturing the epi-wafer for III-V semiconductor laser diode and the photodiode, especially the epi-wafer for high-speed edge emitting DFB (Distributed Feed Back) LD, high-power Continuous Wave DFB Laser epi-wafer, PIN (P-intrinsic-N), and APD (Avalanche photodiode) epi-wafer.
2. The Company works with clients in developing new products with pre-manufacturing procedures of some components and epi regrowth techniques, which significantly shortens the process and supports the clients to seize the opportunity to enter the niche market. The Company produces a variety of products as well as remains in close operation with the clients. The optoelectronic components using the Company's epi-wafer, through post-manufacturing components and the processing of the module plants, have been adopted by top communication equipment suppliers in Europe, America, China, and other regions around the world. The Company categorizes its products based on the wavelength and the application, including the following items:

(1) Short wavelength (<1100nm) Laser Diode epi-wafers series of GaAs.

This type of products is mostly used for consumer electronic devices or industrial laser components. In the past, we provided large companies in the U.S. and Japan such as Avago and II-VI with our completed epi-wafers for the use of their own module manufacturing. Over the years, as more 3D sensors have been applied in consumer electronic devices, the demand for VCSEL is rapidly increasing. The Company has employed professionals with expertise in relevant field to develop the products for the niche market.

(2) Long wavelength (>1100nm) Laser Diode epi-wafers series of InP.

With rapid growth of optical communication and data centers, more companies are providing such services. The British company IQE can offer InP Laser Diode epi-wafers, and some domestic and Chinese GaAs epi-wafer manufacturers are also developing this type of epi-wafer.

(3) Photodiode epi-wafers series of InP. Some of the companies producing epi-wafer for microwave components are capable of producing this type of products, such as IQE in Britain and Visual Photonics Epitaxy Co., Ltd. in Taiwan. Despite the keen competition and low entry barrier of the market, Landmark has been actively

exploring new clients and maintain good relationships with existing clients.

C. Overview of the techniques and development

a. Techniques and research for the business

The Company is the first epi-wafer manufacturer for optical communication and the first manufacturer for successful mass-production of 1310nm laser epi-wafers in Taiwan. Our professional team possesses the leading techniques for producing epi-wafers, and the professionals are familiar with the application of various laser diode and photodetector components. Landmark provides clients with professional advices in component design, epitaxial growth, manufacturing procedure, testing, and application, and helps the clients to cultivate new application fields and explore new market. The Company focuses on researching the following items:

- InP high-speed FP, DFB, EML Laser epi-wafer
- InP high-speed photodetector epi-wafer
- GaAs Vertical Cavity Surface Emitting Laser epi-wafer
- High-speed buried hetero structure Laser epi-wafer
- Epi-wafer for Holographic Grating, E-beam Lithography and Nanoimprint Lithography
- Multi-mode and multi-wavelength Laser epi-wafer for data centers
- Industrial high-power semiconductor laser
- Semiconductor laser and photodetector epi-wafer for self-driving vehicles
- Semiconductor laser and photodetector epi-wafer for consumer products
- Epi-wafer for long wavelength gases detector

b. Expenses on research and development over the past 2 years as of the printing date of the annual report:

Units: NT\$ thousand			
Item	2021	2022	Jan to Mar, 2023
Research and Development Expenses	204,597	268,819	59,996
Operating Revenue	1,872,703	2,380,885	327,423
R&D Expenses / Operating Revenue	10.93%	11.29%	18.32%

- c. The techniques and products developed in the most recent 5 years as of printing date of the annual report.

Year	Type of product	Item
2018	Nanoimprint Lithography	2.5G DFB, 10G DFB
	Laser epi-wafer	25G P-DFB, 10G P-EML
	Photodetector epi-wafer	25G APD, 50G PD
2019	Laser epi-wafer	10G CWDM C-DFB, 25G MWDM/LWDM C-DFB 6"VCSEL
2020	Laser epi-wafer	28G CWDM C-DFB BH-DFB/FP 2μm infrared DFB
	Photodetector epi-wafer	Non-Diffusive 10G APD
2021	Laser epi-wafer	10G, 25G Ultra High Reliability DFB
	Photodetector epi-wafer	Non-Diffusive 25G APD, 50G PD
2022	Short wavelength & high-power epi-wafer	28W HP LD
	Laser epi-wafer	2.5G, 10G WDM-PON, DFB, EML, MJ VCSEL

D. Long-term and short-term business development plan

a. Short-term development plan

The network structure in China used to adopt 2.5Gbps GPON and 10Gbps GPON for the Internet system, and most of the GPON components and modules were supplied by the Company's clients. With greater demand for 5G networks since 2020, the related mass-produced and stable-supplied epi-wafers have become one of the new growth engines for the Company. Meanwhile, in order to fulfill the needs of data centers, the Company has been working with the clients to integrate the high-power continuous wave Silicon Photonic epi-wafers to produce high-speed optical transmissions modules. The Company has cooperated with the clients to successfully mass-produce 400G transceiver modules in 2020, and started to mass-produce the next generation of 800G transmission speed epi-wafers since the first half of 2023. At the same time, we will develop 1.6T transmission products of next-generation with customers. In response to the large demand for Metaverse consumer applications, we are actively developing large size VCSEL epi-wafers and long wavelength InP emitting and detecting epi-wafers. 6" VCSELs and 3"/4" InP are in mass production.

b. Long-term development plan

With the rapid development of emerging technologies such as mobile networks, cloud computing, social media, big data, Metaverse and the Internet of Things, the demand for big data transmissions is driving the growth of demand for high-bandwidth devices. Therefore,

telecommunication companies around the world are actively upgrading their communications equipment and laying out the new generation of communication networks. At the same time, new consumer electronics products are constantly being rolled out to the market. Global network service providers are continuing to build large-scale data centers and demand for various laser products will continue to grow. Hence, the Company will continue to actively seek collaboration partners in various related fields to develop corresponding epitaxial wafer products and assist customers in the production of related laser optical modules to seize the business opportunities.

ii. Market and Sales Overview

A. Market Analysis

a. Sales regions of main products

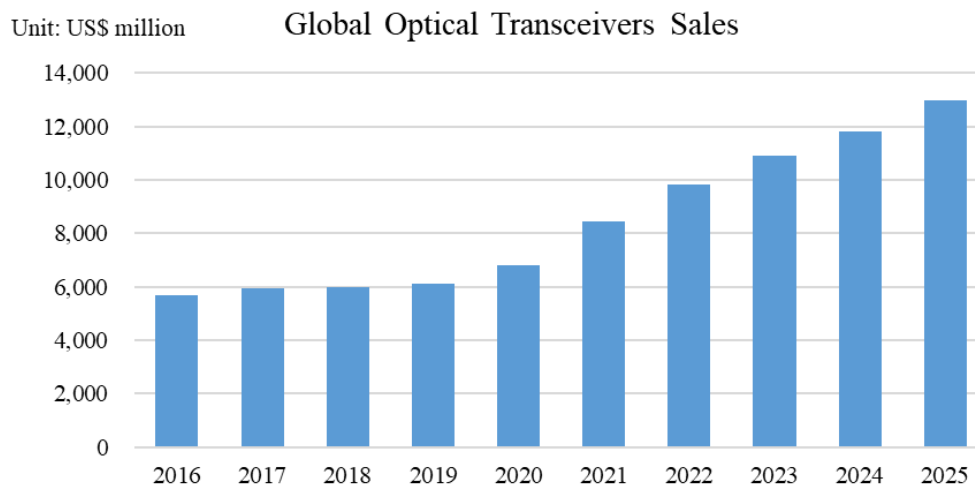
Units: NT\$ thousand; %

Sale Region \ Year	2021		2022	
	Sales Amount	%	Sales Amount	%
Taiwan	167,208	8.93	113,791	4.78
China	1,204,198	64.30	926,962	38.93
U.S.	307,887	16.44	682,142	28.65
U.K	32,983	1.76	490,586	20.61
Other	160,427	8.57	167,404	7.03
Total	1,872,703	100.00	2,380,885	100.00

b. Market Share

The Company mainly manufactures epi-wafers needed for active components of optical communication. According to a report published by China Industry Foresight Industry Research Institute, the global optical communication devices market reached US\$8.13 billion in market value in 2022, and the Company sold US\$79 million of epi-wafer products in 2022, accounting for approximately 0.97% of the global optical communication components market value.

- c. The demand & supply and the potential growth of the market in the future
- Telecommunications is evolving to the 5G era. Because of the characteristics of 5G, including high frequency, short wavelength, shorter transmission distance and smaller coverage area than 4G, 5G networks need twice more base stations compared to the 4G. The base stations operate the connectivity by optical fiber networks, which drive the demand growth of optical fibers and optical communication components. The Company offers the upstream key components of the optical transceiver module which is the critical element of the application such as the



Source : LightCounting

construction of base stations for mobile network, household optical cable, cloud computing, data center, and other services.

d. Niche for competition

There are two types of epi-wafer suppliers around the world. The first type is large optoelectronic integrated device manufacturers (IDM), such as II-VI, Broadcom and Lumentum in the U.S. or Sumitomo and Mitsubishi in Japan. These companies possess the equipment and techniques to integrate the production of the frontend epi-wafer and the backend modules. Another type is suppliers that specialize in the production of epi-wafers. In addition to Landmark, IQE in Britain and IntelliEPI in the U.S. are also major suppliers. The major equipment adopted the Molecular beam epitaxy (MBE) or the Metal Organic Chemical-Vapor Deposition (MOCVD) platform. Among the above-mentioned professional epi-wafer suppliers, only Landmark focuses on the market for optical communication and data center. The other companies mainly offer microwave components (HBT and HEMT). In addition, the parameter setting and epitaxial growth technique of manufacturing epi-wafers for optical communication require more advanced professional competences, which are more difficult for new entrants in the field. Moreover, the Company has expanded a large client base in Taiwan, China, the U.S., Japan, and Europe and maintained good relationships with its good services and cost advantages.

e. The advantage, disadvantage and the responding measure for future development.

Advantage

1. Rapid development with the existing client

The Company is in long-term partnerships with many optical transceiver and module industry clients and assists the clients to introduce their components to not only equipment manufacturers of large

communication and data centers, but also global brand of consumer products. In addition to the innovation of the existing products, the Company also cooperates with its clients to develop components and optical modules with higher speed to fulfill the need of downstream equipment manufacturers. As of now, the Company maintains solid market position and possesses good client connection for sales of various laser and photodetector epi-wafers. The Company will aim to assist the clients in increasing sales by offering high-quality and competitive products as well as timely delivery in the future.

2. Competence in developing new products and continuous innovation

The technical executive team of the Company is experienced in developing epi-wafer for III-V laser and photo diode receiver, and members on the team used to work in the domestic and overseas leading organizations of optical communication techniques, such as AT&T in the U.S. and Chunghwa Telecom Laboratories. The professionals specialize in manufacturing procedure of optical communication components and epi-wafers, and they are able to offer comprehensive technical consultation and assistance for clients. The research team devotes to working and communicating with the experts, who are from Europe, the U.S., and Japan so as to keep innovating the product manufacturing technique.

3. Increase in manufacturing scale and management of production yield rate

The Company has adopted the following measures for optimizing production yield and management of manufacturing capacity:

- (a) The Company expand manufacturing capacity for timely response to the market demand so as to deliver the order as scheduled while researching and developing for new products.
- (b) The Company implements flexible and effective management of manufacturing procedure to ensure earlier delivery and resiliently correspond to the production need of the clients.
- (c) The Company introduces SPC (Statistical Process Control) to monitor manufacturing procedure, control variation, analyze abnormality, and make comprehensive experiment to measure and analyze component features. The manufacturing team can thus remain high production yield rate, effectively analyze the invalid products, and keep improving the quality of the products.

4. Comprehensive product portfolio and competitiveness on the market

The Company has been cooperating with the clients over the years. It has various categories of products for optical communication and data center to fulfill different needs of clients. The Company will closely cooperate with the clients to offer high-speed and high-power component

for application in consumer products so as to ensure both competitiveness in the market.

Disadvantage and responding measures

1. The price of product may keep dropping

It is easily to show that the price erosion of technological products would remain over time while rapid development of technology, and it is no exception for the market of optical communication. The downstream manufacturers of telecommunication equipment and data center provider would focus on cost-performance ratio of optical communication components, so it's easily to see price drop of component with the same specification on a year-over-year basis after the mainstream technique is upgraded. However, the supplier can prevent significant drop in its product price as long as it keeps innovating the specification or its manufacturing line.

Responding measures:

- (a) Strengthen value-added products through providing customers with front end process OEM wafer service and assisting them to speed up the production and improve the production yield.
 - (b) Keep optimizing the production efficiency and increase the production yield to remain its cost competitiveness.
 - (c) Assist clients to develop the structure and specification of new products as well as introduce epi-wafer of larger size to decrease the cost and increase the competitiveness of the clients.
- ##### 2. The competition risk of laser component companies from the U.S. Japan and China.

Epi wafers produced by major laser component manufacturers in the U.S. and Japan were mainly used in their own laser components and transceiver modules. Some have been competing with the Company's downstream clients. Besides, U.S.-China trade war initiates the great concerns and protection of key components. Many Chinese corporations participate in developing and manufacturing optical components in recent years. The Company will closely monitor the impacts from it.

Responding measures:

- (a) Recruit more technical specialists to increase the competitiveness of the products and offer timely service and product cost strength to expand customer bases.
 - (b) Develop the higher transmitting speed and different material structure products to enlarge the application markets.
- ##### 3. Sales demand fluctuation

Recently, China has become the largest optical communication market for suppliers of relevant components in Taiwan and China due to the rapid

development of 5G construction. The procurement is usually conducted through the tendering procedure, therefore, the order from component suppliers may significantly up and down over different seasons or months, which result in fluctuation of the Company's operation. In addition, the demand for consumer products may fluctuate significantly due to seasonality.

Responding measures:

- (a) Expand the customer bases in Europe, the U.S., and Japan, and cooperate with our customers in the early stage of new product development and the development of epitaxial wafers for applications other than optical communication products, such as data center and consumer products. Through our cost competitiveness to increase the demand for OEM production service of the epi-wafer from IDM manufacturers in the U.S. and Japan.
 - (b) Strengthen the R&D of high-end products, especially the epi-wafer for high-speed laser components, cloud computing, and high-power laser through our technical competitiveness so as to ensure the growth momentum of the Company.
 - (c) Develop new application markets, such as sensors for face recognition, eye tracking, LD of LiDAR applications, sensors for biomedical applications and photodetector for special gas, etc.
4. Customized products lower the efficiency of the economies of scale.

Most epi-wafers are customized products. With variety of product items and different requirements and specifications of each client, the Company is unable to reach the higher efficiency of the economies of scale.

Responding measures:

- (a) Continue establishing standard operating procedures, which allow production personnel to perform and conduct smooth production with different type and quantity orders.
- (b) Enhance the negotiation with clients regarding the demand cycle and the order management of highly similar products; thereby providing appropriate offers to the customers from the cost savings.

B. Important application and production process of the main products

a. Important application of the main products

The optical communication industry includes three subsectors: optical fiber material (optical fiber and optical cable), key component (optoelectronic passive component and optoelectronic active component), and optical communication equipment. LandMark Optoelectronics Corporation is an upstream supplier in the optical communication industry, and mainly

manufactures the Laser Diode (LD) epi-wafer of the signal transmitter and the Photodetector (PD) epi-wafer of the receiver (PD epi-wafer). The Company supplies the products to midstream manufacturers to produce various chips, which can be applied in optical transceivers by the downstream manufacturers.

