

**LANDMARK OPTOELECTRONICS
CORPORATION**

Financial Statements

With Independent Auditors' Review Report

For the Nine Months Ended September 30, 2023 and 2022

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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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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 September 30, 2023 and 2022, and the related statements of comprehensive income for the three months and nine months ended September 30, 2023 and 2022, and the statements of changes in equity and cash flows for the nine months ended September 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 September 30, 2023 and 2022, and of its financial performance for the three months and nine months ended September 30, 2023 and 2022, and its cash flows for the nine months ended September 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)

October 25, 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****September 30, 2023, December 31, 2022, and September 30, 2022****(Expressed in Thousands of New Taiwan Dollars)**

		<u>September 30, 2023</u>		<u>December 31, 2022</u>		<u>September 30, 2022</u>				<u>September 30, 2023</u>		<u>December 31, 2022</u>		<u>September 30, 2022</u>	
Assets		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:															
1100	Cash and cash equivalents (note (6)(a))	\$ 535,957	12	1,643,506	32	1,475,546	30	2120	Current financial liabilities at fair value through profit or loss (note (6)(b))	\$ 127	-	18	-	-	-
1140	Current financial assets at amortized cost (note (6)(d))	708,700	16	-	-	-	-	2130	Contract liabilities-current (note (6)(q))	156	-	2,472	-	4,481	-
1170	Notes and trade receivables, net (notes (6)(e)(q))	198,380	5	458,320	9	501,158	10	2170	Trade payables	39,831	1	176,252	4	212,894	4
1220	Current tax assets	806	-	-	-	-	-	2200	Other payables	136,054	3	207,632	4	162,178	4
1310	Inventories (note (6)(f))	335,091	8	376,152	8	350,347	7	2230	Current tax liabilities	-	-	54,791	1	50,138	1
1410	Prepayments	14,518	-	17,357	-	17,091	-	2280	Current lease liabilities (note (6)(k))	7,230	-	7,141	-	7,112	-
1470	Other current assets	7,112	-	13,336	-	21,011	1	2300	Other current liabilities	<u>1,692</u>	<u>-</u>	<u>1,222</u>	<u>-</u>	<u>1,778</u>	<u>-</u>
1476	Other financial assets— current (note (8))	<u>2,614</u>	<u>-</u>	<u>2,593</u>	<u>-</u>	<u>2,583</u>	<u>-</u>			<u>185,090</u>	<u>4</u>	<u>449,528</u>	<u>9</u>	<u>438,581</u>	<u>9</u>
		<u>1,803,178</u>	<u>41</u>	<u>2,511,264</u>	<u>49</u>	<u>2,367,736</u>	<u>48</u>								
Non-current assets:															
1520	Non-current financial assets at fair value through other comprehensive income (notes (6)(b)(c))	116,781	3	-	-	-	-	2580	Non-current lease liabilities (note (6)(k))	300,544	7	305,978	6	307,774	6
1600	Property, plant and equipment (notes (6)(g)and (9))	2,074,880	47	2,163,544	43	2,222,599	45	2640	Net defined benefit liability— non-current	<u>5,371</u>	<u>-</u>	<u>5,377</u>	<u>-</u>	<u>7,324</u>	<u>-</u>
1755	Right-of-use assets (note (6)(h))	299,055	7	305,964	6	308,267	6			<u>305,915</u>	<u>7</u>	<u>311,355</u>	<u>6</u>	<u>315,098</u>	<u>6</u>
1780	Intangible assets	4,394	-	6,090	-	3,149	-		Total liabilities	<u>491,005</u>	<u>11</u>	<u>760,883</u>	<u>15</u>	<u>753,679</u>	<u>15</u>
1840	Deferred tax assets (note (6)(i))	63,129	2	17,951	-	17,163	-								
1980	Other financial assets— non-current (note (8))	12,866	-	12,846	-	12,846	-								
1900	Other non-current assets (notes (6)(j)and (9))	<u>5,333</u>	<u>-</u>	<u>99,763</u>	<u>2</u>	<u>54,626</u>	<u>1</u>								
		2,576,438	59	2,606,158	51	2,618,650	52	3110	Capital stock	<u>918,617</u>	<u>21</u>	<u>918,677</u>	<u>18</u>	<u>918,677</u>	<u>19</u>
								3200	Capital surplus	<u>1,829,273</u>	<u>42</u>	<u>1,872,362</u>	<u>37</u>	<u>1,872,362</u>	<u>38</u>
									Retained earnings:						
								3310	Legal reserve	648,155	15	615,067	12	615,067	12
								3350	Unappropriated earnings	<u>495,539</u>	<u>11</u>	<u>984,867</u>	<u>19</u>	<u>866,200</u>	<u>17</u>
										<u>1,143,694</u>	<u>26</u>	<u>1,599,934</u>	<u>31</u>	<u>1,481,267</u>	<u>29</u>
								3400	Other equity	<u>(2,973)</u>	<u>-</u>	<u>(34,434)</u>	<u>(1)</u>	<u>(39,599)</u>	<u>(1)</u>
									Total equity	<u>3,888,611</u>	<u>89</u>	<u>4,356,539</u>	<u>85</u>	<u>4,232,707</u>	<u>85</u>
Total assets		<u><u>\$ 4,379,616</u></u>	<u><u>100</u></u>	<u><u>5,117,422</u></u>	<u><u>100</u></u>	<u><u>4,986,386</u></u>	<u><u>100</u></u>		Total liabilities and equity	<u><u>\$ 4,379,616</u></u>	<u><u>100</u></u>	<u><u>5,117,422</u></u>	<u><u>100</u></u>	<u><u>4,986,386</u></u>	<u><u>100</u></u>

