

**LANDMARK OPTOELECTRONICS
CORPORATION**

**Financial Statements
With Independent Auditors' Review Report
For the Six Months Ended June 30, 2023 and 2022**

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

The independent auditors' review 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' review 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' Review Report

To the Board of Directors of LandMark Optoelectronics Corporation:

Introduction

We have reviewed the balance sheets of LandMark Optoelectronics Corporation (“the Company”) as of June 30, 2023 and 2022, and the related statements of comprehensive income for the three months and six months ended June 30, 2023 and 2022, and the statements of changes in equity and cash flows for the six months ended June 30, 2023 and 2022, and notes to the financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard (“IASs”) 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with the Standard on Review Engagements 2410, “Review of Financial Information Performed by the Independent Auditor of the Entity” of the Republic of China. A review of the financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing of the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of the Company as of June 30, 2023 and 2022, and of its financial performance for the three months and six months ended June 30, 2023 and 2022, and its cash flows for the six months ended June 30, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IASs 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Yen-Ta Su and Po-Jen Yang.

KPMG

Tainan, Taiwan (the Republic of China)

July 26, 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 review such financial statements are those generally accepted and applied in the Republic of China.

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

(English Translation of Financial Statements Originally Issued in Chinese)

LANDMARK OPTOELECTRONICS CORPORATION

Balance Sheets

June 30, 2023, December 31, 2022, and June 30, 2022

(Expressed in Thousands of New Taiwan Dollars)

		June 30, 2023		December 31, 2022		June 30, 2022						June 30, 2023		December 31, 2022		June 30, 2022	
Assets		Amount	%	Amount	%	Amount	%			Liabilities and Equity		Amount	%	Amount	%	Amount	%
Current assets:										Current liabilities:							
1100	Cash and cash equivalents (note (6)(a))	\$ 916,786	19	1,643,506	32	1,695,885	33	2120		Current financial liabilities at fair value through profit or loss (note (6)(b))		\$ 1,109	-	18	-	275	-
1140	Current financial assets at amortized cost (note (6)(c))	758,700	16	-	-	-	-	2130		Contract liabilities-current (note (6)(p))		1,536	-	2,472	-	1,882	-
1170	Notes and trade receivables, net (notes (6)(d)(p))	255,174	6	458,320	9	441,463	9	2150		Notes payables		-	-	-	-	14,966	-
1220	Current tax assets	593	-	-	-	-	-	2170		Trade payables		48,590	1	176,252	4	164,950	3
1310	Inventories (note (6)(e))	348,066	7	376,152	8	333,723	6	2200		Other payables		162,662	3	207,632	4	231,853	5
1410	Prepayments	10,451	-	17,357	-	12,825	-	2216		Dividends payables(note (6)(m))		321,537	7	-	-	319,792	6
1470	Other current assets	3,977	-	13,336	-	15,791	-	2230		Current tax liabilities		-	-	54,791	1	25,952	1
1476	Other financial assets— current (note (8))	2,599	-	2,593	-	2,573	-	2280		Current lease liabilities(note (6)(j))		7,200	-	7,141	-	7,083	-
		2,296,346	48	2,511,264	49	2,502,260	48	2300		Other current liabilities		1,163	-	1,222	-	1,451	-
												543,797	11	449,528	9	768,204	15
Non-current assets:										Non-Current liabilities:							
1600	Property, plant and equipment (notes (6)(f)and (9))	2,162,522	45	2,163,544	43	2,275,275	44			Non-current lease liabilities (note (6)(j))		302,363	7	305,978	6	309,563	6
1755	Right-of-use assets (note (6)(g))	301,358	6	305,964	6	310,570	6	2580		Net defined benefit liability— non-current		5,377	-	5,377	-	7,324	-
1780	Intangible assets (note (6)(h))	5,001	-	6,090	-	3,754	-	2640				307,740	7	311,355	6	316,887	6
1840	Deferred tax assets	35,728	1	17,951	-	17,163	1			Total liabilities		851,537	18	760,883	15	1,085,091	21
1980	Other financial assets— non-current (note (8))	12,866	-	12,846	-	15,981	-			Equity attributable to owners of the company (notes (6)(m)(n)):							
1900	Other non-current assets (notes (6)(i)and (9))	13,760	-	99,763	2	43,908	1			3110	Capital stock	918,617	19	918,677	18	913,692	17
		2,531,235	52	2,606,158	51	2,666,651	52			3200	Capital surplus	1,829,273	38	1,872,362	37	1,799,188	35
											Retained earnings:						
										3310	Legal reserve	648,155	13	615,067	12	615,067	12
										3350	Unappropriated earnings	605,140	13	984,867	19	763,233	15
												1,253,295	26	1,599,934	31	1,378,300	27
										3491	Deferred compensation cost arising from issuance of restricted stock	(25,141)	(1)	(34,434)	(1)	(7,360)	-
											Total equity	3,976,044	82	4,356,539	85	4,083,820	79
Total assets		\$ 4,827,581	100	5,117,422	100	5,168,911	100			Total liabilities and equity		\$ 4,827,581	100	5,117,422	100	5,168,911	100

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

LANDMARK OPTOELECTRONICS CORPORATION**Statements of Comprehensive Income****For the three months and six months ended June 30, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)**