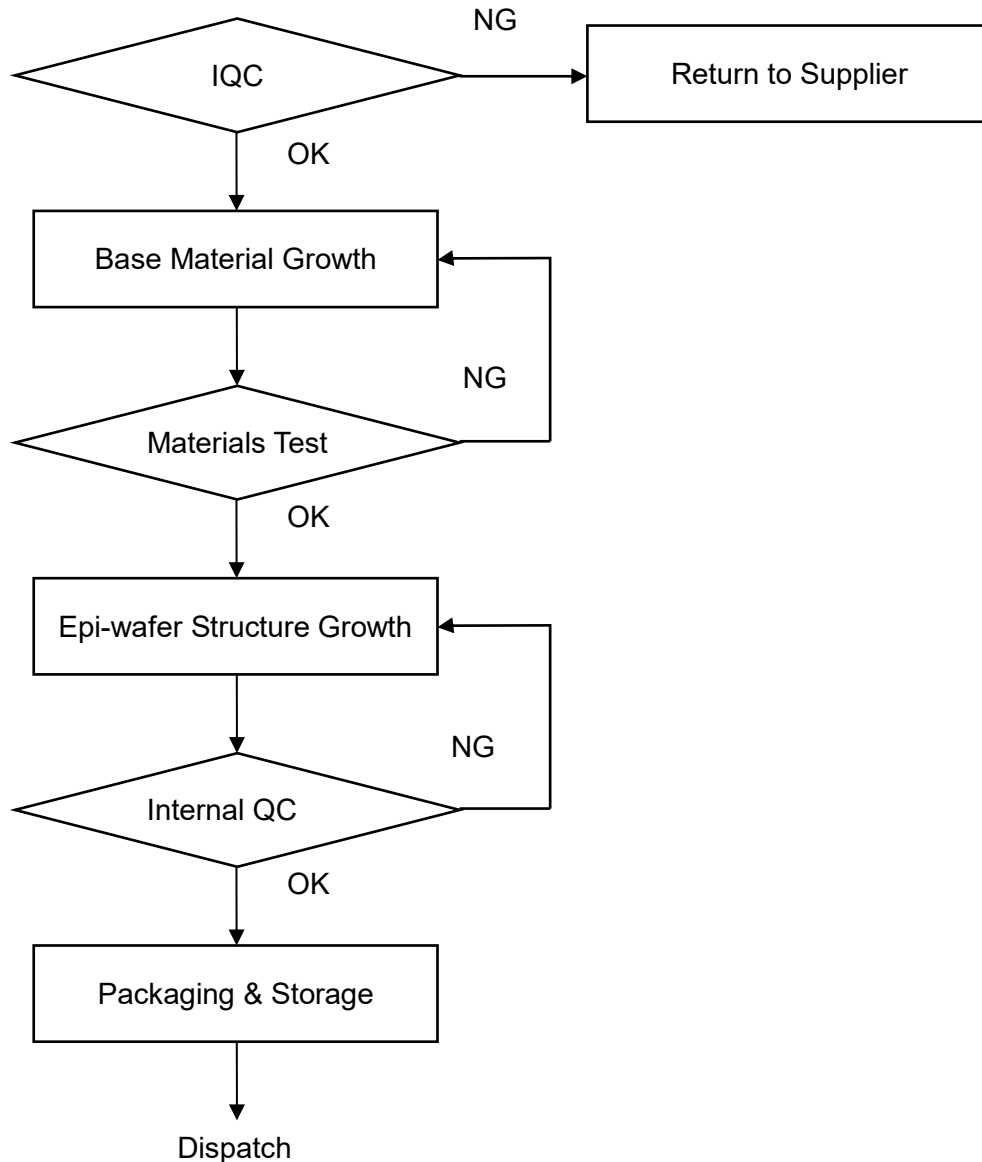
As high-speed bandwidth networks are becoming widespread, Landmark is actively cooperating with international manufacturers to develop laser epi-wafers of 40G, 100G and even 400/800Gbits high-speed modules for data centers. In addition, the Company provides technical support and co-develop with the clients for a variety of application sectors, including 5G communication, consumer electronic devices, industrial cutting, medical items and the defense industry as to fulfill the increasing and various demand of the market.

Major application of the products and the applicable wavelength band:

Product Type	Major application	Applicable wavelength band
InP epi-wafer	FP laser	1310nm, 1550nm
	DFB laser	1270nm~1650nm
	Avalanche photo-detector	1250nm~1600nm
	Photo-detector	1250nm~2600nm
GaAs epi-wafer	Visible LD	635nm, 650~780nm
	Infrared LD : High Power(>10W)	808nm, 980nm
	VCSEL : RCLED	750nm, 850nm, 850~1100nm
	Photo-detector	<870nm
Processed InP epi-wafer	RWG DFB laser(Ridge Waveguide)	1250nm~1650nm
	BH-FP/DFB laser (Buried Heterostructure)	1250nm~1650nm
	Photo-detector	1100nm~1600nm

b. Production process of the main products

The Company adopts MOCVD to meet the specification of products by using the groups of three gasses (TMAI, TMGa, TMIIn) and five gases (AsH3 & PH3) to produce compound semiconductor epi-wafers. The manufacturing procedure is as below:



C. Supply of the important materials

Major Material	Main suppliers	Condition of supply
Substrate	Company A01, Company A02, Company A03 (Note)	Good
Mo-Source	Company A04, Company A05 (Note), AKZO	Good
Equipment Consumables	Company A06, Company A07, Company A08 (Note)	Good

Note: The suppliers are presented in pseudo names because of their confidentiality agreement with the Company.

D. Major Suppliers/Customers Accounting for above 10% (inclusive) of Purchases / Sales in the most recent 2 years
a. Major Suppliers in the most recent 2 years

Units: NT\$ thousand; %

Year Item	2021				2022			
	Name	Amount	% of Total Purchase	Relation with issuer	Name	Amount	% of Total Purchase	Relation with issuer
1	A01 Company (Note)	227,624	54.93	None	A01 Company (Note)	617,822	68.98	None
2	A05 Company (Note)	66,692	16.09	None	A05 Company (Note)	76,085	8.49	None
3	A06 Company (Note)	46,975	11.34	None	A06 Company (Note)	65,921	7.36	None
4	Others	73,110	17.64	None	Others	135,849	15.17	None
	Total	414,401	100.00			895,677	100.00	

Note: The supplier is noted by a pseudo name for it has signed a confidentiality agreement with the Company.

Reasons for changes in amount: The increase in Company's purchase amount from major suppliers was due to the rising revenue scale.

b. Major Customers in the most recent 2 years

Units: NT\$ thousand; %

Year Item	2021				2022			
	Name	Amount	% of Total Sales	Relation with issuer	Name	Amount	% of Total Sales	Relation with issuer
1	Company C03 (Note)	466,298	24.90	None	Company C02 (Note)	608,936	25.58	None
2	Company C01 (Note)	272,345	14.54	None	Company C04 (Note)	489,678	20.57	None
3	Company C02 (Note)	134,151	7.16	None	Company C03 (Note)	300,234	12.61	None
4	Company C04 (Note)	32,187	1.72	None	Company C01 (Note)	203,136	8.53	None
5	Other	967,722	51.68	None	Other	778,901	32.71	None
		1,872,703	100.00			2,380,885	100.00	

Note: The customer is noted by a pseudo name for it has signed a confidentiality agreement with the Company.

Reasons for changes in amount: The increase in Company's sales to C02 Company and C04 Company than the previous year was mainly due to the growing demand for Epi-wafers of consumer and datacom application markets. In 2022, sales to C03 Company and C01 Company decreased because of less shipments of optical communication products than the previous year.

E. Production in the most recent 2 years

Units: NT\$ thousand; pcs

Year Main Products	2021			2022		
	Capacity	Output	Value of output	Capacity	Output	Value of output
Epi-wafers	Note	57,890	1,324,638	Note	73,372	1,712,117

Note: The Company manufactures customized epi-wafers rather than standardized products for its clients, and the manufacturing facilities are mostly shared, so the capacity cannot be estimated.

F. Table of sales value in the most recent 2 years

Units: NT\$ thousand; pcs

Year Main Products	2021				2022			
	Domestic sales		Export		Domestic sales		Export	
	Shipment	Net sales	Shipment	Net sales	Shipment	Net sales	Shipment	Net sales
Epi-wafers	6,855	165,484	34,278	1,681,802	5,325	113,049	56,913	2,250,309
Other	0	1,724	0	23,693	0	742	0	16,785
Total	6,855	167,208	34,278	1,705,495	5,325	113,791	56,913	2,267,094

iii. Employees in the most recent 2 years

Unit: Persons; %

Year		2021	2022	As of March 31, 2023
Number of Employees	Direct Staff	238	255	271
	Indirect Staff	87	97	90
	Total	325	352	361
Average Age		37	38	37.15
Average Year of Service		5.11	6	5.5
Education Ratio (%)	Ph.D.	3.38	3.12	3.05
	Masters	26.15	25.28	24.1
	Bachelor's Degree	62.46	61.93	62.05
	Senior High School	8.01	9.67	10.8
	Under Senior High School	-	-	-

Note: the data of current year up to the printing date of the annual report.

iv. Environmental Protection Expenditure Information

A. According to the relevant laws, the Company should apply for license to establish pollution prevention facilities, apply for permit to emit polluted substance, submit pollution prevention fees, or designated a unit or person for environmental protection affairs. The condition for such application, payment, and establishment is summarized as below,

a. Permission of pollution prevention facilities establishment or polluted substance emission

March 31, 2023

Item	Title of certification and content
License of stationary pollution source	FAB1: The License of stationary pollution source for "manufacturing procedure of wafers" (M02) was issued on April 22, 2019 (License number D0135-03 issued by Southern Taiwan Science Park) and will expire on April 21, 2024. FAB2: The License of stationary pollution source for "manufacturing procedure of wafers" (M01) was issued on January 8, 2020 (License number D0155-00 issued by Southern Taiwan Science Park) and will expire on January 7, 2025.
License of sewage system	FAB1: The Company obtained the license for sewage system, which is issued by Southern Taiwan Science Park on September 22, 2020 (License number: No. 1090025471). FAB2: The Company obtained the license for sewage system, which is issued by Southern Taiwan Science Park on August 5, 2019 (License number: No. 1080021786).
License of water pollution control	FAB1: The Company obtained the license for water pollution control, issued by Southern Taiwan Science Park on January 27, 2021 (License number: D0102-09) and will expire on January 26, 2026. FAB2: The Company obtained the license for water pollution control, issued by Southern Taiwan Science Park on November 14, 2019 (License number: D0147-01) and will expire on November 13, 2024.
Industrial waste disposal plan	FAB1: The Company obtained the approval of the Southern Taiwan Science Park for the industrial waste disposal plan on July 6, 2021 (License number: No. 1100019674). FAB2: The Company obtained the approval of the Southern Taiwan Science Park for the industrial waste disposal plan on August 1, 2022 (License number: No. 1110022782).
Registration of toxic chemical substances	The Company obtained the approval of registration of toxic chemical substances issued by Tainan City Government on August 17, 2020. The license for phosphine (License number: No. 000074) will expire on July 16, 2023.
Approval of toxic chemical substances	FAB1: The Company obtained the approval of toxic chemical substances issued by Tainan City Government on August 17, 2020. The license for potassium dichromate and chlorine (License number: No. 000432) will expire on February 12, 2024. FAB2: The Company obtained the approval of toxic chemical substances issued by Tainan City Government on August 17, 2020. The license for phosphine and chlorine (License number: No. 000431) will expire on October 13, 2024.

Approval of concerned chemical substances	FAB1: The Company obtained the approval of concerned chemical substances issued by Tainan City Government on January 19, 2023. The license for nitrous oxide (laughing gas) and hydrofluoric acid (License number: No. 000024) will expire on April 11, 2026.
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b. Pollution control fees

Units: NT\$ thousand

Categories/ Year	2021	2022
Air pollution control fee	12	11
Sewage system fee	346	382
Soil and groundwater pollution remediation fee	22	26

c. The status of environmental designation

- (1) Designated person for air pollution control (with Class A technician license): Has been designated.
- (2) Designated person for waste water control: Not Applicable.
- (3) Professional for toxic chemical substance control: Has been designated.

B. The investment on main facilities for prevention of environmental pollution, the application, and potential benefit:

March 31, 2023 Units: NT\$ thousand

Name of equipment	Set	Date of acquisition	Acquisition Cost	Non-depreciation amount	Application and potential benefit
Sewage system	7	2012.07~2022.11	63,210	41,626	Treatment of wastewater from manufacturing procedure
Waste gas system	7	2012.07~2020.06	49,692	32,328	Treatment of waste gas from manufacturing procedure
Wet scrubber	17	2011.09~2022.05	71,866	18,613	Treatment of waste gas from manufacturing procedure

C. Any dispute about pollution caused by the Company for its measures to eliminate environmental pollution in the most recent 2 years and in the current year as of the printing date of annual report should be illustrated, and the reactive measures should be explained: None.

- D. If the Company suffers from any loss because of environmental pollution (including the compensation, outcome of review on environmental protection measures), the date of treatment, official number of treatments, the specific item of legal regulation it violates, the content of violation, content of treatment should be explained; the estimated amount of potential loss at present and in the future and the reactive measures should be revealed. When reasonable estimation cannot be provided, explanation for the such cases should be offered: None.
- E. Any effect on the Company's revenue, competitiveness, and capital expense resulted from the current environmental pollution and the improvement, and the estimated expenditures on major environmental protection measures in the following two years: The Company did not suffer any loss from matters of pollution. The estimated expenditures for waste treatment in the following 2 years is NT\$ 10,000 thousand.

v. Labor Relations

- A. Set forth all employee benefit measures, opportunities for professional development and training, and the pension system, and the situation of their implementation. Also describe any negotiations/agreements between employer and employees and any measures to safeguard employee interests.

The Company values its employees and respect the uniqueness of each individual. The employees are the strategic assets of the Company that can bring competitive edge for the Company. So, the Company adopts the humane and systematic method for human resource management. Each employee is treated equally and offered an appropriate communication channel for expressing their opinions. The Company also seeks to help employees to reach work-life balance so that they could be long-term strategic partners of the Company.

The functional policy for human resource management is as below:

a. Remuneration policy:

With consideration of the market trend and the operational conditions, the Company has established the remuneration policy that is incentive to the employees and competitive in the industry.

- To develop and establish a remuneration policy that is fair, reasonable, and equal for each employee.
- To establish remuneration policy based on the condition of supply and demand on the labor market.
- To “use” the talent appropriately and reach job objectives with their professional competence.

(1) Employees' welfare

- Welfare of the Company: Labor/health insurance, year-end-bonus and employee remuneration, draw-lots activities at year-end reward party, employee group insurance, health check, travel insurance, emergency allowances, child-rearing subsidy for 0-6-year-old child, talent recommendation awards, gift for employees' children for new semester begins, Quarterly meal subsidy for every department, etc.
- Benefits of Welfare Committee: Birthday subsidy, marriage subsidy, childbirth subsidy, subsidy of funeral, illness compensation, travel subsidy, charter stores, subsidies of clubs, etc. Besides, the Company provides diversified holiday welfare points of appointed e-commerce platform. (Mid-Autumn Festival, Dragon Boat Festival, Labor Day)
- Irregularly scheduled employee relationship and social care activities: To advocate that life is not only for work, to unite employees and enhance the relationship within family through different employees' relationship activities every year. The Company also collaborates with public welfare or disadvantaged groups to encourage employees to

show their own efforts to the society. Although Family Day, Mid-Autumn Dinner, and sports tournaments were suspended due to the pandemic in 2022, our efforts to social care never stop. The Company initiated the support for students in rural areas, and donated resources and subsidy to their school teams and clubs. In addition, the Company raised second-hand shoes for donation to rural areas in Africa.

(2) Pension system and practice

- The Company's pension system and guidelines for pension plans have been established according to Labor Standard Act (old version), and employees' pension is allocated to a designated account of Taiwan Bank. The amount of pension is calculated according to the base number for service years and the average salary within 6 months before the retirement. Each employee gets two base points for each service year for the first 15 years of the total service years. Then, 1 base point for each year afterward and forty-five is the maximal number.
- The Company has adopted the Defined Contributed Pension Plan (the new version) under Labor Pension Act since July 1, 2005 and job tenure is traced back for service years before the above-mentioned provisions. 6% of the employee's monthly salary is allocated to the personal pension account of Bureau of Labor in accordance with the Salary Classification of Labor Pension. The employee can allocate an additional amount within 6% of the monthly salary to the personal pension fund.

b. Policy for training and professional development:

- (1) Growth of the Company depends on employees to exert their profession and management talents. The Company emphasizes the employees' development and devotes itself to establishing a diverse and sustainable learning environment (including on-the-job training, training courses, online learning, work instruction, and job rotation). The Company also established an "Employee Education and Training Procedure" to integrate internal and external resources, motivate employees, improve personal performance through the training and development system.
- Establishing a diverse and practical training system to improve employees' professional abilities and assist in their career development.
 - Passing on good experiences, shaping a learning organization, and enabling the company to continuously innovate and establish the foundation for sustainable management.
 - Continuously improving work processes and enhancing efficiency to refine the core competitiveness of the company.

(2) The LandMark education system is divided into three pillars: Off-JT, OJT, and SD, which are implemented in the talent training program. We provide internal and external training resources to encourage employees to continue their education and engage in professional knowledge and interdisciplinary learning. We are committed to providing a personalized and sustainable working environment to improve the professional skills of our colleagues. We aim to recognize the contributions of every individual and provide them with a sense of confidence and achievement in their work. The education and training we provide as below:

- Training for new employee covers fundamental training and orientation to the Company, including business philosophy, welfare, remuneration, occupational safety, environment, management systems, etc.
- General Education course covers industrial security, security hygiene, quality classification, emergency responses at the factory, etc.
- Training professional / occupational competence covers training for staff of different sections, including industrial equipment operation, manufacturing engineering, accounting, and other topics.
- Management training is functional development-oriented training courses for supervisors to enhance their leadership at all levels.
- Customized training is the professional training to cultivate talents according to the status of the organization.

In 2022, there were 123 courses for professional development, which is 7,765 hours of training, and totally 3,691 people participating in the courses.

c. Measures to protect employees' rights:

- (1) The Company observes local regulations to promulgate and implement "human right policy," of which that all types of forced labor is strictly banned; the Company never force or threaten any people to conduct labor against their will.
- (2) Employees are encouraged to complete the job efficiently while maintaining a good work-life/health balance. It is also continuously communicating with, taking care of, and motivating employees so that they could have recognition for the organization.
- (3) Channel of communication for employees:
 - The open and transparent channels for mutual communication between the supervisors and the employees as well as those for communication between the colleagues have been established. The Company holds quarterly labor-management meeting so as to have the employee opinions heard and treated through a fair and effective mechanism.