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

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

		For the three months ended September 30				For the nine months ended September 30			
		2023		2022		2023		2022	
		Amount	%	Amount	%	Amount	%	Amount	%
4100	Operating revenue (note (6)(q))	\$ 179,049	100	661,065	100	759,290	100	1,712,367	100
5000	Operating costs (notes (6)(f)(k)(l)(o)(r)(7)and (12))	214,085	120	458,441	69	699,858	92	1,201,398	70
5900	Gross profit (loss)	(35,036)	(20)	202,624	31	59,432	8	510,969	30
6000	Operating expenses (notes (6)(e)(k)(l)(o)(r)(7)and (12)):								
6100	Selling and marketing expenses	9,649	5	10,497	1	25,397	3	29,733	2
6200	General and administrative expenses	23,131	13	30,600	5	68,719	9	85,395	5
6300	Research and development expenses	81,357	45	64,167	10	216,640	29	194,400	11
6450	Impairment losses (Impairment gains and reversal of impairment losses) determined in accordance with IFRS 9	(22)	-	174	-	(296)	-	1,681	-
		114,115	63	105,438	16	310,460	41	311,209	18
6900	Operating income (loss)	(149,151)	(83)	97,186	15	(251,028)	(33)	199,760	12
7000	Non-operating income and expenses (notes (6)(k)(s)):								
7100	Interest income	4,548	3	2,392	-	15,743	2	6,368	-
7020	Other gains and losses	8,876	5	28,935	5	13,247	2	54,718	3
7050	Finance costs	(1,274)	(1)	(1,304)	-	(3,848)	(1)	(3,493)	-
		12,150	7	30,023	5	25,142	3	57,593	3
7900	Profit (loss) before income tax	(137,001)	(76)	127,209	20	(225,886)	(30)	257,353	15
7950	Less: income tax expenses (benefit) (note (6)(m))	(27,400)	(15)	24,242	4	(45,249)	(6)	45,143	3
8200	Net profit (loss)	(109,601)	(61)	102,967	16	(180,637)	(24)	212,210	12
8300	Other comprehensive income:								
8360	Components of other comprehensive income that will be reclassified to profit or loss (notes (6)(m)(o)):								
8367	Unrealized gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	16,781	9	-	-	16,781	2	-	-
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-	-	-	-	-
8300	Other comprehensive income	16,781	9	-	-	16,781	2	-	-
8500	Total comprehensive income	<u>\$ (92,820)</u>	<u>(52)</u>	<u>102,967</u>	<u>16</u>	<u>(163,856)</u>	<u>(22)</u>	<u>212,210</u>	<u>12</u>
	Earnings per share (in dollars), after tax (note (6)(p))								
9750	Basic earnings per share	<u>\$ (1.20)</u>		<u>1.13</u>		<u>(1.98)</u>		<u>2.33</u>	
9850	Diluted earnings per share	<u>\$ (1.20)</u>		<u>1.12</u>		<u>(1.98)</u>		<u>2.32</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 nine months ended Review September 30, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings			Other equity			
	Capital stock	Capital surplus	Legal reserve	Unappropriated earnings	Deferred compensation cost	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total other equity
							Total equity
Balance at January 1, 2022	\$ 913,692	1,844,873	581,480	961,684	(29,440)	-	(29,440)
Net Profit	-	-	-	212,210	-	-	212,210
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	212,210	-	-	212,210
Appropriation of 2021 earnings in 2022:							
Legal reserve	-	-	33,587	(33,587)	-	-	-
Cash dividends	-	-	-	(274,107)	-	-	(274,107)
Cash dividends from capital surplus	-	(45,685)	-	-	-	-	(45,685)
Expired restricted stock related liabilities transferred to capital surplus	-	2,170	-	-	-	-	2,170
Share-based payments transaction-restricted stock	4,990	59,748	-	-	(43,043)	-	(43,043)
Compensation cost arising from restricted stock	-	11,251	-	-	32,884	-	32,884
Restricted stock retired	(5)	5	-	-	-	-	-
Balance at September 30, 2022	<u>\$ 918,677</u>	<u>1,872,362</u>	<u>615,067</u>	<u>866,200</u>	<u>(39,599)</u>	<u>-</u>	<u>(39,599)</u>
Balance at January 1, 2023	\$ 918,677	1,872,362	615,067	984,867	(34,434)	-	(34,434)
Net Loss	-	-	-	(180,637)	-	-	(180,637)
Other comprehensive income	-	-	-	-	-	16,781	16,781
Total comprehensive income	-	-	-	(180,637)	-	16,781	(163,856)
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	-	-	14,680	-	14,680
Restricted stock retired	(60)	60	-	-	-	-	-
Balance at September 30, 2023	<u>\$ 918,617</u>	<u>1,829,273</u>	<u>648,155</u>	<u>495,539</u>	<u>(19,754)</u>	<u>16,781</u>	<u>(2,973)</u>