		For the three months ended June 30				For the six months ended June 30			
		2023		2022		2023		2022	
		Amount	%	Amount	%	Amount	%	Amount	%
4100	Operating revenue (note (6)(p))	\$ 252,818	100	600,751	100	580,241	100	1,051,302	100
5000	Operating costs (notes (6)(e)(j)(k)(n)(q)(7)and (12))	<u>215,250</u>	<u>85</u>	<u>405,099</u>	<u>67</u>	<u>485,773</u>	<u>84</u>	<u>742,957</u>	<u>71</u>
5900	Gross profit	<u>37,568</u>	<u>15</u>	<u>195,652</u>	<u>33</u>	<u>94,468</u>	<u>16</u>	<u>308,345</u>	<u>29</u>
6000	Operating expenses (notes (6)(d)(j)(k)(n)(q)(7)and (12)):								
6100	Selling and marketing expenses	8,334	3	11,316	2	15,748	3	19,236	2
6200	General and administrative expenses	25,660	10	30,856	5	45,588	8	54,795	5
6300	Research and development expenses	75,287	30	60,268	10	135,283	23	130,233	12
6450	Impairment losses (Impairment gains and reversal of impairment losses) determined in accordance with IFRS 9	<u>(514)</u>	<u>-</u>	<u>1,434</u>	<u>-</u>	<u>(274)</u>	<u>-</u>	<u>1,507</u>	<u>-</u>
		<u>108,767</u>	<u>43</u>	<u>103,874</u>	<u>17</u>	<u>196,345</u>	<u>34</u>	<u>205,771</u>	<u>19</u>
6900	Operating income (loss)	<u>(71,199)</u>	<u>(28)</u>	<u>91,778</u>	<u>16</u>	<u>(101,877)</u>	<u>(18)</u>	<u>102,574</u>	<u>10</u>
7000	Non-operating income and expenses (notes (6)(j)(r)):								
7100	Interest income	6,309	3	2,203	-	11,195	2	3,976	-
7020	Other gains and losses	7,460	3	12,831	2	4,371	1	25,783	2
7050	Finance costs	<u>(1,282)</u>	<u>(1)</u>	<u>(1,311)</u>	<u>-</u>	<u>(2,574)</u>	<u>-</u>	<u>(2,189)</u>	<u>-</u>
		<u>12,487</u>	<u>5</u>	<u>13,723</u>	<u>2</u>	<u>12,992</u>	<u>3</u>	<u>27,570</u>	<u>2</u>
7900	Profit (loss) before income tax	<u>(58,712)</u>	<u>(23)</u>	<u>105,501</u>	<u>18</u>	<u>(88,885)</u>	<u>(15)</u>	<u>130,144</u>	<u>12</u>
7950	Less: income tax expenses (benefit)(notes 6(l))	<u>(17,849)</u>	<u>(7)</u>	<u>15,972</u>	<u>3</u>	<u>(17,849)</u>	<u>(3)</u>	<u>20,901</u>	<u>2</u>
8200	Net profit (loss)	<u>(40,863)</u>	<u>(16)</u>	<u>89,529</u>	<u>15</u>	<u>(71,036)</u>	<u>(12)</u>	<u>109,243</u>	<u>10</u>
8300	Other comprehensive income(notes 6(l))	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
8500	Total comprehensive income	<u><u>\$ (40,863)</u></u>	<u><u>(16)</u></u>	<u><u>89,529</u></u>	<u><u>15</u></u>	<u><u>(71,036)</u></u>	<u><u>(12)</u></u>	<u><u>109,243</u></u>	<u><u>10</u></u>
	Earnings per share (in dollars), after tax (note (6)(o))								
9750	Basic earnings per share	<u><u>\$ (0.45)</u></u>		<u><u>0.98</u></u>		<u><u>(0.78)</u></u>		<u><u>1.20</u></u>	
9850	Diluted earnings per share	<u><u>\$ (0.45)</u></u>		<u><u>0.98</u></u>		<u><u>(0.78)</u></u>		<u><u>1.19</u></u>	

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

LANDMARK OPTOELECTRONICS CORPORATION**Statements of Changes in Equity****For the six months ended Review June 30, 2023 and 2022****(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, 2022	\$ 913,692	1,844,873	581,480	961,684	(29,440)	4,272,289
Net Profit	-	-	-	109,243	-	109,243
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	109,243	-	109,243
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)
Compensation cost arising from restricted stock	-	-	-	-	22,080	22,080
Balance at June 30, 2022	\$ 913,692	1,799,188	615,067	763,233	(7,360)	4,083,820
Balance at January 1, 2023	\$ 918,677	1,872,362	615,067	984,867	(34,434)	4,356,539
Net Loss	-	-	-	(71,036)	-	(71,036)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	(71,036)	-	(71,036)
Appropriation of 2022 earnings in 2023:						
Legal reserve	-	-	33,088	(33,088)	-	-
Cash dividends	-	-	-	(275,603)	-	(275,603)
Cash distributed from capital surplus	-	(45,934)	-	-	-	(45,934)
Compensation cost arising from restricted stock	-	2,785	-	-	9,293	12,078
Restricted stock retired	(60)	60	-	-	-	-
Balance at June 30, 2023	\$ 918,617	1,829,273	648,155	605,140	(25,141)	3,976,044