Hopefully, the harmony between labor and manager to reach win-win situation between the corporation and employees.

- Staff suggestion box is a channel for employees to reflect the issues for job and the working environment which Includes physical mailbox and online feedback.
- The employee website publicizes important announcement of the Company, award information, propaganda for recent activities, and other latest news.
- The Company offers the channel for confidential complaints of major issues in administration, finance, auditing, moral conduct, and other issues.

(4) Incentive plans

The Company encourages outstanding employees through internal incentives and recognizes performance in different fields to optimize the competitiveness of the organization. The incentive plans are as below:

- The Company offers seniority incentives for veteran employees as a token of appreciation for their long-term commitment and contribution.
- The Company offers employees incentives for raising proposals to increase efficiency in life and work, optimize work environment, enhance product quality, lower the defect rate, lower the cost, etc. The “Guidelines for enhancing proposal management” has been established, and employees would be awarded for proposing creative ideas.
- Subsidies for developing new techniques: The Company encourages to keep developing techniques. The internal will be given awards and praises if there is excellent performance on research.
- Commendation on Teacher’s Day: To thank employees who serve as internal lecturers and the mentors of new staffs for inheriting skills and knowledge. In addition to the incentive program, employees are commended for their outstanding performances on Teacher’s Day.

(5) Talent retention

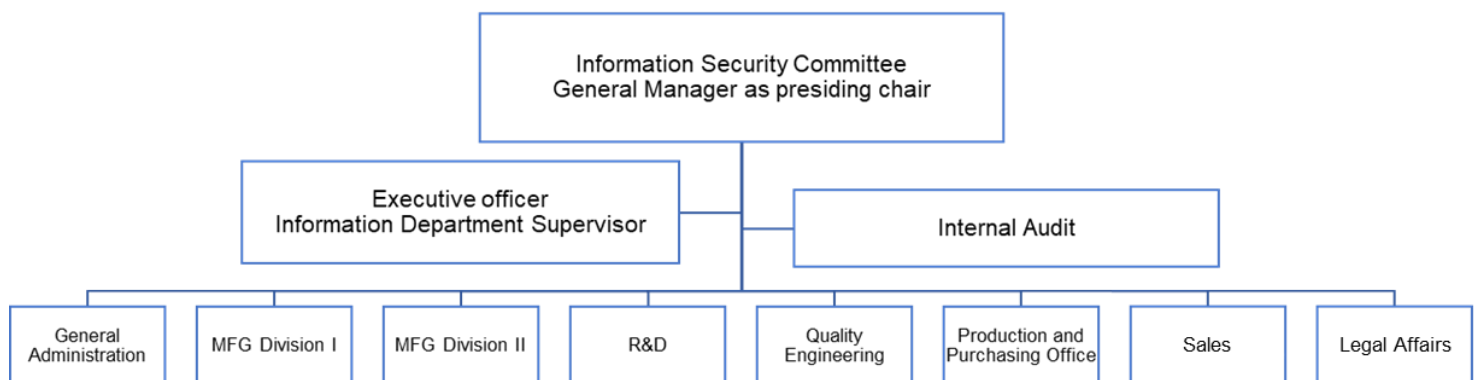
The Company emphasizes retaining employees with outstanding job performance for its continuous growth. It improves work environment in terms of employee adoption, professional growth, and career development as well as a competitive compensation package for its employees.

- B. Describe any loss suffered by the Company due to labor disputes in the most recent fiscal years and in the current fiscal year as of the date of publication of the prospectus, and disclose an estimate for the number of losses that have been incurred to date and may be incurred in the future, as well as response measures. If a reasonable estimate cannot be made, explain why not: None.

vi. Information security management

- A. State the information security risk management framework, the information security policy, the specific management plan, resources invested in the security management of information, etc.:

To ensure and implement the Company's information security management, the Information Security Committee was established in 2021, and convene a conference to discuss operation of information security twice a year. General Manager serves as the chair to set up a cross-functional team. The organization chart is as follows:



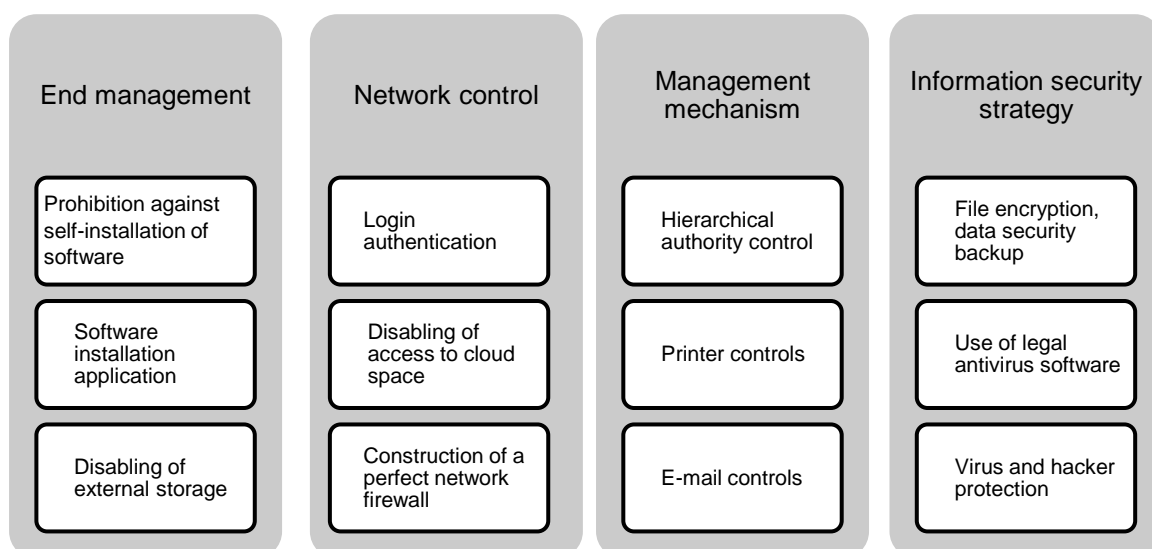
Information Security Committee responsibilities

1. Review of information security policies and measures
2. Inspection and review of information security management system
3. Review of information security promotion plan
4. Assessment and agreement on information security infrastructure

Information Security Policy

- Organize information security training and promotion to build employees' awareness of information security.
- Protect the Company's confidential information.
- Respect intellectual property rights and protect customer and company information.
- Protect against computer virus attacks.
- Ensure that all information security incidents or suspected security weaknesses are reported in accordance with the appropriate notification mechanism, and are properly investigated and addressed.
- Meet the requirements of relevant laws or regulations and to achieve the goal of business sustainability.

Specific information security proposal



Operations in 2022

1. The Company held two information security committee meetings in 2022 to explain the implementation of the Company's information security protection related operations in 2022; and reported to the Board of Directors the implementation of information security risk management on December 28, 2022.
2. Department of IT is staffed by six people who are responsible for purchase, maintenance and update of software and hardware. The Company will allocate an appropriate number of information staff based on the business scale, operation and management requirement in the future.
3. The Company conducts information security propaganda irregularly. There were five information security propagandas in 2022. The Company also places the content of the presentation on internal employee system for reference. In addition, the Company conducts Information security training for every staff in the Company every year. There were 300 attendees in 2022

B. Losses suffered due to major information security incidents in the most recent year and as of the publication date of the annual report, possible impact, and response measures. If this cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be stated: None.

vii. Important Contracts

Types of contracts	Involved parties	Starting date and expiration date of contract	Major content	Restrictions
Land lease	Southern Taiwan Science Park	August 1, 2010 - July 31, 2030	Lease of land in Southern Taiwan Science Park	The lease term should not exceed 20 years; a new contract could be established after expiration of the lease.
Land lease	Southern Taiwan Science Park	October 26, 2017 - October 25, 2037	Lease of land in Southern Taiwan Science Park	The lease term should not exceed 20 years; a new contract could be established after expiration of the lease.

VI. Overview of the Company's Financial Status

i. Condensed Balance Sheet and Statements of Comprehensive Income for the last 5 years

A. Simplified balance sheet—presented in the format of International Financial Report Standard

Units: NT\$ thousand

Year Item		Financial Summary for the last five years (Note 1)				
		2018	2019	2020	2021	2022
Current Assets		2,824,414	1,984,233	2,407,728	2,380,923	2,511,264
Property, plant and equipment		1,560,680	2,474,242	2,386,879	2,122,813	2,163,544
Right-of-use assets		—	318,047	322,034	312,381	305,964
Intangible assets		12,197	11,238	10,840	5,992	6,090
Other assets		52,772	42,740	64,008	159,011	130,560
Total assets		4,450,063	4,830,500	5,191,489	4,981,120	5,117,422
Current liabilities	Before distribution	413,710	448,258	519,081	391,082	449,528
	After distribution	868,551	811,989	975,927	710,874	771,065
Non-current liabilities		3,429	315,771	323,306	317,749	311,355
Total liabilities	Before distribution	417,139	764,029	842,387	708,831	760,883
	After distribution	871,980	1,127,760	1,299,233	1,028,623	1,082,420
Equity attributable to the parent company		4,032,924	4,066,471	4,349,102	4,272,289	4,356,539
Capital stock		909,802	909,512	913,732	913,692	918,677
Capital surplus		1,743,269	1,743,559	1,844,833	1,844,873	1,872,362
Retained earnings	Before distribution	1,443,936	1,439,033	1,664,138	1,543,164	1,599,934
	After distribution	989,095	1,075,302	1,207,272	1,269,057	1,324,331
Other equities		(64,083)	(25,633)	(73,601)	(29,440)	(34,434)
Treasury stock						
Non-controlling equity						
Total equity	Before distribution	4,032,924	4,066,471	4,349,102	4,272,289	4,356,539
	After distribution	3,578,083	3,702,740	3,892,256	3,952,497	4,035,002

Note 1: Financial information of each year has been certified by CPAs.

B. Simplified composite income sheet—presented in the format of International Financial Report Standard

Units: NT\$ Thousands

Item \ Year	Financial Summary for the last five years (Note 1)				
	2018	2019	2020	2021	2022
Operating revenue	2,362,205	2,136,270	2,309,089	1,872,703	2,380,885
Gross profit	1,275,861	1,027,307	1,164,478	768,457	759,025
Operating income	842,451	534,006	708,151	412,071	333,983
Non-operating income and expenses	37,371	4,615	5,484	5,914	44,406
Profit before income tax	879,822	538,621	713,635	417,985	378,389
Net profit of continuing department	879,822	538,621	713,635	417,985	378,389
Loss of discontinued department	—	—	—	—	—
Net profit	696,822	450,150	590,736	337,544	329,536
Other comprehensive income (after tax)	(165)	(212)	(1,900)	(1,672)	1,341
Total comprehensive income	696,657	449,938	588,836	335,872	330,877
Net profit (loss) attributable to parent company	696,822	450,150	590,736	337,544	329,536
Net profit (loss) attributable to non-controlling equity	—	—	—	—	—
Total comprehensive income attributable to parent company	696,657	449,938	588,836	335,872	330,877
Total comprehensive income attributable to non-controlling equity	—	—	—	—	—
EPS (NT\$)(Note 2)	7.71	4.97	6.50	3.71	3.61

Note 1: Financial information of each year has been certified by CPAs.

Note 2: Earnings per share was calculated by weighted average number of ordinary shares, and the additional shares transmitted from earnings or additional paid-in capital can be calculated by retrospective adjustment.

C. Names of CPAs in the most recent 5 years and audit opinion

Year	Accounting Firm	CPA	Audit Opinion
2018	KPMG Taiwan	Hui-Yuan Chen, Chen-Lung Hsu	unqualified opinions
2019	KPMG Taiwan	Hui-Yuan Chen, Chen-Lung Hsu	unqualified opinions
2020	KPMG Taiwan	Yen-Da Su, Chen-Lung Hsu	unqualified opinions
2021	KPMG Taiwan	Yen-Da Su, Chen-Lung Hsu	unqualified opinions
2022	KPMG Taiwan	Yen-Da Su, Chen-Lung Hsu	unqualified opinions

ii. Financial Analysis for the last 5 years

A. IFRSs

<div> <div></div> <div>Year</div> <div>Item</div> </div>		Financial Analysis for the last five years (Note 1)				
		2018	2019	2020	2021	2022
Financial structure %	Liabilities to total assets	9.37	15.82	16.23	14.23	14.87
	Long-term fund to property, plant and equipment	258.63	177.11	195.75	216.22	215.75
Insolvency %	Current ratio	682.70	442.65	463.84	608.80	558.64
	Quick ratio	620.67	397.75	421.23	531.03	471.11
	Times Interest Earned	—	—	—	—	—
Utility	Receivables turnover (time)	5.16	4.60	4.34	4.03	6.28
	Average number of days receivables outstanding	71	79	84	91	58
	Inventory turnover (time)	4.64	5.00	5.72	4.44	4.87
	Payables turnover (time)	15.55	15.00	11.34	11.05	12.22
	Average number of days of sales	79	73	64	82	75
	Property, plant and equipment turnover (time)	1.77	1.06	0.95	0.83	1.11
	Total assets turnover (time)	0.60	0.50	0.50	0.37	0.47
Profitability	ROA (%)	16.40	9.78	11.85	6.70	6.60
	ROE (%)	17.97	11.12	14.04	7.83	7.64
	Income before tax to paid-in capital (%)	96.70	59.22	78.10	45.75	41.19
	Profit margin (%)	29.50	21.07	25.58	18.02	13.84
	EPS (NT\$)	7.71	4.97	6.50	3.71	3.61
Cash flow	Cash flow ratio (%)	256.86	200.92	195.91	261.31	142.22
	Cash flow adequacy ratio (%)	108.45	89.85	92.11	88.59	91.45
	Cash flow reinvestment ratio (%)	11.43	7.77	10.10	8.23	4.32
Leverage	Operating leverage	1.42	1.74	1.66	2.20	2.43
	Financial leverage	1.00	1.01	1.01	1.01	1.01
Explanation of reasons for changes in each financial rate in the most recent two years: (No analysis is necessary when the ratio of change is under 20%) 1. Increase in receivable turnover and decrease in average number of days receivables outstanding: Due to the shorter payment period of the main customers which accounted for the largest proportion of revenue in 2022, the average turnover rate increased. 2. Increase in PPE turnover and total asset turnover: Due to the increase in net sales in 2022. 3. Decrease in profit margin: The proportion of sales of PD products in 2022 increased significantly, and the gross profit of these products were lower than that of LD products. 4. Decrease in cash flow ratio and cash flow reinvestment ratio: Due to the decrease in cash flow from operating activities in 2022.						

Note 1: The financial information is certified by CPAs.

Formula illustration:

1. Financial structure

- (1) Liabilities to total assets = Total liabilities / total assets
- (2) Long-term capital to property, plant and equipment = $(\text{total equity} + \text{non-current liabilities}) / \text{property, plant and equipment, net}$

2. Insolvency

- (1) Current ratio = current assets / current liabilities
- (2) Quick ratio = $(\text{current assets} - \text{inventory} - \text{prepayment}) / \text{current liabilities}$
- (3) Times Interest Earned = $\text{income tax and interest expenses} / \text{net income before income tax/interest expenses in the current period}$

3. Business performance

- (1) Receivables (including accounts receivable and notes receivable resulting from operation) turnover = $\text{net sales} / \text{balance (gross) of average accounts receivable (including accounts receivable and notes receivable resulting from operation)}$
- (2) Average number of days receivable outstanding = $365 / \text{accounts receivable turnover}$
- (3) Inventory turnover = $\text{sale cost} / \text{average inventory}$
- (4) Payables (including accounts payable and notes payable resulting from operation) turnover = $\text{net sales} / \text{balance (gross) of average accounts payable (including accounts payable and notes payable resulting from operation)}$
- (5) Average number of days of sales = $365 / \text{inventory turnover}$
- (6) property, plant and equipment turnover = $\text{net sales} / \text{average property, plant and equipment, net}$
- (7) Total assets turnover rate = $\text{net sales} / \text{average total assets}$

4. Profitability

- (1) ROA = $[\text{income after income tax} + \text{interest expense} \times (1 - \text{tax rate})] / \text{average total assets}$.
- (2) ROE = $\text{Income after income tax} / \text{average total equity}$
- (3) Profit margin = $\text{Income After income tax} / \text{net sales}$
- (4) Earnings per Share = $(\text{income attributable to parent company} - \text{dividends from preferred shares}) / \text{weighed average quantity of outstanding shares}$

5. Cash flow

- (1) Cash flow ratio = $\text{Net cash flow from operating activities} / \text{current liabilities}$
- (2) Net cash flow adequacy ratio = $\text{Net cash flow from operating activities in the most recent five years} / (\text{capital spending} + \text{increase in inventory} + \text{cash dividends}) \text{ in the most recent five years}$
- (3) Cash reinvestment ratio = $(\text{Net cash flow from operating activities} - \text{cash dividends}) / (\text{gross of property, plant and equipment} + \text{long-term investment} + \text{other non-current assets} + \text{working capital})$

6. Leverage:

- (1) Operating leverage = $(\text{Net operating revenue} - \text{changed operating costs and expenses}) / \text{operating income}$
- (2) Financial leverage = $\text{Operating income} / (\text{operating income} - \text{interest expenses})$

iii. Audit Committee's Review Report

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2022 Business Report, Financial Statements and proposal for allocation of earnings. The CPA firm of KPMG was retained to audit LandMark Optoelectronics Corporation's Financial Statements and has issued an audit report with unqualified opinion relating to the Financial Statements.