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

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

	For the nine months ended September 30	
	2023	2022
Cash flows from (used in) operating activities:		
Profit (loss) before tax	\$ (225,886)	257,353
Adjustments:		
Adjustments to reconcile profit / loss:		
Depreciation expenses	337,915	358,542
Amortization expenses	2,092	3,585
Expected credit losses (gains)	(296)	1,681
Unrealized net losses on change in fair value of financial assets and liabilities through profit or loss	109	-
Interest expense	3,848	3,493
Interest income	(15,743)	(6,368)
Compensation cost arising from restricted stocks	17,465	44,135
Loss on disposal of property, plan and equipment	-	52
Unrealized foreign exchange profit	(6,098)	(16,799)
Total adjustments to reconcile profit / loss	339,292	388,321
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in notes and trade receivables	266,158	(182,563)
Decrease (increase) in inventories	9,911	(80,188)
Decrease in prepayments	2,839	(2,385)
Decrease (increase) in other current assets	6,224	(14,585)
Total changes in operating assets	285,132	(279,721)
Changes in operating liabilities:		
Decrease in contract liabilities	(2,316)	(7,487)
Increase (decrease) in trade payables	(136,803)	116,758
Decrease in other payables	(52,394)	(20,293)
Increase (decrease) in other current liabilities	470	592
Decrease in defined benefit liability—non-current	(6)	-
Total changes in operating liabilities	(191,049)	89,570
Net changes in operating assets and liabilities	94,083	(190,151)
Total adjustments	433,375	198,170
Cash generated from operations	207,489	455,523
Interest received	15,743	6,368
Interest paid	(3,848)	(3,493)
Income tax paid	(55,526)	(73,179)
Net cash generated from operating activities	163,858	385,219
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(100,000)	-
Acquisition of financial assets at amortised cost	(708,700)	-
Acquisition of property, plant and equipment	(137,049)	(326,049)
Acquisition of intangible assets	(122)	(350)
Increase in other financial assets—current and non-current	(41)	218
Increase in other non-current assets	-	(51,685)
Net cash used in investing activities	(945,912)	(377,866)
Cash flows from (used in) financing activities:		
Cash dividends	(321,537)	(319,792)
Issuance of restricted stock	-	21,695
Repurchase of restricted stock	(281)	(22)
Payment of lease liabilities	(5,345)	(5,697)
Net cash used in financing activities	(327,163)	(303,816)
Effects of exchange rate changes on balance of cash held in foreign currencies	1,668	888
Net decrease in cash and cash equivalents	(1,107,549)	(295,575)
Cash and cash equivalents at the beginning of year	1,643,506	1,771,121
Cash and cash equivalents at the end of year	\$ 535,957	1,475,546

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

LANDMARK OPTOELECTRONICS CORPORATION

Notes to the Financial Statements

September 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 nine months ended September 30, 2023 and 2022 were authorized for issuance by the Board of Directors on October 25, 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”

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

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

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

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

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

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LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

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

The Company does not expect the following other 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 IAS21 “Lack of exchangeability”

(4) Summary of material 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 material 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) Financial instruments

Fair value through other comprehensive income (FVOCI)

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

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

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

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LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

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

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

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

(c) 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.

(d) 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 measured by multiplying together the pre-tax income for the interim reporting period and the management's best estimate of effective annual tax rate. 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.

(Continued)

LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

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.

(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

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Cash	\$ 188	180	182
Demand deposits	331,113	354,527	455,264
Time deposits	50,000	1,008,700	938,400
Repurchase agreements collateralized by commercial paper	<u>154,656</u>	<u>280,099</u>	<u>81,700</u>
Cash and cash equivalents in the statement of cash flows	<u><u>\$ 535,957</u></u>	<u><u>1,643,506</u></u>	<u><u>1,475,546</u></u>

Please refer to Note 6(t) 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>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Financial liabilities mandatorily measured at fair value through profit or loss:			
Derivative instruments not used for hedging			
— forward exchange contracts	<u><u>\$ 127</u></u>	<u><u>18</u></u>	<u><u>-</u></u>

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

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:

September 30, 2023			
	Contract amount (in thousands)	Currency	Maturity period
Forward exchange sold	\$ <u>480</u>	USD	2023.10.3~2023.10.13
December 31, 2022			
	Contract amount (in thousands)	Currency	Maturity period
Forward exchange sold	\$ <u>740</u>	USD	2023.02.22

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

	September 30, 2023	December 31, 2022	September 30, 2022
Debt investments at fair value through other comprehensive income			
Corporate bonds — Cathay Life Insurance Co., Ltd.	\$ <u>116,781</u>	<u>-</u>	<u>-</u>

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

The Company purchased a 10-year corporate bond with a face value of \$100,000 thousand on July, 2023, and its fixed interest rate was 3.7%.