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

LANDMARK OPTOELECTRONICS CORPORATION**Statements of Cash Flows****For the six months ended June 30, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	For the six months ended June 30	
	2023	2022
Cash flows from (used in) operating activities:		
Profit (loss) before tax	\$ (88,885)	130,144
Adjustments:		
Adjustments to reconcile profit / loss:		
Depreciation expenses	222,392	241,794
Amortization expenses	1,433	2,810
Expected credit losses (gains)	(274)	1,507
Unrealized net losses on change in fair value of financial assets and liabilities through profit or loss	1,091	275
Interest expense	2,574	2,189
Interest income	(11,195)	(3,976)
Compensation cost arising from restricted stocks	12,078	22,080
Unrealized foreign exchange profit	(5,159)	(6,293)
Total adjustments to reconcile profit / loss	222,940	260,386
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in notes and trade receivables	207,796	(141,659)
Decrease (increase) in inventories	4,693	(57,425)
Decrease in prepayments	6,906	1,881
Decrease (increase) in other current assets	9,359	(9,365)
Total changes in operating assets	228,754	(206,568)
Changes in operating liabilities:		
Decrease in contract liabilities	(936)	(10,086)
Increase in notes payable	-	718
Increase (decrease) in trade payables	(128,027)	75,256
Decrease in other payables	(28,475)	(1,708)
Increase (decrease) in other current liabilities	(59)	265
Total changes in operating liabilities	(157,497)	64,445
Net changes in operating assets and liabilities	71,257	(142,123)
Total adjustments	294,197	118,263
Cash generated from operations	205,312	248,407
Interest received	11,195	3,976
Interest paid	(2,574)	(2,189)
Income tax paid	(55,312)	(73,123)
Net cash generated from operating activities	158,621	177,071
Cash flows from (used in) investing activities:		
Acquisition of financial assets at amortised cost	(758,700)	-
Acquisition of property, plant and equipment	(123,992)	(205,691)
Acquisition of intangible assets	(122)	(350)
Increase in other financial assets — current and non-current	(26)	(2,907)
Increase in other non-current assets	-	(40,796)
Net cash used in investing activities	(882,840)	(249,744)
Cash flows from (used in) financing activities:		
Repurchase of restricted stock	(281)	-
Payment of lease liabilities	(3,556)	(3,937)
Net cash used in financing activities	(3,837)	(3,937)
Effects of exchange rate changes on balance of cash held in foreign currencies	1,336	1,374
Net decrease in cash and cash equivalents	(726,720)	(75,236)
Cash and cash equivalents at the beginning of year	1,643,506	1,771,121
Cash and cash equivalents at the end of year	\$ 916,786	1,695,885

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

LANDMARK OPTOELECTRONICS CORPORATION

Notes to the Financial Statements

June 30, 2023 and 2022

(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 for the six months ended June 30, 2023 and 2022 were authorized for issuance by the Board of Directors on July 26, 2023.

(3) New standards, amendments and interpretations adopted:

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

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

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

- (b) 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”
- IFRS16 “Requirements for Sale and Leaseback Transactions”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IAS12 “International Tax Reform – Pillar Two Model Rules”

(Continued)

LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

(4) Summary of significant accounting policies:

(a) Statement of compliance

These financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by FSC, and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the annual financial statements.

Except the following accounting policies mentioned below, the significant accounting policies adopted in the financial statements are the same as those in the financial statement for the year ended December 31, 2022. For the related information, please refer to note 4 of the financial statements for the year ended December 31, 2022.

(b) Employee benefits

The pension cost in the interim period was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year.

(c) Income taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34, Interim Reporting.

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

For a change in tax rate that is substantively enacted in an interim period, the effect of the change should immediately be recognized in the interim period in which the change occurs.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

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

The preparation of the financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 “Interim Financial Reporting” and endorsed by the FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of the interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the financial statements for the year ended December 31, 2022. For related information, please refer to note 5 of the financial statements for the year ended December 31, 2022.

(Continued)

LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

(6) Explanation of significant accounts:

Except for the following disclosures, there were no material differences in the disclosures of significant accounts between the interim financial statements for the current period and the 2022 financial statements. Please refer to Note 6 of the 2022 annual financial statements.

(a) Cash and cash equivalents

	June 30, 2023	December 31, 2022	June 30, 2022
Cash	\$ 136	180	221
Demand deposits	299,714	354,527	465,298
Time deposits	400,000	1,008,700	1,097,700
Repurchase agreements collateralized by commercial paper	<u>216,936</u>	<u>280,099</u>	<u>132,666</u>
Cash and cash equivalents in the statement of cash flows	<u><u>\$ 916,786</u></u>	<u><u>1,643,506</u></u>	<u><u>1,695,885</u></u>

Please refer to Note 6(s) 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

	June 30, 2023	December 31, 2022	June 30, 2022
Financial liabilities mandatorily measured at fair value through profit or loss:			
Derivative instruments not used for hedging			
— forward exchange contracts	<u><u>\$ 1,109</u></u>	<u><u>18</u></u>	<u><u>275</u></u>

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

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:

(Continued)

LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

Financial liabilities mandatorily measured at fair value through profit or loss:

June 30, 2023			
	Contract amount (in thousands)	Currency	Maturity period
Forward exchange sold	\$ <u>3,498</u>	USD	2023.7.3~2023.8.2

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

June 30, 2022			
	Contract amount (in thousands)	Currency	Maturity period
Forward exchange sold	\$ <u>1,317</u>	USD	2022.7.11~2022.7.14

(c) **Financial assets measured at amortized cost**

	June 30, 2023	December 31, 2022	June 30, 2022
Time deposits	\$ <u>758,700</u>	<u>-</u>	<u>-</u>
Range of Interest Rate(%)	<u>1.145~1.565</u>	<u>-</u>	<u>-</u>

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

(d) **Notes and trade receivables**

	June 30, 2023	December 31, 2022	June 30, 2022
Notes receivable from operating activities	\$ 458	-	-
Trade receivables— measured as amortized cost	256,734	460,612	443,842
Less: Loss allowance	<u>(2,018)</u>	<u>(2,292)</u>	<u>(2,379)</u>
	<u>\$ 255,174</u>	<u>458,320</u>	<u>441,463</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)

June 30, 2023			
	Gross carry amount of notes and trade receivables	Weighted-average loss rate	Loss allowance provision
Current	\$ 186,478	0.18%	335
1 to 90 days past due	69,538	0.73%	507
91 to 180 days past due	-	60.59%	-
More than 181 days past due	1,176	100%	1,176
Total	\$ 257,192		2,018

December 31, 2022			
	Gross carry amount of 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

June 30, 2022			
	Gross carry amount of trade receivables	Weighted-average loss rate	Loss allowance provision
Current	\$ 377,990	0.19%	718
1 to 90 days past due	64,676	0.75%	485
91 to 180 days past due	-	70.99%	-
More than 181 days past due	1,176	100%	1,176
Total	\$ 443,842		2,379

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

			For the six months ended June 30,
			2023 2022
Balance at beginning of the year	\$	2,292	872
Impairment losses recognized (reversed)		(274)	1,507
Balance at end of the year	\$	2,018	2,379

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

(Continued)

LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

(e) Inventories

	June 30, 2023	December 31, 2022	June 30, 2022
Raw materials and supplies	\$ 213,184	217,626	156,710
Work in progress	27,178	31,134	48,814
Finished goods	107,704	127,392	128,199
	<u>\$ 348,066</u>	<u>376,152</u>	<u>333,723</u>

The details of the cost of sales are as follows:

	April to June, 2023	April to June, 2022	January to June, 2022	January to June, 2022
Inventories that have been sold	\$ 200,899	386,673	457,318	700,364
Provision for inventories obsolescence	16,910	20,110	31,043	44,489
Revenue from sale of scraps	(2,559)	(1,684)	(2,588)	(1,896)
	<u>\$ 215,250</u>	<u>405,099</u>	<u>485,773</u>	<u>742,957</u>

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

(f) Property, plant and equipment

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

	Buildings and improvements	Machinery equipment	Transportation equipment	Electrical equipment	Office and other equipment	Construction in process and testing equipment	Total
Cost or deemed cost:							
Balance at January 1, 2023	\$ 917,872	1,448,914	3,859	40,624	2,595,368	195,167	5,201,804
Additions	-	340	-	1,267	1,674	104,309	107,590
Reclassification	-	78,226	-	-	100,136	(69,188)	109,174 (Note1)
Balance at June 30, 2023	<u>\$ 917,872</u>	<u>1,527,480</u>	<u>3,859</u>	<u>41,891</u>	<u>2,697,178</u>	<u>230,288</u>	<u>5,418,568</u>
Balance at January 1, 2022	\$ 917,872	1,257,110	3,859	35,374	2,456,345	44,260	4,714,820
Additions	-	-	-	-	530	250,517	251,047
Reclassification	-	182,290	-	-	94,908	(138,595)	138,603 (Note2)
Balance at June 30, 2022	<u>\$ 917,872</u>	<u>1,439,400</u>	<u>3,859</u>	<u>35,374</u>	<u>2,551,783</u>	<u>156,182</u>	<u>5,104,470</u>
Accumulated depreciation and impairment loss:							
Balance at January 1, 2023	\$ 107,799	1,233,607	3,859	12,040	1,680,955	-	3,038,260
Depreciation	12,792	48,590	-	1,291	155,113	-	217,786
Balance at June 30, 2023	<u>\$ 120,591</u>	<u>1,282,197</u>	<u>3,859</u>	<u>13,331</u>	<u>1,836,068</u>	<u>-</u>	<u>3,256,046</u>
Balance at January 1, 2022	\$ 82,215	1,105,870	3,859	9,798	1,390,265	-	2,592,007
Depreciation	12,792	70,081	-	1,066	153,249	-	237,188
Balance at June 30, 2022	<u>\$ 95,007</u>	<u>1,175,951</u>	<u>3,859</u>	<u>10,864</u>	<u>1,543,514</u>	<u>-</u>	<u>2,829,195</u>

(Continued)

LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

	<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>
Carrying amounts:							
Balance at January 1, 2023	\$ <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 June 30, 2023	\$ <u>797,281</u>	<u>245,283</u>	<u>-</u>	<u>28,560</u>	<u>861,110</u>	<u>230,288</u>	<u>2,162,522</u>
Balance at January 1, 2022	\$ <u>835,657</u>	<u>151,240</u>	<u>-</u>	<u>25,576</u>	<u>1,066,080</u>	<u>44,260</u>	<u>2,122,813</u>
Balance at June 30, 2022	\$ <u>822,865</u>	<u>263,449</u>	<u>-</u>	<u>24,510</u>	<u>1,008,269</u>	<u>156,182</u>	<u>2,275,275</u>

Note 1 : Other non-current assets — prepayment for equipment and inventories have been reclassified to testing equipment and other equipment with \$85,781 and \$23,393, respectively.