The Business Report, Financial Statements, and earnings allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of LandMark Optoelectronics Corporation. According to the Securities and Exchange Act and the Company Act, we hereby submit this report.

Chairman of the Audit Committee: *James Wang*

February 1, 2023

iv. Financial Statements for the Years Ended December 31, 2022 and 2021, and Independent Auditors' Report: Please refer to Appendix 1.

v. Parent Company Only Financial Statements for the Years Ended December 31, 2022 and 2021 and Independent Auditors' Report: Not applicable.

vi. Financial Difficulties for the Company and its Affiliates:

The Company should disclose the financial impact to the Company if the Company and its affiliated companies have incurred any financial or cash flow difficulties in 2022 and as of the date of this Annual Report: None.

VII. The Review and Analysis of the Company's Financial Position and Financial Performance as well as Assessment of Risks

i Analysis of Financial Status

Units: NT\$ thousands; %

Item \ Year	2021	2022	Amount Variance	Ratio Variance (%)
Current Assets	2,380,923	2,511,264	130,341	5.47
Property, plant and equipment	2,122,813	2,163,544	40,731	1.92
Right-of-use assets	312,381	305,964	(6,417)	(2.05)
Intangible assets	5,992	6,090	98	1.64
Other assets	159,011	130,560	(28,451)	(17.89)
Total assets	4,981,120	5,117,422	136,302	2.74
Current liabilities	391,082	449,528	58,446	14.94
Non-current liabilities	317,749	311,355	(6,394)	(2.01)
Total liabilities	708,831	760,883	52,052	7.34
Capital stock	913,692	918,677	4,985	0.55
Capital surplus	1,844,873	1,872,362	27,489	1.49
Retained earnings	1,543,164	1,599,934	56,770	3.68
Other equities	(29,440)	(34,434)	(4,994)	16.96
Total shareholders' equity	4,272,289	4,356,539	84,250	1.97
Significant changes in assets, liabilities, and equities in the most recent two years (when the change is over 20 percent and the absolute amount of change amounts to NT 10 million dollars), the main reason, the impact, and the Company's responsive measures: None				

ii. Financial performance

A. Profit and loss statement of the most recent two years

Units: NT\$ thousands; %

Item \ Year	2021	2022	Amount Variance	Ratio Variance (%)
Operating revenue	1,872,703	2,380,885	508,182	27.14
Operating costs	1,104,246	1,621,860	517,614	46.87
Gross profit	768,457	759,025	(9,432)	(1.23)
Operating expenses	356,386	425,042	68,656	19.26
Operating income	412,071	333,983	(78,088)	(18.95)
Non-operating income and expenses	5,914	44,406	38,492	650.86
Profit before income tax	417,985	378,389	(39,596)	(9.47)
Income tax expenses	80,441	48,853	(31,588)	(39.27)
Net profit	337,544	329,536	(8,008)	(2.37)
Other comprehensive income (after tax)	(1,672)	1,341	3,013	(180.20)
Total comprehensive income	335,872	330,877	(4,995)	(1.49)
<p>Explanation of reasons for changes in each financial rate in the most recent two years: (no analysis is necessary when the ratio of change is under 20%)</p> <p>(1) Increase in operating revenues: The main momentum of growth was due to the increase in the application of InP (indium phosphide) products to consumer electronics such as mobile phones and wireless headphones of well-known U.S. brands.</p> <p>(2) Increase in operating costs: Due to the significant increase in product shipments of larger substrates, the corresponding material costs have also increased.</p> <p>(3) Increase in non-operating income and expenses: It was due to the increase in foreign exchange gain.</p> <p>(4) Decrease in income tax expense: The decrease in income tax expense was due to the decrease in profit before income tax.</p> <p>(5) Increase in other comprehensive income: This was due to a change of remeasurements of the defined benefit plans.</p>				

B. Sales volume forecast and related information, its impact on the financing business of the Company, and plan of responsive matters.

The Company has no publicly available financial forecasts. Internal targets are set based on the market environment for the industry, market supply and demand conditions and the Company's operating conditions. The Company is devoting more resources in research and development to keep up with the latest technology. By constantly upgrading product quality, the Company is expected to explore new clients and increase its market share.

iii. Analysis of Cash Flow

A. Illustration on changes of the cash flow in the recent years

Units: NT\$ thousands

Cash balance – beginning of the period (1)	Cash flow of operating activities throughout the year (2)	Amount of cash outflow throughout the year (3)	Amount of surplus (shortage) of cash. (1)+(2)+(3)	Responsive measures with cash balance	
				Investment plan	Financing plan
1,771,121	639,312	(766,927)	1,643,506	—	—
(1) Operating activities: The cash inflow is NT\$ 639,312 thousand, which is mainly from sales transaction. (2) Investing activities: The cash outflow is NT\$ 460,418 thousand, which is mainly from procurement of production equipment. (3) Financing activities: The cash outflow is NT\$ 305,583 thousand, which is mainly from cash dividend payment. (4) The amount of effects of exchange rate changes on balance of cash held in foreign currencies is NT\$ 926 thousand.					

B. Remedy for Cash Deficit and Liquidity Analysis: Not applicable.

C. Cash Flow Analysis for the coming year

Cash balance – beginning of the period (1)	The estimated cash flow of operating activities throughout the year (2)	The estimated cash flow of investment and financing activities throughout the year (3)	The estimated amount of surplus (shortage) of cash. (1)+(2)+(3)	Responsive measures with cash balance	
				Investment plan	Financing plan
1,643,506	496,849	(508,916)	1,631,439	—	—
1. Analysis on changes in cash flow in the following year: (1) Operating activities: The cash inflow from the collected receivables for operating activities in 2023 is expected to be NT\$ 496,849 thousand. (2) Investing activities: The capital expenditure for procurement of property, plant and equipment in 2023 is expected to be NT\$ 187,379 thousand, which will result in cash outflow for investment in production facilities. (3) Financing activities: The cash outflow for cash dividend payment and cash distribution from capital surplus in 2023 is estimated to be NT\$ 321,537 thousand, which will result in cash outflow for financing activities. 2. Remedial Actions for Cash deficit and Liquidity Shortfall: Not applicable.					

iv. Major Capital Expenditure Items

Project	The actual or planned source of capital	The estimated amount of capital required	Schedule for capital use	
			2022 (Actual expenditure)	2023 (Estimated expenditure)
Capital Expenditure of equipment purchase	Private capital	352,102	189,723	162,379

The Company has stable profit earnings; the above-mentioned expenditures do not have major impact on its financing condition for the private capital remains abundant.

v. The Company's Reinvestment Policy for the most recent fiscal year, the main reasons for the profits or losses generated thereby, the plan for improving re-investment profitability, and investment for the coming year.

1. The Company's reinvestment policies: None.
2. Main reason for profits or loss: Not applicable.
3. Plans of improvement: Not applicable.
4. Investment plan for the following year: None.

vi. Risk Management

1. The effect on the Company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future:

(1) Changes in interest

The Company has abundant private capital, and there is no need to loan from financial institutes. Changes in interest rate will not have significant impact on the Company's operation.

(2) Changes in exchange rate

A significant proportion of the Company's product is sold overseas, and the receivables of such cases would be calculated in U.S. dollars. The purchasing price of raw materials is also calculated in U.S. dollars. The gain from exchanging currencies in 2022 was NT\$ 40,665 thousand, taking up 1.71% of the annual revenue; the impact is not major. However, such impact of fluctuation in exchange rate may still influence the operation. So, the Company would continuously estimate and manage the revenue and expenses in U.S. dollars. It would also invest in derivative financial products like forward currency contracts to reduce the impact of fluctuation in exchange rate.

(3) Inflation

There is no significant impact of inflation on the Company's operation so far. To stabilize the price, the Company keeps up with the latest political and economic changes around the world, maintain good relationship with suppliers and clients, adjust procurement and sales strategies to take proper measure in response of the changing situations, such as inflation, to avoid suffering from loss.

2. The Company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transaction; the main reasons for the profits/ losses generated thereby; and response measures to be taken in the future.

(1) The Company is primarily engaged in research and development and manufacturing and sales, and does not engage in high-risk and high-leverage investments.

- (2) The Company is not involved in any loans or endorsement in the most recent year and in current year as of the printing date of the annual report. The Company has also established “Regulations Governing Lending of Funds” and “Regulations Governing Making Endorsements and Guarantees” for future reference.
- (3) The Company's derivatives trading operations are only limited to forward exchange transactions to hedge the U.S. dollar exchange rate. The Company follows the “Procedures for the Acquisition or Disposal of Assets” as a guideline for derivative trading. In the future, the Company will continue to engage in derivative trading based on the principle of prudence, and will focus only on hedging the exchange rate risk arising from its business.
3. Research and development work to be carried out in the future, and further expenditures expected for research and development work:
- The Company's product is mainly applied in optical communication, and it is the key active component of communication and transmission. Optical communication will become the mainstream in the future due to the growth of demand for communication and transmission. Greater demand for high-speed and transmission of massive information will occur with establishment of base stations, data transmission and storage through optical techniques, household optical fiber, cloud computing, and other applications. Besides, laser products in consumer electronic device will be one of the focused aspects in the future. The expenditure on research and development took up around 10%~18% of the annual revenue in recent years. As more products are under development, it is expected that such expenditure will remain the same or increase in the following years; the Company can thus remain competitive with product differentiation strategies.
4. Effect and corresponding measures of important domestic and international policy and legal changes on the Company's finance and business:
- The Company has established relevant operation guidelines and procedures and followed domestic and international relevant regulations and laws. No major impact on the operation of the Company has occurred for changes in the domestic and overseas policies and laws, and the Company will closely monitor such changes. The Company will also ask lawyers, CPAs, and other professionals for suggestions, evaluations, and corresponding measures to follow such regulation and lower negative impact of the Company's finance and business.

5. The impact of technological changes (including information security risks) and industrial changes on the Company's finance and business and corresponding measures: corresponding
- (1) The Company keeps up with development of the industry, notes the changes in operating environment, collect information about the market, and adjusts operating strategies and product allocation accordingly for keeping its edge on the market. No impact of above-mentioned phenomenon on the Company's business has occurred in the recent year and in current year as of the printing date of annual report.
- (2) Information security risk assessment: Please refer to pages 104 to 105 of this annual report for the Company's information security management policies and specific management plans. The Company regularly evaluates information security risks, implements information security education and training, and establishes an audit mechanism for the implementation of information security maintenance plans to strictly implement information security risk management. For the most recent year and as of the date of this annual report, the Company has not suffered any material damages due to a major information security incident that has affected its financial operations.
6. Effect of changes in the Company's corporate image on the Company's crisis management and the corresponding measure:
- Since the establishment of the Company, we have been committed to maintaining the image of the Company and actively strengthening the internal management of the Company. The Company keeps innovating its products and optimizing the service to cater to clients' needs. In addition, the Company has incorporated ESG into the core of its business operations, pursuing performance growth while taking into account the integrated development of all aspects of ESG.
7. Expected synergy and potential risks associated with any merger and acquisitions, and corresponding measures:
- The Company has no plan for merger or acquisition in the recent year or in current year as of the printing date of the annual report. In the event of future mergers and acquisitions, we will follow relevant laws and regulations and conduct various synergy assessments and risk controls in a prudent manner in order to maximize profitability and minimize risk to the Company's overall operations.

8. Expected benefits and possible risks associated with any plant expansion, and corresponding measures:

The Company has no plant expansion plans in the most recent year or as of the date of publication of this annual report. The Company's future plant expansion plans will depend on industry trends, customer demand, the market supply and demand, and other factors, and will adopt the most appropriate operating strategy to carry out capacity expansion plans or production adjustments. If an economic downturn occurs, together with the sluggish market demand in the future, the Company will closely monitor the market condition to adjust the expansion plan, actively broaden customer bases, develop new technology, and improve the yield rate to decrease the cost, so as to optimize the benefits of expansion and establish solid and long-term competitive advantage.

9. Risks associated with excessive concentration of sales or purchasing sources, and corresponding measures:

- (1) Risks associated with excessive concentration of purchasing sources and the corresponding measures

The Company has established favorable cooperative relationships with each raw material supplier. There are more than two suppliers for each product. Supply is in good condition, and there has never been an interruption of supply that affects production. The Company's largest raw material supplier in 2022 accounted for approximately 69% of the net purchases, mainly due to the lower costs with bulk purchasing and accessible supplier management. The Company not only maintains the good relationship with suppliers but also strengthen the cooperation with each other. In addition, the Company constantly approaches new suppliers and encourages the clients to join the inspection on the products so as to ensure flexibility as well as mitigate the risk in excessive concentration of purchasing operations. The Company will dynamically adjust the purchasing management and requirement depending on the production condition to ensure stable supply of raw materials.

- (2) Risks associated with excessive concentration of sales and the corresponding measures

The top three customers accounted for 59% of the Company's revenue in FY2022, and the Company's sales to the top three customers were mainly epi-wafers for consumer sensor devices and optical communication applications. The Company established strong connection with the clients, which ensures stable amount of order and revenue.

In order to diversify the risk of over-concentration of sales, the Company has been actively developing different applications, helping the Company to mitigate the revenue fluctuation from a single market segment.

10. The impact and risk of large share transfers or changes in shareholdings by directors, supervisors, or top-ten major shareholders with over 10 percent of outstanding stocks and corresponding measures:

In the most recent year and as of the publication date of the annual report, no directors or substantial shareholders holding more than 10% of shares have transferred or replaced their shares in large quantities.

11. The impact and risk of changes in the Company's management control and corresponding measures:

There have been no changes in control over the Company in the most recent year and up to the date of publication of the annual report.

12. Litigation or non-litigation matters:

(1) If the Company is involved in a lawsuit event, a non-contentious case, or an administrative lawsuit event which is convicted or still under the lineage until the printing date of annual report, which has great impact on equity of shareholder or price of stock, and such condition has significant impact on shareholders' equities, the factual argument, value of target object, starting date of the lawsuit, involved parties, and treatment at present should be presented: None.

(2) If the Company's director, supervisor, general manager, actual owner, shareholders possessing over 10 percent of outstanding shares, and the affiliations is involved in a lawsuit event, a non-contentious case, or an administrative lawsuit event which is convicted or still under the lineage until the printing date of annual report, which has great impact on equity of shareholder or price of stock, and such condition has significant impact on shareholders' equities, the major impact should be revealed: None.

13. Other significant risks and corresponding measures: The Company has been following the latest requirement for developing internal auditing system and relevant regulations to reinforce corporate risk management.

vii. Other Notable Matters: None.

VIII. Special Disclosure

- i. Information Related to the Company's Affiliates: None.
- ii. A Private Placement of securities during the most recent year or during the current fiscal year up to the date of publication of the annual report: None.
- iii. Possession or Disposal of Shares in the Company by the Company's subsidiaries during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.
- iv. Other Matters that require additional description: None.
- v. Any of the Situations Listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders equity or the price of the Company's securities which has occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report shall be listed one by one: None.

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

LANDMARK OPTOELECTRONICS CORPORATION

Financial Statements With Independent Auditors' Report

For the Years Ended December 31, 2022 and 2021

Address: No.12, Nanke 9th Rd, Shanhua Dist., Tainan City, Taiwan R.O.C
Telephone: 886-6-505-8999

The independent auditors' report and the accompanying 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 financial statements, the Chinese version shall prevail.

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安侯建業聯合會計師事務所
KPMG

台南市700002中西區民生路二段279號16樓
16F, No.279, Sec.2, Minsheng Road,
Tainan City 700002, Taiwan (R.O.C.)

電話	Tel	+886 6 211 9988
傳真	Fax	+886 6 229 3326
網址	Web	kpmg.com/tw

Independent Auditors' Report

To the Board of Directors of LandMark Optoelectronics Corporation:

Opinion

We have audited the financial statements of LandMark Optoelectronics Corporation("the Company"), which comprise the balance sheets as of December 31, 2022 and 2021, the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2022 and 2021, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years ended December 31, 2022 and 2021 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 audits 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 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 matter is the matter that, in our professional judgment, was of most significance in our audit of the financial statements of the current period. The matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Valuation of inventories

Please refer to Note 4(g) "Inventories", Note 5 "Significant accounting assumptions and judgments, and major sources of estimation uncertainty," and Note 6(D) "Inventories" of the financial statements.

Description of key audit matter:

The inventories of the Company are measured at the lower of cost and net realizable value. Since the technology in the optoelectronic industry changes rapidly, the old models may quickly be replaced by new ones, resulting in a risk wherein the carrying value of inventories may exceed its net realizable value. Therefore, we determined that the assessment of the valuation of inventories was a key audit matter.