For credit risk and market risk, please refer to note 6(t).

The aforementioned financial assets were not pledged as collateral for borrowings.

(d) Financial assets measured at amortized cost

	September 30, 2023	December 31, 2022	September 30, 2022
Time deposits	\$ <u>708,700</u>	<u>-</u>	<u>-</u>
Range of Interest Rate(%)	<u>1.3~1.575</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.

(Continued)

LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

(e) **Notes and trade receivables**

	September 30, 2023	December 31, 2022	September 30, 2022
Trade receivables—measured as amortized cost	\$ 200,376	460,612	503,711
Less: Loss allowance	(1,996)	(2,292)	(2,553)
	<u>\$ 198,380</u>	<u>458,320</u>	<u>501,158</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:

September 30, 2023			
	Gross carry amount of trade receivables	Weighted-average loss rate	Loss allowance provision
Current	\$ 113,832	0.18%	205
1 to 90 days past due	85,368	0.72%	615
91 to 180 days past due	-	55.63%	-
More than 181 days past due	1,176	100%	1,176
Total	<u>\$ 200,376</u>		<u>1,996</u>
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	<u>\$ 460,612</u>		<u>2,292</u>
September 30, 2022			
	Gross carry amount of trade receivables	Weighted-average loss rate	Loss allowance provision
Current	\$ 427,184	0.19%	812
1 to 90 days past due	75,351	0.75%	565
91 to 180 days past due	-	0.00%	-
More than 181 days past due	1,176	100%	1,176
Total	<u>\$ 503,711</u>		<u>2,553</u>

(Continued)

LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

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

	For the nine months ended September 30,	
	2023	2022
Balance at beginning of the year	\$ 2,292	872
Impairment losses recognized (reversed)	(296)	1,681
Balance at end of the year	<u>\$ 1,996</u>	<u>2,553</u>

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

(f) Inventories

	September 30, 2023	December 31, 2022	September 30, 2022
Raw materials and supplies	\$ 194,581	217,626	186,363
Work in progress	33,914	31,134	38,449
Finished goods	106,596	127,392	125,535
	<u>\$ 335,091</u>	<u>376,152</u>	<u>350,347</u>

The details of the cost of sales are as follows:

	July to September, 2023	July to September, 2022	January to September, 2022	January to September, 2022
Inventories that have been sold	\$ 131,362	440,939	588,680	1,141,303
Provision for inventories obsolescence (Reversal of write-downs)	(19,046)	(42,742)	11,997	1,747
Write-off for inventories scrapped	33,802	60,244	33,802	60,244
Idle capacity loss	67,967	-	67,967	-
Revenue from sale of scrap	-	-	(2,588)	(1,896)
	<u>\$ 214,085</u>	<u>458,441</u>	<u>699,858</u>	<u>1,201,398</u>

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

(Continued)

LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

(g) 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	1,908	113,520	117,035
Reclassification	-	81,644	-	-	188,435	(144,772)	125,307 (Note1)
Balance at September 30, 2023	<u>\$ 917,872</u>	<u>1,530,898</u>	<u>3,859</u>	<u>41,891</u>	<u>2,785,711</u>	<u>163,915</u>	<u>5,444,146</u>
Balance at January 1, 2022	\$ 917,872	1,257,110	3,859	35,374	2,456,345	44,260	4,714,820
Additions	-	-	-	-	1,682	305,046	306,728
Disposals	-	-	-	-	7,071	-	(7,071)
Reclassification	-	189,697	-	5,250	110,936	(161,140)	144,743 (Note2)
Balance at September 30, 2022	<u>\$ 917,872</u>	<u>1,446,807</u>	<u>3,859</u>	<u>40,624</u>	<u>2,561,892</u>	<u>188,166</u>	<u>5,159,220</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	19,187	76,956	-	1,951	232,912	-	331,006
Balance at September 30, 2023	<u>\$ 126,986</u>	<u>1,310,563</u>	<u>3,859</u>	<u>13,991</u>	<u>1,913,867</u>	<u>-</u>	<u>3,369,266</u>
Balance at January 1, 2022	\$ 82,215	1,105,870	3,859	9,798	1,390,265	-	2,592,007
Depreciation	19,187	100,200	-	1,627	230,619	-	351,633
Disposals	-	-	-	-	7,019	-	(7,019)
Balance at September 30, 2022	<u>\$ 101,402</u>	<u>1,206,070</u>	<u>3,859</u>	<u>11,425</u>	<u>1,613,865</u>	<u>-</u>	<u>2,936,621</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 September 30, 2023	<u>\$ 790,886</u>	<u>220,335</u>	<u>-</u>	<u>27,900</u>	<u>871,844</u>	<u>163,915</u>	<u>2,074,880</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 September 30, 2022	<u>\$ 816,470</u>	<u>240,737</u>	<u>-</u>	<u>29,199</u>	<u>948,027</u>	<u>188,166</u>	<u>2,222,599</u>

Note 1 : Other non-current assets – prepayment for equipment and inventories have been reclassified to testing equipment and other equipment with \$94,157 and \$31,150, 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 \$19,307, respectively.