Note 2 : Other non-current assets — prepayment for equipment and inventories have been reclassified to testing equipment and other equipment with \$125,436 and \$13,167, respectively.

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

(g) 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>
Cost :	
Balance at June 30, 2023(as the balance of January 1,2023)	\$ <u>342,173</u>
Balance at January 1, 2022	\$ 339,378
Variable lease payments	<u>2,795</u>
Balance at June 30, 2022	\$ <u>342,173</u>
Accumulated depreciation and impairment loss:	
Balance at January 1,2023	\$ 36,209
Depreciation	<u>4,606</u>
Balance at June 30, 2023	\$ <u>40,815</u>
Balance at January 1, 2022	\$ 26,997
Depreciation	<u>4,606</u>
Balance at June 30, 2022	\$ <u>31,603</u>

(Continued)

LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

	<u>Land</u>
Carrying amounts:	
Balance at January 1, 2023	\$ <u>305,964</u>
Balance at June 30, 2023	\$ <u>301,358</u>
Balance at January 1, 2022	\$ <u>312,381</u>
Balance at June 30, 2022	\$ <u>310,570</u>

(h) **Intangible assets**

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

	<u>Computer software</u>
Carrying amounts:	
Balance at January 1, 2023	\$ <u>6,090</u>
Balance at June 30, 2023	\$ <u>5,001</u>
Balance at January 1, 2022	\$ <u>5,992</u>
Balance at June 30, 2022	\$ <u>3,754</u>

There were no significant additions, disposal, or recognition and reversal of impairment losses of intangible assets for the six months ended June 30, 2023 and 2022. Information on amortization for the period is discussed in Note 12. For other relevant information, please refer to note 6(g) of the financial statements for the year ended December 31, 2022.

(i) **Other non-current assets**

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Prepayment for equipment	\$ 10,738	96,519	40,325
Others	3,022	3,244	3,583
Total	\$ <u>13,760</u>	<u>99,763</u>	<u>43,908</u>

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

(j) **Lease liabilities**

The carrying amounts of lease liabilities were as follows:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Current	\$ 7,200	7,141	7,083
Non-current financial liabilities	302,363	305,978	309,563
	\$ <u>309,563</u>	<u>313,119</u>	<u>316,646</u>

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

The amounts recognized in profit or loss were as follows:

(Continued)

LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

	April to June, 2023	April to June, 2022	January to June, 2023	January to June, 2022
Interest on lease liabilities	\$ <u>1,282</u>	<u>1,311</u>	<u>2,571</u>	<u>2,189</u>
Expenses relating to short-term leases	\$ <u>263</u>	<u>268</u>	<u>529</u>	<u>543</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>31</u>	<u>31</u>	<u>63</u>	<u>63</u>

The amounts recognized in the statement of cash flows for the Company was as follows:

	January to June, 2023	January to June, 2022
Total cash outflow for leases	\$ <u>6,719</u>	<u>6,732</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 same duration after the end of the contract term.

2. Other leases

The Company 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.

(k) **Employee benefits**

1. Defined benefit plan

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one-time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2022 and 2021.

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

	April to June, 2023	April to June, 2022	January to June, 2023	January to June, 2022
Cost of sales	\$ 68	68	132	136
Selling expenses	6	6	12	11
Research and development expenses	<u>7</u>	<u>7</u>	<u>18</u>	<u>13</u>
	<u>\$ 81</u>	<u>81</u>	<u>162</u>	<u>160</u>

(Continued)

LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

2. Defined contribution plan

A summary of pension costs under the defined contribution method is as follows. Payment was made to the Bureau of Labor Insurance.

	<u>April to June, 2023</u>	<u>April to June, 2022</u>	<u>January to June, 2023</u>	<u>January to June, 2022</u>
Cost of sales	\$ 2,818	2,754	5,722	5,330
Selling expenses	178	150	363	314
General and administrative expenses	243	253	478	493
Research and development expenses	<u>387</u>	<u>373</u>	<u>765</u>	<u>698</u>
	<u><u>\$ 3,626</u></u>	<u><u>3,530</u></u>	<u><u>7,328</u></u>	<u><u>6,835</u></u>

(l) Income taxes

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

	<u>April to June, 2023</u>	<u>April to June, 2022</u>	<u>January to June, 2023</u>	<u>January to June, 2022</u>
Current tax expense				
Current period	\$ -	21,099	-	26,028
Adjustment for prior periods	(72)	(5,127)	(72)	(5,127)
Deferred tax benefit				
Origination and reversal of temporary differences	<u>(17,777)</u>	<u>-</u>	<u>(17,777)</u>	<u>-</u>
Income tax expense (benefit)	<u><u>\$ (17,849)</u></u>	<u><u>15,972</u></u>	<u><u>(17,849)</u></u>	<u><u>20,901</u></u>

There were no income tax expense recognized in equity and other comprehensive income for the six months ended June 30, 2023 and 2022.