How the matter was addressed in our audit:

- Understood whether the valuation of inventory was performed in accordance with the Company's policy.
- Inspected the inventory aging report and analyzed the trends of inventory aging.
- Assessed the provision for inventory valuation and obsolescence by categorizing the inventories, including sampling and inspecting the accuracy of the inventory aging report and net realizable value of inventories.
- Performed a retrospective review to comparatively analyze the historical accuracy of judgments with reference to actual disposal to assess the rationality of the judgments and assumptions of the current period.
- Assessed whether the disclosure of provision for inventory valuation and obsolescence was appropriate.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the individual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions

are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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 individual 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 Yen-Ta Su and Chen-Lung Hsu.

KPMG

Tainan, Taiwan (the Republic of China)
February 1, 2023

Notes to Readers

The accompanying financial statements are intended only to present the 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 financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying 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 financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements and Report Originally Issued in Chinese)
LANDMARK OPTOELECTRONICS CORPORATION

Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2022		December 31, 2021				December 31, 2022		December 31, 2021	
		Amount	%	Amount	%			Amount	%	Amount	%
Assets						Liabilities and Equity					
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(a))	\$ 1,643,506	32	1,771,121	36	2120	Current financial liabilities at fair value through profit or loss (note 6(b))	\$ 18	-	-	-
1150	Notes receivable, net (note 6(c))	-	-	21,899	-	2130	Contract liabilities-current (note 6(o))	2,472	-	11,968	-
1170	Trade receivables, net (notes 6(c)(o))	458,320	9	274,737	6	2170	Trade payables	176,252	4	89,243	2
1310	Inventories (note 6(d))	376,152	8	289,465	6	2200	Other payables (note 6(j))	207,632	4	203,148	4
1410	Prepayments	17,357	-	14,706	-	2230	Current tax liabilities	54,791	1	78,174	2
1470	Other current assets	13,336	-	6,426	-	2280	Current lease liabilities (note 6(i))	7,141	-	7,363	-
1476	Other financial assets—current (note 8)	<u>2,593</u>	-	<u>2,569</u>	-	2300	Other current liabilities	<u>1,222</u>	-	<u>1,186</u>	-
		<u>2,511,264</u>	<u>49</u>	<u>2,380,923</u>	<u>48</u>			<u>449,528</u>	<u>9</u>	<u>391,082</u>	<u>8</u>
Non-current assets:						Non-Current liabilities:					
1600	Property, plant and equipment (notes 6(e) and 9)	2,163,544	43	2,122,813	43	2580	Non-current lease liabilities (note 6(i))	305,978	6	310,425	6
1755	Right-of-use assets (note 6(f))	305,964	6	312,381	6	2640	Net defined benefit liability—non-current (notes 6(j))	<u>5,377</u>	-	<u>7,324</u>	-
1780	Intangible assets (note 6(g))	6,090	-	5,992	-			<u>311,355</u>	<u>6</u>	<u>317,749</u>	<u>6</u>
1840	Deferred tax assets (note 6(k))	17,951	-	17,163	-		Total liabilities	<u>760,883</u>	<u>15</u>	<u>708,831</u>	<u>14</u>
1980	Other financial assets—non-current (note 8)	12,846	-	13,078	-		Equity attributable to owners of the company (notes 6(k)(l)(m)):				
1900	Other non-current assets (notes 6(h) and 9)	<u>99,763</u>	<u>2</u>	<u>128,770</u>	<u>3</u>	3110	Capital stock	<u>918,677</u>	<u>18</u>	<u>913,692</u>	<u>18</u>
		2,606,158	51	2,600,197	52	3200	Capital surplus	<u>1,872,362</u>	<u>37</u>	<u>1,844,873</u>	<u>38</u>
							Retained earnings:				
						3310	Legal reserve	615,067	12	581,480	12
						3350	Unappropriated earnings	<u>984,867</u>	<u>19</u>	<u>961,684</u>	<u>19</u>
								<u>1,599,934</u>	<u>31</u>	<u>1,543,164</u>	<u>31</u>
						3491	Deferred compensation cost arising from issuance of restricted stock	<u>(34,434)</u>	<u>(1)</u>	<u>(29,440)</u>	<u>(1)</u>
							Total equity	<u>4,356,539</u>	<u>85</u>	<u>4,272,289</u>	<u>86</u>
Total assets		<u><u>\$ 5,117,422</u></u>	<u><u>100</u></u>	<u><u>4,981,120</u></u>	<u><u>100</u></u>		Total liabilities and equity	<u><u>\$ 5,117,422</u></u>	<u><u>100</u></u>	<u><u>4,981,120</u></u>	<u><u>100</u></u>

See accompanying notes to financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)
LANDMARK OPTOELECTRONICS CORPORATION

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	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4100	Operating revenue (note 6(o))	2,380,885	100	1,872,703	100
5000	Operating costs (notes 6(d)(i)(j)(m)(p), 7 and 12)	<u>1,621,860</u>	<u>68</u>	<u>1,104,246</u>	<u>59</u>
5900	Gross profit	<u>759,025</u>	<u>32</u>	<u>768,457</u>	<u>41</u>
6000	Operating expenses (notes 6(c)(i)(j)(m)(p), 7 and 12):				
6100	Selling and marketing expenses	40,967	2	40,922	2
6200	General and administrative expenses	113,836	5	111,508	6
6300	Research and development expenses	268,819	11	204,597	11
6450	Impairment losses (Impairment gains and reversal of impairment losses) determined in accordance with IFRS 9	<u>1,420</u>	<u>-</u>	<u>(641)</u>	<u>-</u>
		<u>425,042</u>	<u>18</u>	<u>356,386</u>	<u>19</u>
6900	Operating income	<u>333,983</u>	<u>14</u>	<u>412,071</u>	<u>22</u>
7000	Non-operating income and expenses (notes 6(i)(q)):				
7100	Interest income	10,342	-	7,234	-
7020	Other gains and losses	38,853	2	2,879	-
7050	Finance costs	<u>(4,789)</u>	<u>-</u>	<u>(4,199)</u>	<u>-</u>
		<u>44,406</u>	<u>2</u>	<u>5,914</u>	<u>-</u>
7900	Profit before income tax	378,389	16	417,985	22
7950	Less: income tax expenses(notes 6(k))	<u>48,853</u>	<u>2</u>	<u>80,441</u>	<u>4</u>
8200	Net profit	<u>329,536</u>	<u>14</u>	<u>337,544</u>	<u>18</u>
8300	Other comprehensive income (notes 6(j)(k)):				
8310	Item that will not be reclassified subsequently to profit or loss:				
8311	Remeasurements of the defined benefit plans	1,676	-	(2,090)	-
8349	Less: income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>(335)</u>	<u>-</u>	<u>418</u>	<u>-</u>
8300	Other comprehensive income (after tax)	<u>1,341</u>	<u>-</u>	<u>(1,672)</u>	<u>-</u>
8500	Total comprehensive income	<u><u>\$ 330,877</u></u>	<u><u>14</u></u>	<u><u>335,872</u></u>	<u><u>18</u></u>
	Earnings per share (in dollars), after tax (note 6(n))				
9750	Basic earnings per share	<u><u>\$ 3.61</u></u>		<u><u>3.71</u></u>	
9850	Diluted earnings per share	<u><u>\$ 3.59</u></u>		<u><u>3.69</u></u>	

See accompanying notes to financial statements.

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

LANDMARK OPTOELECTRONICS CORPORATION**Statements of Changes in Equity****For the years ended December 31, 2022 and 2021****(Expressed in Thousands of New Taiwan Dollars)**

			Retained earnings			
	Capital stock	Capital surplus	Legal reserve	Unappropriated earnings	Deferred compensation cost	Total equity
Balance at January 1, 2021	\$ 913,732	1,844,833	522,596	1,141,542	(73,601)	4,349,102
Net Profit	-	-	-	337,544	-	337,544
Other comprehensive income	-	-	-	(1,672)	-	(1,672)
Total comprehensive income	-	-	-	335,872	-	335,872
Appropriation of 2020 earnings in 2021:						
Legal reserve	-	-	58,884	(58,884)	-	-
Cash dividends	-	-	-	(456,846)	-	(456,846)
Compensation cost arising from restricted stock	-	-	-	-	44,161	44,161
Restricted stock retired	(40)	40	-	-	-	-
Balance at December 31, 2021	\$ 913,692	1,844,873	581,480	961,684	(29,440)	4,272,289
Net Profit	-	-	-	329,536	-	329,536
Other comprehensive income	-	-	-	1,341	-	1,341
Total comprehensive income	-	-	-	330,877	-	330,877
Appropriation of 2021 earnings in 2022:						
Legal reserve	-	-	33,587	(33,587)	-	-
Cash dividends	-	-	-	(274,107)	-	(274,107)
Cash distributed from capital surplus	-	(45,685)	-	-	-	(45,685)
The related liabilities of expired restricted stock transferred to capital surplus	-	2,170	-	-	-	2,170
Share-based payments transaction-restricted stock	4,990	59,748	-	-	(43,043)	21,695
Compensation cost arising from restricted stock	-	11,251	-	-	38,049	49,300
Restricted stock retired	(5)	5	-	-	-	-
Balance at December 31, 2022	\$ 918,677	1,872,362	615,067	984,867	(34,434)	4,356,539

See accompanying notes to financial statements.

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

LANDMARK OPTOELECTRONICS CORPORATION**Statements of Cash Flows****For the years ended December 31, 2022 and 2021****(Expressed in Thousands of New Taiwan Dollars)**

	<u>2022</u>	<u>2021</u>
Cash flows from (used in) operating activities:		
Profit before tax	\$ 378,389	417,985
Adjustments:		
Adjustments to reconcile profit / loss:		
Depreciation expenses	473,121	486,340
Amortization expenses	4,305	6,010
Impairment losses (impairment gains and reversal of impairment losses) determined in accordance with IFRS 9	1,420	(641)
Interest expense	4,789	4,199
Net loss on financial liabilities at fair value through profit or loss	18	-
Interest income	(10,342)	(7,234)
Compensation cost arising from restricted stocks	49,300	44,161
Loss on disposal of property, plan and equipment	52	-
Unrealized foreign exchange losses	7,910	609
Total adjustments to reconcile profit / loss	<u>530,573</u>	<u>533,444</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in notes receivable	21,899	(21,899)
Decrease (increase) in trade receivables	(194,931)	355,536
Increase in inventories	(109,829)	(105,364)
Increase in prepayments	(2,651)	(1,516)
Increase in other current assets	(6,910)	(717)
Total changes in operating assets	<u>(292,422)</u>	<u>226,040</u>
Changes in operating liabilities:		
Increase (decrease) in contract liabilities	(9,496)	1,590
Decrease in notes payable	-	(248)
Increase (decrease) in trade payables	89,933	(20,746)
Increase (decrease) in other payables	10,376	(20,842)
Increase in other current liabilities	36	170
Decrease in defined benefit liability—non-current	(271)	(283)
Total changes in operating liabilities	<u>90,578</u>	<u>(40,359)</u>
Net changes in operating assets and liabilities	<u>(201,844)</u>	<u>185,681</u>
Total adjustments	<u>328,729</u>	<u>719,125</u>
Cash generated from operations	707,118	1,137,110
Interest received	10,342	7,234
Interest paid	(4,789)	(4,199)
Income tax paid	(73,359)	(118,195)
Net cash generated from operating activities	<u>639,312</u>	<u>1,021,950</u>
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(363,286)	(205,980)
Acquisition of intangible assets	(350)	(847)
Decrease in other financial assets—current and non-current	208	1,256
Increase in other non-current assets	(96,990)	(127,012)
Net cash used in investing activities	<u>(460,418)</u>	<u>(332,583)</u>
Cash flows from (used in) financing activities:		
Cash dividends	(319,792)	(456,846)
Issuance of restricted stock	21,695	-
Repurchase of restricted stock	(22)	-
Payment of lease liabilities	(7,464)	(7,800)
Net cash used in financing activities	<u>(305,583)</u>	<u>(464,646)</u>
Effects of exchange rate changes on balance of cash held in foreign currencies	<u>(926)</u>	<u>(280)</u>
Net increase (decrease) in cash and cash equivalents	<u>(127,615)</u>	<u>224,441</u>
Cash and cash equivalents at the beginning of year	<u>1,771,121</u>	<u>1,546,680</u>
Cash and cash equivalents at the end of year	<u>\$ 1,643,506</u>	<u>1,771,121</u>

See accompanying notes to financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)
LANDMARK OPTOELECTRONICS CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

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

(1) Company history

LandMark Optoelectronics Corporation (the “Company”) was incorporated on June 2, 1997 as a company limited by shares under the laws of the Republic of China (ROC). The Company is primarily engaged in the manufacturing, processing and selling of optical semi-conductors, laser diodes, and high brightness InAlGaP/AlGaInAs.

The Company’s stock was listed as a general stock on the Taipei Exchange on July 22, 2015.

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

The financial statements were authorized for issuance by the Board of the Company on February 1, 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. (“FSC”) 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 endorsed by FSC but not yet effective

The Company’s adoption of the new amendments, effective for annual period beginning on January 1, 2023, are expected to have the following impacts:

- (i) Amendments to IAS 1 “Disclosure of Accounting Policies”

(Continued)

LANDMARK OPTOELECTRONICS CORPORATION

Notes to the Financial Statements (Continued)

The key amendments to IAS 1 include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The Company may need to be evaluating and inspecting the financial statements to meet the adoption of the amendments.

(ii) Other amendments

The following amendments are not expected to have a significant impact on the Company's financial statements.

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

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IFRS 16 “Requirements for Sale and Leaseback Transactions”

(4) Summary of significant accounting policies:

The accompanying 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 financial statements, the Chinese version shall prevail.

The significant accounting policies presented in the financial statements are summarized as follows. The accounting policies have been applied consistently to all periods presented in these financial statements, unless otherwise stated.

(Continued)

LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

(a) Statement of compliance

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations") and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to as "IFRS endorsed by the FSC").

(b) Basis of preparation

(1) Basis of measurement

The financial statements have been prepared on a historical cost basis except for the following material items in the balance sheet:

- (i) Financial instruments at fair value through profit or loss are measured at fair value (including derivative financial instruments);
- (ii) The defined benefit liabilities are measured as the present value of the defined benefit obligation, less pension fund assets at fair value.

(2) Functional and presentation currency

The financial statements are presented in New Taiwan dollars, which is the Company's functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Foreign currencies

Transactions in foreign currencies are translated into the functional currencies 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 those differences relating to the following, which are recognized in other comprehensive income:

- (1) an investment in equity securities designated as at fair value through other comprehensive income;
- (2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- (3) qualifying cash flow hedges to the extent that the hedges are effective.

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

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

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

(Continued)

LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

- (2) It is held primarily for the purpose of trading;
- (3) It is expected to be realized within twelve months after the reporting period; or
- (4) 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.

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

(e) Cash and cash equivalents

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

(f) Financial instruments

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

(1) 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 and 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.

(i) Financial assets measured at amortized cost

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

- it is held within a business model whose objective is to hold assets to collect contractual

(Continued)

LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

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.

(ii) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. 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.

(iii) 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:

- 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 lifetime of the financial assets to the lifetime 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.

(Continued)

LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

(iv) 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).

(v) Impairment of financial assets

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

The Company measures 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 credit risk (i.e. the risk of default occurring over the expected lifetime of the financial instrument) has not increased significantly since initial recognitions.

Loss allowance for trade receivables 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 90 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 180 days past due or the debtor is unlikely to pay its credit obligations to the Company in full.

The Company considers a time deposit to have low credit risk when only deal with financial institutions with good credit rating.

(Continued)

LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

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

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

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

ECL 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).

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 180 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.

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. 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.

(vi) 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)

LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

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.

(2) Financial liabilities and equity

(i) Classification of debt or equity instruments

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

(ii) 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.

(iii) 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).

(iv) 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.

(v) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation 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.

(vi) 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.

(Continued)

LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

(3) Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(g) **Inventories**

Inventories are measured at the lower of cost and net realizable value. The costs of inventories include expenditure incurred in acquiring the inventories, conversion costs, and other costs (weighted-average method) 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) **Property, plant and equipment**

(1) 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.

(2) Subsequent expenditure

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

(3) Depreciation

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

Land is not depreciated.

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

- (i) Buildings and improvements: 34 to 36 years
- (ii) Machinery equipment: 3 to 7 years
- (iii) Transportation equipment: 6 years
- (iv) Electrical equipment: 15 to 16 years

(Continued)

LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

(v) Office and other equipment: 1 to 11 years

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

(i) Lease

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.

(1) As a lease

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 payable 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 payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a extension or termination option; or
- there is any lease modifications.

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

(Continued)

LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

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

The Company 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.

If an arrangement contains lease and non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of staff dormitory, business premises, office and other equipment that have a lease term of 12 months or less and leases of low-value assets. 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.

(2)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 ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(j) Intangible assets

Except for goodwill, intangible assets acquired by the Company, are measured at cost less accumulated amortization and any accumulated impairment losses. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to

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LANDMARK OPTOELECTRONICS CORPORATION

Notes to the Financial Statements (Continued)

which it relates. All other expenditure is recognized in profit or loss as incurred. The amortizable amount is the cost of an asset less its residual value.

The Company's intangible assets is computer software cost. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of 4 to 5 years of intangible assets from the date that they are available for use.

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

(k) **Impairment of non-derivative financial assets**

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

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. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

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

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

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

(l) **Revenue**

(1) 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 revenue from the sale of goods are as follows:

(i) Sale of goods

The Company recognizes revenue when control of the products has 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

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Notes to the Financial Statements (Continued)

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.