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

(Continued)

LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

(h) **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 September 30, 2023(as the balance of January 1,2023)	\$ <u><u>342,173</u></u>
Balance at January 1, 2022	\$ 339,378
Variable lease payments	<u>2,795</u>
Balance at September 30, 2022	\$ <u><u>342,173</u></u>
Accumulated depreciation and impairment loss:	
Balance at January 1,2023	\$ 36,209
Depreciation	<u>6,909</u>
Balance at September 30, 2023	\$ <u><u>43,118</u></u>
Balance at January 1, 2022	\$ 26,997
Depreciation	<u>6,909</u>
Balance at September 30, 2022	\$ <u><u>33,906</u></u>
Carrying amounts:	
Balance at January 1, 2023	\$ <u><u>305,964</u></u>
Balance at September 30, 2023	\$ <u><u>299,055</u></u>
Balance at January 1, 2022	\$ <u><u>312,381</u></u>
Balance at September 30, 2022	\$ <u><u>308,267</u></u>

(i) **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><u>6,090</u></u>
Balance at September 30, 2023	\$ <u><u>4,394</u></u>
Balance at January 1 , 2022	\$ <u><u>5,992</u></u>
Balance at September 30, 2022	\$ <u><u>3,149</u></u>

(Continued)

LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

There were no significant additions, disposal, or recognition and reversal of impairment losses of intangible assets for the nine months ended September 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.

(j) Other non-current assets

	September 30, 2023	December 31, 2022	September 30, 2022
Prepayment for equipment	\$ 2,363	96,519	51,212
Others	2,970	3,244	3,414
Total	<u><u>\$ 5,333</u></u>	<u><u>99,763</u></u>	<u><u>54,626</u></u>

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

(k) Lease liabilities

The carrying amounts of lease liabilities were as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Current	\$ 7,230	7,141	7,112
Non-current financial liabilities	300,544	305,978	307,774
	<u><u>\$ 307,774</u></u>	<u><u>313,119</u></u>	<u><u>314,886</u></u>

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

The amounts recognized in profit or loss were as follows:

	July to September, 2023	July to September, 2022	January to September, 2023	January to September, 2022
Interest on lease liabilities	\$ <u><u>1,274</u></u>	<u><u>1,304</u></u>	<u><u>3,845</u></u>	<u><u>3,493</u></u>
Expenses relating to short-term leases	\$ <u><u>257</u></u>	<u><u>258</u></u>	<u><u>786</u></u>	<u><u>801</u></u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u><u>32</u></u>	<u><u>32</u></u>	<u><u>95</u></u>	<u><u>95</u></u>

(Continued)

LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

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

	January to September, 2023	January to September, 2022
Total cash outflow for leases	\$ <u>10,071</u>	<u>10,086</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.

(l) 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:

	July to September, 2023	July to September, 2022	January to September, 2023	January to September, 2022
Cost of sales	\$ 52	57	184	193
Selling expenses	9	6	21	17
Research and development expenses	(4)	16	14	29
	<u>\$ 57</u>	<u>79</u>	<u>219</u>	<u>239</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.

	July to September, 2023	July to September, 2022	January to September, 2023	January to September, 2022
Cost of sales	\$ 2,779	2,705	8,501	8,035
Selling expenses	243	182	606	496
General and administrative expenses	296	260	774	753
Research and development expenses	241	387	1,006	1,085
	<u>\$ 3,559</u>	<u>3,534</u>	<u>10,887</u>	<u>10,369</u>

(m) **Income taxes**

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

	July to September, 2023	July to September, 2022	January to September, 2023	January to September, 2022
Current tax expense				
Current period	\$ (27,400)	24,242	(45,177)	50,270
Adjustment for prior periods	-	-	(72)	(5,127)
Income tax expense (benefit)	<u>\$ (27,400)</u>	<u>24,242</u>	<u>(45,249)</u>	<u>45,143</u>

There were no income tax expense recognized in equity and other comprehensive income for the nine months ended September 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.

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

As of September 30, 2023, December 31 and September 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 \$91,868 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 nine months ended September 30, 2023 and 2022. For more information, please refer to note 6(l) of the financial statements for the year ended December 31, 2022.

(Continued)

LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

(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 April 26, 2023, and July 27, 2022, the Company's board of directors approved a resolution to retire 6 thousand shares, and 0.5 thousand shares of restricted stock, respectively, which are non-vested. The basis date of the decrease in capital were May 31, 2023, and August 23, 2022, respectively, and the registration procedures have been completed.