2. The Company's income tax returns for all fiscal years up 2021 have been examined and approved by the tax authority.

(m) Share capital and other equity

As of June 30, 2023, December 31 and June 30, 2022, 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 \$91,862 thousand shares, \$91,868 thousand shares and \$91,369 thousand shares, respectively. All the capitals were fully received.

Except as stated below, there were no material changes in the share capital and other equity during the six months ended June 30, 2023 and 2022. For more information, please refer to note 6(l) of the financial statements for the year ended December 31, 2022.

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LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

(1) Retirement of common stock

On April 26, 2023, the Company's board of directors approved a resolution to retire 6 thousand shares of restricted stock, which are non-vested. The basis date of the decrease in capital was May 31, 2023, and the registration procedures has been completed.

(2) Capital surplus

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

	June 30, 2023	December 31, 2022	June 30, 2022
Additional paid-in capital	\$ 1,766,680	1,812,614	1,696,020
Restricted stock	62,593	59,748	103,168
Total	<u>\$ 1,829,273</u>	<u>1,872,362</u>	<u>1,799,188</u>

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).

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).

(3) 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 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.

On February 1, 2023, the Company's Board of Directors resolved to appropriate the 2022 earnings. On May 25, 2022, the shareholders' meetings resolved to distribute the 2021 earnings. These earnings were appropriated as follows:

	2022		2021	
	<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>275,603</u>	3.0	<u>274,107</u>

(n) 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

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LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

thousand restricted shares. The fair value on the grant date of \$92.75(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 \$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	
	January to June, 2023	January to June, 2022
Outstanding at January 1	499	219
Retired during the year	(6)	-
Repurchased, not retired during the year	-	(1)
Outstanding at June 30	493	218

For the three months and six months ended June 30, 2023 and 2022, the compensation cost of restricted stock amounted to \$5,614, \$11,040, \$12,078 and \$22,080, respectively, which were recognized as operating cost or operating expenses.

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LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

(o) **Earnings per share**

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

	Unit of shares: thousand			
	<u>April to June, 2023</u>	<u>April to June, 2022</u>	<u>January to June, 2023</u>	<u>January to June, 2022</u>
Basic earnings per share:				
Profit (loss) attributable to ordinary shareholders of the Company	\$ <u>(40,863)</u>	<u>89,529</u>	<u>(71,036)</u>	<u>109,243</u>
Weighted-average number of common shares outstanding	<u>91,375</u>	<u>91,150</u>	<u>91,375</u>	<u>91,150</u>
	<u>\$ <u>(0.45)</u></u>	<u><u>0.98</u></u>	<u><u>(0.78)</u></u>	<u><u>1.20</u></u>
Diluted earnings per share:				
Profit (loss) attributable to ordinary shareholders of the Company (diluted)		\$ <u>89,529</u>		<u>109,243</u>
Weighted-average number of common shares outstanding		91,150		91,150
Remuneration to employees		126		154
Effect of restricted stock		<u>120</u>		<u>133</u>
Weighted-average number of common shares outstanding (diluted)		<u>91,396</u>		<u>91,437</u>
		<u>\$ <u>0.98</u></u>		<u><u>1.19</u></u>

For the six months ended June 30, 2023, there is an anti-diluted effect on remuneration to employees and restricted stock.

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

1. Disaggregation of revenue

	<u>April to June, 2023</u>	<u>April to June, 2022</u>	<u>January to June, 2023</u>	<u>January to June, 2022</u>
Primary geographical markets:				
Mainland China	\$ 197,288	248,601	396,830	441,012
United States	20,035	133,429	36,300	222,420
United Kingdom	-	122,925	26,168	202,614
Taiwan	15,396	42,300	36,258	61,716
Others	<u>20,099</u>	<u>53,496</u>	<u>84,685</u>	<u>123,540</u>
	<u>\$ <u>252,818</u></u>	<u><u>600,751</u></u>	<u><u>580,241</u></u>	<u><u>1,051,302</u></u>

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LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

	<u>April to June, 2023</u>	<u>April to June, 2022</u>	<u>January to June, 2023</u>	<u>January to June, 2022</u>
Major products:				
Wafer	\$ 251,445	597,796	575,482	1,042,607
Others	<u>1,373</u>	<u>2,955</u>	<u>4,759</u>	<u>8,695</u>
	<u><u>\$ 252,818</u></u>	<u><u>600,751</u></u>	<u><u>580,241</u></u>	<u><u>1,051,302</u></u>

2. Contract balances

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Note and trade receivables	\$ 257,192	460,612	443,842
Less: Loss allowance	<u>(2,018)</u>	<u>(2,292)</u>	<u>(2,379)</u>
	<u><u>\$ 255,174</u></u>	<u><u>458,320</u></u>	<u><u>441,463</u></u>
Contract liabilities	<u><u>\$ 1,536</u></u>	<u><u>2,472</u></u>	<u><u>1,882</u></u>

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

The amount of revenue recognized for the three months and six months ended June 30, 2023 and 2022 that were included in the contract liability balance at the beginning of the period were \$0, \$3,980, \$2,472 and \$11,443, 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.