(ii) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods 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.

(2) Contract costs

(i) 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.

(ii) 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:

- (a) the costs relate directly to a contract or to an anticipated contract that the Company can specifically identify;
- (b) 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
- (c) the costs are expected to be recovered.

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.

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LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

(m) Government grants

The Company recognizes an unconditional government grant related to employee benefits in profit or loss as other income when the grant becomes receivable. Grants that compensate the Company for expense or losses incurred and recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(n) Employee benefits

(1) Defined contribution plans

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

(2) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated 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 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 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.

(3) 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.

(o) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related

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LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes was confirmed.

Grant date of a share-based payment award is the date which the number of shares purchased by the employees was confirmed.

(p) 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 shall be recognized in profit or loss.

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

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

- (1) 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;
- (2) 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
- (3) taxable temporary differences arising on the initial recognition of goodwill.

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:

- (1) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (2) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) 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.

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

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Notes to the Financial Statements (Continued)

realized; such reductions are reversed when the probability of future taxable profits improves.

(q) Earnings per share

The Company discloses the basic and diluted earnings per share attributable to ordinary shareholders of the Company. The calculation of basic earnings per share is the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is 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 dilutive potential ordinary shares, such as accrued employee compensation not yet resolved by the shareholders and restricted stock.

(r) Operating segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. Operating results of the operating segment are regularly reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance.

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

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

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

The Company is likely to be facing economic uncertainty, such as COVID-19, natural disasters, the Ukraine- Russia conflict and inflation. Those events may have a significant impact on the following accounting, estimates, which depend on the future forecasts.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is the decision of the lease term:

The Company determines the lease term as the non-cancellable period of the lease, together with periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option, and periods covered by an option to terminate the lease if the lessee is reasonably not to exercise that option. In assessing whether a lessee is reasonably to exercise the options, the Company considers all relevant facts and circumstances that create an economic incentive for the lessee. The Company reassesses whether it is reasonably certain to exercise an extension option or not to exercise the option upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. If there is a change in the lease term, the Company recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Please refer to notes 6(f)(i).

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 following financial year is valuation of inventories. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

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

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LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

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. Refer to note 6 (d) for further description of the valuation of inventories.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand	\$ 180	152
Demand deposits	354,527	527,173
Time deposits	1,008,700	857,700
Repurchase agreements collateralized by commercial paper	280,099	386,096
Cash and cash equivalents in the statement of cash flows	<u>\$ 1,643,506</u>	<u>1,771,121</u>

Please refer to Note 6(r) for the analysis of exchange rate risk and sensitivity of the financial assets and liabilities.

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

	<u>December 31, 2022</u>
Financial liabilities mandatorily measured at fair value through profit or loss:	
Derivative instruments not used for hedging—forward exchange contracts	\$ <u>18</u>

For the net gain or loss on fair value on financial instruments at FVTPL, please refer to note 6(q).

The Company holds derivative financial instruments to hedge certain foreign exchange risk it is exposed to, arising from its operating activities.

The following derivative instruments, without the application of hedge accounting, were classified as mandatorily measured at fair value through profit or loss:

	<u>December 31, 2022</u>		
	<u>Contract amount</u>		
	<u>(in thousands)</u>	<u>Currency</u>	<u>Maturity period</u>
Forward exchange sold	<u>\$ 740</u>	<u>USD</u>	<u>2023.02.22</u>

(c) Notes and trade receivables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable from operating activities	\$ -	21,899
Trade receivables—measured as amortized cost	460,612	275,609
Less: Loss allowance	(2,292)	(872)
	<u>\$ 458,320</u>	<u>296,636</u>

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

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LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

December 31, 2022			
	Gross carry amount of notes and trade receivables	Weighted-average loss rate	Loss allowance provision
Current	\$ 416,015	0.19%	790
1 to 90 days past due	43,421	0.75%	326
91 to 180 days past due	-	70.99%	-
More than 181 days past due	1,176	100%	1,176
Total	\$ 460,612		2,292

December 31, 2021			
	Gross carry amount of notes and trade receivables	Weighted-average loss rate	Loss allowance provision
Current	\$ 235,340	0.17%	406
1 to 90 days past due	62,168	0.75%	466
91 to 180 days past due	-	70.99%	-
More than 181 days past due	-	100%	-
Total	\$ 297,508		872

The movements in the allowance for notes and trade receivables were as follows:

	2022	2021
Balance at beginning of the year	\$ 872	1,513
Impairment losses recognized(reversed)	1,420	(641)
Balance at end of the year	\$ 2,292	872

The aforementioned notes and trade receivables were not pledged as collateral or restricted in any way.

(d) Inventories

	December 31, 2022	December 31, 2021
Raw materials and supplies	\$ 217,626	106,621
Work in progress	31,134	60,198
Finished goods	127,392	122,646
	\$ 376,152	289,465

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LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

The details of the cost of sales are as follows:

	<u>2022</u>	<u>2021</u>
Inventories that have been sold	\$ 1,550,689	1,055,012
Provision for inventories obsolescence(Reversal of write-downs)	(1,853)	641
Write-off for inventories scrapped	74,970	51,839
Revenue from sale of scraps	(1,946)	(3,246)
	<u>\$ 1,621,860</u>	<u>1,104,246</u>

The inventories were not pledged as collateral or restricted in any way.

(e) Property, plant and equipment

The movement of cost, accumulated depreciation, and impairment loss on property, plant and equipment were as follows:

	<u>Buildings and improvements</u>	<u>Machinery equipment</u>	<u>Transportation equipment</u>	<u>Electrical equipment</u>	<u>Office and other equipment</u>	<u>Construction in process and testing equipment</u>	<u>Total</u>
Cost or deemed cost:							
Balance at January 1, 2022	\$ 917,872	1,257,110	3,859	35,374	2,456,345	44,260	4,714,820
Additions	-	-	-	-	2,367	357,240	359,607
Disposals	-	-	-	-	17,708	-	17,708
Reclassification	-	191,804	-	5,250	154,364	(206,333)	145,085 (Note1)
Balance at December 31, 2022	<u>\$ 917,872</u>	<u>1,448,914</u>	<u>3,859</u>	<u>40,624</u>	<u>2,595,368</u>	<u>195,167</u>	<u>5,201,804</u>
Balance at January 1, 2021	\$ 917,872	1,249,649	3,859	35,374	2,246,704	61,419	4,514,877
Additions	-	750	-	-	3,424	153,324	157,498
Disposals	-	-	-	-	12,678	-	12,678
Reclassification	-	6,711	-	-	218,895	(170,483)	55,123 (Note2)
Balance at December 31, 2021	<u>\$ 917,872</u>	<u>1,257,110</u>	<u>3,859</u>	<u>35,374</u>	<u>2,456,345</u>	<u>44,260</u>	<u>4,714,820</u>
Accumulated depreciation and impairment loss:							
Balance at January 1, 2022	\$ 82,215	1,105,801	3,859	9,798	1,390,334	-	2,592,007
Depreciation	25,584	127,806	-	2,242	308,277	-	463,909
Disposals	-	-	-	-	17,656	-	17,656
Balance at December 31, 2022	<u>\$ 107,799</u>	<u>1,233,607</u>	<u>3,859</u>	<u>12,040</u>	<u>1,680,955</u>	<u>-</u>	<u>3,038,260</u>
Balance at January 1, 2021	\$ 56,631	945,032	3,733	7,666	1,114,936	-	2,127,998
Depreciation	25,584	160,769	126	2,132	288,076	-	476,687
Disposals	-	-	-	-	12,678	-	12,678
Balance at December 31, 2021	<u>\$ 82,215</u>	<u>1,105,801</u>	<u>3,859</u>	<u>9,798</u>	<u>1,390,334</u>	<u>-</u>	<u>2,592,007</u>
Carrying amounts:							
Balance at December 31, 2022	<u>\$ 810,073</u>	<u>215,307</u>	<u>-</u>	<u>28,584</u>	<u>914,413</u>	<u>195,167</u>	<u>2,163,544</u>
Balance at December 31, 2021	<u>\$ 835,657</u>	<u>151,309</u>	<u>-</u>	<u>25,576</u>	<u>1,066,011</u>	<u>44,260</u>	<u>2,122,813</u>
Balance at January 1, 2021	<u>\$ 861,241</u>	<u>304,617</u>	<u>126</u>	<u>27,708</u>	<u>1,131,768</u>	<u>61,419</u>	<u>2,386,879</u>

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LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

Note 1 : Other non-current assets — prepayment for equipment and inventories have been reclassified to testing equipment and other equipment with \$125,436 and \$23,141, respectively, testing equipment have been reclassified to intangible asset with \$3,492.

Note 2 : Other non-current assets — prepayment for equipment and inventories have been reclassified to testing equipment and other equipment with \$31,188 and \$23,935, respectively.

Property, plant and equipment were not pledged as collateral or restricted in any way.

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

The Company leases land and transportation equipment. Information about leases for which the Company as a lessee was presented below:

	<u>Land</u>	<u>Transportation equipment</u>	<u>Total</u>
Cost :			
Balance at January 1, 2022	\$ 339,378	-	339,378
Variable lease payments	<u>2,795</u>	<u>-</u>	<u>2,795</u>
Balance at December 31, 2022	<u>\$ 342,173</u>	<u>-</u>	<u>342,173</u>
Balance at January 1, 2021	\$ 339,378	2,106	341,484
Disposals	<u>-</u>	<u>(2,106)</u>	<u>(2,106)</u>
Balance at December 31, 2021	<u>\$ 339,378</u>	<u>-</u>	<u>339,378</u>
Accumulated depreciation and impairment loss:			
Balance at January 1, 2022	\$ 26,997	-	26,997
Depreciation	<u>9,212</u>	<u>-</u>	<u>9,212</u>
Balance at December 31, 2022	<u>\$ 36,209</u>	<u>-</u>	<u>36,209</u>
Balance at January 1, 2021	\$ 17,870	1,580	19,450
Depreciation	<u>9,127</u>	<u>526</u>	<u>9,653</u>
Disposals	<u>-</u>	<u>(2,106)</u>	<u>(2,106)</u>
Balance at December 31, 2021	<u>\$ 26,997</u>	<u>-</u>	<u>26,997</u>
Carrying amounts:			
Balance at December 31, 2022	<u>\$ 305,964</u>	<u>-</u>	<u>305,964</u>
Balance at December 31, 2021	<u>\$ 312,381</u>	<u>-</u>	<u>312,381</u>
Balance at January 31, 2021	<u>\$ 321,508</u>	<u>526</u>	<u>322,034</u>

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LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

(g) Intangible assets

The movement of cost and accumulated amortization for intangible assets were as follows:

	<u>Computer software</u>
Cost:	
Balance at January 1, 2022	\$ 26,050
Additions	350
Reclassification	<u>3,492 (Note)</u>
Balance at December 31, 2022	<u>\$ 29,892</u>
Balance at January 1, 2021	\$ 25,203
Additions	<u>847</u>
Balance at December 31, 2021	<u>\$ 26,050</u>
Accumulated amortization:	
Balance at January 1, 2022	\$ 20,058
Amortization	<u>3,744</u>
Balance at December 31, 2022	<u>\$ 23,802</u>
Balance at January 1, 2021	\$ 14,363
Amortization	<u>5,695</u>
Balance at December 31, 2021	<u>\$ 20,058</u>
Carrying amounts:	
Balance at December 31, 2022	<u>\$ 6,090</u>
Balance at December 31, 2021	<u>\$ 5,992</u>
Balance at January 1, 2021	<u>\$ 10,840</u>

Note: Reclassified from testing equipment.

(h) Other non-current assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Prepayment for equipment	\$ 96,519	125,436
Others	<u>3,244</u>	<u>3,334</u>
Total	<u>\$ 99,763</u>	<u>128,770</u>

The amount under “others” is the instalment of technology authorization.

(i) Lease liabilities

The carrying amounts of lease liabilities were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current	\$ 7,141	7,363
Non-current financial liabilities	<u>305,978</u>	<u>310,425</u>
	<u>\$ 313,119</u>	<u>317,788</u>

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

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LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

The amounts recognized in profit or loss were as follows:

	2022	2021
Interest on lease liabilities	\$ <u>4,789</u>	<u>4,195</u>
Expenses relating to short-term leases	\$ <u>1,062</u>	<u>1,218</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>126</u>	<u>127</u>
Total cash outflow for leases	\$ <u>13,441</u>	<u>13,340</u>

1. Land leases

The Company leases land for its factory building and office space, which lease terms of twenty years. The leases provide for additional rent payments that are based on changes in government published land value.

The Company judges that the leases includes an option to extend the lease for an additional period of the sam duration after the end of the contract term.

2. Other leases

The Company leases transportation equipment, with lease terms of three years.

The Company also leases staff dormitory, business premises, office and other equipment with contract terms of one to five years. These leases are short-term or leases of low-value items. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

(j) **Employee benefits**

1. Defined benefit plan

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

	December 31, 2022	December 31, 2021
Present value of defined benefit obligation	\$ <u>15,249</u>	<u>16,142</u>
Fair value of plan assets	<u>(9,872)</u>	<u>(8,818)</u>
Net defined benefit liability	\$ <u>5,377</u>	<u>7,324</u>

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

(1) Composition of plan assets

The Company contributes pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds under the Ministry of Labor. Minimum earnings shall not be lower than the earnings attainable from two-year time deposits with interest rates

(Continued)

LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

offered by local banks.

The Company's labor pension reserve account balance in Bank of Taiwan amounted to \$9,778 and \$8,750 as of December 31, 2022 and 2021, respectively. 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.

- (2) Movements in present value of the defined benefit obligation were as follows:

	2022	2021
Balance at January 1	\$ 16,142	13,898
Current service costs and interest	113	118
Remeasurement of the net defined benefit liability	(1,006)	2,126
Balance at December 31	<u><u>\$ 15,249</u></u>	<u><u>16,142</u></u>

- (3) Movements in fair value of plan assets were as follows:

	2022	2021
Balance at January 1	\$ 8,818	8,381
Interest income	63	73
Remeasurement of the net defined benefit asset	670	36
Employer contribution	321	328
Balance at December 31	<u><u>\$ 9,872</u></u>	<u><u>8,818</u></u>

- (4) Expenses recognized in profit or loss were as follows:

	2022	2021
Interest cost	\$ 113	118
Interest income on plan asset	(63)	(73)
	<u><u>\$ 50</u></u>	<u><u>45</u></u>
Cost of sales	\$ 40	33
Selling expenses	4	3
Research and development expenses	6	9
	<u><u>\$ 50</u></u>	<u><u>45</u></u>

- (5) Actuarial assumptions

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

	December 31, 2022	December 31, 2021
Discount rate	1.25 %	0.70 %
Future salary increase	2.50 %	2.50 %

The expected amount of contributions for the year after the reporting date is \$321. The weighted-average duration of the defined benefit obligation is 13.4 years.

(Continued)

LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

(6) Sensitivity analysis

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	
	Increase (%)	Decrease (%)
December 31, 2022:		
Discount rate (change of 0.25%)	(2.20)%	2.28 %
Change in future salary (change of 1%)	9.50 %	(8.30)%
December 31, 2021:		
Discount rate (change of 0.25%)	(2.56)%	2.68 %
Change in future salary (change of 1%)	11.17 %	(9.58)%

The sensitivity analysis above analyzing the effects of changes in single assumptions is based on other assumptions remaining unchanged. In actuality, changes in some assumptions may be linked together. The sensitivity analysis and calculation of the net pension liability on the balance sheet were performed using the same approach.

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

2. Defined contribution plan

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

The contributions made to employees' individual accounts amounted to \$14,174 and \$12,946 for the years ended December 31, 2022 and 2021, respectively.

3. Short-term benefit obligation

	December 31, 2022	December 31, 2021
Accrued for vacation, recorded as other payables	<u>\$ 1,975</u>	<u>1,554</u>

(k) **Income taxes**

1. The amounts of income tax expense were as follows:

	2022	2021
Current tax expense		
Current period	\$ 55,103	78,293
Adjustment for prior years	(5,127)	1,381
Deferred tax benefit		
Adjustment in tax rate	(1,123)	767
Income tax expense	<u>\$ 48,853</u>	<u>80,441</u>

(Continued)

LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

The amounts of income tax benefit recognized in other comprehensive income were as follows:

	2022	2021
Remeasurement of defined benefit plan	\$ <u>(335)</u>	<u>418</u>

Reconciliation of income tax expense and income before income tax were as follows:

	2022	2021
Income before income tax	\$ 378,389	417,985
Income tax calculated based on the Company's tax rate	75,678	83,597
Tax incentives and tax-exempt government grants	(21,722)	(8,273)
Undistributed earnings additional tax	-	3,655
Adjustment for prior periods	(5,127)	1,381
Others	24	81
	\$ <u>48,853</u>	<u>80,441</u>

2. Deferred tax assets

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

	Defined benefit plan	Inventory valuation loss	Others	Total
Deferred tax assets:				
Balance at January 1, 2022	\$ 1,465	15,266	432	17,163
Recognized in profit or loss	(54)	(371)	1,548	1,123
Recognized in other comprehensive income	(335)	-	-	(335)
Balance at December 31, 2022	\$ <u>1,076</u>	<u>14,895</u>	<u>1,980</u>	<u>17,951</u>
Balance at January 1, 2021	\$ 1,103	15,137	1,272	17,512
Recognized in profit or loss	(56)	129	(840)	(767)
Recognized in other comprehensive income	418	-	-	418
Balance at December 31, 2021	\$ <u>1,465</u>	<u>15,266</u>	<u>432</u>	<u>17,163</u>

3. Examination and Approval

The Company's tax returns for the years through 2020 were examined and approved by the tax authority.