(3) Capital surplus

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

	September 30, 2023	December 31, 2022	September 30, 2022
Additional paid-in capital	\$ 1,766,680	1,812,614	1,812,614
Restricted stock	<u>62,593</u>	<u>59,748</u>	<u>59,748</u>
Total	<u>\$ 1,829,273</u>	<u>1,872,362</u>	<u>1,872,362</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).

(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 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.

(Continued)

LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

These earnings were appropriated as follows:

	2022		2021	
	TWD/per share	Amount	TWD/per share	Amount
Dividend distributed to common shareholders:				
Cash dividends	\$ 3.0	<u>275,603</u>	3.0	<u>274,107</u>

(5) Other equity

	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income
Balance at January 1, 2023	\$ -
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	<u>16,781</u>
Balance at September 30, 2022	<u>\$ 16,781</u>

(o) **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 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.

(Continued)

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 \$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 September, 2023	January to September, 2022
Outstanding at January 1	499	219
Granted during the year	-	499
Vested during the year	(247)	(214)
Retired during the year	(6)	(1)
Outstanding at September 30	<u>246</u>	<u>503</u>

For the three months and nine months ended September 30, 2023 and 2022, the compensation cost of restricted stock amounted to \$5,387, \$22,055, \$17,465 and \$44,135, respectively, which were recognized as operating cost or operating expenses.

(p) Earnings per share

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

	Unit of shares: thousand			
	July to September, 2023	July to September, 2022	January to September, 2023	January to September, 2022
Basic earnings per share:				
Profit (loss) attributable to ordinary shareholders of the Company	\$ <u>(109,601)</u>	<u>102,967</u>	<u>(180,637)</u>	<u>212,210</u>
Weighted-average number of common shares outstanding	<u>91,472</u>	<u>91,234</u>	<u>91,407</u>	<u>91,178</u>
	<u>\$ (1.20)</u>	<u>1.13</u>	<u>(1.98)</u>	<u>2.33</u>

(Continued)

LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

	July to September, 2023	July to September, 2022	January to September, 2023	January to September, 2022
Diluted earnings per share:				
Profit (loss) attributable to ordinary shareholders of the Company (diluted)		\$ <u>102,967</u>		<u>212,210</u>
Weighted-average number of common shares outstanding		91,234		91,178
Remuneration to employees		198		217
Effect of restricted stock		<u>154</u>		<u>157</u>
Weighted-average number of common shares outstanding (diluted)		<u>91,586</u>		<u>91,552</u>
		<u>\$ 1.12</u>		<u>2.32</u>

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

(q) Revenue from contracts with customers

1. Disaggregation of revenue

	July to September, 2023	July to September, 2022	January to September, 2023	January to September, 2022
Primary geographical markets:				
Mainland China	\$ 130,031	267,234	526,861	708,246
United States	12,822	187,772	49,122	410,192
United Kingdom	-	146,651	26,168	349,265
Taiwan	22,421	28,827	58,679	90,543
Others	<u>13,775</u>	<u>30,581</u>	<u>98,460</u>	<u>154,121</u>
	<u>\$ 179,049</u>	<u>661,065</u>	<u>759,290</u>	<u>1,712,367</u>
Major products:				
Wafer	\$ 177,775	657,242	753,257	1,699,849
Others	<u>1,274</u>	<u>3,823</u>	<u>6,033</u>	<u>12,518</u>
	<u>\$ 179,049</u>	<u>661,065</u>	<u>759,290</u>	<u>1,712,367</u>

(Continued)

LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

2. Contract balances

	September 30, 2023	December 31, 2022	September 30, 2022
Note and trade receivables	\$ 200,376	460,612	503,711
Less: Loss allowance	<u>(1,996)</u>	<u>(2,292)</u>	<u>(2,553)</u>
	<u>\$ 198,380</u>	<u>458,320</u>	<u>501,158</u>
Contract liabilities	<u>\$ 156</u>	<u>2,472</u>	<u>4,481</u>

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

The amount of revenue recognized for the three months and nine months ended September 30, 2023 and 2022 that were included in the contract liability balance at the beginning of the period were \$0, \$289, \$2,472 and \$11,732, 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.

(r) 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 nine months ended September 30, 2022, the remuneration to employees amounted to \$13,619 and \$28,242, and the remuneration of directors amounted to \$1,362 and \$2,824. 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 nine-months ended September 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.

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.