(q) Employees 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 three months and six months ended June 30, 2022, the remuneration to employees amounted to \$11,854 and \$14,623, and the remuneration of directors amounted to \$1,185 and \$1,462. 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 in operating costs and operating expenses for the current period. There are no remunerations to employees and directors for the six-months ended June 30, 2023 due to the Company's net loss before tax. For any change after the issuance date of the financial statements, the difference shall be accounted for as a change in accounting estimate and recognized in profit or loss in the following year.

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LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

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 remuneration of employees and of directors have no differences between the estimated amounts and the amounts approved by the board of directors. The related information can be accessed through the Market Observation Post System.

(r) Non-operating income and expenses

1. Interest income

	April to June, 2023	April to June, 2022	January to June, 2023	January to June, 2022
Bank deposits	\$ <u>6,309</u>	<u>2,203</u>	<u>11,195</u>	<u>3,976</u>

2. Other gains and losses

	April to June, 2023	April to June, 2022	January to June, 2023	January to June, 2022
Foreign exchange gains, net	\$ 8,284	14,003	4,326	26,991
Losses on valuation of financial assets and liabilities by fair value, net	(1,483)	(1,250)	(981)	(1,381)
Others	<u>659</u>	<u>78</u>	<u>1,026</u>	<u>173</u>
	<u>\$ 7,460</u>	<u>12,831</u>	<u>4,371</u>	<u>25,783</u>

3. Finance costs

	April to June, 2023	April to June, 2022	January to June, 2023	January to June, 2022
Interest on lease liabilities	\$ 1,282	1,311	2,571	2,189
Bank loans	<u>-</u>	<u>-</u>	<u>3</u>	<u>-</u>
	<u>\$ 1,282</u>	<u>1,311</u>	<u>2,574</u>	<u>2,189</u>

(s) Financial instruments

Except as stated below, there were no material changes in fair value of financial instruments and financial instruments exposed to credit risk, liquidity risk, and market risk. For more information, please refer to note 6(r) to the financial statements for the year ended December 31, 2022.

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

As of June 30, 2023, December 31 and June 30, 2022, a few customers of the Company accounted for 50.67%, 67.29% and 51.34%, respectively, of operating revenue, and they were 76.67%, 82.62% and 59.74%, respectively, of trade receivables as of June 30, 2023, December

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LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

31 and June 30, 2022. 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 June 30, 2023 and 2022, please refer to note 6(d).

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 six months ended June 30, 2023 and 2022.

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.

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
June 30, 2023							
Non-derivative financial liabilities							
Non-interest-bearing liabilities	\$ 532,789	532,789	532,789	-	-	-	-
Lease liabilities	309,563	401,721	6,127	6,127	12,254	36,762	340,451
Derivative financial liabilities							
Other forward exchange contracts	<u>1,109</u>	<u>1,109</u>	<u>1,109</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 843,461</u>	<u>935,619</u>	<u>540,025</u>	<u>6,127</u>	<u>12,254</u>	<u>36,762</u>	<u>340,451</u>
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	<u>18</u>	<u>18</u>	<u>18</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<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>
June 30, 2022							
Non-derivative financial liabilities							
Non-interest-bearing liabilities	\$ 731,561	731,561	731,561	-	-	-	-
Lease liabilities	316,646	413,975	6,127	6,127	12,254	36,762	352,705
Derivative financial liabilities							
Other forward exchange contracts	<u>275</u>	<u>275</u>	<u>275</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,048,482</u>	<u>1,145,811</u>	<u>737,963</u>	<u>6,127</u>	<u>12,254</u>	<u>36,762</u>	<u>352,705</u>

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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									
	June 30, 2023			December 31, 2022			June 30, 2022		
	Foreign currency	Exchange rate	TWD amount	Foreign currency	Exchange rate	TWD amount	Foreign currency	Exchange rate	TWD amount
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	\$ 11,794	31.14	367,262	19,305	30.71	592,854	19,043	29.720	565,960
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	1,247	31.14	38,820	4,560	30.71	140,029	4,850	29.720	144,144
<u>Non-Monetary items</u>									
USD	3,498	31.14	108,928	740	30.71	22,725	1,317	29.720	39,141

For the three months and six months ended June 30, 2023 and 2022, the exchange gains or losses (including realized and unrealized) that resulted from monetary items translated to the functional currency were \$8,284, \$14,003, \$4,326 and \$26,991, 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 had increased or decreased by 3%, given no changes in other factors, profit after tax would have increased or decreased by \$7,883 and \$10,124 for the six months ended June 30, 2023 and 2022, 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)