(1) **Share capital and other equity**

As of December 31, 2022 and 2021, the authorized common stock of the Company were 1,500,000 , comprising 150,000 thousand shares with a par value of \$10 per share. The issued shares were \$91,868 thousand shares and \$91,369 thousand shares, respectively. All the capitals were fully received.

(Continued)

LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

Reconciliations of shares outstanding for 2022 and 2021 were as follows (in thousand shares):

	Ordinary shares	
	2022	2021
Balance at January 1	91,369	91,373
Restricted stock issuance	499	-
Restricted stock retired	-	(4)
Balance at December 31	<u>91,868</u>	<u>91,369</u>

(1) Common stock

On May 25, 2022, the Company's stockholders' meeting approved the issuance of 500 thousand restricted shares of stocks to employees. The actual number of issued shares was 499 thousand, which resulted in a capital surplus—restricted stock of \$59,748. The Company's board of the directors resolved the basis date of the increase in capital to be August 25, 2022, and the registration procedures have been completed.

(2) Retirement of common stock

On July 27, 2022, and February 3, 2021, the Company's board of directors approved a resolution to retire 0.5 thousand shares, and 4 thousand shares of restricted stock, respectively, which are non-vested. The basis date of the decrease in capital were August 23, 2022, and February 18, 2021, respectively, and the registration procedures have been completed.

(3) Capital surplus

The balance of capital surplus at the reporting date were as follows:

	December 31, 2022	December 31, 2021
Additional paid-in capital	\$ 1,812,614	1,741,705
Restricted stock	59,748	103,168
Total	<u>\$ 1,872,362</u>	<u>1,844,873</u>

In accordance with the Company Act, realized capital surplus can only be reclassified as share capital or be distributed as cash dividends after offsetting losses. The aforementioned capital surplus includes share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital surplus to be reclassified as share capital shall not exceed 10 percent of the actual share capital amount.

On February 1, 2023, the board of directors meeting resolved to distribute its capital surplus by cash in the amount of \$ 45,934 (NT\$0.5 per share) and it is not resolved by the shareholders' meeting yet.

On May 25, 2022, the shareholders' meeting resolved to distribute its capital surplus by cash in the amount of \$ 45,685 (NT\$0.5 per share).

(4) Retained earnings

According to the Company's articles of incorporation, 10% of annual earnings must be set aside as legal reserve after offsetting any accumulated deficit. When the balance of such legal reserve reaches an amount equal to the paid-in capital, the appropriation to legal reserve is discontinued. The Company may, under its articles of incorporation or by resolution of the meeting of

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LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

shareholders, set aside another sum as special reserve. Distribution of the remainder is at the board of directors discretion. According to the provisions of Subparagraph 5, Article 240 and Article 241 of the Company Law, if dividend is distributed in cash, the board of directors shall resolve and report to the shareholders' meeting. If dividend is distributed in issued new shares, shall be proposed to shareholders' meeting to resolve.

(i) 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.

(ii) Earning distribution

The appropriations of earnings for 2021 and 2020 were approved by the shareholders' meetings on May 25, 2022, and July 28, 2020, respectively. The relevant dividend distributions to shareholders were as follows:

		Unit per share: dollar			
		2021		2020	
		<u>TWD/per share</u>	<u>Amount</u>	<u>TWD/per share</u>	<u>Amount</u>
Dividend distributed to common shareholders:					
Cash dividends	\$	3.0	<u>274,107</u>	5.0	<u>456,846</u>

On February 1, 2023, the Company's Board of Directors resolved to appropriate the 2022 earnings. These earnings were appropriated as follows:

		2022	
		<u>TWD/per share</u>	<u>Amount</u>
Dividend distributed to common shareholders:			
Cash dividends	\$	3.0	<u>275,603</u> (Note)

Note : Not resolved by the shareholders' meeting yet.

(m) **Share-based payment**

On May 25, 2022, the board of shareholders' meeting approved the issuance of 500 thousand restricted shares of stock to those full-time employees who meet the Company's requirements. The restricted stock has been registered with, and approved by, the Securities and Futures Bureau of the Financial Supervisory Commission, R.O.C. On July 27, 2022, the board of directors issued 499 thousand restricted shares. The fair value on the grant date of \$92.75(NT\$) per share was the stockclosing price deduct the exercise price.

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LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

Those employees with the restricted stock awards are entitled to purchase shares at the price of \$46.75(NT\$) per share, with the condition that the company and these employees both achieve the performance targets and these employees continue to provide service to the company for at least 1 year or 2 years (from the grant date). 50% of the restricted stock is vested in year 1 after the grant date, and the remaining 50% is vested in year 2 after the grant date. The restricted stock is kept by a trust, which is appointed by the Company, before it is vested. These shares shall not be sold, pledged, transferred, gifted, or disposed of by any other means to third parties during the custody period. The voting rights of these shareholders are executed by a custodian who will act in accordance with the laws and regulations. If the shares remain unvested after the vesting period, the Company will repurchase all the unvested shares at the issuance price and cancel the shares thereafter.

On May 20, 2020, the board of shareholders' meeting approved the issuance of 450 thousand restricted shares of stock to those full-time employees who meet the Company's requirements. The restricted stock has been registered with, and approved by, the Securities and Futures Bureau of the Financial Supervisory Commission, R.O.C. On July 29, 2020, the board of directors issued 442 thousand restricted shares. The fair value on the grant date of \$231.80(NT\$) per share was the stock closing price deduct the exercise price.

Those employees with the restricted stock awards are entitled to purchase shares at the price of \$44.70(NT\$) per share, with the condition that the company and these employees both achieve the performance targets and these employees continue to provide service to the company for at least 1 year or 2 years (from the grant date). 50% of the restricted stock is vested in year 1 after the grant date, and the remaining 50% is vested in year 2 after the grant date. The restricted stock is kept by a trust, which is appointed by the Company, before it is vested. These shares shall not be sold, pledged, transferred, gifted, or disposed of by any other means to third parties during the custody period. The voting rights of these shareholders are executed by a custodian who will act in accordance with the laws and regulations. If the shares remain unvested after the vesting period, the Company will repurchase all the unvested shares at the issuance price and cancel the shares thereafter.

Details of number of restricted shares of the Company are as follows:

	Unit of share: thousand	
	<u>2022</u>	<u>2021</u>
Outstanding at January 1	219	438
Granted during the year	499	-
Vested during the year	(218)	(219)
Retired during the year	(1)	-
Outstanding at December 31	<u><u>499</u></u>	<u><u>219</u></u>

For the years ended December 31, 2022 and 2021, the compensation cost of restricted stock amounted to \$49,300 and \$44,161, respectively, which were recognized as operating cost or operating expenses.

(n) **Earnings per share**

The basic and diluted earnings per share (expressed in New Taiwan dollars) were calculated as

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LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

follows:

Unit of shares: thousand

	2022	2021
Basic earnings per share:		
Profit attributable to ordinary shareholders of the Company	\$ <u>329,536</u>	<u>337,544</u>
Weighted-average number of common shares outstanding	<u>91,225</u>	<u>91,009</u>
	<u>\$ 3.61</u>	<u>3.71</u>
Diluted earnings per share:		
Profit attributable to ordinary shareholders of the Company (diluted)	\$ <u>329,536</u>	<u>337,544</u>
Weighted-average number of common shares outstanding	<u>91,225</u>	<u>91,009</u>
Effect of employee stock compensation	415	213
Effect of restricted stock	<u>126</u>	<u>162</u>
Weighted-average number of common shares outstanding (diluted)	<u>91,766</u>	<u>91,384</u>
	<u>\$ 3.59</u>	<u>3.69</u>

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

1. Disaggregation of revenue

	2022	2021
Primary geographical markets:		
Mainland China	\$ 926,962	1,204,198
United States	682,142	307,887
Taiwan	113,791	167,208
United Kingdom	490,586	32,983
Others	<u>167,404</u>	<u>160,427</u>
	<u>\$ 2,380,885</u>	<u>1,872,703</u>
Major products:		
Wafer	\$ 2,363,358	1,847,286
Others	<u>17,527</u>	<u>25,417</u>
	<u>\$ 2,380,885</u>	<u>1,872,703</u>

2. Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Trade receivables	\$ 460,612	297,508	631,958
Less: Loss allowance	<u>(2,292)</u>	<u>(872)</u>	<u>(1,513)</u>
	<u>\$ 458,320</u>	<u>296,636</u>	<u>630,445</u>
Contract liabilities	<u>\$ 2,472</u>	<u>11,968</u>	<u>10,378</u>

(Continued)

LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

Please refer to note 6(c) for details on trade receivables and allowance for impairment.

The amount of revenue recognized for the years ended December 31, 2022 and 2021 that were included in the contract liability balance at the beginning of the period were \$11,968 and \$9,923, respectively.

The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

(p) Employee compensation and director's remuneration

According to the articles of the incorporation, if the Company has profit as a result of the yearly account closing, the Company should distribute no more than 2% to directors as compensation and no less than 8% as employee compensation. When the Company still has an accumulated loss, the Company shall keep the profit for making up an accumulated loss.

For the years ended December 31, 2022 and 2021, the remuneration to employees amounted to \$42,533 and \$37,297, respectively, and the remuneration of directors amounted to \$4,253 and \$4,662, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the appropriate percentage in compliance with the Company's articles. These expenses were recognized under operating costs and operating expenses during 2022 and 2021. The related information can be accessed through the Market Observation Post System. For the years ended December 31, 2022 and 2021, the remuneration to employees and directors have no differences between the estimated amounts and the amounts approved by the board of directors.

(q) Non-operating income and expenses

1. Interest income

	2022	2021
Bank deposits	\$ <u>10,342</u>	<u>7,234</u>

2. Other gains and losses

	2022	2021
Foreign exchange gains (losses), net	\$ 40,665	(14,102)
Gains (losses) on valuation of financial assets and liabilities by fair value, net	(2,305)	1,299
Government grants revenue	-	14,850
Loss on disposal of property, plan and equipment	(52)	-
Others	545	832
	\$ <u>38,853</u>	<u>2,879</u>

3. Finance costs

	2022	2021
Interest on lease liabilities	\$ 4,789	4,195
Bank loans	-	4
	\$ <u>4,789</u>	<u>4,199</u>

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LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

(r) **Financial instruments**

1. Credit risk

(1) Credit risk exposure

The maximum exposure to credit risk is mainly from the carrying amount of financial assets.

(2) Concentration of credit risk

For the years end December 31, 2022 and 2021, a few customers of the Company accounted for 67.29% and 46.61%, respectively, of operating revenue, and they were 82.62% and 55.75%, respectively, of trade receivables as of December 31, 2022 and 2021. As of the end of the reporting period, the Company did not suffer any significant credit risk losses due to these customers. The Company periodically evaluates customers' financial position and the possibility of recovery of receivables in order to reduce credit risk.

(3) Credit risk exposure of receivables

For credit risk exposure on notes and trade receivables, and the details on loss allowance provision for the years ended December 31, 2022 and 2021, please refer to note 6(c).

Other financial assets at amortized cost include other receivables and pledged time deposits (classified as other financial assets). The Company did not recognize and reverse any loss allowance provision for the years ended December 31, 2022 and 2021.

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).

2. Liquidity risk

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

	Carrying amount	Contractual cash flows	Within 6 months	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
December 31, 2022							
Non-derivative financial liabilities							
Non-interest-bearing liabilities	\$ 383,884	383,884	383,884	-	-	-	-
Lease liabilities	313,119	407,848	6,127	6,127	12,254	36,762	346,578
Derivative financial liabilities							
Other forward exchange contracts	18	18	18	-	-	-	-
	<u>\$ 697,021</u>	<u>791,750</u>	<u>390,029</u>	<u>6,127</u>	<u>12,254</u>	<u>36,762</u>	<u>346,578</u>
December 31, 2021							
Non-derivative financial liabilities							
Non-interest-bearing liabilities	\$ 292,391	292,391	292,391	-	-	-	-
Lease liabilities	317,788	397,414	5,796	5,796	11,592	34,777	339,453
	<u>\$ 610,179</u>	<u>689,805</u>	<u>298,187</u>	<u>5,796</u>	<u>11,592</u>	<u>34,777</u>	<u>339,453</u>

(Continued)

LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

The Company does not expect that the cash flows could occur significantly earlier or at significantly different amounts.

3. Market risk

(1) Exposure to foreign currency risk

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

Unit of foreign currency: thousand						
December 31, 2022			December 31, 2021			
<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD amount</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD amount</u>	
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 19,305	30.710	592,854	12,896	27.680	356,954
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	4,560	30.710	140,029	2,839	27.680	78,571
<u>Non-Monetary items</u>						
USD	740	30.71	22,725	-	-	-

For the twelve months ended December 31, 2022 and 2021, the exchange gains or losses (including realized and unrealized) that resulted from monetary items translated to the functional currency were \$40,665 and (\$14,102), respectively.

(2) Sensitivity analysis

The foreign currency risk was mainly incurred from the translation of cash and cash equivalents, trade receivables, trade payables, and other payables. If the exchange rate of the TWD versus the USD, CNY and JPY had increased or decreased by 3%, given no changes in other factors, profit after tax would have increased or decreased by \$10,868 and \$6,681 for the years ended December 31, 2022 and 2021, respectively. The analysis is performed on the same basis.

4. Fair value information

(1) Fair value and carrying amounts

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 :

(Continued)

LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

		December 31, 2022				
		Carrying	Fair Value			
		amount	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost						
Cash and cash equivalents	\$ 1,643,506	-	-	-	-	-
Notes and trade receivables	458,320	-	-	-	-	-
Other financial assets — current and non-current	15,439	-	-	-	-	-
Total	<u>\$2,117,265</u>					
Financial liabilities measured at amortized cost						
Payables	\$ 383,884	-	-	-	-	-
Lease liabilities	313,119	-	-	-	-	-
Total	<u>\$ 697,003</u>					
Financial liabilities at fair value through profit or loss						
Derivative financial liabilities	<u>\$ 18</u>	-	18	-	-	18
		December 31, 2021				
		Carrying	Fair Value			
		amount	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost						
Cash and cash equivalents	\$ 1,771,121	-	-	-	-	-
Notes and trade receivables	296,636	-	-	-	-	-
Other financial assets — current and non-current	15,647	-	-	-	-	-
Total	<u>\$2,083,404</u>					
Financial liabilities measured at amortized cost						
Payables	\$ 292,391	-	-	-	-	-
Lease liabilities	317,788	-	-	-	-	-
Total	<u>\$ 610,179</u>					

The table above analyzes financial instruments carried at fair value by the levels in the fair value hierarchy. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identified 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).

There was no reclassification of levels during the years ended December 31, 2022 and 2021.

2. Valuation techniques for financial instruments measured at fair value

Measurement of the fair value of derivative financial instruments is based on the valuation techniques widely accepted by market participants such as the discounted cash flow model. The fair value of forward currency contracts is usually determined the forward currency exchange rate.

(Continued)

LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

(s) Financial risk management

(1) The Company was exposed to the following risks arising from the use of financial instruments:

1. Credit risk
2. Liquidity risk
3. Market risk

The Company's risk management objectives, policies and procedures and the exposure risk arising from the aforementioned risks are disclosed below. For more quantitative information, please refer to other notes to the financial statements.

(2) Risk management framework

Risk management is performed by the department of management of the Company in accordance with policies approved by the board of directors. The department of management cooperates closely with the operating units and is responsible for the identification, evaluation and avoidance of financial risk. The board of directors has written regulations about overall risk management, and regularly reviews them to reflect any changes in market conditions and the Company's operations. The Company, through its training management standards, and operating procedures, aims to create a disciplined and constructive control environment.

The Company minimizes its risk exposure through derivative financial instruments. The use of derivative financial instruments is regulated by the policy which was resolved by the board of directors. The written regulations concern currency risk, interest rate risk, credit risk, the use of derivative financial instruments and non-derivative financial instruments, and the investment of the rest of the funds. The Company has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation.

(3) Credit risk

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

1. Trade receivables

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and in some cases, bank references. The Company rates major clients by other publicly available information and past transaction experience. Credit limits are established for each customer, and these limits are reviewed regularly. First-time customers, customers that have not traded for a long period, and customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

The Company evaluates the aging of trade receivables periodically, and accrues an allowance for doubtful accounts, if necessary. The allowance consists of a specific loss component that relates to individually significant risk exposures and a collective loss incurred but not yet identified. The collective loss allowance is determined based on historical payment statistics and forward looking information.

(Continued)

LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

2. Bank deposits

The Company's transactions resulted from external parties with good credit ratings; there are no noncompliance issues. The Company also has relationships with multiple financial institutions to diversify risk.