(Continued)

LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

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

1. Interest income

	July to September, 2023	July to September, 2022	January to September, 2023	January to September, 2022
Bank deposits	\$ <u>4,548</u>	<u>2,392</u>	<u>15,743</u>	<u>6,368</u>

2. Other gains and losses

	July to September, 2023	July to September, 2022	January to September, 2023	January to September, 2022
Foreign exchange gains, net	\$ 10,721	29,647	15,047	56,638
Losses on valuation of financial assets and liabilities by fair value, net	(1,971)	(906)	(2,952)	(2,287)
Loss on disposal of property, plan and equipment	-	(52)	-	(52)
Others	<u>126</u>	<u>246</u>	<u>1,152</u>	<u>419</u>
	<u>\$ 8,876</u>	<u>28,935</u>	<u>13,247</u>	<u>54,718</u>

3. Finance costs

	July to September, 2023	July to September, 2022	January to September, 2023	January to September, 2022
Interest on lease liabilities	\$ 1,274	1,304	3,845	3,493
Bank loans	<u>-</u>	<u>-</u>	<u>3</u>	<u>-</u>
	<u>\$ 1,274</u>	<u>1,304</u>	<u>3,848</u>	<u>3,493</u>

(t) **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.

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LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

(2) Concentration of credit risk

As of September 30, 2023, December 31 and September 30, 2022, a few customers of the Company accounted for 52.56%, 67.29% and 69.15%, respectively, of operating revenue, and they were 71.16%, 82.62% and 82.56%, respectively, of trade receivables as of September 30, 2023, December 31 and September 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 September 30, 2023 and 2022, please refer to note 6(e).

Other financial assets at amortized cost include time deposits (pledged time deposits classified as other financial assets) and debt investments at fair value through other comprehensive income include public bonds. The Company did not recognize and reverse any loss allowance provision for the nine months ended September 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
September 30, 2023							
Non-derivative financial liabilities							
Non-interest-bearing liabilities	\$ 175,885	175,885	175,885	-	-	-	-
Lease liabilities	307,774	398,657	6,127	6,127	12,254	36,762	337,387
Derivative financial liabilities							
Other forward exchange contracts	127	127	127	-	-	-	-
	<u>\$ 483,786</u>	<u>574,669</u>	<u>182,139</u>	<u>6,127</u>	<u>12,254</u>	<u>36,762</u>	<u>337,387</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	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>

(Continued)

LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6 to 12 months</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>More than 5 years</u>
September 30, 2022							
Non-derivative financial liabilities							
Non-interest-bearing liabilities	\$ 375,072	375,072	375,072	-	-	-	-
Lease liabilities	<u>314,886</u>	<u>410,911</u>	<u>6,127</u>	<u>6,127</u>	<u>12,254</u>	<u>36,762</u>	<u>349,641</u>
	<u>\$ 689,958</u>	<u>785,983</u>	<u>381,199</u>	<u>6,127</u>	<u>12,254</u>	<u>36,762</u>	<u>349,641</u>

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

	<u>September 30, 2023</u>			<u>December 31, 2022</u>			<u>September 30, 2022</u>		
	<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>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD amount</u>
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	\$ 8,747	32.27	282,287	19,305	30.71	592,854	18,184	31.750	577,337
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	1,927	32.27	62,196	4,560	30.71	140,029	5,362	31.750	170,252
<u>Non-Monetary items</u>									
USD	480	32.27	15,490	740	30.71	22,725	-	-	-

For the three months and nine months ended September 30, 2023 and 2022, the exchange gains or losses (including realized and unrealized) that resulted from monetary items translated to the functional currency were \$10,721, \$29,647, \$15,047 and \$56,638, 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 \$5,282 and \$9,770 for the nine months ended September 30, 2023 and 2022, respectively. The analysis is performed on the same basis.

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LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

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:

		September 30, 2023				
		Carrying	Fair Value			
		amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income		<u><u>\$ 116,781</u></u>	116,781	-	-	116,781
Financial assets measured at amortized cost						
Cash	\$	535,957	-	-	-	-
Trade receivables		198,380	-	-	-	-
Financial assets at amortized cost — current		708,700	-	-	-	-
Other financial assets — current and non-current		<u>15,480</u>	-	-	-	-
Total		<u><u>\$1,458,517</u></u>				
Financial liabilities measured at amortized cost						
Payables	\$	175,885	-	-	-	-
Lease liabilities		<u>307,774</u>	-	-	-	-
Total		<u><u>483,659</u></u>	-	-	-	-
Financial liabilities at fair value through profit or loss						
Derivative financial liabilities	\$	<u><u>127</u></u>	-	127	-	127
		December 31, 2022				
		Carrying	Fair Value			
		amount	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost						
Cash	\$	1,643,506	-	-	-	-
Trade receivables		458,320	-	-	-	-
Other financial assets — current and non-current		<u>15,439</u>	-	-	-	-
Total		<u><u>\$2,117,265</u></u>				
Financial liabilities measured at amortized cost						
Payables	\$	383,884	-	-	-	-
Lease liabilities		<u>313,119</u>	-	-	-	-
Total		<u><u>\$ 697,003</u></u>	-	-	-	-

(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 liabilities at fair value through profit or loss						
Derivative financial liabilities	\$	<u>18</u>	-	18	-	18
		September 30, 2022				
		Carrying	Fair Value			
		amount	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost						
Cash	\$	1,475,546	-	-	-	-
Trade receivables		501,158	-	-	-	-
Other financial assets — current and non-current		<u>15,429</u>	-	-	-	-
Total		<u><u>\$ 1,992,133</u></u>				
Financial liabilities measured at amortized cost						
Payables	\$	375,072	-	-	-	-
Lease liabilities		<u>314,886</u>	-	-	-	-
Total	\$	<u><u>689,958</u></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 September 30, 2023 and 2022.