		June 30, 2023			
		Carrying	Fair Value		
		amount	Level 1	Level 2	Total
Financial assets measured at amortized cost					
Cash	\$	916,786	-	-	-
Notes and trade receivables		255,174	-	-	-
Financial assets at amortized cost — current		758,700	-	-	-
Other financial assets — current and non-current		15,465	-	-	-
Total		<u>\$1,946,125</u>			
Financial liabilities measured at amortized cost					
Payables	\$	532,789	-	-	-
Lease liabilities		309,563	-	-	-
Total		<u>\$ 842,352</u>			
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	\$	<u>1,109</u>	-	1,109	1,109
			December 31, 2022		
		Carrying	Fair Value		
		amount	Level 1	Level 2	Total
Financial assets measured at amortized cost					
Cash	\$	1,643,506	-	-	-
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
			June 30, 2022		
		Carrying	Fair Value		
		amount	Level 1	Level 2	Total
Financial assets measured at amortized cost					
Cash	\$	1,695,885	-	-	-
Trade receivables		441,463	-	-	-
Other financial assets — current and non-current		18,554	-	-	-
Total		<u>\$2,155,902</u>			
Financial liabilities measured at amortized cost					
Payables	\$	731,561	-	-	-
Lease liabilities		316,646	-	-	-
Total		<u>\$1,048,207</u>			

(Continued)

LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

	Carrying amount	June 30, 2022			
		Fair Value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	\$ <u>275</u>	-	275	-	275

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 June 30, 2023 and 2022.

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.

(t) **Financial risk management**

The financial risk management goals, policies and procedures were consistent with those stated in the note 6(s) of the financial statements for the year ended December 31, 2022.

(u) **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:

	June 30, 2023	December 31, 2022	June 30, 2022
Total liabilities	\$ 851,537	760,883	1,085,091
Less: cash	(916,786)	(1,643,506)	(1,695,885)
Less: financial assets measured at amortized cost			
— current	(758,700)	-	-
Net debt	\$ <u>(823,949)</u>	<u>(882,623)</u>	<u>(610,794)</u>
Total equity	\$ <u>3,976,044</u>	<u>4,356,539</u>	<u>4,083,820</u>
Debt-to-equity ratio	<u>(20.72)%</u>	<u>(20.26)%</u>	<u>(14.96)%</u>

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LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

As of June 30, 2023 and 2022, the Company's capital management strategy was consistent with the prior year.

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

Reconciliation of liabilities arising from financing activities were as follows:

	<u>Lease liabilities</u>
January 1, 2023	\$ 313,119
Cash flows	
Payment of lease liabilities	(3,556)
June 30, 2023	<u>\$ 309,563</u>
January 1, 2022	\$ 317,788
Cash flows	
Payment of lease liabilities	(3,937)
Non-cash changes	
Variable lease payments	2,795
June 30, 2022	<u>\$ 316,646</u>

(7) **Related-party transactions:**

Key management personnel compensation comprised:

	<u>April to June, 2023</u>	<u>April to June, 2022</u>	<u>January to June, 2023</u>	<u>January to June, 2022</u>
Short-term employee benefits	\$ 3,858	7,224	8,129	11,936
Post-employment benefits	188	116	305	233
Share-based payments	1,069	3,622	2,166	7,244
	<u>\$ 5,115</u>	<u>10,962</u>	<u>10,600</u>	<u>19,413</u>

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

(8) **Pledged assets:**

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
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	\$ 15,138	15,132	18,247

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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:

	June 30, 2023	December 31, 2022	June 30, 2022
Outstanding standby letter of credit	\$ -	-	14,966

2. The Company signed contracts with domestic and foreign vendors for purchasing property, plant and equipment. As of June 30, 2023, December 31 and June 30, 2022, the contracts amounted to \$186,873, \$312,553 and \$365,827, respectively, and the unpaid payment and unissued letter of credit were \$28,785, \$105,503 and \$91,912, respectively.

(b) Contingencies: None.

(10) Losses Due to Major Disasters: None.

(11) Significant Subsequent Events: None.

(12) Other:

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

By item	April to June, 2023			April to June, 2022		
	Classified as cost of sales	Classified as operating expenses	Total	Classified as cost of sales	Classified as operating expenses	Total
Employee benefits						
Salary	52,471	22,051	74,522	66,431	28,183	94,614
Labor and health insurance	5,591	1,533	7,124	5,115	1,531	6,646
Pension	2,886	821	3,707	2,822	789	3,611
Remuneration of directors	-	410	410	-	1,285	1,285
Others	2,158	1,413	3,571	1,994	1,559	3,553
Depreciation	101,160	11,405	112,565	106,151	11,350	117,501
Amortization	53	607	660	170	1,298	1,468

By item	January to June, 2023			January to June, 2022		
	Classified as cost of sales	Classified as operating expenses	Total	Classified as cost of sales	Classified as operating expenses	Total
Employee benefits						
Salary	107,892	44,441	152,333	130,150	53,317	183,467
Labor and health insurance	11,155	3,644	14,799	10,025	4,054	14,079
Pension	5,854	1,636	7,490	5,466	1,529	6,995
Remuneration of directors	-	460	460	-	1,612	1,612
Others	4,689	2,268	6,957	3,950	2,927	6,877
Depreciation	199,766	22,626	222,392	218,360	23,434	241,794
Amortization	222	1,211	1,433	222	2,588	2,810

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LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

(b) Seasonality of operations

The Company were not affected seasonality or cyclicity factors.

(13) Other disclosures:

(a) Information on significant transactions

The followings were the information on significant transactions required by the “ Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company for the six months ended June 30, 2023:

1. Lending 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.
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 June 30, 2023, 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(r).
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 %
Cathay Life Insurance Co., Ltd.	6,554,000	7.13 %

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LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

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:

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.

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