(4) Liquidity risk

The Company had sufficient working funds to meet the cash needs for settlement of contracts. Therefore, no material liquidity risk was anticipated.

(5) Market risk

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

The Company is exposed to currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Company, the New Taiwan dollar. The currencies used in these transactions are the USD, CNY and JPY.

At any point in time, the Company hedges its estimated foreign currency exposure with respect to its forecast sales and purchases over the following period. The Company also hedges all trade receivables and trade payables denominated in a foreign currency. The Company uses forward exchange contracts to hedge its currency risk, with a maturity of less than one year from the reporting date.

The Company engages in transactions in derivative instruments to manage market risk, since they give rise to financial liabilities. All transactions are conducted following the board of directors' approval policy.

(t) **Capital management**

The Company's goal of capital management is to maintain adequate capital to meet the need for expansion and productivity improvement and to ensure the Company has sufficient financial resources to cope with future needs for operating funds, capital expenditures, research and development expenditures, dividend expenses, and other operating requirements. Capital includes the Company's capital stock, capital surplus, and retained earnings.

The Company's debt-to-equity ratios were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Total liabilities	\$ 760,883	708,831
Less: cash and cash equivalents	(1,643,506)	(1,771,121)
Net debt	<u>\$ (882,623)</u>	<u>(1,062,290)</u>
Total equity	<u>\$ 4,356,539</u>	<u>4,272,289</u>
Debt-to-equity ratio	<u>(20.26)%</u>	<u>(24.86)%</u>

As of December 31, 2022, the Company's capital management strategy was consistent with the prior year. There were no material changes in debt-to-capital ratio.

(Continued)

LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

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

The Company acquired right-of-use assets by leases in the year ended December 31, 2022 and 2021, please refer to note 6(i).

Reconciliation of liabilities arising from financing activities were as follows:

	Lease liabilities
January 1, 2022	\$ 317,788
Cash flows	
Payment of lease liabilities	(7,464)
Non-cash changes	
Variable lease payments	2,795
December 31, 2022	<u>\$ 313,119</u>
January 1, 2021	\$ 325,588
Cash flows	
Payment of lease liabilities	(7,800)
December 31, 2021	<u>\$ 317,788</u>

(7) Related-party transactions:

Key management personnel compensation comprised:

	2022	2021
Short-term employee benefits	\$ 31,621	31,530
Post-employment benefits	466	460
Share-based payments	15,399	14,487
	<u>\$ 47,486</u>	<u>46,477</u>

Please refer to note 6(m) for details about the Share-based payment.

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2022	December 31, 2021
Other financial assets — current and non-current (restricted bank deposits)	Post-release duty payment of import cargo, Southern Taiwan Science Park's lease and notional forward exchange deposits	<u>\$ 15,132</u>	<u>15,242</u>

(Continued)

LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

(9) Significant commitments and contingencies:

(a) Unrecognized contractual commitments:

1. The Company outstanding standby letter of credit for purchasing property are as follows:

	December 31, 2022	December 31, 2021
Outstanding standby letter of credit	\$ -	75,481

2. The Company signed contracts with domestic and foreign vendors for purchasing property, plant and equipment. As of December 31, 2022 and 2021, the contracts amounted to \$312,553 and \$298,891, respectively, and the unpaid payment and unissued letter of credit were \$105,503 and \$64,502, respectively.

(b) Contingencies: None.

(10) Losses Due to Major Disasters: None.

(11) Significant Subsequent Events: None.

(12) Other:

A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By function By item	2022			2021		
	Classified as cost of sales	Classified as operating expenses	Total	Classified as cost of sales	Classified as operating expenses	Total
Employee benefits						
Salary	278,481	126,448	404,929	248,519	111,244	359,763
Labor and health insurance	20,587	8,069	28,656	19,476	7,374	26,850
Pension	11,026	3,198	14,224	10,181	2,810	12,991
Remuneration of directors	-	4,568	4,568	-	4,962	4,962
Others	8,090	5,674	13,764	8,349	5,237	13,586
Depreciation	427,228	45,893	473,121	440,054	46,286	486,340
Amortization	561	3,744	4,305	315	5,695	6,010

The additional information about the number of employees and employee benefits for the years ended December 31, 2022 and 2021, were as follows:

	2022	2021
Number of employees	348	338
Non-employee directors	4	4
Average of employee benefits	\$ 1,342	1,237
Average of employee salary	\$ 1,177	1,077
Adjustment of average employee salary	9.29%	(4.69%)
Supervisor's remuneration	0	0

(Continued)

LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

The company's salary and remuneration policy (including directors, supervisors, managers and employees) are as follows:

- (1) The remuneration of directors includes the compensation, transportation allowance, expenses; and reward for business affairs and business affairs. Based on the regulations in Articles of Association when no more than 2 percent of the net profit is allocated for remuneration of directors, the amount distributed to each director would be determined by the directors' participation and contribution for the operational affairs.
- (2) The remuneration of general manager, deputy general manager, and other managers include the compensation, bonuses, employee salary, restricted stock awards or restricted stocks. It is measures based on the employee's position, responsibilities, and contribution made to the company with reference to the policies of other companies in the same industry. The manager's responsibility in the position and the contribution to the company's operation goal will also be taken in to consideration. The general manager will receive remuneration according to the duty of the person in the position as well as the contribution to the company's goal. The company offer reasonable remuneration based on the overall operational performance, the potential risk and developing trend in the industry, the individual performance, and the person's contribution to the company. The performance evaluation outcome would be reviewed by the remuneration committee and the Board of directors, and the remuneration system would be constantly reviewed or amended in accordance with the business condition and relevant laws. Hopefully, the company can achieve sustainable management and risk control at the same time.

(13) Other disclosures:

(a) Information on significant transactions

The following is the information on significant transactions required by the “IFRS” for the Company:

1. Loans to other parties:None.
2. Guarantees and endorsements for other parties:None.
3. Information regarding securities held at reporting date (excluding investments in subsidiaries, associates, and joint ventures):None.
4. Information regarding purchase or sale of securities for the period exceeding NT\$300 million or 20% of the company's paid-in capital:None.
5. Information on the acquisition of real estate with purchase amount exceeding NT\$300 million or 20% of the company's paid-in capital:None.
6. Information regarding receivables from disposal of real estate exceeding NT\$300 million or 20% of the company's paid-in capital:None.
7. Information regarding related-party purchase and sale exceeding NT\$100 million or 20% of the company's paid-in capital:None.
8. Information regarding receivables from related parties exceeding NT\$100 million or 20% of the company's paid-in capital:None.

(Continued)

LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

9. Information regarding trading in derivative financial instruments:

The Company holds derivative financial instruments to hedge the certain foreign exchange risk the Company is exposed to, arising from its operating activities. As of December 31, 2022, the derivative instruments, without the application of hedge accounting, please refer to note 6(b). For the net gain or loss on fair value of financial instruments at FVTPL, please refer to note 6(q).

10. Business relationships and significant intercompany transactions:None.

(b) Information on investees: None.

(c) Information on investment in Mainland China:None.

(d) Major shareholders:

<u>Customer</u>	<u>Shares</u>	<u>Percentage</u>
Huasheng International Investment Co., Ltd.	7,674,640	8.35 %

Note1 : The information on major shareholders, which is provided by the Taiwan Depository & Clearing Corporation, summarized the shareholders who held over 5% of total non-physical common stocks and preferred stocks (including treasury stocks) on the last business date of each quarter. The registered non-physical stocks may be different from the capital stocks disclosed in the financial statement due to different calculation basis.

Note2 : If shares are entrusted, the above information regarding such shares will be revealed by each trustors of individual trust account. The shareholders holding more than 10% of the total shares of the company should declare insider's equity according to Securities and Exchange Act. The numbers of the shares declared by the insider include the shares of the trust assets which the insider has discretion over use. For details of the insider's equity announcement please refer to the TWSE website.

(14) Segment information:

(a) General information

The Company has one reportable segment and is mainly engaged in single-product manufacturing and selling of wafers. Financial segment information is consistent with the above financial information for the Company as a whole. The accounting policies of the operating segment are the same as those described in Note 4. The operating segment's income was measured using profit before tax, which was also used as the basis for performance evaluation.

(b) Information on reportable segment profit or loss, assets, liabilities, and basis of measurement and reconciliation

The information on segment profit or loss, assets, and liabilities is consistent with the information in the financial statements; please refer to the balance sheets and statements of comprehensive income.

(c) Information about products and services

The Company is mainly engaged in single-product manufacturing and selling of wafers. The information on products is consistent with the financial statements; please refer to the statements of comprehensive income.

(Continued)

LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

(d) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets.

Geographic Area	2022	2021
Revenue from external customers:		
Mainland China	\$ 926,962	1,204,198
United States	682,142	307,887
United Kingdom	490,586	32,983
Taiwan	113,791	167,208
Other	167,404	160,427
	2,380,885	1,872,703
Non-current assets:		
	December 31, 2022	December 31, 2021
Taiwan	\$ 2,575,361	2,569,956

(e) Major customer information:

The sales to individual customers that constituted 10% or more of net sales were as follows:

Customer	2022	2021
C02	\$ 608,936	-
C04	489,678	-
C03	300,234	466,298
C01	-	272,345
	\$ 1,398,848	738,643

LANDMARK OPTOELECTRONICS CORPORATION

Statement of cash and cash equivalents

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Cash	Cash on hand	\$ 180
Bank deposits	Demand deposits	308,230
	Foreign currency demand deposits(USD1,507,495.94, exchange rate at 30.71)	46,295
	Foreign currency demand deposits(CNY458.27, exchange rate at 4.408)	2
	Time deposits(From 2023.1.8 to 2023.12.19)	1,008,700
Repurchase agreements collateralized by commercial paper	Repurchase agreements collateralized by commercial paper(From 2023.1.3 to 2023.2.10, interest rate at 0.85%~4.1%)	280,099
		\$ 1,643,506

Statement of trade receivables

Client name	Description	Amount
Non-related-parties :		
C02	Trade receivables for sales	\$ 171,649
C04	"	86,569
C01	"	61,382
C03	"	60,949
C05	"	27,935
Other(Note1)	"	52,128
Subtotal		460,612
Less: Loss allowance		(2,292)
Total		\$ 458,320

Note1 : The amount of individual client included in others does not exceed 5% of the account balance.

LandMark Optoelectronics Corporation
Statement of inventories
December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

Item	Amount		Note
	Cost	Market price	
Finished goods	\$ 157,642	183,881	Market price is determined by net realizable value
Work in progress	31,134	31,134	"
Raw materials	115,526	118,397	"
Supplies	146,327	109,154	"
Less: Allowance for inventory devaluation and obsolescence	<u>(74,477)</u>		
Total	\$ <u>376,152</u>		

Note : The above inventories were not pledged as collateral or restricted in any way.

Statement of prepayments and other current assets

Item	Description	Amount
Prepayments :		
Prepaid expenses	Prepaid insurance 、 software usage fee and maintenance	\$ 12,598
Other	Office supplies	<u>4,759</u>
		\$ <u>17,357</u>
Other current assets :		
Tax refund receivable	Sales tax refund receivable	\$ 13,311
Temporary payments	Charitable giving from employees	<u>25</u>
		\$ <u>13,336</u>

LandMark Optoelectronics Corporation
Statement of other financial assets - current
December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Restricted bank deposits	Post-release duty payment of import cargo deposits	\$ <u><u>2,593</u></u>

Statement of changes in property, plant and equipment

Statement of changes in property, plant and equipment, please refer to note 6(e).

Statement of changes in right-of-use assets

Statement of changes in right-of-use assets please refer to note 6(f).

Statement of changes in intangible assets

Statement of changes in intangible assets, please refer to note 6(g).

LandMark Optoelectronics Corporation
Statement of other financial assets - non-current
December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Restricted bank deposits	Lease deposit for Southern Taiwan Science Park	\$ 12,539
Refundable deposits	Rental deposits	307
		<u><u>\$ 12,846</u></u>

Statement of change in other non-current assets

Item	Beginning Balance	Addition	Decrease	Ending Balance
Prepayment for equipment	\$ 125,436	96,519	125,436	96,519
Instalment of technology authorization	3,334	471	561	3,244
Total	<u><u>\$ 128,770</u></u>	<u><u>96,990</u></u>	<u><u>125,997</u></u>	<u><u>99,763</u></u>

LANDMARK OPTOELECTRONICS CORPORATION

Statement of trade payables

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Client name</u>	<u>Description</u>	<u>Amount</u>
Non-related-party :		
A01	Trade payables due to purchasing goods	\$ 107,398
A05	"	20,359
A02	"	11,677
Other(Note1)	"	36,818
		<u><u>\$ 176,252</u></u>

Note1 : The amount of individual client included in others does not exceed 5% of the account balance.

**Statement of current contract liabilities, other payables
and other current liabilities**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Current contract liabilities :		
Unearned sales revenue	Unearned sales revenue	\$ <u><u>2,472</u></u>
Other payables :		
Salaries and bonuses payable	Salaries payable for December, year-end bonuses and non-leaving pay	\$ 58,681
Employee compensation payable	Employee compensation payable	53,780
Director's remuneration payable	Director's remuneration payable	4,253
Payables on equipment	Purchase of machinery	44,138
Other	Pension, professional service fees and other expenses	46,780
		<u><u>\$ 207,632</u></u>
Other current liabilities :		
Other	Withholding labor insurance, income tax and pension	\$ <u><u>1,222</u></u>

LandMark Optoelectronics Corporation
Statement of lease liabilities
December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Lease term</u>	<u>Discount rate</u>	<u>Amount</u>	<u>Note</u>
Land	Leases land from Southern Tainan Science Park	2010.8.1~2057.10.25	1.650%	\$ <u>313,119</u>	
				\$ <u><u>313,119</u></u>	

Statement of operating revenue

<u>Item</u>	<u>Quantity</u>	<u>Amount</u>	<u>Note</u>
Sales revenue—wafer	Note	\$ 2,364,608	
Other		<u>17,527</u>	
Subtotal		2,382,135	
Less : Sales discounts and allowances		123	
Sales returns		<u>1,127</u>	
Net revenue		\$ <u><u>2,380,885</u></u>	

Note : The products have multiple specifications and different units.

LANDMARK OPTOELECTRONICS CORPORATION

Statement of operating costs

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Raw materials, beginning of year	\$ 47,917
Add : Raw materials purchased	642,537
Less : Raw materials, end of year	115,526
Raw material sold	72
Transferred to operating expenses	42,166
Raw materials used	<u>532,690</u>
Supplies, beginning of year	95,670
Add : Supplies purchased	253,140
Less : Supplies, end of year	146,327
Supplies sold	60
Transferred to assets	23,141
Transferred to operating expenses	116,145
Supplies used	63,137
Direct labour	77,688
Manufacturing expense	974,260
Manufacturing cost	<u>1,647,775</u>
Add : Work in process, beginning of year	60,270
Transferred from finished goods	89,236
Less : Work in process, end of year	31,134
Work in process scrapped	194
Transferred to operating expenses	53,836
Cost of finished goods	<u>1,712,117</u>
Add : Finished goods, beginning of year	161,937
Finished goods processing fee	77,385
Less : Finished goods, end of year	157,642
Transferred to work in process	89,236
Finished goods scrapped	74,776
Transferred to operating expenses	79,228
Cost of sale of finished goods	<u>1,550,557</u>
Add : Cost of sale of raw materials	132
Write-off for inventories scrapped	74,970
Less : Revenue from sale of scraps	1,946
Gain from obsolete inventories	1,853
Total	\$ <u><u>1,621,860</u></u>

LANDMARK OPTOELECTRONICS CORPORATION

Statement of operating expenses

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Item	Selling and marketing expenses	General and administrative expenses	Research and development expenses	Impairment gains and reversal of impairment losses determined in accordance with IFRS 9	Total
Salary and wages	\$ 24,124	49,433	60,657	-	134,214
Rent	-	30	1,062	-	1,092
Freights	3,278	-	-	-	3,278
Utilities	969	7,058	2,006	-	10,033
Insurance expenses	2,091	5,964	4,326	-	12,381
Taxes	-	4,951	-	-	4,951
Depreciation expenses	493	24,236	21,164	-	45,893
Amortization expenses	-	3,744	-	-	3,744
Meal expenses	375	706	762	-	1,843
Employee benefits	6	2,860	8	-	2,874
Research expenses	-	-	156,262	-	156,262
Other management expenses	1,046	4,171	536	-	5,753
Miscellaneous purchase	70	725	1,453	-	2,248
Professional service fees	40	3,129	392	-	3,561
Inspection expense	-	-	13,758	-	13,758
Samples expense	4,773	-	-	-	4,773
Processing fee	-	-	1,946	-	1,946
Impairment gains and reversal of impairment losses determined in accordance with IFRS 9	-	-	-	1,420	1,420
Other expenses	3,702	6,829	4,487	-	15,018
	<u>\$ 40,967</u>	<u>113,836</u>	<u>268,819</u>	<u>1,420</u>	<u>425,042</u>

Statement of non-operating income and expenses

Statement of non-operating income and expenses, please refer to note 6(q).

LandMark Optoelectronics Corporation

Chairman: *Ching-Yi Chang*

Date: March 31, 2023