2. Valuation techniques for financial instruments measured at fair value

(2.1) Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

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LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

The carrying amount and fair value through other comprehensive income of the Company's financial asset is regarded as being quoted in an active market.

(2.2) Derivative financial instruments

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.

(u) 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.

(v) 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:

	September 30, 2023	December 31, 2022	September 30, 2022
Total liabilities	\$ 491,005	760,883	753,679
Less: cash	(535,957)	(1,643,506)	(1,475,546)
Less: financial assets measured at amortized cost — current	(708,700)	-	-
Net debt	<u>\$ (753,652)</u>	<u>(882,623)</u>	<u>(721,867)</u>
Total equity	<u>\$ 3,888,611</u>	<u>4,356,539</u>	<u>4,232,707</u>
Debt-to-equity ratio	<u>(19.38)%</u>	<u>(20.26)%</u>	<u>(17.05)%</u>

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

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LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

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

Reconciliation of liabilities arising from financing activities were as follows:

	Lease liabilities
January 1, 2023	\$ 313,119
Cash flows	
Payment of lease liabilities	(5,345)
September 30, 2023	<u>\$ 307,774</u>
January 1, 2022	\$ 317,788
Cash flows	
Payment of lease liabilities	(5,697)
Non-cash changes	
Variable lease payments	2,795
September 30, 2022	<u>\$ 314,886</u>

(7) Related-party transactions:

Key management personnel compensation comprised:

	July to September, 2023	July to September, 2022	January to September, 2023	January to September, 2022
Short-term employee benefits	\$ 5,110	7,607	13,239	19,543
Post-employment benefits	135	117	440	350
Share-based payments	1,479	7,130	3,645	14,374
	<u>\$ 6,724</u>	<u>14,854</u>	<u>17,324</u>	<u>34,267</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:

Pledged assets	Object	September 30, 2023	December 31, 2022	September 30, 2022
Other financial assets — current and non-current (restricted bank deposits)	Post-release duty payment of import cargo, Southern Taiwan Science Park's lease	<u>\$ 15,153</u>	<u>15,132</u>	<u>15,121</u>

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LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

(9) Significant commitments and contingencies:

(a) Unrecognized contractual commitments:

The Company signed contracts with domestic and foreign vendors for purchasing property, plant and equipment. As of September 30, 2023, December 31 and September 30, 2022, the contracts amounted to \$187,881, \$312,553 and \$255,931, respectively, and the unpaid payment and unissued letter of credit were \$24,766, \$105,503 and \$97,610, 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	By function	July to September, 2023			July to September, 2022		
		Classified as cost of sales	Classified as operating expenses	Total	Classified as cost of sales	Classified as operating expenses	Total
Employee benefits							
Salary		52,803	20,547	73,350	75,874	37,682	113,556
Labor and health insurance		5,394	2,970	8,364	5,116	2,332	7,448
Pension		2,831	785	3,616	2,762	851	3,613
Remuneration of directors		-	1,085	1,085	-	1,412	1,412
Others		2,057	524	2,581	2,043	1,243	3,286
Depreciation		103,130	12,393	115,523	105,510	11,238	116,748
Amortization		52	607	659	170	605	775

By item	By function	January to September, 2023			January to September, 2022		
		Classified as cost of sales	Classified as operating expenses	Total	Classified as cost of sales	Classified as operating expenses	Total
Employee benefits							
Salary		160,695	64,988	225,683	206,024	90,999	297,023
Labor and health insurance		16,549	6,614	23,163	15,141	6,386	21,527
Pension		8,685	2,421	11,106	8,228	2,380	10,608
Remuneration of directors		-	1,545	1,545	-	3,024	3,024
Others		6,746	2,792	9,538	5,993	4,170	10,163
Depreciation		302,896	35,019	337,915	323,870	34,672	358,542
Amortization		274	1,818	2,092	392	3,193	3,585

(b) Seasonality of operations

The Company were not affected seasonality or cyclicity factors.

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LANDMARK OPTOELECTRONICS CORPORATION

Notes to the Financial Statements

(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 nine months ended September 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):

Company holding securities	Security type and name	Relationship with the Company	Account	September, 2023				Remark
				Shares (in thousands)	Carrying value	Percentage of ownership (%)	Market value (or net value)	
The Company	Cathy Life issued its first unsecured subordinated ordinary corporate bonds of the 2023	-	Financial assets at fair value through other comprehensive income - noncurrent	-	116,781	- %	116,781	

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 September 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(s).

10. Business relationships and significant intercompany transactions:None.

LANDMARK OPTOELECTRONICS CORPORATION
Notes to the Financial Statements (Continued)

- (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.	5,746,000	6.25 %

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.

(Continued)